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LAHORE.Ph:37226953, 37223044, 0307-4695380, 0300-8408932.Email: lhr@sasalam.com.pk
KARACHI: 2nd Fl, Panorama Centre-I, Fatima Jinnah Rd. Tel: 35641410, 35437701, 0343 4870813.
ISLAMABAD: and other regions: through Lahore Tel: 042-37226953, 0300-8408932, 0307-4695380

S. A. SALAM's
Complete Income Tax Law
(8th Edition)
191st Update – September 15, 2026

Please find enclosed **173** updated pages so as to complete and update your copy of Complete Income Tax Law *8th Edition*. Kindly insert as follows:

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Yours sincerely,
Manager

Note from the Author

It gives me great pleasure to complete the 191st update of Complete Income Tax Law *8th Edition*. This update covers:

-SROs: 1165(I)/2026, 1166(I)/2026, 1286(I)/2026, 1439(I)/2026, 1495(I)/2026; and

-Circulars: No. 1(500)SA-M(IR-Ops)/2026/75102-R, Circular No.01 of 2026-27 & Circular No.02 of 2026-27.

The changes are briefly listed as follows:-

Part I – Income Tax Ordinance

Changes by Finance Act 2026:-

On pages I-7 onwards, extracts from the **Income Tax Circular No. 2 of 2026-2027** dated September 08, 2026 have been reproduced under relevant sections and provisions of Income Tax Ordinance to explain important amendments made by the Finance Act 2026, at the relevant pages as follows:-

1. On pages 7, 220(1), 234, 392(1), 418(6) re: **Faceless Regime for Audit, Assessment, Appeals and Jurisdiction** under sections 2(5), 2(35)(1A), 122E, 129A, 209B and 227D.

2. On pages 4(1), 178(2), 244(23) re: **Algorithmic Settlement Mechanism** under sections 2(1AA), 114(6), (6B) and 134B.

3. On pages 7, 257 re: **Taxation of Non-resident Shipping through an Authorised Shipping Agent** under sections 2(6A) and 143.

4. On page 20(1) re: **Withdrawal of Surcharge on Salaried Individuals** under section 4AB.

5. On page 25 re: **Adjustability of Tax under the E-commerce Tax Regime** under section 6A.

6. On page 28(5) re: **Omission of Tax on Deemed Income** under section 7E & tax rate in Division VIIIC.

7. On pages 28(8), 284(1) re: **Tax on Certain Payments by Life Insurance Business** under sections 7G, 151B and Division IC of Part III of the First Schedule.

8. On pages 54(3), 108T, 360 re: **Integration with the Board's Computerized System** under sections 2(19DA). 2(30A), 2(30D). 2(42AA). 21(r), 64D and 174(5).

9. On page 98 re: **Rationalization of Withholding Tax Rates in the Nature of Minimum Tax** under section 53A.

10. On page 118(2) re: **Cost of Inherited Immovable Property and Transmission on Death** under sections 76(8A) and 79.

11. On page 128 re: **Limited Liability Partnership** under sections 80(2)(a) and 92.

12. On page 138(1), 446(32), 585 re: **Other amendments** under section 99B and First Schedule Parts III Division IV & IVA, Twelfth Schedule Pt-II.

13. On pages 138(5), 287 re: **Capital Gains - Computation and Withholding** under sections 100B and 152(1DA).

14. On page 178 re: **Electronic Filing of Returns and Financial Statements** under section 114(2A).

15. On page 244(6.2) re: **Independent Case Scrutiny Committee** under section 133A.

16. On page 244(12.4) re: **Amendments in Alternative Dispute Resolution** under section 134A.

17. On page 270(2.1) re: **Omission and Relocation of Certain Provisions** under sections 147(6C), 231B(6)(c).

18. On page 312(1) re: **Withholding Tax on Revenues Received from Social Media Platforms** under sections 154B and Division IIIAB of Part III of the First Schedule.

19. On page 320 re: **Exemption Certificates for certain persons & NPOs** under section 159(1C) & (1D).

20. On pages 324(10.2), 363 re: **Reporting of Financial Transaction Data by Banks** under sections 165AB & 175AA.

21. On page 372 re: **Enhanced Powers of Re-audit, Re-valuation and Actuarial Valuation** under section 177(6B).

23. On page 376(4) re: **Enhancement of Penalties** under section 182.

24. On page 376(12.3) re: **Surcharge and Undertaking Option for Persons Not on the Active Taxpayers' List** under section 182A.

25. On page 420(1) re: **Directorate General (Field Compliance) and Disclosure of Information** under section 228A.

26. On page 446(1) re: **Super Tax on High Earning Persons** under Division IIB of Part I of the First Schedule and clause (104B) of Part IV of the Second Schedule.

27. On pages 446(58), 446(61) re: **Amendments in Advance Tax on Immovable Property and International Credit/Debit Card and Omission of Advance Tax on TV Plays and Advertisements** under Division X, XVIII, XXVII and XA of Part IV of the First Schedule.

28. On pages 472, 496, 446(7) re: **Reduced Rates** under Second Schedule Part I clauses (79) & (99C); Part II clauses (5AA) & (24D).

29. On pages 496(57), 496(88), 496(90), 496(90.1) re: **Rationalization of Exemptions from Specific Provisions** under Part IV of the Second Schedule - clauses (47B), (111AB), (114A) and (115).

30. On pages 557, 566, 568(2) & 568(4) re: **Omission and Relocation of Certain Provisions** under Eighth Schedule Rule 5 and Tenth Schedule Rule 1A, 10, 10(y).

Changes by other Instruments:-

31. On page I-204(1), **Income Tax Circular No. 1 of 2026-2027** dated August 31, 2026 has been reproduced. This is re: **Mandatory use of Compliance Risk Management (CRM) System for Initiation of Assessment Proceedings under the Income Tax Ordinance, 2001 with effect from 1st September, 2026**.

32. On page I-254, Circular No. **1(500)SA-M(IR-Ops)/2026/75102-R** dated July 10, 2026 has been reproduced. This is re: Recovery Procedure u/s 140 of the Income Tax Ordinance, 2001.

33. On page I-298(1), **SRO 1166(I)/2026** dated July 27, 2026 has been reproduced. This is re: **Special Procedure for Small Shopkeepers**.

34. On page I-566, Correction has been made in the **Tenth Schedule**.

Part II – Income Tax Rules, 2002

35. On page II-22E onwards, some correction have been made in Rule 13L of the Income Tax Rules, 2002.

36. On page II-144AA onwards, new Rule 231CB has added in the Income Tax Rules, 2002 by **SRO 1165(I)/2026** dated July 27, 2026, later on amended by **SRO 1286(I)/2026** dated August 05, 2026. This is re: **Independent case scrutiny committees.**

37. On page II-144.3, amendments in the Second Schedule to the Income Tax Rules, 2002 - new Part-II-ZE, Part-II-ZF, Part-II-ZG and Part-II-ZH have been added by **SRO 1495(I)/2026** dated September 02, 2026. These are re: **Income Tax Return Forms for the Tax Year 2026**.

38. On page II-165 onwards, Regulations 1, 2, 4, 6, 8 of the Federal Board of Revenue **Anti-Money Laundering and Countering Financing of Terrorism Regulations for DNFBPs, 2020** have been amended by **SRO 1439(I)/2026** dated August 27, 2026**.**

Your suggestions, comments etc. will be very useful for improvement of the work.

Sheikh Asif Salam
Chartered Accountant

Federal Board of Revenue Anti Money Laundering and Countering Financing of Terrorism Regulations for DNFBPs, 2020

S.R.O. 924(I)/2020, Islamabad, the 29th September, 2020.– In exercise of powers conferred under section 6A of the Anti-Money Laundering Act, 2010 (VII of 2010) read with clause 1(iii) of Schedule IV to the said Act, Federal Board of Revenue is pleased to make the following [1][regulations] in respect of the Designated Non-Financial Businesses and Professions(DNFBPs), namely:-

Chapter 1

Preliminary

1. Short title application and commencement.- (1) These regulations may be called the Federal Board of Revenue Anti Money Laundering and Countering Financing of Terrorism Regulations for DNFBPs, 2020.

[2][(2) These regulations shall apply to real estate agents, dealers in precious metals and dealers in precious stones and accountants.]

(3) They shall come into force at once.

2. Definitions.- (1) In these regulations, unless there is anything repugnant in the subject or the context-

(a) "Accountants" means, other than those regulated by Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP), sole practitioners, partners or employed professionals within professional firms when they carry out the activities as specified in the AML Act in section 2, in clause (xii) in sub clause (c) or (d);

Explanation.- The term "Accountants" is not meant to refer to 'internal' professionals that are employees of other types of businesses, nor to professionals working for government agencies, who may already be subject to AMUCFT measures;

(b) "AML Act" means the Anti-money Laundering Act, 2010 (VII of 2010);

8-191-15-09-2026

[1]Substituted for "Regulations" by SRO 1439(I)/2026 dated August 27, 2026.

[2]Regulation 1(2) substituted by SRO 1439(I)/2026 dated August 27, 2026. Before substitution it read as follows:-

"(2) These Regulations shall apply to real estate agents, jewellers and Accountants."

(c) "AML/CFT" means Anti-Money Laundering and Countering Financing of Terrorism;

(d) "AMUCFT Regulatory Authority" for purposes of these regulations means the Federal Board of Revenue or FBR;

(e) "close associate" of a PEP means-

(i) an individual known to have joint beneficial ownership of a legal person or a legal arrangement or any other close business relations with the PEP;

(ii) an individual who has sole beneficial ownership of a legal person or a legal arrangement which is known to have been set up for the benefit of the PEP;

(iii) an individual who is reasonably found or believed to be closely connected with the PEP for any other reason, either socially or professionally.

(f) "Customer or client" means any natural person, legal person or legal arrangement engaging a Real Estate Agent, [1][Dealers in Precious Metals and Dealers in Precious Stones (SPMS)] or Accountant for the purposes of requesting, acquiring, or using any services or carrying out any transaction or business with a Real Estate Agent, Jeweler or Accountant;

[2][(fa) "Dealers in precious metals and dealers in precious stones (DPMS) includes a person who is a bullion dealer or engaged in sale of jewellery, precious stones and metals including all articles made wholly or mainly of gold, platinum, diamonds of all kinds, precious or semi-precious stones, pearls whether or not mounted, set or strung and articles set or mounted with diamonds, precious or semi-precious stones or pearls, when they engage in a cash transaction with a customer of a value equivalent to two Million rupees or more;]

(g) "DNFBP" for purposes of these regulations, means real estate agents, [1][DPMS] and accountants as defined in these regulations.

(h) "Enhanced Due Diligence" or "EDD" means taking additional CDD and may include the steps to be taken as given in these regulations;

(i) "Family Member" family member of a politically exposed person includes-

(i) a spouse of the PEP;

(ii) lineal ascendants and descendants and siblings of the PEP;

8-191-15-09-2026

[1]Substituted for "Jeweler" & "jewellers" respectively by SRO 1439(I)/2026 dated August 27, 2026.
[2]Clause (fa) inserted by SRO 1439(I)/2026 dated August 27, 2026.

(j) "Federal Board of Revenue" means the Federal Board of Revenue (FBR) established under the Federal Board of Revenue Act, 2007;

(i) "Family Member" family member of a politically exposed person includes-

[1][ ]

(l) "ML" means money laundering;

(m) "Politically Exposed Persons" or "PEPs" means any individual who is or has been entrusted with a prominent public function either domestically or by a foreign country, or in an international organization and includes but is not limited to:

(i) for foreign PEPs, Head of state or of government, senior politicians, senior government officials, judicial or military officials, senior executives of state owned corporations and political party officials;

(ii) for domestic PEPs, Heads of State or of government, senior politicians, senior government officials, judicial or military officials, senior executives of state owned corporations, political party officials; and

(iii) for international organizations PEPs, members of senior management or individuals who have been entrusted with equivalent functions;

[2][(n) "Real Estate Agent" includes builders, real estate developers, title transferring authorities, property brokers and dealers when they execute a purchase and sale of real property, participate in real estate transactions, or exercise professional transactional activity for real property transfer;]

(o) "reasonable measures" means appropriate measures which are commensurate with the money laundering or terrorist financing risks;

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[1]Clause (k) omitted by SRO 1439(I)/2026 dated August 27, 2026. Before omission it read as follows:-

"(k) "Jeweler" means a person who is a bullion dealer or engaged in sale of jewelry, precious stones and metals including all articles made wholly or mainly of gold, platinum, diamonds of all kinds, precious or semi-precious stones, pearls whether or not mounted, set or strung and articles set or mounted with diamonds, precious or semi-precious stones or pearls, when they engage in a cash transaction with a customer of a value equivalent to two Million rupees or more."

[2]Clause (2) substituted by SRO 1439(I)/2026 dated August 27, 2026. Before substitution it read as follows:-

"(n) "Real Estate Agent" includes builders, real estate developers and property brokers and dealers when execute a purchase and sale of a real property, participate in a real estate transaction capacity and are exercising professional transactional activity for undertaking real property transfer;"

8-191-15-09-2026

(p) "Senior Managing Official" means an officer or employee of the reporting entity or DNFBP with sufficient knowledge of the reporting entity's risk exposure, and of sufficient authority, to take decisions affecting its risk management and mitigation, including chief executive officer or managing director, deputy managing director, chief operating officer, company secretary, chief financial officer, chief compliance officer and chief regulatory officer and any holder of such positions by whatever name called;

(q) "Simplified [1][Due diligence]" or "SOD" means taking reduced COD measures and may include the measures set out in these Regulations.

(r) "STR" means the report on suspicious transaction specified under Section 7 of the AML Act; and

(s) "TF" means financing of terrorism.

(2) All other expressions used but not defined in these regulations shall have the meaning assigned thereto under the AML Act and the Income Tax Ordinance, 2001 (XLIX of 2001).

3. Registration and market entry control of DNFBPs.- (1) Every DNFBP shall be registered with the Board.

(2) The DNFBP shall provide any information or documentation that may be required by the Board for the purposes of registration or keeping the DNFBP registration up to date, including but not limited to criminal records of the senior management and beneficial owners

(3) The DNFBP shall notify the Board if it ceases operations as a DNFBP within thirty business days after ceasing operations, in the form and manner that may be required by the Board, and the Board shall deregister the DNFBP if the appropriate information is provided.

[2][(4) Every DNFBP shall ensure that it has measures in place to prevent any person who has been convicted of a criminal offence or any associate of such a person from-

(a) holding any ownership or controlling interest in the DNFBP;

(b) being the beneficial owner(s) of the DNFBP; and

(c) holding any senior management or board position in the DNFBP.

(5) Every DNFBP shall notify the FBR when there is a change in-

(a) any ownership or controlling interest in the DNFBP;

(b) any beneficial owner(s) of the DNFBP; and

(c) any senior management or board position in the DNFBP.]

8-191-15-09-2026

[1]Substituted for "due diligence" by SRO 1439(I)/2026 dated August 27, 2026.
[2]Regulation 3(4) & (5) inserted by SRO 128(I)/2022 dated January 25, 2022.

Chapter II

Risk Assessment and Mitigation

4. Risk assessment and mitigation by DNFBPs.- (1) The DNFBPs shall take appropriate steps in accordance with section 7F of the AML Act to identify, assess, and understand their risks for customers, countries or geographic areas, and products, services, transactions or delivery channels. This includes being required to-

(a) document their risk assessment

(b) consider all the relevant risk factors before determining [1][ ] the level of overall risk and the appropriate level and type of mitigation to be applied;

(c) keep the assessment up to date

(d) have appropriate mechanisms to provide risk assessment information to Board.

(2) The DNFBPs shall:

(a) have policies, controls and procedures, which are approved by senior management, to enable them to manage and mitigate risks that have been identified in its own risk assessment and any other risk assessment publicly available or provided by FBR;

(b) monitor the implementation of those controls and to enhance them if necessary; and

(c) take enhanced measures to manage and mitigate the risks where higher risks are identified.

(3) the DNFBP may take simplified measures to manage and mitigate risks, if lower risks have been identified. Simplified measures shall not be permitted whenever there is a suspicion of ML/TF.

5. New products, practices and technologies.- (1) The DNFBP shall-

(a) identify and assess the ML and TF risk that may arise in the development of new products, businesses and practices, including new delivery mechanism, and the use of new and pre-existent technology; and

(b) prior to the launch or use of product, practice or technology, DNFBP shall undertake the risk assessment and take appropriate measures to manage and mitigate the risks.

8-191-15-09-2026

[1]Words "what is" omitted by SRO 1439(I)/2026 dated August 27, 2026.

Chapter III

Record Keeping

6. Record keeping by DNFBPs.- (1) The records maintained by DNFBPs as set out in section 7C of the AML Act shall be sufficient to permit reconstruction of individual transactions including the nature and date of the transaction, the type and amount of currency involved and the customer involved in the transaction so as to provide, when necessary, evidence for prosecution of criminal activity.

(2) The record may be maintained in paper or electronic form or on microfilm.

(3) The records of identifications data obtained through CDD, including EDD process, including copies of identification documents, application forms, verification documents and other documents along with business correspondence, and results of any analysis undertaken shall be maintained for a minimum period of five years after the business relationship is terminated.

[1][(4) DNFBPs are required to retain records pertaining to transactions, customers, or instruments subject to litigation until the resolution of the case. In instances where such records are requested by a court of law or other competent authority, DNFBPs shall maintain retention until the litigation is concluded or until the court or competent authority provides notification that record retention is no longer mandated.]

[1][(5) The DNFBP shall promptly satisfy any inquiry or order from the board, designated law enforcement agencies, and FMU for the supply of CDD information and transaction records as per the relevant provisions of the AML Act.]

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[1]Clauses (4) & (5) substituted by SRO 1439(I)/2026 dated August 27, 2026. Before substitution these read as follows:-

"(4) The DNFBPs shall retain such records till disposal of case where transactions, customers or instruments are involved in litigation or the same are required by a court of law or other competent authority, the DNFBP shall retain such records until such time as the litigation is resolved or until the court of law or competent authority indicates that the records no longer need to be retained"

"(5) The DNFBP shall satisfy promptly any enquiry or order from Board, designated law enforcement Agencies and FMU, for supply of CDD information and transaction records as per the relevant provisions of AML Act. Copies of documents mentioned in sub-regulation (1) of this Regulation shall be stamped "Original seen" by the Real Estate Agents, jewellers and Accountants after viewing the original documents."

8-191-15-09-2026

(6) The Real Estate Agents, [1][DPMS] and Accountants shall keep a list of all such customers where the business transaction was refused or needed to be closed either on account of failure of the customer to provide the relevant documents under sub-regulation (1) of this regulation or the original document for viewing as required under sub-regulation (2) of this regulation.

7. Compliance program.- (1) In order to implement compliance programs as set out in section 7G of the AML Act, the regulated person shall implement the following internal policies, procedures and control, namely:-

(a) compliance management arrangements, including the appointment of a compliance officer at the management level, as the individual responsible for the regulated person compliance with these Regulations, the AML Act and other directions and guidelines issued under the aforementioned regulations and laws;

(b) screening procedures when hiring employees to ensure the integrity and conduct, skills, and expertise of such employees to carry out their functions effectively;

(c) an ongoing employee training program; and

(d) an independent audit function to test the system.

(2) For purposes of sub-regulation (1)(d) testing the system includes an assessment of the adequacy and effectiveness of the policies, controls and procedures adopted by the regulated person to comply with the requirements of these regulations; and to make recommendations in relation to those policies, controls and procedures.

(3) For purposes of (a) the regulated person shall ensure that the compliance officer shall - reports directly to the board of directors or chief executive officer or committee;

(a) has timely access to all customer records and other relevant information which they may require to discharge their functions, as well as any other persons appointed to assist the compliance officer;

(b) be responsible for the areas including, but not limited to-

(i) ensuring that the internal policies, procedures and controls for prevention of MUTT are approved by the board of directors of the regulated person and are effectively implemented;

8-191-15-09-2026

[1]Substituted for "jewellers" by SRO 1439(I)/2026 dated August 27, 2026.

(ii) monitoring, reviewing and updating AML/CFT policies and procedures, of the regulated person;

(iii) providing assistance in compliance to other departments and branches of the regulated person;

(iv) timely submission of accurate data/ returns as required under the applicable laws;

(v) monitoring and timely reporting of Suspicious and Currency Transactions to FMU; and

(vi) such other responsibilities as the regulated person may deem necessary in order to ensure compliance with these regulations.

4. In the case of a corporate group, in addition to the obligations established in these regulation, the regulated person shall implement-

(a) policies and procedures for sharing information required for the purposes of CDD and risk management;

(b) the provision, at group-level compliance, audit, and/or AML & CFT functions, of customer, account, and transaction information from branches and subsidiaries when necessary for AML & CFT purposes; and

(c) adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

5. The DNFBP shall ensure that their foreign branches and majority-owned subsidiaries apply AML & CFT measures consistent with Pakistan requirements where the minimum AML & CFT requirements are less strict than Pakistan, to the extent that host country laws. If the foreign country does not permit the proper implementation of AML/CFT measures consistent with that of Pakistan requirements, financial groups should to apply appropriate additional measures to manage the risks, and inform the Commission.

8-191-15-09-2026

Chapter IV

Customer Due Diligence

8. Customer Due Diligence (CDD) and Beneficial Ownership.- (1) DNFBPs shall conduct CDD in the circumstances and matters set out in section 7A(1) of the AML Act when they engage in the following activities, namely:-

(a) Real Estate Agents- when they are involved in transactions for a client concerning the buying and selling of real estate;

(b) [1][ ] Dealers in precious metals and stones - when they engage in any cash transaction with a customer or client equal to or above Rs. 2 Million; and

(c) Accountants when they prepare for, or carry out, transactions for their clients concerning the activities described in section 2(xii)(c) and (d) of the AML Act.

(2) The DNFBP shall identify the customer whether entering into a business relationship or conducting an occasional transaction, and whether natural or legal person or legal arrangement and verify that customers identity using reliable, independent sources documents, data or information as required under these regulations.

(3) The DNFBP shall identify the beneficial owner and take reasonable measure to verify the identity of the beneficial owner by using reliable and independent document, data or sources of information as set out in these Regulations, such that the DNFBP is satisfied that it knows who the beneficial owner is.

(4) Where the customer is represented by an authorized agent or representative, the DNFBP shall -

(a) Identify every person who acts on behalf of the customer,

(b) Verify the identity of that person by using reliable and independent documents, data or information as set out in these regulations; and

(c) Verify the authority of that person to act on behalf of the customer.

(5) The DNFBP shall understand and as appropriate obtain information on the purpose and intended nature of the business relationship.

[1]Word "Jewellers and" omitted by SRO 1439(I)/2026 dated August 27, 2026.

8-191-15-09-2026

(6) The DNFBPs shall conduct ongoing due diligence on the business relationship, including-

(a) scrutinizing transactions undertaken throughout the course of that relationship to ensure that the transaction being conducted are consistent with [1][DNFBPs] knowledge of the customer, their business and risk profiles, including where necessary, the source of funds; and

(b) ensuring that documents, data, or information collected under the CDD process is kept up-to-date and relevant, by undertaking reviews of existing records, particularly for higher risk categories of customers.

(7) For customers that are legal persons or legal arrangements, the DNFBP shall understand the nature of the customer's business and its ownership and control structure.

(8) For customers that are legal persons and legal arrangements, the DNFBPs shall identify the customer and verify its identity by obtaining the following information in addition to the information required under sub-regulation (4):

(a) name, legal form and proof of existence;

(b) the powers that regulate and bind the legal persons or arrangement, as well as the names of the relevant persons having a senior management position in the legal person or arrangement; and

(c) the address of the registered office and, if different, a principal place of business.

(9) For customers that are legal persons, the DNFBP shall identify and take reasonable measures to verify the identity of the beneficial owners through the following information using reliable and independent documents data or information as set out in sub section 12:

(a) Identifying the natural person if any who ultimately has a controlling ownership interests as defined under relevant laws in a legal persons; and

(b) to the extent that there is doubt under clause (a) as to whether the person with the controlling ownership interest is the beneficial owner or where no natural persons exerts control through ownership interest, identity of the natural person if any exercising control of the legal persons or arrangements through other means; and

[1]Substituted for "the DNFBPs" by SRO 1439(I)/2026 dated August 27, 2026.

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(c) where no natural person is identified under (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.

(10) For customers that are legal arrangements, the DNFBPs shall identify and take reasonable measures to verify the identity of beneficial owners through the following information using reliable and independent documents data or information as set out in sub —regulation 12, namely:-

(a) for trust, the identity of the settler, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural persons exercising ultimate effective control over the trust (including through a chain of control/ownership);

(b) for Waqf and other types of legal arrangements, the identity of persons in equivalent or similar positions as specified in (a); and

(c) Where any of the persons specified in clause (a) or (b) is a legal person or arrangement, the identity of the beneficial owner of that legal person or arrangement shall be identified.

(11) For the purposes of verification of identity of customer or beneficial owner in these regulations, reliable and independent document, data or sources of information includes -

(a) for a natural person, copy of-

(i) Computerized National Identity Card (CNIC) issued by NADRA; OR

(ii) National identity card for overseas Pakistanis (NICOP) and/or duly issued machine readable passport for non resident/overseas Pakistanis or those who have dual nationalities; or

(iii) copy of Pakistan origin card (POC) issued by NADRA; and/or passport for Pakistanis who have given up Pakistan nationality; or

(iv) Form B or smart/juvenile card issued by NADRA to children under age of 18 years; or

(v) Where the natural person is a foreign national, either Alien Registration Card (ARC) issued by National Aliens Registration Authority (NARA), Ministry of Interior or Passport having valid visa on it or any other proof of legal stay along with the passport;

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(b) For a legal person, certified copy of -

(i) Resolution of board of directors for opening of account specifying the person authorized to open and operate the account (not applicable for single member company);

(ii) Memorandum of Association;

(iii) Articles of [1][Association], wherever applicable;

(iv) Certificate of incorporation;

(v) Securities and Exchange Commission of Pakistan (SECP) registered declaration for commencement of business as required under the Companies Act, 2017 (XIX of 2017), as applicable;

(vi) List of directors required to be filed under the Companies Act, 2017 (XIX of 2017), as applicable;

(vii) Identity documents as per sub-clause (a) of all the directors, beneficial owners and person authorized to open and operate the account; and

(viii) any other documents as deemed necessary including its annual accounts and financial statements or disclosures in any form which may help to ascertain the detail of its activities, sources and usage of funds in order to assess the risk profile of the prospective customers

(c) For a legal arrangement, certified copies of -

(i) The instrument creating the legal arrangement; Registration documents and certificates;

(iii) The Legal arrangement's by laws, rules and regulations;

(iv) Documentation authorizing any person to open and operate the account;

(v) Identity document as per sub clause (a) above of the authorized persons, beneficial owners and of the members of governing bodies, board of trustees or executive committee, if it is ultimate governing body, of the legal arrangement; and

[1]Substituted for “Associations” by SRO 1439(I)/2026 dated August 27, 2026.

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(vi) Any other document as deemed necessary including its annual accounts and financial statements or disclosures in any form which may help to ascertain the subject of the truth, the detail of its activities, sources and usage of funds in order to assess the risk profile of the prospective customers;

(d) In respect of Government institutions and entities not covered here in above:

(i) CNICs of the authorized persons; and

(ii) Letter of authorization from the authority concerned.

(12) The DNFBP shall verify the identity of the customer and beneficial owner before establishing a business relationship or conducting an occasional transactions.

(13) The DNFBPs may complete verification after the establishment of the business relationship, provided that:-

(a) this occurs as soon as reasonably practicable;

(b) this is essential not to interrupt the normal conduct of business; and

(c) the risks are effectively managed.

(14) The DNFBPs shall adopt risk management procedures concerning the conditions under which a customer may utilize the business relationship prior to verification.

(15) The DNFBPs shall conduct on going due diligence on the business relationship, including:

(a) scrutinizing transactions undertaken throughout the course of that relationship to ensure that the transaction being conducted are consistent with DNFBPs knowledge of the customer, there business and risk profile, including where necessary, the source of funds; and

(b) Undertaking reviews of existing records and ensuring that documents, data or information collected for the CDD purposes is kept up to date and relevant, particularly for higher risk categories of customers.

(16) The DNFBPs shall apply CDD requirements to existing customers on the basis of materiality and risk, and to conduct due diligence on such existing relationships at appropriate times, taking into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained.

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9. Enhanced Due Diligence (EDD).- (1) The DNFBPs shall apply EDD in the following circumstances, including but not limited to:

(a) business relationship and transactions with natural and legal persons when the risks are higher;

(b) business relationship and transactions with natural and legal persons from countries for which this is called for by the FATE and

(c) PEPs and their close associates and family members.

(2) EDD measures may include but shall not be limited to the following measures:

(a) Obtaining additional information on the customer (e.g. volume of assets, information available through public databases, internet, etc.), and updating more regularly the identification data of customer and beneficial owner;

(b) Obtaining additional information on the intended nature of the business relationship;

(c) Obtaining information on the source of funds or source of wealth of the customer;

(d) Obtaining information on the reasons for intended or performed transactions.

(e) Obtaining the approval of senior management to commence or continue the business relationship;

(f) Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination;

(3) In relation to Sub Regulation 1 (c) above, the DNFBPs shall:

(a) implement appropriate risk management systems to determine if a customer or beneficial owner is a PEP or a close associate or a family member of a PEP, both prior to establishing a business relationship or conducting a transaction, and periodically throughout the course of the business relationship;

(b) Apply at minimum the following EDD measures:

(i) obtain approval from senior management to establish or continue a business relations where the customer or a beneficial owner is a PEP, close associate or family member of a PEP or subsequently becomes a PEP, close associate and family member of PEP;

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(ii) take reasonable measure to establish the source of wealth and the source of funds of customers and beneficial owners identified as a PEP, close associate or family member of a PEP;

(iii) conduct enhanced ongoing monitoring of business relations with the customer or beneficial owner identified as PEP. Close associate and family member of a PEP; and

(iv) establish, by appropriate means, the sources of wealth or beneficial ownership of funds as specified in the relevant Schedule under the head source of funds.

10. Simplified Due Diligence (SDD).- (1) The DNFBPs may apply SDD, when identifying and verifying the identity of a customer or beneficial owner, only where lower risks have been identified through an adequate analysis through its own risk assessment and any other risk assessments publically available or provided by FBR or in accordance with these regulations and commensurate with the lower risk factors.

(2) SDD measures may include but shall not be limited to the following measures, namely:-

(a) verifying the identity of the customer and the beneficial owner after the establishment of the business relationship;

(b) Reducing the degree of on-going monitoring and scrutinizing transactions.

(c) Not collecting specific information or carrying out specific measures to understand the purpose and intended nature of the business relationship, but inferring the purpose and nature from the type of transactions or business relationship established.

(3) DNFBP shall not apply any SDD whenever there is a suspicion of money laundering or terrorist financing.

11. Counter Measures against high risk countries.- (1) Regulated persons shall apply the countermeasures indicated by the Federal Government, pursuant to recommendations by the National Executive Committee, whenever required.

12. Reliance on Third Parties.- (1) The DNFBPs may rely on a third party for identification of customer and CDD as set out in this Regulation, provided relying DNFBP;

(a) will remain liable for any failure to apply such indicated CDD measures above;

(b) immediately obtain from the third party the required information concerning CDD as set out in these Regulations;

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(c) the reporting entity shall keep those copies of identification as set out in Regulation 6; and

(d) satisfy itself that the Third Party is supervised by an AML/CFT regulatory Authority or an equivalent foreign authority and has measures in place for compliance with AML Act obligation of CDD and record keeping.

(2) Where a DNFBP relies on a third party that is part of the same corporate group, the DNFBP may deem the requirement of sub-regulation (1) of 12 to be met if-

(a) the corporate group applies CDD and record keeping requirements in accordance with AML Act and regulations made their under;

(b) the implementations of requirements in paragraph (a) above is supervised by an AML/CFT regulatory authority or an equivalent foreign authority; and

(c) the corporate group has adequate, measures in place to mitigate any higher country risks.

(3) subject to Regulation 11, when determining in which country a third party may be based, the DNFBP shall have regard to available information on the level of country risk.

13. Targeting Financial Sanctions (TFS).- (1) Pursuant to section 7H of the AML Act, in order to comply with TES, the DNFBP shall:-

(a) Develop mechanism, processes and procedures for screening and monitoring customers and potential customers to detect any matches or potential matches with the stated designated/ proscribed person - or if beneficial owners of the designated/ proscribed person-in the SROs and notifications issued by Ministry of Foreign Affairs, National Counter Terrorism Authority and Ministry of Interior.

(b) If during the process of screening or monitoring of customers a positive or potential match is found then the DNFBP shall-

(i) freeze without delay in accordance with respective SRO

(ii) not provide any services or property or any other related funds in accordance with the respective SRO;

(iii) reject the transaction, attempted transaction or the customer if the relationship has not commenced.

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(c) In all cases referred in (b) above, the DNFBP shall report to the Board and FMU in mode and manner prescribed by Board and/or given in AML Act.

(d) Implement any other obligation under the AML Act United Nations (Security Council) Act 1948 and Anti-Terrorism Act 1997 and any other regulations made thereunder.

(2) The regulated person is prohibited, on an ongoing basis, from providing any financial services to proscribed/ designated entities and persons or to those who are known for their association with such entities and persons, whether under the proscribed/ designated name or with a different name. The regulated person should monitor their business relationships with the entities and individuals on a continuous basis and ensure that no such relationship exists directly or indirectly, through ultimate control of an account and where any such relationship is found, the regulated person shall take immediate action as per law, including reporting to the FMU.

Explanation.- For the purposes of this section the expression associates means persons and entities acting on behalf of, or at the direction, or for the benefit, of proscribed or designated entities and individuals that may be determined on the basis of appropriate screening of sanctions lists, disclosed nominee/beneficiary information, publicly known information, Government or regulatory sources or reliable media information, etc.

14. Reporting of STR and CTR.- (1) The DNFBP shall file STR and CTR to FMU, as per requirements prescribed by FMU as required under section 7 of AML Act.

15. Monitoring and compliance.- (1) The record to be maintained and furnished by the Accountants, Real Estate Agents and [1][DPMS] under these rules and as required by AML Act shall be subject to inspection by FBR, as laid down in section 6A(2)(f) of AML Act, who may be assisted by other law enforcement agencies.

16. Sanctions.- (1) Any violation of any provision of these regulations shall be subject to sanctions issued under the AML Act.]

[1]Substituted for "jewellers" by SRO 1439(I)/2026 dated August 27, 2026.

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The Inland Revenue Reward Rules, 2021

S.R.O. 78(I)/2021, Islamabad, the 22nd January, 2021.– In pursuance to the Tax Administration Reforms culminating in merger of all inland taxes namely those imposed under The Income Tax Ordinance, 2001, The Sales Tax Act, 1990, The Federal Excise Act, 2006, and The Islamabad Capital Territory (Tax on Services) Ordinance, 2001, and the consequent creation of the Inland Revenue Service for the purpose of enforcement of and performance of functions thereof, and in exercise of the powers conferred by section 227A and section 227B of the Income Tax Ordinance, 2001, section 72C and 72D of the Sales Tax Act, 1990, and section 42C and 42D of the Federal Excise Act, 2005, and in order to consolidate reward rules issued separately from time to time and to put in place a uniform incentives regime for detection of tax evasion, meritorious services, and any other outstanding performance, across the Inland Revenue field formations, detachments and the headquarters, the Federal Board of Revenue is pleased to frame the following rules, namely.-

The Inland Revenue Reward Rules, 2021

1. Title and Commencement

(i) These rules may be called The Inland Revenue Reward Rules, 2021.

(ii) These rules shall come into force with effect from January 01, 2021.

2. Definitions

In these rules, unless the context [1][otherwise] requires or permits, the following words and expressions shall be having the meanings as given below:

(i) Eligible Persons

Following shall be eligible persons under the Reward Rules:-

(a) The officers and staff deputed to exercise powers, enforce and/or perform functions and duties in designated entities under the specified statutes; and

(b) Informers/Whistleblowers.

(ii) Eligible Performance

Following types of performance will be eligible for claim of reward under the Reward Rules:-

(a) Detection and assessment/recovery of tax sought to be evaded;

(b) Meritorious services; and

(c) Extraordinary performance [2][; and]

[1]Substituted for "other" by SRO 687(I)/2023 dated June 14, 2023.
[2]Substituted for full stop by SRO 604(I)/2025 dated April 16, 2025.

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[1][(d) Monetary Reward under FBR Transformation Plan, 2024;]

(iii) Specified Statutes

The term "specified statutes" for the purposes of these rules means:-

(a) The Sales Tax Act, 1990;

(b) The Federal Excise Act, 2006;

(c) The Islamabad Capital Territory (Tax on Services) Ordinance, 2001;

(d) The Income Tax Ordinance, 2001;

(e) The Federal Board of Revenue Act, 2007; [2][ ]

[3][(ea) Anti-Money Laundering Act, 2010;]

(eb) Benami Transaction (Prohibition) Act, 2017; and]

(f) Any other law/Act notified by the Federal Board of Revenue as a specified statute.

(iv) Designated Entities

The term "designated entities" for the purposes of these rules means:-

(a) Inland Revenue field formations i.e. Large Taxpayers' Offices, Medium Taxpayers' Office, Corporate Tax Offices, and Regional Tax Offices or any associated and subordinate detachments;

(b) Inland Revenue Directorate Generals and their field offices;

[3][(c) Directorate General of DNFBPs (Designated Non-Financial Businesses and Professions;]

(d) Inland Revenue (Operations) Wing, and its associated detachments;

(e) Any FBR Wing tasked with Inland Revenue functions; [4][ ]

[4][(ea) Directorate General Anti-Benami Initiative and Benami Zones; and]

(f) Any other entity notified by FBR to be a designated entity.

(v) Informer/Whistleblower

The term "Informer," or "Whistleblower" for the purposes of these rules means any person who, not being an employee of Federal Board of Revenue;-

(a) Gets himself registered for the purposes of being an informer; and

(b) Provides information in the shape of concrete evidence, which conclusively leads to detection of tax evasion, formulation of assessment/ reassessment, and eventual recovery of the evaded tax(es); and

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[1]Clause (d) inserted by SRO 604(I)/2025 dated April 16, 2025.

[2]Word "and" deleted and clauses (ea), (eb) inserted by SRO 687(I)/2023 dated June 14, 2023.

[3]Sub-rule (iv)(c) substituted by SRO 687(I)/2023 dated June 14, 2023. Before substitution it read as follows:-

"(c) Post Refund Analysis Cell (PRAC) established by the Inland Revenue Wing;"

[4]Word "and" deleted and clause (ea) inserted by SRO 687(I)/2023 dated June 14, 2023.

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(c) Lodges a claim on the prescribed format on the conclusion of the processes as at (b) above.

(vi) Tax Sought to be Evaded

For purposes of claim of reward by officers/officials of designated entities as defined under clause (iv) of Rule 2 and for informers/ whistleblowers, "tax sought to be evaded" means,-

- In terms of sub-clauses (a), (b) and (c) of clause (iii) of Rule 2, detection of an un-registered person liable to be registered and/or detection of evasion or non-assessment including short-assessment of tax by a registered person or detection of payment of inadmissible refunds or claim of inadmissible input tax resulting in and leading to an assessment/ determination of tax owed to the state.

  [1][Provided that a corresponding penalty under section 33 or the penalty under the first and second provisos to sub section 5 of section 25 of the Sales Tax Act, 1990, has been paid, as the case may be:

  Provided that a corresponding penalty under section 19 or the penalty under the proviso to sub section 3 of section 46 of the Federal Excise Act, 2005 has been imposed, as the case may be.

- In terms of sub-clauses (d) of clause (iii) of Rule 2, difference between tax originally paid on the basis of income originally assessed/declared (if any) and the tax calculated/computed on account of re-assessment of income framed on the basis of information collected or provided resulting in and leading to an assessment/determination of tax owed to the state.

  [1][Provided that a corresponding penalty under serial no. 12 of subsection (1) of section 182 or penalty under the first and second provisos to sub-section (6,4) of section 114 of the Income Tax Ordinance,2001 has been imposed or paid, as the case may be.]

(vii) Meritorious Services

The term "Meritorious Services" means and includes exceptional performance in any or a combination of the following areas:-

(a) Exceeding budgetary targets through extra-ordinary planning and efforts;

(b) Displaying exceptional results in the recovery of arrears;

(c) Enlarging the base of tax-payers by adding large number of new taxpayers whose contribution to revenues would be substantial;

---

[1]Provisos substituted by SRO 687(I)/2023 dated June 14, 2023. Before substitution it read as follows:-

"Provided that a corresponding penalty under section 33 of the Sales Tax Act, 1990, and section 19 of the Federal Excise Act, 2005, representing an amount of tax sought to be evaded must have been imposed."

"Provided that a corresponding penalty under S1. 12 of sub-section (1) of Section 182 of the Income Tax Ordinance, 2001, representing an amount of tax sought to be evaded must have been imposed."

(d) Exceptional performance in defending cases (by the Departmental Representatives) before the ATIR.

(e) Displaying extra-ordinary devotion to duty and acumen towards making some original contribution.

[1]***[(viii) Extraordinary Performance***

The term "Extraordinary Performance" means,-

(a) "a duly notified activity-oriented task assigned to and performed by an officer or a staff or a group of officers or staff up to an exhibited degree of excellence and within the timelines prescribed and pre-notified for the purpose; [2][ ]

(b) any performance as is approved by the Chairman FBR including assessment or successful prosecution [3]*[*;or*]*]

[4][(c) any performance for tasks assigned to an officer or a staff as approved by the Prime Minister and directions are issued in this behalf.]

[5]***[(ix) Monetary Reward under FBR Transformation Plan, 2024*** shall be sanctioned to the Cadre Officers of Inland Revenue Services (BS-17 and above) as per their ranking under the performance management regime as approved in the FBR Transformation Plan. 2024.]

[6]**[3.] Admissibility of Reward**

A reward shall be admissible to eligible persons of designated entities on account of eligible performance exhibited while enforcing and/or performing functions and duties under the specified statutes, and at the prescribed rates.

4. Competent Authority

(i) For purposes of [7][clauses (ii) and] (iv) of Rule 2-

(a) Member (Inland Revenue - Operations) shall be the Competent Authority to sanction reward to officers/members of staff deployed in entities designated in [8][clause (a)] thereof; and

(b) Chairman, FBR [9][ ] will be the Competent Authority to sanction reward to officers/members of staff deployed at entities designated in clauses [10][(b) to (f)] thereof.

---

[1]Sub-rule (viii) substituted by SRO 687(I)/2023 dated June 14, 2023. Before substitution it read as follows:-

"(viii) Extraordinary Performance

The term "Extraordinary Performance" means a duly notified activity-oriented task assigned to and performed by an officer or a staff or a group of officers/staff up to an exhibited degree of excellence and within the timelines prescribed and pre-notified for the purpose."

[2]Word "or" omitted by SRO 1911(I)/2024 dated November 20, 2024.
[3]Substituted for full stop by SRO 1911(I)/2024 dated November 20, 2024.
[4]Clause (c) inserted by SRO 1911(I)/2024 dated November 20, 2024.
[5]Inserted by SRO 604(I)/2025 dated April 16, 2025.
[6]Substituted for "(2)" by SRO 687(I)/2023 dated June 14, 2023.
[7]Substituted for "clause" by SRO 687(I)/2023 dated June 14, 2023.
[8]Substituted for "clauses (a) to (c)" by SRO 687(I)/2023 dated June 14, 2023.
[9]Words "/Secretary (Revenue Division)" deleted by SRO 687(I)/2023 dated June 14, 2023.
[10]Substituted for "(d) and (e)" by SRO 687(I)/2023 dated June 14, 2023.

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[1][ ]

(iii) For purposes of clause (v) of Rule 2, Chairman, FBR [2][ ] will be the Competent Authority.

5. [3][**Reward in Respect of Tax Sought to be Evaded**]

[4][(i)] The amount of reward for an officer/member of staff of entities as designated in [5][sub-rule] (iv) of Rule 2, would be as under:-

(a)	Officer/ member of staff detecting the tax evasion	Lesser of 20% of the tax sought to be evaded or 2 years' salary as at the time of detection/filing of the detection report.
(b)	Officer/ member of staff completing the adjudication/ assessment	Lesser of 20% of the tax sought to be evaded or 2 years' salary as at the time of completion of adjudication/ assessment.

[4][(ii)] If no appeal/revision has been filed against the assessment, the whole of the admissible reward shall be paid immediately after expiry of limitation for filing of appeal/revision.

[4][(iii)] In case an appeal has been filed against the assessment order the admissible reward claim would be processed as follows:-

(c) 50% upon confirmation at 1st appeal forum; &

(d) 50% upon completion of appellate process on point of fact i.e. Appellate Tribunal Inland Revenue (ATIR).

[4][(iv)] The reward will be paid only if the tax sought to be evaded has been recovered at least to the extent of 50% of the tax sought to be evaded.

[4][(v)] In case detection and assessment have been made by the same officer, he shall be entitled to a reward of the lesser of 20% of the tax sought to be evaded or 3 years' salary as at the time of detection/fi ling of the detection report.

[4][(vi)] In case there are more than one claimants of reward on account of detection or assessment, the reward would be apportioned as per the recommendation of the Chief Commissioner or Director General concerned.

[4][(vii)] An Informer/Whistleblower in terms of clause (v) of rule 2 shall be entitled to a reward at the rate of 20% up to a maximum of Rs.5 million of the tax sought to be evaded in a single case.

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[1]Sub-rule (ii) deleted by SRO 687(I)/2023 dated June 14, 2023. Before omission it read as follows:-

"(ii) For purposes of sub-clauses (b) and (c) of clause (ii) of Rule 2, Chairman FBR/Secretary (Revenue Division) will be the Competent Authority."

[2]Words "/Secretary (Revenue Division)" deleted by SRO 687(I)/2023 dated June 14, 2023.

[3]Substituted for "Amount of Reward" by SRO 687(I)/2023 dated June 14, 2023.

[4]Sub-rule (1) to (7) renumbered as (i) to (vii) by SRO 687(I)/2023 dated June 14, 2023.

[5]Substituted for "sub-clauses (a) to (c) of clause" by SRO 687(I)/2023 dated June 14, 2023.

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6. Reward for Meritorious Services-

(i) FBR, [1][during or] at the close of every financial year, may give rewards to officers/ officials in recognition of the meritorious services rendered by them during the [2][relevant period].

[3][(ii) The amount of reward for meritorious services shall not be more than twenty-four salaries during the financial year in the case of each employee.]

7. Reward for Extraordinary Performance-

(i) A Competent Authority may sanction reward for extraordinary performance under exceptional circumstances.

(ii) The amount of reward for extraordinary performance in no case will be less than [4][3] and more than 24 salary in each single case i. e. each officer/staff involved in the assigned task [5][:]

[6][Provided that where the case falls under sub-clause (c) of clause (viii) of rule 2, the amount shall be such as specified or directed by the Prime Minister.]

[7][**8. Contribution to Inland Revenue Common Pool Fund 2023**: An amount equal to 5% of the rewards sanction under Rule 5 in respect of officers in BS-17 & above and 2.5% of the rewards sanction under Rule 5 in respect of officials in BS-16 & below shall simultaneously be processed, approved and deposited in the Inland Revenue Common Pool Fund 2023.]

9. Inland Revenue Operations, FBR, will administer these rules at the head office, and may issue instructions and guidelines for their implementation across the board.

10. While these rules cover all unfiled reward claims on past and future case, all pending reward claims already filed shall continue to be governed by existing applicable rules as at the time of notification of these rules.

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[1]Words inserted by SRO 687(I)/2023 dated June 14, 2023.

[2]Substituted for "year" by SRO 687(I)/2023 dated June 14, 2023.

[3]Rule 6(ii) substituted by SRO 89(I)/2026 dated January 21, 2026. Before substitution it read as follows:-

"(ii) The amount of reward for meritorious services in no case will be less than [1][1] and more than [1][18] salaries in each single case."

[1]Substituted for "3" & "6" by SRO 687(I)/2023 dated June 14, 2023.

[4]Substituted for "12" by SRO 687(I)/2023 dated June 14, 2023.

[5]Full stop substituted by SRO 1911(I)/2024 dated November 20, 2024.

[6]Proviso inserted by SRO 1911(I)/2024 dated November 20, 2024.

[7]Rule 8 substituted by SRO 687(I)/2023 dated June 14, 2023. Before substitution it read as follows:-

"8. Inland Revenue Welfare Fund-

(i) An Inland Revenue Welfare Fund shall be established for the welfare of the eligible persons as defined in sub-clause (a) of clause (i) of Rule 2, under direct control and management of Member (Inland Revenue), Federal Board of Revenue.

(ii) An amount equal to 10 per cent of the reward sanctioned under Rule 5 shall simultaneously be processed, approved and deposited in the Inland Revenue Welfare Fund."

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11. The Reward Rules, 1980, Circulated vide Order C. No. 63(88)IT-IV/75-pt., dated March 29, 1980; The Sales Tax Reward Order issued vide C. No. 7(2)STC/98, dated November 30th, 1998: The Unified Reward Rules, 2006, circulated vide S.R.O. 1213(1)/2006, dated December 5, 2006 (to the extent applicable to IRS/Inland Revenue Wing), and SRO 398(1)/2016, dated May 5, 2016, shall stand rescinded.

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(Pages II-188 to II-212 stand deleted due to updating)

INCOME TAX ORDINANCE, 2001

Arrangement of Sections*

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INCOME TAX ORDINANCE, 2001

Islamabad, the 13th September, 2001

[*]**F. No. 2(1)/2001–Pub.–**The following Ordinance promulgated by the President is hereby published for general information:–

ORDINANCE NO. XLIX OF 2001

AN

ORDINANCE

to consolidate and amend the law relating to income tax

WHEREAS it is expedient to consolidate and amend the law relating to income tax and to provide for matters ancillary thereto or connected therewith;

[*]Published in the Gazette of Pakistan, Extraordinary, dated September 13, 2001 at pages 969 to 1217, as amended from time to time.

The Ordinance.– Under Article 270AA "Validation of laws." as inserted in the Constitution of Pakistan through the Legal Framework Order, 2002, all President's Orders, Ordinances, Chief Executive's Order etc. and all other laws made from October 12, 1999 till the effective date of LFO, stand affirmed, adopted and declared to have been validly made and therefore Income Tax Ordinance, 2001 is a validly made Ordinance without being later on laid before the Parliament. Similar was the position of Income Tax Ordinance, 1979 by virtue of Article 270A of the Constitution of Pakistan which provides that all President's Orders, Ordinances etc. made from 5th July, 1977 till revival of Constitution, stood affirmed, adopted and declared to have been validly made.

Commencement.– Following is the text of Federal Government's SRO 381(I)/2002, dated June 15, 2002:–

"In exercise of the powers conferred by sub-section (3) of section 1 of the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Government is pleased to appoint the first day of July, 2002, to be the date on which the said Ordinance shall come into force."

Incorporation of various Ordinances into the Income Tax Ordinance through the Finance Act, 2021.- Following is an extract from FBR's Circular No 2 of 2021 dated 1 July 2021:-

"During the currency of financial year 2021-22, three Ordinances were issued. These have been made part of Finance Act, 2021.

a. **Income Tax (Amendment) Ordinance, 2021**

It was issued to extend certain deadlines under section 100D and Eleventh Schedule under Prime Minister's construction package.

b. **Tax Laws (Amendment) Ordinance, 2021**

It was issued to incorporate incentives regarding investments made through Roshan Digital Accounts and to implement Electric Vehicles and Mobile Phones Devices policies of the government.

c. Tax Laws (Second Amendment) Ordinance, 2021

It was issued to implement corporate income tax reforms whereby certain allowances, tax credits and exemptions were withdrawn. However, in order to properly implement and streamline withdrawal of exemptions, a grand fathering clause in the form of new section 242 has been introduced in the Ordinance which states that existing beneficiaries of concessions at the time of repeal of allowances, tax cred its and exemptions shall continue to enjoy the benefits of repealed provisions subject to the conditions and limitations specified in the repealed provisions."

8-168-31-08-2022

WHEREAS the President is satisfied that circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE, in pursuance of the Proclamation of Emergency of the fourteenth day of October, 1999, and the Provisional Constitution Order No. 1 of 1999, read with Provisional Constitutional Amendment Order No. 9 of 1999, and in exercise of all powers enabling him in that behalf, the President of the Islamic Republic of Pakistan is pleased to make and promulgate the following Ordinance:–

CHAPTER I
PRELIMINARY

1. Short title, extent and commencement.– (1) This Ordinance may be called the Income Tax Ordinance, 2001.

(2) It extends to the whole of Pakistan.

(3) It shall come into force on such date as the Federal Government may, by notification in Official Gazette, appoint.

Authority to tax.– The relevant items of the Federal Legislative List contained in Part I of the Fourth Schedule to the Constitution read as follows:–

"47. Taxes on income other than agricultural income.

48. Taxes on corporations.

52. Taxes and duties on the production capacity of any plant, machinery, undertaking, establishment or installation in lieu of the taxes and duties specified in entries 44, 47, 48 and 49 or in lieu of any one or more of them.

54. Fees in respect of any of the matters in this Part, but not including fees taken in any Court.

55. Jurisdiction and powers of all Courts, except the Supreme Court, with respect to any of the matters in this list and, to such extent as is expressly authorised by or under the Constitution, the enlargement of the jurisdiction of the Supreme Court, and the conferring thereon of supplemental powers.

56. offences against laws with respect to any of the matters in this Part.

57. Inquiries and statistics for the purposes of any of the matters in this Part.

58. Matters which under the Constitution are within the legislative competence of Majlis-e-Shoora (Parliament) or relate to the Federation.

59. Matters incidental or ancillary to any matter enumerated in this Part."

Terms "tax on income" and "taxation" have been defined in Article 260(1) of the Constitution, as follows:–

" "taxation" includes the imposition of any tax or duty, whether general, local or special and "tax" shall be construed accordingly;

"tax on income" includes a tax in the nature of an excess profits tax or a business profits tax."

Item 50 excludes federal authority to tax capital gains on immovable property, which is thus a provincial subject. The Provincial Government did levy capital gains tax but this was abolished w.e.f. 1st July, 1985. Item 50 reads as follows:–

"50. Taxes on the capital value of the assets, not including taxes on capital gains on immovable property."

8-168-31-08-2022

S. 1–Extent.–The Ordinance extends to the whole of Pakistan. The territories of Pakistan as per Article 1(2) of the Constitution comprise of the following:–

"(2) The territories of Pakistan shall comprise–

(a) the Provinces of Baluchistan, the North-West Frontier, the Punjab and Sind;

(b) the Islamabad Capital Territory, hereinafter referred to as the Federal Capital;

(c) the Federally Administered Tribal Areas; and

(d) such States and territories as are or may be included in Pakistan, whether by accession or otherwise."

However, the tribal areas have a special status under the Constitution, sub-Articles (3) and (7) of Article 247 read as follows:–

"(3) No Act of Majlis-e-Shoora (Parliament) shall apply to any Federally Administered Tribal Area or to any part thereof, unless the President so directs, and no Act of Majlis-e-Shoora (Parliament) or a Provincial Assembly shall apply to a Provincial Administered Tribal Area, or to any part thereof, unless the Governor of the Province in which the Tribal Area is situate, with the approval of the President, so directs; and in giving such a direction with respect to any law, the President or, as the case may be, the Governor, may direct that the law shall, in its application to a Tribal Area, or to a specified part thereof, have effect subject to such exceptions and modifications as may be specified in the direction."

"(7) Neither the Supreme Court nor a High Court shall exercise any jurisdiction under the Constitution in relation to a Tribal Area, unless Majlis-e-Shoora (Parliament) by law otherwise provides:

Provided that nothing contained in this clause shall affect the jurisdiction which the Supreme Court or a High Court exercised in relation to a Tribal Area immediately before the commencing day."

"Tribal Areas" has been defined in Article 246 which reads as follows:–

"246. In the Constitution,–

(a) "Tribal Areas" means the areas in Pakistan which, immediately before the commencing day, were Tribal Areas, and includes–

(i) the Tribal Areas of Baluchistan and the North-West Frontier Province; and

(ii) the former States of Amb, Chitral, Dir and Swat;

(b) "Provincially Administered Tribal Areas" means–

(i) the districts of Chitral, Dir and Swat (which includes Kalam) the Tribal Area in Kohistan district, Malakand Protected Area, the Tribal Area adjoinign Mansehra district and the former State of Amb; and

(ii) Zhob district, Loralia district (excluding Duki Tehsil), Dalbandin Tehsil of Chagai district and Marri and Bugti tribal territories of Sibi district; and

(c) "Federally Administered Tribal Areas" includes

(i) Tribal Areas, adjoining Peshawar district;

(ii) Tribal Areas adjoining Kohat district;

(iii) Tribal Areas adjoining Bannu district;

(iv) Tribal Areas adjoining Dera Ismail Khan district;

(v) Bajaur Agency;

(vi) Mohmand Agency;

(vii) Khyber Agency;

(viii) Kurram Agency;

(ix) North Waziristan Agency; and

(x) South Waziristan Agency;"

Also see footnote titled "salaries in tribal areas" given under section 12 and footnote titled "Goods imported by residents of tribal areas" given under section 148.

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2. Definitions.– In this Ordinance, unless there is anything repugnant in the subject or context –

(1) "accumulated profits" in relation to [1][distribution or payment of] a dividend, [2][include]–

(a) any reserve made up wholly or partly of any allowance, deduction, or exemption admissible under this Ordinance;

(b) for the purposes of [3][sub-clauses (a), (d) and (e) of clause (19)], all profits of the company including income and gains of a trust up to the date of such distribution or such payment, as the case may be; and

(c) for the purposes of [4][sub-clause (c) of clause (19)], includes all profits of the company including income and gains of a trust up to the date of its liquidation;

[5][(1A) "active taxpayers' list" means the list instituted by the Board under section 181A and includes such list issued by the Azad Jammu and Kashmir Central Board of Revenue or Gilgit-Baltistan Council Board of Revenue;]

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[1]Words inserted by Finance Act, 2003, dated June 17, 2003.

[2]Substituted for "includes" by Finance Act, 2005, dated June 29, 2005 to make an editorial correction as per 'Notes on Clauses of Finance Bill'.

[3]Substituted for "clauses (a), (d) and (e) of sub-section (20)" by Finance Ordinance, 2002 dated June 15, 2002.

[4]Substituted for "clause (c) of sub-section (20)" by Finance Ordinance, 2002 dated June 15, 2002.

[5]Clause (1A) inserted by Finance Act, 2019 dated June 30, 2019.

Application of tax laws to Northern Areas.– Following is the text of CBR's Letter C. No. 4(8) WM/92 dated October, 1993:–

"I am directed to say that in the above referred case the representation made by the Income Tax Department to the President of Pakistan has been accepted.

The brief facts of the case are that certain contractors of Northern Areas filed a complaint before Wafaqi Mohtasib challenging the deduction of tax at the rate of 3% from their bills by the DCMA w.e.f. the year 1980 on the ground that the provisions of Income Tax Ordinance, 1979 are not applicable to Northern Area. The Honourable Wafaqi Mohtasib, by his order dated 16.6.1992, held that the extension of the provisions of Income Tax Ordinance, 1979 to the Northern Areas was unconstitutional. It was also recommended by him that the tax deduction u/s 50(4) of the Income Tax Ordinance 1979 not being legal, the amount deducted from the contractors of Northern Areas may be refunded to them. The Income Tax Department filed a review petition before the President of Pakistan against the order of Honourable Wafaqi Mohtasib.

The President has been pleased to accept Departments review petition against the aforementioned findings of Honourable Wafaqi Mohtasib. A copy of the Law Division letter No. 1411/92- Law dated 19-9-1993 is enclosed for information."

Letter No. 1411/92 dated September 19, 1993 referred to above reads as follows:–

"The representation of the Central Board of Revenue dated 14-7-1992, on the above subject addressed to the President of Pakistan has been decided. The Acting President has been pleased to order as under:–

"The representation by Central Board of Revenue, Islamabad against the recommendations of Wafaqi Mohtasib in the case REG-II/23/92 (REV) in REG-II/3145/91 is hereby accepted."

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[6][(1AA) "algorithmic settlement mechanism" means algorithmic settlement mechanism provided under section 134B of this Ordinance;]

[6]Clause (1AA) inserted by Finance Act, 2026 dated June 26, 2026.

S. 2(1AA).- Algorithmic Settlement Mechanism [Sections 2(1AA), 114(6) & (6B) and 134B]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new concept of digitally operated settlement of proceedings has been introduced. Clause (1AA) has been inserted in section 2 to define "algorithmic settlement mechanism" with reference to the new section 134B."

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[1][*[*(1B)*]* "amalgamation" means the merger of one or more banking companies or non-banking financial institutions, [2][or insurance companies, [3]*[*or companies owning and managing industrial undertakings [4][or companies engaged in providing services and not being a trading company or companies]*]*] in either case [3][at least one of them] being a public company, or a company incorporated under any law, other than [5][Companies Act, 2017 (XIX of 2017)], for the time being in force, (the company or companies which so merge being referred to as the "amalgamating company" or companies and the company with which they merge or which is formed as a result of merger, as the "amalgamated company") in such manner that –

(a) the assets of the amalgamating company or companies immediately before the amalgamation become the assets of the amalgamated company by virtue of the amalgamation, otherwise than by purchase of such assets by the amalgamated company or as a result of distribution of such assets to the amalgamated company after the winding up of the amalgamating company or companies; [6][and]

(b) the liabilities of the amalgamating company or companies immediately before the amalgamation become the liabilities of the amalgamated company by virtue of the amalgamation [7][.]

[8]*[ ]*]

[1]Clause (1A) renumbered as (1B) by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Words and comma inserted by Finance Act, 2004 dated June 24, 2004 w.e.f. July 1, 2004.
[3]Words inserted by Finance Act, 2005 dated June 29, 2005.
[4]Words inserted by Finance Act, 2007 dated June 30, 2007.
[5]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.
[6]Word inserted by Finance Act, 2005 dated June 29, 2005.
[7]Full stop substituted for "; and" Finance Act, 2005 dated June 29, 2005.
[8]Sub-clause (c) omitted by Finance Act, 2005 dated June 29, 2005.

S. 2(1A)–Amalgamation, amendment by F.A. 2007.-Following is an extract from 'Notes on Clauses of Finance Bill 2007':-

"Seeks to provide incentive for merger of Companies providing services."

Also see s. 57A for fiscal incentives for merger of banking and non-banking financial institutions and footnotes relating to definition of amalgamation.

S. 2(1A)(c)–Omission.– Before omission by Finance Act, 2005, it read as follows:–

"(c) the scheme of amalgamation is approved by the State Bank of Pakistan or by the Securities and Exchange Commission of Pakistan [1]*[*on or before thirtieth day of June, [2][2006]*]*;"

[1]Words etc. inserted by Finance Act 2003, dated June 17, 2003.
[2]Substituted for "2004" by Finance Act 2004, w.e.f. July 1, 2004.

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[1][(2) "Appellate Tribunal" means the Appellate Tribunal Inland Revenue established under section 130;]

(3) "approved gratuity fund" means a gratuity fund approved by the Commissioner in accordance with Part III of the Sixth Schedule;

[2][(3A) "Approved Annuity Plan" means an Annuity Plan approved by Securities and Exchange Commission of Pakistan (SECP) under Voluntary Pension System Rules, 2005 and offered by a Life Insurance Company registered with the SECP under Insurance Ordinance, 2000 (XXXIX of 2000).

(3B) "Approved Income Payment Plan" means an Income Payment Plan approved by Securities and Exchange Commission of Pakistan (SECP) under Voluntary Pension System Rules, 2005 and offered by a Pension Fund Manager registered with the SECP under Voluntary Pension System Rules, 2005;

(3C) "Approved Pension Fund" means Pension Fund approved by Securities and Exchange Commission of Pakistan (SECP) under Voluntary Pension System Rules, 2005, and managed by a Pension Fund Manager registered with the SECP under Voluntary Pension System Rules, 2005;]

[3][(3D) "Approved Employment Pension or Annuity Scheme" means any employment related retirement scheme approved under this Ordinance, which makes periodical payment to a beneficiary *i.e*. pension or annuity such as approved superannuation fund, public sector pension scheme and Employees Old-Age Benefit Scheme;

(3E) "Approved Occupational Savings Scheme" means any approved gratuity fund or recognized provident fund;]

(4) "approved superannuation fund" means a superannuation fund, or any part of a superannuation fund, approved by the Commissioner in accordance with Part II of the Sixth Schedule;

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[1]Clause (2) substituted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[2]Clauses (3A), (3B) and (3C) inserted by Finance Act, 2005, dated June 29, 2005.

[3]Clause (3D) and (3E) inserted by Finance Act, 2006 dated July 01, 2006.

S. 2(2)–Substitution.– Before substitution by Finance (Amendment) Ordinance, 2009, it read as follows:–

"(2) "Appellate Tribunal" means the Appellate Tribunal established under section 130;"

S. 2(3D) & (3E)-Approved schemes.-Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"The profit or gain or benefit derived by the pension fund or the pension fund manager from the Pension Fund is exempt from tax which was granted through Finance Act, 2005. Security and Exchange Commission, has revised the Voluntary Pension Funds Rules 2005. Therefore, certain amendments have been made in the Income Tax Ordinance, as per the revised rules."

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[1][(5) "assessment" includes [2][provisional assessment,] re-assessment [3][, amended assessment and faceless assessment] and the cognate expressions shall be construed accordingly;]

[4][(5A) "assessment year" means assessment year as defined in the repealed Ordinance;]

[5][(5B) "asset management company" means an asset management company as defined in the Non-Banking Finance Companies and Notified Entities Regulations, 2007;]

[6][(5C) "asset move" means the transfer of an offshore asset to an unspecified jurisdiction by or on behalf of a person who owns, possesses, controls or is the beneficial owner of such offshore asset for the purpose of tax evasion;]

(6) "association of persons" means an association of persons as defined in section 80;

[7][(6A) "authorised shipping agent" means a person in Pakistan who is authorised, by a non-resident ship owner, charterer or operator to act on its behalf in respect of a vessel, and who in relation to such vessel or voyage-

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[1]Clause (5) substituted by Finance Ordinance, 2002 dated June 15, 2002.

[2]Inserted by Finance Act, 2011 dated June 30, 2011, to clarify that: "Provisional assessment" has been included in the definition of assessment for abundant clarification of the legal coverage available to a provisional assessment." (FBR's Circular No. 7 of 2011 dated July 01, 2011).

[3]Substituted for "and amended assessment" by Finance Act, 2026 dated June 26, 2026.

[4]Clause (5A) inserted by Finance Ordinance, 2002 dated June 15, 2002.

[5]Clause (5B) substituted by Finance Act, 2008 dated June 27, 2008. Earlier it was inserted by Finance Ordinance, 2002 dated June 15, 2002. Before substitution it read as follows:- "(5B) "asset management company" means a company registered under the Assets Management Companies Rules, 1995;"

[6]Clause (5C) inserted by Finance Act, 2019 dated June 30, 2019.

[7]Clause (6A) inserted by Finance Act, 2026 dated June 26, 2026.

S. 2(5)-Assessment.-Faceless Regime for Audit, Assessment, Appeals and Jurisdiction [Sections 2(5), 2(35)(1A), 122E, 129A, 209B and 227D]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Through the Finance Act, 2026, a comprehensive faceless regime has been introduced in the Ordinance. The definition of "assessment" in clause (5) of section 2 has been expanded to include "faceless assessment", and a new clause (35)(1A) has been inserted to define "National faceless centre"."

2(6A)-Assessment-Taxation of Non-resident Shipping through an Authorised Shipping Agent [Sections 2(6A) and 143]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new clause (6A) has been inserted in section 2 to define "authorised shipping agent", being a person in Pakistan authorised by a non-resident ship owner, charterer or operator to act on its behalf in respect of a vessel and who is responsible for the receipt, collection or accounting of total freight and for documentation and manifest filing, and who furnishes the return under section 143. Such agent is to be treated as the representative of the non-resident under section 172 and is jointly and severally liable for the tax and related obligations."

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(a) is responsible for the receipt, collection, control or accounting of total freight and any related amounts, and undertakes or is responsible for documentation, manifest filing, or reporting of cargo or total freight, including having, directly or indirectly, the control, custody or disposal of any freight or related receipts attributable to such vessel or voyage; and

(b) furnishes the return under section 143 of this Ordinance, in respect of such vessel or voyage and such person shall, for the purposes of this Ordinance,-

(i) be treated as the representative of the non-resident under section 172;

(ii) be jointly and severally liable for payment of tax and all obligations, proceedings, assessments and recovery in respect of such vessel or voyage; and

(iii) be treated as such, and the provisions of sub-section (3) of section 172 shall apply accordingly;]

(7) "banking company" means a banking company as defined in the Banking Companies Ordinance, 1962 (LVII of 1962) [1][ ];

[2][(7A) "beneficial owner" means a natural person who–

(a) ultimately owns or controls a Company or association of persons, whether directly or indirectly, through at least twenty five percent shares or voting rights; or

(b) exercise ultimate effective control, through direct or indirect means, over the company or association of persons including control over the finances or decisions or other affairs of the company or association of persons;]

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[1]Words "and includes anybody corporate which transacts the business of banking in Pakistan" omitted by Finance Act, 2025 in force from July 1, 2025.

[2]Clause (7A) inserted by Finance Act, 2022 dated June 30, 2022.

[3]Clauses (8) to (11) renumbered as (9) to (11) by Finance Act, 2014 dated June 26, 2014 & clause (11) renumbered as (8) by Finance Act, 2014 dated June 26, 2014. Earlier it was substituted by Finance Act, 2007 dated June 30, 2007 for the following:-

"(11) "Central Board of Revenue" means the Central Board of Revenue established under the Central Board of Revenue Act, 1924 (IV of 1924);"

S. 2(7A)-Disclosure of Beneficial Ownership.-Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"Previously companies and AOPs were not required to disclose the natural individuals who are ultimate beneficial owners. Thus beneficial ownership could be hidden through intervening companies and trusts. To bring transparency and to remove this obscurity, as per best international practices, companies and AOPs are now required to disclose details of their beneficial owners who are natural persons.

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[3][(8)] "Board" means the Central Board of Revenue established under the Central Board of Revenue Act, 1924 (IV of 1924), and on the commencement of Federal Board of Revenue Act, 2007, the Federal Board of Revenue established under section 3 thereof [4][and includes a Member of the Federal Board of Revenue to whom powers of the Board have been delegated under section 8 of the Federal Board of Revenue Act, 2007;]

[3][(9)] "bonus shares" includes bonus units in a unit trust;

[3][(10)] "business" includes any trade, commerce, manufacture, profession, vocation or adventure or concern in the nature of trade, commerce, manufacture, profession or vocation, but does not include employment;

[5][(10A) "business bank account" means a bank account utilized by the taxpayer for business transaction declared to the Commissioner through original or modified registration form prescribed under section 181;]

[3][(11)] "capital asset" means a capital asset as defined in section 37;

[1][(11A)"charitable purpose" includes relief of the poor, education, medical relief and the advancement of any other object of general public utility;]

[2][(11B) "Chief Commissioner" means a person appointed as Chief Commissioner Inland Revenue under section 208 and includes a [3][Chief Investigator,] Regional Commissioner of Income Tax and a Director General of Income Tax and Sales Tax;]

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[3]Clauses (8) to (11) renumbered as (9) to (11) by Finance Act, 2014 dated June 26, 2014 & clause (11) renumbered as (8) by Finance Act, 2014 dated June 26, 2014.

[4]Words inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

[5]Clause (10A) inserted by Finance Act, 2021 dated June 30, 2021.

[1]Clause (11A) inserted by Finance Ordinance, 2002 dated June 15, 2002.

[2]Clause (11B) inserted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[3]Words and comma inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

Definition of term 'beneficial owner' has been provided by inserting new clause (7A) in section 2 of the Ordinance. Corresponding new section 181E has been inserted in the Ordinance whereby every company and association of persons will furnish electronically, particulars of its beneficial owners and will be required to update these particulars as and when there is a change in particulars of beneficial owners. Penalty of Rs. 1,000,000 has also been prescribed by incorporating entry No. 30 in the Table, in sub-section (1) of section 182 for each default of company or association of persons who contravenes the provisions of section 181E of the Ordinance."

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[4][(11C) "Collective Investment Scheme" shall have the same meanings as are assigned under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;]

[4]Clause (11C) inserted by Finance Act, 2011 dated June 30, 2011.

S. 2(11C).-Definition of Collective Investment Scheme. Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"Since the term "Collective Investment Scheme" has been used in the Income Tax Ordinance, 2001 there was a need to define this term. "Collective investment scheme" therefore has been defined to mean a closed-end fund and an open-end scheme as defined under the Non-Banking Finance Companies (Establishment and Registration) Rules, 2003."

S.2(13)&(13A)–Substitution.– Before substitution by Finance (Amendment) Ordinance, 2009, these read as follows:–

¨(13) "Commissioner" means a person appointed as a Commissioner of Income Tax under section 208, and includes a taxation officer vested with all or any of the powers, and functions of the Commissioner;

(13A) "Commissioner (Appeals)" means a person appointed as a Commissioner of Income Tax (Appeals) under section 208;"

Clauses (13) originally read as follows:-

"(13) "Commissioner" means a person appointed as a Commissioner of Income Tax under section 209;"

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(12) "company" means a company as defined in section 80;

[1][(13) "Commissioner" means a person appointed as a Commissioner Inland Revenue under section 208 and includes any other authority vested with all or any of the powers and functions of the Commissioner;

[1][(13A) "Commissioner (Appeals)" means a person appointed as Commissioner Inland Revenue (Appeals) under section 208;]

[2][(13AA) concealment of income includes-

(a) the suppression of any item of receipt liable to tax in whole or in part, or failure to disclose income chargeable to tax;

(b) claiming any deduction or any expenditure not actually incurred;

(c) any act referred to in sub-section (1) of section 111; and

(d) claiming of any income or receipt as exempt which is otherwise taxable.

Explanation.- For removal of doubt it is clarified that none of the aforementioned acts would constitute concealment of income unless it is proved that taxpayer has knowingly and willfully committed these acts;]

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[1]Clauses (13) and (13A) substituted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009. Clauses (13) and (13A) were earlier substituted for Clause (13) by Finance Ordinance, 2002 dated June 15, 2002.

[2]Clause (13AA) inserted by Finance Act, 2021 dated June 30, 2021. Earlier a different s. 13AA was inserted by Finance Act, 2015 dated June 30, 2015, which has been renumbered as (13AB) by Finance Act, 2021 dated June 30, 2021.

Prosecution for concealment of income.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Law already provides for prosecution mechanism under sections 201 to 203A of the Ordinance whereby prosecution can be carried out for offences enumerated in sections 191 to 200.

Under the Finance Act, 2021 a new mechanism has been introduced whereby the concealment of income has been made cognizable offence by introduction of sections 203B to 230I. In order to attract new mechanism the amount of concealed tax should be Rs. 100 million or above in case of filer and Rs. 25 million or above in case of non-filers. Moreover, this concealment should be established through an assessment or amended assessment under section 121 or 122 of the Ordinance consequent upon third party audit under section 177 or 214C of the Ordinance. The accused can be arrested, only after the written approval of committee consisting of Finance Minister, Chairman and senior most Member of the Board. The post arrest procedure to be followed has been laid down in newly inserted sections 203B to 203I. This procedure is harmonized with the procedure laid down in Sales Tax Act, 1990.

In order to streamline actions referred above, the act of concealment has been defined under newly inserted clause (l3AA) in section 2 of the Ordinance. In order for an act to constitute concealment, it must be willful. Mere disallowance of an expense or rejection of an exemption claim cannot be construed as concealment if the taxpayer has taken a reasonably arguable position.

Furthermore, where notice for amendment of assessment has been issued confronting taxpayer regarding concealment of income, no separate notice will be required to be issued under section 111(5) of the Ordinance, as statute does not provide for any such notice."

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[1][(13AB)] "consumer goods" means goods that are consumed by the end consumer rather than used in the production of another good;]

[2][(13B) "Contribution to an Approved Pension Fund" means contribution as defined in rule 2(j) of the Voluntary Pension System Rules, 2005 [3][ ];

(14) "co-operative society" means a co-operative society registered under the Co-operative Societies Act, 1925 (VII of 1925) or under any other law for the time being in force in Pakistan for the registration of co-operative societies;

(15) "debt" means any amount owing, including accounts payable and the amounts owing under promissory notes, bills of exchange, debentures, securities, bonds or other financial instruments;

(16) "deductible allowance" means an allowance that is deductible from total income under Part IX of Chapter III;

(17) "depreciable asset" means a depreciable asset as defined in section 22;

[4][17A.* "Developmental REIT Scheme" means Developmental REIT Scheme as defined under the Real Estate Investment Trust Regulations, 2015]

[5][(17B) "digital means" means digital payments and financial services including but not limited to–

(a) online portals or platforms for digital payments/receipts;

(b) online interbank fund transfer services;

(c) online bill or invoice presentment and payment services;

(d) over the Counter digital payment services or facilities;

(e) card payments using Point of Sale terminals, QR codes, mobile devices, ATMs, Kiosk or any other digital payments enabled devices; or

(f) any other digital or online payment modes.]

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[1]Clause (13AA) renumbered as (13AB) by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.

[2]Clause (13B) inserted by Finance Act, 2005, dated June 29, 2005. This, as per Notes on Clauses of Finance Bill: "Seeks to omit the limit on contribution to an Approved Pension Fund."

[3]Comma and words ", but not exceeding five hundred thousand rupees in a tax year" omitted by Finance Act, 2006, dated July 01, 2006.

[4]Clause 17A inserted by Finance Act, 2015 dated June 30, 2015. *The opening and closing brackets are missing in the gazette.

[5]Clause (17B) inserted by Finance (Supplementary) Act, 2022 dated January 15, 2022.

Cl. (17A)-Digital Modes of Payment-Following are extracts from FBR's Circular No. 12 of 2022 dated January 12, 2022:-

"Through Tax Laws (Third Amendment) Ordinance, 2021 it has been made compulsory for corporate taxpayers to use digital mode of payment for certain expenditures."

"Furthermore, Board has also been empowered to notify the date for adoption of digital modes of payment."

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[1][(17C) "digitally delivered services" means any service delivered over the internet or electronic networks, where the delivery is automated and requires minimal or no human intervention including music, audio and video streaming services, cloud services, online software applications services, services delivered through online inter-personal interaction i.e., tele medicines, e-learning etc., online banking services, architectural design services, research and consultancy reports, accounting services in the form of digital files or any other online facility;]

(18) "disposal" in relation to an asset, means a disposal as defined in section 75;

[2][(18A) "distributor" means a person appointed by a manufacturer, importer or any other person for a specified area to purchase goods from him for further supply;]

(19) "dividend" includes–

(a) any distribution by a company of accumulated profits to its shareholders, whether capitalised or not, if such distribution entails the release by the company to its shareholders of all or any part of the assets including money of the company;

(b) any distribution by a company, to its shareholders of debentures, debenture-stock or deposit certificate in any form, whether with or without profit [3][ ], to the extent to which the company possesses accumulated profits whether capitalised or not;

(c) any distribution made to the shareholders of a company on its liquidation, to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation, whether capitalised or not;

(d) any distribution by a company to its shareholders on the reduction of its capital, to the extent to which the company possesses accumulated profits, whether such accumulated profits have been capitalised or not; [4][ ]

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[1]Clause (17C) inserted by Finance Act, 2025 in force from July 1, 2025.

[2]Clause (18A) inserted by Finance Act, 2022 dated June 30, 2022.

[3]Comma and words ", and any distribution to its shareholders of shares by way of bonus or bonus shares" omitted by Finance Ordinance, 2002 dated June 15, 2002.

[4]Word "or" omitted by Finance Act, 2008 dated June 27, 2008.

S. 2(19)–"Dividend", loan or advance to a shareholder u/s 2(19).– An extract from CBR's Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979, is as follows:–

"The provision is intended to discourage shareholders to use the funds of private companies for their own individual benefit.

The possibility of hardship being caused in certain cases has not been overlooked and a specific provision for the refund of tax paid by a shareholder in respect of such "dividend" has been made if and when the loan or advance is paid back to the company. (Section 96(2)).

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(e) any payment by a private company [1][as defined in the [2]/Companies Act, 2017 (XIX of 2017)/] or trust of any sum (whether as representing a part of the assets of the company or trust, or otherwise) by way of advance or loan to a shareholder or any payment by any such company or trust on behalf, or for the individual benefit, of any such shareholder, to the extent to which the company or trust, in either case, possesses accumulated profits; [5][or]

[3][(f) [4][remittance of] after tax profit of a branch of a foreign company operating in Pakistan;]

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[1]Words etc. inserted by Finance Act, 2003, dated June 17, 2003.
[2]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.
[3]Word "or" and after that sub-clause (f) inserted by Finance Act, 2008 dated June 27, 2008.
[4]Substituted for "any" by Finance Act, 2009 dated June 30, 2009.

It should be noted that when any loan or advance is treated as a 'dividend', it ceases to be a loan or advance for tax purposes and consequently the provisions of Section 12(7) in such cases shall not apply."

S. 2(19)(f)–Taxation of Branch Profit as dividend.–Following is an extract from FBR's Circular No. 3 of 2009 dated July 17, 2009:-

"Through Finance Act, 2008 remittances of after tax profit by a branch of foreign company operating in Pakistan were taxed as dividend income @ 10%. However, due to absence of word "remittance" in the newly inserted sub-section 2(19)(f), a mistaken view could have been taken to the effect that merely showing of accumulated profits of a branch are taxable as dividend income, whereas the intention of the legislature was to deem the remittance of after tax profit, by a branch to its head office, outside Pakistan, as dividend income. In order to remove this ambiguity amendment has been made in the said clause by virtue of which the "remittance of after tax profit" would be treated as dividend income.

1.1 Apart from above, petroleum exploration and production (E&P) companies operating in Pakistan also became liable to pay tax on such remittances treated as 'dividend' whereas their rate of tax was frozen by Petroleum Concession Agreements signed between the Government of Pakistan and E&P Companies. In view of this international commitment, such companies have been excluded from the purview of aforesaid clause a new sub-clause (iv) in Clause (f) of sub-section (19) of section 2 of the Ordinance has been inserted by virtue of which the remittances of after tax profit by a branch of non-resident Petroleum Exploration and Production Company operating in Pakistan has been excluded from the ambit of the dividend.

1.2 Consequential amendment has also been made in subsection (1) of section 5, which imposes a tax on dividend income."

Following is an extract from FBR's Circular No. 5 of 2008, dated July 05, 2008:-

"A non-resident can form a Pakistani company for operation in Pakistan or conduct business activity through its branch in Pakistan. After tax profits, in the case of a foreign controlled resident company are distributed through payment of dividend which attracts 10% income tax whereas, such profits in the case of a branch of a non-resident company are remitted outside Pakistan without payment of any tax. This had created disparity of taxation between the said two situations.

1.1 After tax profits so transferred by a branch of a foreign company out of Pakistan has been treated as dividend income, under sub-clause (f) of clause (19) of section 2 of the Income Tax Ordinance, 2001 (hereinafter to be referred as "Ordinance") and chargeable to tax @ 10% of gross amount, vide the Finance Act, 2008. It will be in line with the international best practices prevalent in European Countries, USA, and Canada. It will also check outflow of foreign exchange and provide level playing field to non-residents operating by incorporating a Pakistani company or through branch of a foreign company."

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but does not include–

(i) a distribution made in accordance with [1][sub-clause] (c) or (d) in respect of any share for full cash consideration, or redemption of debentures or debenture stock, where the holder of the share or debenture is not entitled in the event of liquidation to participate in the surplus assets;

(ii) any advance or loan made to a shareholder by a company in the ordinary course of its business, where the lending of money is a substantial part of the business of the company; [2][ ]

(iii) any dividend paid by a company which is set off by the company against the whole or any part of any sum previously paid by it and treated as a dividend within the meaning of [3][sub-clause] *(c) to the extent to which it is so set off;

[4][(iv) remittance of after tax profit by a branch of Petroleum Exploration and Production (E&P) foreign company, operating in Pakistan.]

[5][(19A) "Eligible Person", for the purpose of Voluntary Pension System Rules, 2005, means an individual Pakistani who [6][holds] a valid National Tax Number [7][or Computerized National Identity Card [8][or National Identity Card for Overseas Pakistanis] issued by the National Database and Registration Authority [9][ ] [9][:]]

[10][Provided that the total tax credit available for the contribution made to approved employment pension or annuity scheme and approved pension fund under Voluntary Pension System Rules, 2005, should not exceed the limit prescribed or specified in section 63.]

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[1]Substituted for "clause" by Finance Ordinance, 2002 dated June 15, 2002. Though the Finance Ordinance states the amendment in sub-clause (c), this amendment appears to be intended in sub-clause (e) and has been made herein in sub-clause (e).

[2]Word "and" omitted by Finance Act, 2009 dated June 30, 2009.

[3]Word "or" and after that sub-clause (f) inserted by Finance Act, 2008 dated June 27, 2008.

[4]Paragraph (iv) inserted by Finance Act, 2009 dated June 30, 2009.

[5]Clause (19A) inserted by Finance Act, 2005, dated June 29, 2005.

[6]Substituted for "has obtained" by Finance Act, 2007, dated June 30, 2007.

[7]Words inserted by Finance Act, 2007, dated June 30, 2007.

[8]Words inserted by Finance Act, 2008 dated June 27, 2008.

[9]Words "but does not include an individual who is entitled to benefit under any other approved employment pension or annuity scheme" omitted by Finance Act, 2006 dated July 01, 2006.

[10]Colon substituted for semi-colon and thereafter Proviso inserted by Finance Act, 2006 dated July 01, 2006.

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*should have been "(e)".

Following is an extract from Notes on Clauses of Finance Bill 2008':-

"Seeks to enlarge the definition of term dividend and treat after tax profits of a branch of foreign company operating in Pakistan as dividend."

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[1][(19AA) "e-commerce" means sale or purchase of goods and services conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders either through websites, mobile applications or online marketplace having digital ordering features by using either mobile phone, iPad, Tablet or automated computer-to-computer ordering system;]

[2][(19B) the expressions "addressee", "automated", "electronic", "electronic signature", "information", "information system", "originator" and "transaction", shall have the same meanings as are assigned to them in the Electronic Transactions Ordinance, 2002 (LI of 2002);]

[2][(19C) "electronic record" includes the contents of communications, transactions and procedures under this Ordinance, including attachments, annexes, enclosures, accounts, returns, statements, certificates, applications, forms, receipts, acknowledgements, notices, orders, judgments, approvals, notifications, circulars, rulings, documents and any other information associated with such communications, transactions and procedures, created, sent, forwarded, replied to, transmitted, distributed, broadcast, stored, held, copied, downloaded, displayed, viewed, read, or printed, by one or several electronic resources and any other information in electronic form;]

[2][(19D) "electronic resource" includes telecommunication systems, transmission devices, electronic video or audio equipment, encoding or decoding equipment, input, output or connecting devices, data processing or storage systems, computer systems, servers, networks and related computer programs, applications and software including databases, data warehouses and web portals as may be prescribed by the Board from time to time, for the purpose of creating electronic record;]

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[1]Clause (19AA) inserted by Finance Act, 2025 in force from July 1, 2025.
[2]Clauses (19B) to (19E) inserted by Finance Act, 2008 dated June 27, 2008.

S. 2(19A)-Eligible person.–Following are extracts from Notes on Clauses of Finance Bill, 2007:–

"Seeks to make an editorial correction."

"Seeks to allow Computerized National Identify Card in case of non-availability of National Tax Number for purpose of Voluntary Pension System."

Following is an extract from Notes on Clauses of Finance Bill, 2006:–

"Seeks to enlarge the definition of an "Eligible Person" and also reiterates the limit of available tax credit."

S. 2(19B) to (19E)-Electronic communications.- Following is an extract from Notes on Clauses of Finance Bill 2008':-

"Seeks to introduce various terms as used in electronic transaction Ordinance, 2002 and define various terms of electronic record keeping, electronic devices/ resources and telecommunication system."

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[1][(19DA) "electronically readable format" means any digital format in which data is structured so that it can be automatically read, extracted, validated and processed by computer systems without human intervention, including but not limited to spreadsheet formats (such as CSV or XLSX)*, XML, XBRL, JSON, and other structured or semi-structured data formats but excluding formats primarily designed for human readability, such as PDF, scanned images or photographs;]

[2][(19E) "telecommunication system" includes a system for the conveyance, through the agency of electric, magnetic, electro-magnetic, electro-chemical or electro-mechanical energy, of speech, music and other sounds, visual images and signals serving for the impartation of any matter otherwise than in the form of sounds or visual images and also includes real time online sharing of any matter in manner and mode as may be prescribed by the Board from time to time.]

(20) "employee" means any individual engaged in employment;

(21) "employer" means any person who engages and remunerates an employee;

(22) "employment" includes–

(a) a directorship or any other office involved in the management of a company;

(b) a position entitling the holder to a fixed or ascertainable remuneration; or

(c) the holding or acting in any public office;

[3][ ]

[4][(22AA) "fair market value" means value as provided in section 68;]

[5][(22B) "fee for offshore digital services" means any consideration for providing or rendering services by a non-resident person for online advertising including digital advertising space, designing, creating, hosting or maintenance of websites, digital or cyber space for websites, advertising, e-mails, online computing, blogs, online content and online data, providing any facility or service for uploading, storing or distribution of digital content including digital text, digital audio or digital video, online collection or processing of data related to users in Pakistan, any facility for online sale of goods or services or any other online facility.]

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[1]Clause (19DA) inserted by Finance Act, 2026 dated June 26, 2026. *the closing bracket should have been after "JSON".

[2]Clauses (19B) to (19E) inserted by Finance Act, 2008 dated June 27, 2008.

[3]Clause (22A) omitted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015. Before omission by Finance Act, 2026, it read as follows:-

"(22A) "fast moving consumer goods" means consumer goods which are supplied in retail marketing as per daily demand of a consumer [1]/excluding durable goods/;"

[1]Words inserted by Finance Act, 2017 dated June 20, 2017.

[4]Clause (22AA) inserted by Finance Act, 2022 dated June 30, 2022.

[5]Clause (22B) inserted by Finance Act, 2018 dated May 23, 2018.

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[1][(22C) "FBR Refund Settlement Company Limited" means the company with this name as incorporated under the Companies Act, 2017 (XIX of 2017), for the purposes of settlement of income tax refund claims including payment by way of issuing refund bonds under section 171A;]

(23) "fee for technical services" means any consideration, whether periodical or lump sum, for the rendering of any managerial, technical or consultancy services including the services of technical or other personnel, but does not include–

(a) consideration for services rendered in relation to a construction, assembly or like project undertaken by the recipient; or

(b) consideration which would be income of the recipient chargeable under the head "Salary";

[2][ ]

(24) "financial institution" means an institution [3][as defined] under the [4][Companies Act, 2017 (XIX of 2017)] [5][ ];

[1]Clause (22C) inserted by Finance Act, 2019 dated June 30, 2019.
[2]Clause (23A) omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2014 dated June 26, 2014.
[3]Substituted for "notified" by Finance Act, 2005, dated June 29, 2005.
[4]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021. Earlier was substituted for "1980 (XXXI of 1980)" by Finance Ordinance, 2002 dated June 15, 2002.
[5]Words "by the Federal Government in the official Gazette as a financial institution" omitted by Finance Act, 2003, dated June 17, 2003.

S. 2(23A)–Omission.- Before omission it read as follows:-

"(23A) "filer" means a taxpayer whose name appears in the active taxpayers' list issued by the Board [1][or Azad Jammu and Kashmir Council Board of Revenue or Gilgit-Baltistan Council Board of Revenue] from time to time or is holder of a taxpayer's card;"

[1]Words inserted by Finance Act, 2018 dated May 23, 2018.

S. 2(24)–Deductibility of Bad Debts. Following is an extract from CBR's Circular No. 1 of 2005, dated July 5, 2005:-

"A bad debt was previously deductible only in respect of money lent by a financial institution. A "financial institution" was defined, in clause (24) of section 2, to mean an institution "notified" under the Companies Ordinance. This had restricted the applicability as most of the financial institutions were not covered by this provision. To enlarge the scope of the provision the expression "notified" has been substituted by "defined".

S. 2(25)–Finance society.– Following is an extract from CBR's Circular No. 8 of 1991, dated June 30, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Section 2 of the Ordinance has been amended by insertion of clause (21A) to provide for the definition of the term "finance society". According to this definition, "finance society" includes a co-operative society which accepts money on deposit or otherwise for the purpose of advancing loans or making investments in the ordinary course of business. This definition has been provided with reference to, amongst others:

(a) The amendment made in sub-section (2A) of section 50 whereby the persons responsible for paying any sum by way of interest or profit on an account or deposit maintained with any finance society have been required to make deduction of tax @ 10%;

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(25) "finance society" includes a co-operative society which accepts money on deposit or otherwise for the purposes of advancing loans or making investments in the ordinary course of business;

(26) "firm" means a firm as defined in section 80;

(27) "foreign-source income" means foreign-source income as defined in sub-section (16) of section 101.

[1][(27A) "greenfield industrial undertaking" means-

(a) a new industrial undertaking which is-

(i) setup on land which has not previously been utilized for any commercial, industrial or manufacturing activity and is free from constraints imposed by any prior work;

(ii) built without demolishing, revamping, renovating, upgrading, remodeling or modifying any existing structure, facility or plant;

(iii) not formed by the splitting up or reconstitution of an undertaking already in existence or by transfer of machinery, plant or building from an undertaking established in Pakistan prior to commencement of the new business and is not part of an expansion project;

(iv) using any process or technology that has not earlier been used in Pakistan and is so approved by the Engineering Development Board; and

(b) is approved by the Commissioner on an application made in the prescribed form and manner, accompanied by the prescribed documents and, such other documents as may be required by the Commissioner:

Provided that this definition shall be applicable from the 1st July, 2019 and onwards.]

(28) "House Building Finance Corporation" means the Corporation constituted under the House Building Finance Corporation Act, 1952 (XVIII of 1952);

[1][(28A) "imputable income" in relation to an amount subject to final tax means the income which would have resulted in the same tax, had this amount not been subject to final tax;]

[1]Clause (27A) inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was inserted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.
[2]Clause (28A) inserted by Finance Act, 2015 dated June 30, 2015.

(b) the newly inserted sub-section (7D) of section 50 which requires deduction of tax @ 10% of any interest or profit on bonds, certificates, debentures, securities or instruments of any kind issued by any finance society;

(c) the newly inserted section 80B which provides that the tax deducted under sub-sections (2A) and (7D) of section 50 shall be deemed to be the final discharge of tax liability in certain cases, so far as this source of income is concerned."

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[1][(29) "income" includes any amount chargeable to tax under this Ordinance, any amount subject to collection [2][or deduction] of tax under sections 148, [3][150, 152(1), 153, 154, 156, 156A, 233, [4][ ] [5][,] sub-section (5) of section 234 [6][, section 236Z] [7][and] [8][any amount treated as income under any provision of this Ordinance] and any loss of income [9][ ];]

[10][(29A) "income year" means income year as defined in the repealed Ordinance;]

[10][(29B) "Individual Pension Account" means an account maintained by an eligible person with a Pension Fund Manager approved under the Voluntary Pension System Rules, 2005;]

[12][(29C) "Industrial undertaking" means–

(a) an undertaking which is set up in Pakistan and which employs,-

(i) ten or more persons in Pakistan and involves the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy; or

(ii) twenty or more persons in Pakistan and does not involve the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy;

and which is engaged in,–

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[1]Clause (29) substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Words inserted by Finance Act, 2003, dated June 17, 2003.
[3]Substituted for "153, 154 and 156" by Finance Act, 2005, dated June 29, 2005.
[4]Expression "233A" omitted by Finance Act, 2021 dated June 30, 2021.
[5]Substituted for "and" by Finance Act, 2014 dated June 26, 2014.
[6]Inserted by Finance Act, 2023 dated June 26, 2023.
[7]Substituted for ", 236M and 236N," by Finance Act, 2018 dated May 23, 2018. Earlier it was substituted for "and 236M" by Finance Act, 2015 dated June 30, 2015. Earlier "and 236M" was inserted by Finance Act, 2014 dated June 26, 2014.
[8]Words inserted by Finance Act, 2003, dated June 17, 2003.
[9]Words etc "but does not include, in case of a shareholder of a [1][ ] company, the amount representing the face value of any bonus share or the amount of any bonus declared, issued or paid by the company to the shareholders with a view to increasing its paid up share capital" omitted by Finance Act, 2014 dated June 26, 2014.
[1]Word "domestic" omitted by Finance Act, 2003, dated June 17, 2003.
[10]Clause (29A) inserted by Finance Ordinance, 2002 dated June 15, 2002.
[11]Clause (29B) substituted by Finance Act, 2010 dated June 30, 2010. Earlier clauses (29B) and (29C) were inserted by Finance Act, 2005, dated June 29, 2005.
[12]Clause (29C) substituted by Finance Act, 2010 dated June 30, 2010. Earlier clauses (29B) and (29C) were inserted by Finance Act, 2005, dated June 29, 2005.

S. 2(29)–Income, substitution.– Before substitution by F. Ordinance, 2002, read as follows:–

"(29) "income" includes any amount chargeable to tax under this Ordinance, any amount subject to collection of tax under Division II of Part V of Chapter X, sub-section (5) of [*]234 Division III of Chapter XII, and any loss of income;"

[*]Apparently intended words and figure are "section 234 of".

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(i) the manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition; or

(ii) ship-building; or

(iii) generation, conversion, transmission or distribution of electrical energy, or the supply of hydraulic power; or

(iv) the working of any mine, oil-well or any other source of mineral deposits; [1]*[ ]*

[2]*[*(aa) from the 1st day of May, 2020, a person directly involved in the construction of buildings, roads, bridges and other such structures or the development of land, to the extent and for the purpose of import of plant and machinery to be utilized in such activity, subject to such conditions as may be notified by the Board;

(ab) from the first day of July, 2020 a resident company engaged in the hotel business in Pakistan; [3]*[*and*]]*

[4][ ]

[5][(c) telecommunication companies operating under the license of Pakistan Telecommunication Authority (PTA).]

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[1]Word "and" omitted by Finance Act, 2020 dated June 30, 2020. Earlier the same was omitted by Tax Laws (Amendment) Ordinance No.1 of 2020 dated April 17, 2020.
[2]Sub-clauses (aa) & (ab) inserted by Finance Act, 2020 dated June 30, 2020. Earlier cl. (aa) was inserted by Tax Laws (Amendment) Ordinance No.1 of 2020 dated April 17, 2020.
[3]Word "and" inserted by Finance Act, 2021 dated June 30, 2021.
[4]Clause (29C)(b) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[5]Clause (29C)(c) inserted by Finance Act, 2021 dated June 30, 2021.

S. 2(29C)–Industrial undertakings, substitution.–Clause (29C) before substitution by Finance Act, 2010, read as follows:–

"(29C) "Industrial undertaking" means–

(a) an undertaking which is set up in Pakistan and which employs, (i) ten or more persons in Pakistan and involves the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy; or (ii) twenty or more persons in Pakistan and does not involve the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy and which is engaged in,–

(i) the manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition;

(ii) ship-building;

(iii) generation, conversion, transmission or distribution of electrical energy, or the supply of hydraulic power; or

(iv) the working of any mine, oil-well or any other source of mineral deposits; and

(b) any other industrial undertaking which the [1][Board] may by notification in the official Gazette, specify;"

[1]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.

S. 2(29C)(b)–Omission.– Before omission clause (b) read as follows:–

"(b) any other industrial undertaking which the Board may by notification in the official Gazette, specify;"

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(30) "intangible" means an intangible as defined in section 24;

[1][(30A) "integrated enterprise" means a person integrated with the [2][Board's computerized system through a licensed integrator], and who fulfills obligations and requirements for integration as may be prescribed;]

[3][(30AA)] "investment company" means an investment company as defined in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;

[4][(30AB)] KIBOR means Karachi Interbank Offered Rate prevalent on the first day of each quarter of the financial year;]

[5][(30AC) "Iris" means a web based computer programme for operation and management of Inland Revenue taxes and laws administered by the Board;]

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[1]Clause (30A) inserted by Finance Act, 2020 dated June 30, 2020.

[2]Substituted for "Board through approved fiscal electronic device and software" by Finance Act, 2026 dated June 26, 2026.

[3]Clause (30A) renumbered as (30AA) by Finance Act, 2020 dated June 30, 2020. Earlier clauses (30A) & (30B) substituted by Finance Act, 2008 dated June 27, 2008. These were originally inserted by Finance Ordinance, 2002 dated June 15, 2002.

[4]Clause (30AA) renumbered as (30AB) by Finance Act, 2020 dated June 30, 2020. Originally clause (30AA) was inserted by Finance Act, 2009 dated June 30, 2009.

[5]Clause (30AC) inserted by Finance Act, 2020 dated June 30, 2020.

S. 2(29C)–Definition of Industrial undertakings.–Following is an extract from FBR's Circular No. 10, dated July 16, 2010:–

"Editorial nature of changes regarding formatting of paragraphs has been brought in the definition of "industrial undertakings", for correct understanding and application."

Bonus shares in the hands of a shareholder, express exclusion from the term "income".– The concluding words of clause (24) expressly exclude, in the case of a shareholder, the face-value of any bonus shares issued by a company. This was first provided by the Finance Act, 1977, by amending the Income-tax Act, 1922. Even before this amendment, bonus shares had never been taxed in the hands of a shareholder. Need for this provision arose due to a judgement of the Lahore High Court, as has been elaborated in Letter No. SG/15/524, dated May 28, 1976 from M/s. S. A. Salam & Co., CAs, addressed to the Member (Taxes), CBR, Islamabad.

In response to the letter, section 2(6C) of the Income-tax Act, 1922, was suitably amended by the Finance Act, 1977, and was to be deemed to have always been so amended. This amendment stands incorporated in the present clause (29).

S. 2(30A) & (30B)–Before Substitution by F. Act 2008, these read as follows:-

"(30A) "investment company" means a company registered under the Investment Companies and Investment Advisors Rules, 1971;

(30B) "leasing company" means a company licensed under the Leasing Companies (Establishment and Regulation) Rules, 2000;"

Telecommunication sector.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Following provisions relating to Telecommunication sector have been introduced in Finance Act, 2021:

a) Inclusion of telecommunication sector in the definition of industrial undertaking under clause (29C) of section 2 of the Ordinance. This will enable them to adjust tax deducted under section 148 on import of capital equipment and plant & machinery for their own use.

b) Reduction of withholding tax rate under section 153(1) (b) on telecommunication services from 8% to 3% under minimum tax regime.

c) Reduction of advance tax under section 236 on internet and mobile phone usage from 12.5% to 10% for tax year 2022 and 8% onwards."

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[1][(30AD) Information Technology (IT) services include [2][but not limited to] software development, software maintenance, system integration, web design, web development, web hosting and network design; and

(30AE) IT enabled services include [2][but not limited to] inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, Human Resource (HR) services, telemedicine centers, data entry operations, cloud computing services, data storage services, locally produced television programs and insurance claims processing;]

[3][(30B) "leasing company" means a leasing company as defined in the Non-Banking Finance Companies and Notified Entities Regulation, 2007;]

[4][(30C) "liaison office" means a place of business acting for the principal, head office or any entity of which it is a part, and

(a) its activities do not result in deriving income in Pakistan; and

(b) maintains itself out of any amount remitted from outside Pakistan received through normal banking channels.

Explanation,- It is clarified that-

(i) a place of business shall not be treated as liaison office if it engages in-

(a) commercial activities;

(b) trading or industrial activities; or

(c) the negotiation and conclusion of contracts;

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[1]Clauses (30AD), (30AE) inserted by Finance Act, 2021 dated June 30, 2021.
[2]Words inserted by Finance Act, 2022 dated June 30, 2022.
[3]Clause (30B) substituted by Finance Act, 2008 dated June 27, 2008. These were earlier inserted by Finance Ordinance, 2002 dated June 15, 2002.
[4]Clause (30C) inserted by Finance Act, 2017 dated June 20, 2017.

S. 2(30AA)–Definition of KIBOR.–Following is an extract from FBR's Circular No. 3 of 2009 dated July 17, 2009:-

"Definition of the term "KIBOR" has been provided to mean Karachi Interbank Offered Rate applicable on first day of each quarter of the financial year. This change was required since KIBOR is now to be used for the purpose of applying the rate of compensation on delayed refunds u/s 171 as well as the rate of additional tax u/s 205 of the Ordinance."

Scope of the term "income".–Following is an extract from 'Notes on Clauses of Finance Bill 2005':-

"Seeks to amend the definition of the term "income" by including certain categories previously not mentioned;"

Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"In order to remove anomalies in the earlier definition of "income", sub-clause* (29) of section 2 has been amended to include any amount treated as income under any provisions of Income Tax Ordinance 2001, in the definition of "income"."

*should have been "clause".

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(ii) the activities shall be treated to be commercial activities, if these include-

(a) providing after sales services for goods or services; or

(b) marketing or promoting pharmaceutical and medical products or services;

(iii) subject to clause (i), a place of business shall be treated as a liaison office, if it undertakes activities of-

(a) an exploratory or preparatory nature, to investigate the possibilities of trading with, or in, Pakistan;

(b) exploring the possibility of joint collaboration and export promotion;

(c) promoting products where such products are yet to be supplied to, or sold in, Pakistan;

(d) promoting technical and financial collaborations between its principal and taxpayers in Pakistan; or

(e) provision of technical advice and assistance.]

[1][(30D) "Licensed integrator" shall have the same meaning as defined under clause (15A) of section 2 of the Sales Tax Act, 1990 (VII of 1990);]

(31) "liquidation" in relation to a company, includes the termination of a trust;

[2][(31A) "Local Government" shall have the same meaning for respective provisions and Islamabad Capital Territory as contained in the Balochistan Local Government Act, 2010 (V of 2010), the Khyber Pakhtunkhwa Local Government Act, 2013 (XXVIII of 2013), the Sindh Local Government Act, 2013 (XLII of 2013), the Islamabad Capital Territory Local Government Act, 2015 (X of 2015) and the Punjab Local Government Act 2019 (XIII of 2019);]

(32) "member" in relation to an association of persons, includes a partner in a firm;

(33) "minor child" means an individual who is under the age of eighteen years at the end of a tax year;

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[1]Clause (30D) inserted by Finance Act, 2026 dated June 26, 2026.

[2]Clause (31A) substituted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finance Act, 2008 dated June 27, 2008.

S. 2(31A)–Before Substitution by F. Act, 2020, it read as follows:-

"(31A) "Local Government" shall have the same meaning as in the Punjab Local Government Ordinance, 2001 (XIII of 2001), the Sindh Local Government Ordinance, 2001 (XXVII of 2001), the NWFP Local Government Ordinance, 2001 (XIV of 2001) and the Balochistan Local Government Ordinance, 2001 (XVIII of 2001);"

S. 2(34)–Modaraba.– Please see sections 28(1)(c) and 80(2)(b)(iii).

Following is an extract from Notes on Clauses to Finance Act, 2004:–

"Seeks to define "non-banking finance company"."

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(34) "modaraba" means a modaraba as defined in the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 (XXXI of 1980);

(35) "modaraba certificate" means a modaraba certificate as defined in the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 (XXXI of 1980);

[1][(35A) "Mutual Fund" means a mutual fund [2][registered or approved by the Securities and Exchange Commission of Pakistan]];

[3][(35)(1A) "National faceless center" means National faceless center as defined in section 227D of this Ordinance;]

[4][(35AA) "NCCPL" means National Clearing Company of Pakistan Limited, which is a company incorporated under the [5][Companies Act, 2017 (XIX of 2017)] and licensed as "Clearing House' by the Securities and Exchange Commission of Pakistan [6][or any subsidiary of NCCPL notified by the Board for the purpose of this clause];]

[7][(35B) "non-banking finance company" means an NBFC as defined in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;]

[8][ ]

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[1]Clause (35A) inserted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "set up by the Investment Corporation of Pakistan or by an investment company" by Finance Act, 2003, dated June 17, 2003.
[3]Clause (35)(1A) inserted by Finance Act, 2026 dated June 26, 2026.
[4]Clause (35AA) inserted by Finance Act, 2012 dated June 26, 2012.
[5]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.
[6]Words inserted by Finance Act, 2017 dated June 20, 2017.
[7]Clause (35B) substituted by Finance Act, 2008 dated June 27, 2008. Earlier it was inserted by Finance Act, 2004 dated June 24, 2004, w.e.f. July 1, 2004.
[8]Clause (35C) omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2014 dated June 26, 2014.

S. 2(35B)–Before substitution it read as follows:-

"(35B) "non-banking finance company" means an institution notified under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003."

S. 2(35C)–Before omission it read as follows:-

"(35C) "non-filer" means a person who is not a filer;"

S. 2(36)–Non-profit organization, substitution.– Clause (36) before substitution by Finance Ordinance, 2002, read as follows:–

"(36) "non-profit organisation" means any person –

(a) established for religious, charitable or educational purposes, or for the promotion of amateur sport;

(b) which is registered under any law as a non-profit organisation and in respect of which the Commissioner has issued a ruling certifying that the person is a non-profit organisation for the purposes of this Ordinance; and

(c) none of the income or assets of the person confers, or may confer a private benefit on any other person;"

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[1][(36) "non-profit organization" means any person, other than an individual, which is–

(a) established for religious, educational, charitable, welfare [2][purposes for general public], or for the promotion of an amateur sport [3][excluding recreational clubs where the joining fee for membership exceeds one million for any class of new members];

(b) formed and registered [4][by or] under any law as a non-profit organization;

(c) approved by the Commissioner for specified period, on an application made by such person in the prescribed form and manner, accompanied by the prescribed documents and, on requisition, such other documents as may be required by the Commissioner;

and none of the assets of such person confers, or may confer, a private benefit to any other person;]

(37) "non-resident person" means a non-resident person as defined in Section 81;

(38) "non-resident taxpayer" means a taxpayer who is a non-resident person;

[5][(38A) "Officer of Inland Revenue" means any Additional Commissioner Inland Revenue, Deputy Commissioner Inland Revenue, Assistant Commissioner Inland Revenue, Inland Revenue Officer, Inland Revenue Audit Officer [6][, District Taxation Officer Inland Revenue, Assistant Director Audit,] or any other officer however* designated or appointed by the Board for the purposes of this Ordinance;]

[7][(38AA) "offshore asset" in relation to a person, includes any movable or immovable asset held, any gain, profit, or income derived, or any expenditure incurred outside Pakistan;

(38AB) "offshore evader" means a person who owns, possesses, controls, or is the beneficial owner of an offshore asset and does not declare, or under declares or provides inaccurate particulars of such asset to the Commissioners;

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[1]Clause (36) substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "or development purposes" Finance Act, 2020 dated June 30, 2020.
[3]Words inserted by Finance Act, 2025 in force from July 1, 2025.
[4]Words inserted by Finance Act, 2020 dated June 30, 2020.
[5]Clause (38A) inserted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.
[6]Words inserted by Finance Act, 2017 dated June 20, 2017.
[7]Clauses (38AA) to (38AC) inserted by Finance Act, 2019 dated June 30, 2019.

*apparently intended word is "howsoever".

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(38AC) "offshore enabler" includes any person who, enables, assists, or advises any person to plan, design, arrange or manage a transaction or declaration relating to an offshore asset, which has resulted or may result in tax evasion;]

[1][(38B) "online marketplace" means an information technology platform run by e-commerce entity over an electronic network that acts as a facilitator in transactions that occur between a buyer and a seller [2][and includes "online interfaces" that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers via digital orders for supply of goods and services, with or without the platform taking economic ownership of the goods or providing or rendering the services that are being sold.]]

(39) "Originator" means Originator as defined in the Asset Backed Securitization Rules, 1999;

(40) "Pakistan-source income" means Pakistan-source income as defined in section 101;

[3][(40A) "Pension Fund Manager" means an asset management company registered under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, or a life insurance company registered under Insurance Ordinance, 2000 (XXXIX of 2000), duly authorized by the Securities and Exchange Commission of Pakistan and approved under the Voluntary Pension System Rules, 2005, to manage the Approved Pension Fund];

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[1]Clause (38B) inserted by Finance Act, 2017 dated June 20, 2017.
[2]Words inserted by Finance Act, 2025 in force from July 1, 2025.
[3]Clause (40A) inserted by Finance Act, 2005, dated June 29, 2005.

S.2(41)- Permanent Establishment, "Fixed" place of business.- Following is an extract from FBR's Circular No. 2 of 2023 dated July 26, 2023 clarifying the deletion of word "Fixed":-

"In order to enlarge the scope of definition of "Permanent Establishment" (PE), Finance Act has made amendment in section 2(41) of the Ordinance by removing word "fixed" wherever appearing in the definition. In the existing definition the word "fixed" preceded the word "place". Hence, in the existing definition scope was limited to fixed place of business. In the present world non-residents also carry out business in other countries or territories through virtual presence or non-fixed presence, hence; the amendment is made to cater to new reality. Consequently, the second amendment is also made in the definition by enlarging the scope of PE to "virtual business presence". The new clause (bb) has been inserted after the clause (ba) to define the virtual business presence in Pakistan as any business where transactions are conducted through internet or any other electronic medium, with or without physical presence. Further, a third amendment has also been made in clause (d) of sub-section (41) of section 2 of the Ordinance. This clause includes the furnishing of services, including consultancy services, by any person through employees or other personnel engaged by the person for such purpose in the definition of PE. In the clause word 'entity' has been inserted after the word personnel. Therefore, furnishing of services including consultancy services through an entity in Pakistan is now covered under the definition of PE. The definition of PE as amended shall apply for determination of status of the non-residents in Pakistan as regards existence of PE, however; the definition shall be applied based on facts of each case and in accordance with relevant provisions of applicable Agreement for Prevention and Avoidance of Double Taxation between Pakistan and the country/state of the non-resident person."

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(41) "permanent establishment" in relation to a person, means a [1][ ] place of business through which the business of the person is wholly or partly carried on, and includes–

(a) a place of management, branch, office, factory or workshop, [2][premises for soliciting orders, warehouse, permanent sales exhibition or sales outlet,] other than a liaison office except where the office engages in the negotiation of contracts (other than contracts of purchase);

[3][(ba) an agricultural, pastoral or forestry property;]

[4][(bb) virtual business presence in Pakistan including any business where transactions are conducted through internet or any other electronic medium, with or without having any physical presence;]

(b) a mine, oil or gas well, quarry or any other place of extraction of natural resources;

(c) a building site, a construction, assembly or installation project or supervisory activities connected with such site or project [1][but only where such site, project and its [2][connected] supervisory activities continue for a period or periods aggregating more than ninety days within any twelve-months period];

(d) the furnishing of services, including consultancy services, by any person through employees or other personnel [3][or entity] engaged by the person for such purpose [4][ ];

(e) a person acting in Pakistan on behalf of the person (hereinafter referred to as the "agent" [5][ ),] other than an agent of independent status acting in the ordinary course of business as such, if the agent–

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[1]Word "fixed" omitted by Finance Act, 2023 dated June 26, 2023. Earlier it was inserted by Finance Act, 2006, July 01, 2006.

[2]Words and commas inserted by Finance Act, 2003, dated June 17, 2003.

[3]Sub-clause (ba) inserted by Finance Act, 2003 dated June 17, 2003.

[4]Sub-clause (bb) inserted by Finance Act, 2023 dated June 26, 2023.

[1]Inserted by Finance Act, 2006 dated July 01, 2006.

[2]Substituted for "connect" by Finance Act, 2010 dated June 30, 2010.

[3]Words inserted by Finance Act, 2023 dated June 26, 2023.

[4]Comma and words etc. ", but only where activities of that nature continue for the same or a connected project within Pakistan for a period or periods aggregating more than ninety [*][days] within any twelve-month period" omitted by Finance Act, 2003 dated June 17, 2003.

[*]Substituted for "months" by Finance Ordinance, 2002 dated June 15, 2002.

[5]Substituted for comma by Finance Ordinance, 2002 dated June 15, 2002.

S. 2(41)-Residential status, permanent establishment.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:-

"There is a universal agreement that income can generally be taxed only when it is attributable to a Permanent Establishment in a country. In the Income Tax Ordinance, 2001, the term Permanent Establishment has been defined, inter-alia as a place of business through which the business of the person is wholly and partly carried on. However, there is no mention of a minimum period of presence. Law has been amended to provide the minimum requirement of three months for the determination of PE."

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[1][(i) has and habitually exercises an authority to conclude contracts on behalf of the other person or habitually concludes contracts or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the person and these contracts are-

(a) in the name of the person; or

(b) for the transfer of the ownership of or for the granting of the right to use property owned by that enterprise or that the enterprise has the right to use; or

(c) for the provision of services by that person; or]

(ii) has no such authority, but habitually maintains a stock-in-trade or other merchandise from which the agent regularly delivers goods or merchandise on behalf of the other person; or

[2][*Explanation*.- For removal of doubt, it is clarified that an agent of independent status acting in the ordinary course of business does not include a person acting exclusively or almost exclusively on behalf of the person to which it is an associate; or]

(f) any substantial equipment installed, or other asset or property capable of activity giving rise to income;

[3][(g) a [4][ ] place of business that is used or maintained by a person if the person or an associate of a person carries on business at that place or at another place in Pakistan and-

(i) that place or other place constitutes a permanent establishment of the person or an associate of the person under this sub-clause; or

(ii) business carried on by the person or an associate of the person at the same place or at more than one place constitute complementary functions that are part of a cohesive business operation.

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[1]Clause (41)(e)(i) substituted by Finance Act, 2018 dated May 23, 2018.
[2]Explanation inserted by Finance Act, 2018 dated May 23, 2018.
[3]Clause (41)(g) inserted by Finance Act, 2018 dated May 23, 2018.
[4]Word "fixed" omitted by Finance Act, 2023 dated June 26, 2023.

S. 2(41)(e)(i)–Substitution.– Before substitution by Finance Act, 2018, read as follows:–

"(i) has and habitually exercises an authority to conclude contracts on behalf of the other person;"

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Explanation.- For the removal of doubt, it is clarified that-

(A) the term "cohesive business operation" includes an overall arrangement for the supply of goods, installation, construction, assembly, commission, guarantees or supervisory activities and all or principal activities are undertaken or performed either by the person or the associates of the person; and

(B) supply of goods include the goods imported in the name of the associate or any other person, whether or not the title to the goods passes outside Pakistan.]

(42) "person" means a person as defined in section 80;

[1][(42A) "PMEX" means Pakistan Mercantile Exchange Limited a futures commodity exchange company incorporated under the [2][Companies Act, 2017 (XIX of 2017)] and is licensed and regulated by the Securities and Exchange Commission of Pakistan;]

[3][(42AA) "PRAL" means Pakistan Revenue Automation Private Limited, a State Owned Enterprise which has been assigned functions related to software development and maintenance of the Board's IT infrastructure;]

(43) "pre-commencement expenditure" means a pre-commencement expenditure as defined in section 25;

(44) "prescribed" means prescribed by rules made under this Ordinance;

[4][(44A) "principal officer" used with reference to a company or association of persons includes–

(a) a director, a manager, secretary, agent, accountant or any similar officer; and

(b) any person connected with the management or administration of the company or association of persons upon whom the Commissioner has served a notice of treating him as the principal officer thereof;]

(45) "private company" means a company that is not a public company;

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[1]Clause (42A) inserted by Finance Act, 2015 dated June 30, 2015.
[2]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.
[3]Clause (42AA) inserted by Finance Act, 2026 dated June 26, 2026.
[4]Clause (44A) inserted by Finance Act, 2003, dated June 17, 2003.

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[1][ ]

(46) "profit on a debt" [2][whether payable or receivable, means]–

(a) any profit, yield, interest, discount, premium or other amount [3][,] owing under a debt, other than a return of capital; or

(b) any service fee or other charge in respect of a debt, including any fee or charge incurred in respect of a credit facility which has not been utilised;

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[1]Clauses (45A) and (45B) omitted by Finance Act, 2008 dated June 27, 2008. Earlier these were inserted by Finance Act, 2007, dated June 30, 2007.

[2]Substituted for "means" by Finance Act, 2003, dated June 17, 2003.

[3]Comma inserted by Finance Ordinance, 2002 dated June 15, 2002.

See **s. 101(3) for taxation of non-residents on basis of permanent establishment** in Pakistan and footnotes for Circular No. 7 of 2003.

S. 2(45A) & (45B)-Before omission these read as follows:-

"(45A) "Private Equity and Venture Capital Fund" means a fund registered with the Securities and Exchange Commission of Pakistan under the Private Equity and Venture Capital Fund Rules, 2007;

(45B) "Private Equity and Venture Capital Fund Management Company" means a company licensed by the Securities and Exchange Commission of Pakistan under the Private Equity and Venture Capital Fund Rules, 2007;"

S. 2(47)–Public company.– Following is an extract from CBR's Circular No. 1 of 2005, dated July 5, 2005:-

"Definition of "public company" was extended in 2003 to include "a company in which shares are held by a foreign government, or foreign company owned by a foreign government." The percentage of holding was however not specified with the implication that even a nominal percentage of such share holdings would entitle a company to the tax benefits available to a public company. Sub-clause (ab) of clause (47) of section 2 has been amended and the condition of at least 50% share holdings by a foreign Government (or a foreign company owned by a foreign Government) has been inserted. This will bring parity vis-a-vis companies in which the Federal or the Provincial Governments hold shares."

Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Certain companies having investment of foreign government or a foreign company controlled and regulated by a foreign government attract the status of private limited company. The definition of "public company" as given in clause (47) of section 2 has been expanded to include such companies as well. A company in which shares are held by a foreign Government, or a foreign company owned by a foreign Government shall now be subjected to tax at the rate applicable to a public company instead of a private company."

See section 80(2)(b) for definition of company and First Schedule, Part I, Division II for rates of taxation for public company.

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(47) "public company" means–

(a) a company in which not less than fifty per cent of the shares are held by the Federal Government [1][or Provincial Government];[*]

[2][(ab) a company in which [3][not less than fifty per cent of the] shares are held by a foreign Government, or a foreign company owned by a foreign Government [4][;][*]

(b) a company whose shares were traded on a registered stock exchange in Pakistan at any time in the tax year and which remained listed on that exchange [5][ ] at the end of that year; or

[6][(c) a unit trust whose units are widely available to the public and any other trust as defined in the Trusts Act, 1882 (II of 1882);]

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[1]Words inserted by Finance Act, 2003, dated June 17, 2003.

[2]Sub-clause (ab) inserted by Finance Act, 2003, dated June 17, 2003.

[3]Words inserted by Finance Act, 2005, dated June 29, 2005.

[4]Substituted for "full stop" by Finance Act, 2005, dated June 29, 2005.

[5]Commas and words ", and was on the Central Depository System," omitted by Finance Ordinance, 2002 dated June 15, 2002.

[6]Sub-clause (c) substituted by Finance Act, 2003, dated June 17, 2003.

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[*]apparently intended word "or" is missing.

S. 2(47)(c)–Substitution.– Clause (c) before substitution by Finance Act, 2003, read as follows:–

"(c) a unit trust whose units are widely available to the public and any other public trust;"

S. 2(47A)–Substitution.-Before substitution by F. Act, 2015, it read as follows:-

"(47A) "Real Estate Investment Trust (REIT) Scheme" means a REIT Scheme as defined in the Real Estate Investment Trust Regulations, 2008;"

S. 2(47A) & (47B)–Substitution.-Before substitution these read as follows:-

"(47A) "Real Estate Investment Trust (REIT)" means a scheme which consists of a closed-end collective investment scheme constituted as a unit trust fund and managed by a REIT management company for the purposes of investment in real estate, approved and authorized by the Security and Exchange Commission of Pakistan under the Real Estate Investment Trust Rules, 2006;

(47B) "Real Estate Investment Trust Management Company" means a company licensed by the Security and Exchange Commission of Pakistan under the Real Estate Investment Trust Rules, 2006;"

S. 2(47A) & (47B)-Exemption from income tax, real estate investment trust (REIT).– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"REIT is a security that sells like a stock and invests in real estate directly or indirectly. REIT has been provided exemptions from the applicability of different provisions of the Income Tax Ordinance, 2001, subject to condition that not less than 90% of its accounting income of that year, (as reduced by capital gains whether realized or unrealized) is distributing among the unit or certificate holders or shareholders as the case may be.

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[1][(47A) "REIT Scheme" means a REIT Scheme as defined in the Real Estate Investment Trust Regulations, 2015;]

[2][(47B) "Real Estate Investment Trust Management Company [3][RMC"] means REITMC as defined under the Real Estate Investment Trust Regulations, [4][2015];]

[5][(47C) "Rental REIT Scheme" means a Rental REIT Scheme as defined under the Real Estate Investment Trust Regulations, 2015;]

(48) "recognised provident fund" means a provident fund recognised by the Commissioner in accordance with Part I of the Sixth Schedule;

[6][ ]

(49) "rent" means rent as defined in sub-section (2) of section 15 and includes an amount treated as rent under section 16;

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[1]Clause (47A) substituted by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted by Finance Act, 2008 dated June 27, 2008 and was inserted by Finance Act, 2006, dated July 01, 2006.
[2]Clause (47B) substituted by Finance Act, 2008 dated June 27, 2008. Earlier it was inserted by Finance Act, 2006, dated July 01, 2006.
[3]Substituted for "REITMC" by Finance Act, 2015 dated June 30, 2015.
[4]Substituted for "2008" by Finance Act, 2015 dated June 30, 2015.
[5]Clause (47C) inserted by Finance Act, 2015 dated June 30, 2015.
[6]Clause (48A) omitted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

Consequent to above amendments, the following expressions have been defined in section 2 of the Ordinance and exemptions have been provided as below:–

	Description	Under Clause
(i)	Real Estate Investment Trust (REIT)	(47A)
(ii)	Real Estate Investment Trust Management Company	(47B)
(iii)	Exemption to income	(99) Part I of Second Schedule
(iv)	Exemption to instrument of redeemable capital	(57) Part I of Second Schedule
(v)	Exemption from applicability of provision of;	Under Clause Part IV of Second Schedule
	Section	
(a)	113 (minimum tax)	(11)
(b)	151 (Profit on debt) and	(33)
	233 (Brokerage and Commission)	
(c)	150 (Dividends)	(47B)"

Following are extracts from Salient Features of Budget 2006:–

"Real Estate Investment Trust (REIT) income proposed to be exempt."

"CVT proposed to be imposed on investment in real estate."

Cl. (48A)-Omission.- Before omission by F.A. 2010 & F. (Amend) Ord, 2009, it read as follows:-

"(48A) "Regional Commissioner" means a person appointed as a Regional Commissioner of Income Tax under section 208 and includes a Director-General of Income Tax and Sales Tax;"

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[1][(49A) "repealed Ordinance" means Income Tax Ordinance, 1979 (XXXI of 1979);]

(50) "resident company" means a resident company as defined in section 83;

(51) "resident individual" means a resident individual as defined in section 82;

(52) "resident person" means a resident person as defined in section 81;

(53) "resident taxpayer" means a taxpayer who is a resident person;

(54) "[2][royalty]" means any amount paid or payable, however described or computed, whether periodical or a lump sum, as consideration for –

(a) the use of, or right to use any patent, invention, design or model, secret formula or process, trademark or other like property or right;**

(b) the use of, or right to use any copyright of a literary, artistic or scientific work, including films or video tapes for use in connection with television or tapes in connection with radio broadcasting, but shall not include consideration for the sale, distribution or exhibition of cinematograph films;*

(c) the receipt of, or right to receive, any visual images or sounds, or both, transmitted by satellite, cable, optic fiber or similar technology in connection with television, radio or internet broadcasting;**

(d) the supply of any technical, industrial, commercial or scientific knowledge, experience or skill;**

(e) the use of or right to use any industrial, commercial or scientific equipment;**

(f) the supply of any assistance that is ancillary and subsidiary to, and is furnished as a means of enabling the application or enjoyment of, any such property or right as mentioned in [3][sub-clauses] (a) through (e); [4][and]

(g) the disposal of any property or right referred to in [3][sub-clauses] (a) through (e);

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[1]Clause (49A) inserted by Finance Ordinance, 2002 dated June 15, 2002.

[3]Substituted for "royalties" by Finance Ordinance, 2002 dated June 15, 2002.

[3]Substituted for "clauses" by Finance Ordinance, 2002 dated June 15, 2002.

[4]Word "and" inserted by Finance Act, 2005, dated July 01, 2005 to make an editorial correction as per 'Notes on Clauses of Finance Bill'. It was earlier pointed out in this book that the apparently intended word "or" is missing at the end of each sub-clause.

**apparently intended word "or" is missing.

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(55) "salary" means salary as defined in section 12;

(56) "Schedule" means a Schedule to this Ordinance;

(57) "securitization" means securitization as defined in the Asset Backed Securitization Rules, 1999;

(58) "share" in relation to a company, includes a modaraba certificate and the interest of a beneficiary in a trust (including units in a trust);

(59) "shareholder" in relation to a company, includes a modaraba certificate holder [1][, a unit holder of a unit trust] and a beneficiary of a trust;

[2][(59A) "small and medium enterprise" means a person who is engaged in manufacturing as defined in clause (iv) of sub-section (7) of section 153 of the Ordinance and his business turnover in a tax year does not exceed two hundred and fifty million rupees:

Provided that if annual business turnover of a small and medium enterprise exceeds two hundred and fifty million rupees, it shall not qualify as small and medium enterprise in the tax year in which annual turnover exceeds that turnover or any subsequent tax year.]

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[1]Comma and words inserted by Finance Ordinance, 2002 dated June 15, 2002.

[2]Clause (59A) inserted by Finance Act, 2021 dated June 30, 2021. Earlier a different clause 59A was inserted by Finance Act, 2005 dated June 29, 2005, which has been renumbered as (59AB) by Finance Act, 2021 dated June 30, 2021.

Special tax regime for manufacturing small and medium enterprises.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"A special tax regime has been introduced for manufacturing sector small and medium enterprises. For this purpose following amendments have been introduced in law:

a. Definition of SME

SMEs have been defined in clause (59A) of section 2 as manufacturing enterprises irrespective of their status as an individual, AOP or company having turnover up to Rs. 250 million. The manufacturing SMEs being companies falling under this definition have been excluded from the definition of small companies."

Please also see section 100E and the 14th Schedule.

Cl. (59A)-Small companies.–Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"The concept of "small company" was introduced through Finance Act, 2005 with incentives of reduced corporate tax rate of 20% and absolving it to withhold tax under section 153 of the Income Tax Ordinance. This expression has been redefined with following parameters:

(i) paid up capital upto Rs. 25 million;

(ii) the threshold of maximum turnover has been raised to Rs.250(m); and

(iii) employees limit not exceeding 250 persons at any time during the year."

Following is an extract from 'Notes on Clauses of Finance Bill 2007':-

"Seeks to redefine the word "Small Company" in the light of SME policy recommendations."

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[1][(59AB)] "Small Company" means a company registered on or after the first day of July, 2005, under the [2][Companies Act, 2017 (XIX of 2017)], which,–

(i) has paid up capital plus undistributed reserves not exceeding [3][fifty] million rupees;

[4][(ia) has employees not exceeding two hundred and fifty any time during the year;]

(ii) has annual turnover not exceeding two hundred [4][and fifty] million rupees; [5][ ]

(iii) is not formed by the splitting up or the reconstitution of a company already in existence; [6][and]]

[7][(iv) is not a small and medium enterprise as defined in clause (59A).]

[8][(59B) "Special Judge" means the Special Judge appointed under section 203;]

[9][ ]

[10][(60A) "specified jurisdiction" means any jurisdiction which has committed to automatically exchange information under the Common Reporting Standard with Pakistan;]

(61) "speculation business" means a speculation business as defined in section 19;

[8][(61A) "stock fund" means a collective investment scheme or a mutual fund where the investible funds are invested by way of equity shares in companies, to the extent of more than seventy per cent of the investment;]

(62) "stock-in-trade" means stock-in-trade as defined in section 35;

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[1]Clause (59A) renumbered as (59AB) by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2005 dated June 29, 2005.

[2]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.

[3]Substituted for "twenty-five" by Finance Act, 2015 dated June 30, 2015.

[4]Inserted by Finance Act, 2007 dated June 30, 2007.

[5]Word "and" omitted by Finance Act, 2021 dated June 30, 2021.

[6]Word "and" inserted by Finance Act, 2021 dated June 30, 2021.

[7]Clause (iv) inserted by Finance Act, 2021 dated June 30, 2021.

[8]Clauses (59B) & (61A) inserted by Finance Act, 2014 dated June 26, 2014.

[9]Clause (60) omitted by Finance Act, 2026 dated June 26, 2026. Before omission, it read as follows:-

"(60) "Special Purpose Vehicle" means a Special Purpose Vehicle as defined in the Asset Backed Securitization Rules, 1999;"

[10]Clause (60A) inserted by Finance Act, 2019 dated June 30, 2019.

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[1][(62A) "startup" means,-

(i) a business of a resident individual, AOP or a company that commenced on or after first day of July, 2012 and the person is engaged in or intends to offer technology driven products or services to any sector of the economy provided that the person is registered with and duly certified by the Pakistan Software Export Board (PSEB) and has turnover of less than one hundred million in each of the last five tax years; or

(ii) any business of a person or class of persons, subject to the conditions as the [2][Board with the approval of Federal Minister-in-charge] may, by notification in the official Gazette, specify.]

[3][(62B) "Synchronized Withholding Administration and Payment System agent" or "SWAPS agent" means any person or class of persons notified by Board to collect or deduct withholding taxes through Synchronized Withholding Administration and Payment System;]

(63) "tax" means any tax imposed under Chapter II, and includes any penalty, fee or other charge or any sum or amount leviable or payable under this Ordinance;

(64) "taxable income" means taxable income as defined in section 9;

[4][ ]

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[1]Clause (62A) inserted by Finance Act, 2017 dated June 20, 2017.

[2]Substituted for "Federal Government" by Finance Act, 2021 dated June 30, 2021.

[3]Clause (62B) inserted by Finance Act, 2022 dated June 30, 2022.

[4]Clause (65) omitted Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

Cl. (65)-Omission.-Before omission by F.A. 2010 & F. (Amendment) Ordinance, 2009, it read as follows:-

"(65) "taxation officer" means any [1][Additional Commissioner of Income Tax, Deputy Commissioner of Income Tax], Assistant Commissioner of Income Tax, Income Tax Officer, Special Officer or any other officer however* designated appointed by the [2][Board] for the purposes of this Ordinance;"

[1]Substituted for "Deputy Commissioner of Income Tax, Additional Commissioner of Income Tax" by Finance Ordinance, 2002 dated June 15, 2002.

[2]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.

*apparently intended word is "howsoever".

Following is an extract from CBR's Circular No. 1 of 2005, dated July 5, 2005:-

"In order to encourage the small enterprises sector and to incentivize its corporatization, a concessional tax regime for small companies has been introduced.

The newly inserted section 2(59A) defines "small company" as a company registered on or after the first day of July, 2005, which has not been formed by splitting up or reconstitution of a company already in existence, having a paid up capital plus undistributed reserves not exceeding Rs. 25 million and turnover upto Rs.200 million.

Companies meeting the criteria shall enjoy a special corporate tax rate of 20% which shall be applicable from tax year 2006 and onwards. At the same time, these companies have been exempted from the obligation to act as a withholding agent and from payment of minimum tax under section 113."

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(66) "taxpayer" means any person who derives an amount chargeable to tax under this Ordinance, and includes–

(a) any representative of a person who derives an amount chargeable to tax under this Ordinance;

(b) any person who is required to deduct or collect tax under Part V of Chapter X [1][and Chapter XII]; or

(c) any person required to furnish a return of income or pay tax under this Ordinance;

[2][(66A) "tax invoice" means an invoice as prescribed under the Income Tax Rules, 2002;]

(67) "tax treaty" means an agreement referred to in section 107;

(68) "tax year" means the tax year as defined in sub-section (1) of section 74 and, in relation to a person, includes a special year or a transitional year that the person is permitted to use under section 74;

(69) "total income" means total income as defined in section 10;

(70) "trust" means a "trust" as defined in section 80;

[3][(70A) "turnover" means turnover as defined in sub-section (3) of section 113;]

(71) "underlying ownership" means an underlying ownership as defined in section 98;

(72) "units" means units in a unit trust; and

(73) "unit trust" means a unit trust as defined in section 80.

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[1]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Clause (66A) inserted by Finance Act, 2022 dated June 30, 2022.
[3]Clause (70A) inserted by Finance Act, 2009 dated June 30, 2009.

S. 2(70A)-Definition of Turnover.- Following is an extract from FBR's Circular No. 3 of 2009 dated July 17, 2009:-

"Previously the term "turnover" had been defined in section 113 of the Ordinance which was omitted through Finance Act, 2008. Consequently, the provisions of law (e.g. section 113A) where turnover was defined by reference to definition of turnover in section 113 became meaningless. Moreover in certain sections such as 113B, turnover was not defined. Through Finance Act, 2009, the term turnover has been defined in section 2 of the Ordinance which will be applicable to the whole of the Ordinance."

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[1][(73A) "unspecified jurisdiction" means a jurisdiction which is not a specified jurisdictions.]

[2][(74) "Venture Capital Company" and "Venture Capital Fund" shall have the same meanings as are assigned to them under the [3][Non-Banking Finance [4]/Companies/ (Establishment and Regulation) Rules, 2003];]

[5][(75) "whistleblower" means whistleblower as defined in section 227B;]

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[1]Clause (73A) inserted by Finance Act, 2019 dated June 30, 2019.
[2]Clause (74) inserted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Substituted for "Venture Capital Company and Venture Capital Funds Rules, 2001" by Finance Act, 2004 dated June 24, 2004, w.e.f. July 1, 2004.
[4]Substituted for "Company" by Finance Act, 2005, dated June 29, 2005.
[5]Clause (75) inserted by Finance Act, 2015 dated June 30, 2015.

S. 2(74)-Venture Capital Co.- Following is an extract from 'Notes on Clauses of Finance Bill 2005':–

"Seeks to make an editorial correction."

Following is an extract from Notes on Clauses to Finance Act, 2004:–

"Seeks to replace Venture Capital Company and Venture Capital Fund rules 2001 by Non-Banking Finance Company (Establishment and Regulation) Rules, 2003."

An extract from CBR's Circular No. 15 of 1957, dated July 15, 1957, explaining the corresponding provisions of the Income-tax Act, 1922, is as under:–

"Taxation under the Act is the rule and exemption the exception. All income from whatever source derived must, therefore, be chargeable to income tax and the burden of proving that a particular class of income is not chargeable must necessarily be on the person claiming exemption from the liability to pay income-tax". This dictum of Sir Iqbal Ahmad in Lala Inder Sen, in re. 1940-ITR-187, has never been doubted so far. The Act does not define the expression 'income'. Clause 6(c) of Section 2, creates a synthetic class of income, and thereby something which is not income, in the ordinary concept of the term, is deemed to be income for the purpose of levy of income-tax. But there is nothing in the Act, to contract or reduce the normal breadth of the meaning of the expression. On the other hand the charging sections 3 and 4(1) make it clear that "all income, profits and gains from whatever source derived" are liable to income tax. The combined effects of absence of any definition of the term 'income' and use of the expression "from whatever source derived" is that in the context of the Income-tax Act, the word "income" not only denotes something larger than "profits and gains" but also "denotes whatever be properly described as income in the ordinary parlance of language unless expressly exempted from the charge of tax by the Act itself". To put the matter very briefly, "income" is a word of the broadest connotation" (Per Lord Wright in 1943-ITR-513)."

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3. Ordinance to override other laws.–The provisions of this Ordinance shall apply notwithstanding anything to the contrary contained in any other law for the time being in force.

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CHAPTER II

CHARGE OF TAX

4. Tax on taxable income.– (1) Subject to this Ordinance, income tax shall be imposed for each tax year, at the rate or rates specified in [1][Division I [2]*[ ]* or II] of Part I of the First Schedule, as the case may be, on every person who has taxable income for the year.

(2) The income tax payable by a taxpayer for a tax year shall be computed by applying the rate or rates of tax applicable to the taxpayer under this Ordinance to the taxable income of the taxpayer for the year, and from the resulting amount shall be subtracted any tax credits allowed to the taxpayer for the year.

(3) Where a taxpayer is allowed more than one tax credit for a tax year, the credits shall be applied in the following order–

(a) any foreign tax credit allowed under section 103; then

(b) any tax credit allowed under Part X of Chapter III; and then

(c) any tax credit allowed under sections [3][ ] 147 and 168.

(4) Certain classes of income (including the income of certain classes of persons) may be subject to–

(a) separate taxation as provided [4][under this chapter]; or

(b) collection of tax under Division II of Part V of Chapter X or deduction of tax under Division III of Part V of Chapter X as a final tax on the income [5][of] the person.

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[1]Substituted for "Division I or II" by Finance Act, 2010 dated June 30, 2010.
[2]Expression ", IB" omitted by Finance Act, 2020 dated June 30, 2020.
[3]Figure and comma "140," omitted by Finance Act, 2003 dated June 17, 2003.
[4]Substituted for "in sections 5, 6 and 7" by Finance Act, 2022 dated June 30, 2022.
[5]Substituted for "or" by Finance Act, 2010 dated June 30, 2010.

S. 4–Charge of tax, Government owned corporations.– Article 165A, inserted in the Constitution of Pakistan, vide Presidential Order No. 11 of 1985, dated February 24, 1985 reads as follows:–

"165A. Power of Parliament to impose tax on the income of certain corporations, etc.– (1) For the removal of doubt, it is hereby declared that Parliament has, and shall be deemed always to have had, the power to make a law to provide for the levy and recovery of a tax on the income of a corporation, company or other body or institution established by or under a Federal law or a Provincial law or an existing law or a corporation, company or other body or institution owned or controlled, either directly or indirectly, by the Federal Government or a Provincial Government, regardless of the ultimate destination of such income.

All orders made, proceedings taken and acts done by any authority or person, which were made, taken or done, or purported to have been made, taken or done, before the commencement of the Constitution (Amendment) Order, 1985, in exercise of the powers derived from any law referred to in clause (1), or in execution of any orders made by any authority in the exercise or purported exercise of powers as aforesaid, shall, notwithstanding any judgment of any court or tribunal, including the Supreme Court and a High Court, be deemed to be and always to have been validly made, taken or done and shall not be called in question in any court, including the Supreme Court and a High Court, on any ground whatsoever.

Every judfgment or order of any court or tribunal, including the Supreme Court and a High Court, which is repugnant to the provisions of clause (1) or clause (2) shall be, and shall be deemed always to have been, void and of no effect whatsoever."

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(5) Income referred to in sub-section (4) shall be subject to tax as provided for [1][under this chapter], or Part V of Chapter X, as the case may be, and shall not be included in the computation of taxable income in accordance with section 8 or 169, as the case may be.

[2][(6) Where, by virtue of any provision of this Ordinance, income tax is to be deducted at source or collected or paid in advance, it shall, as the case may be, be so deducted, collected or paid, accordingly [3]*[.]*]

[4][ ]

[5][**4AB**] Subject to this Ordinance, a surcharge shall be payable by every individual and association of persons at the rate of ten percent of the income tax imposed under Division I of Part I of the First Schedule where the taxable income exceeds rupees ten million [6]*[:]*]

[6][Provided that in case of an individual deriving income chargeable under the head "Salary", [7][no surcharge shall be payable.]]

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[1]Substituted for "in sections 5, 6 and 7" by Finance Act, 2022 dated June 30, 2022.
[2]Sub-section (6) inserted by Finance Act, 2003 dated June 17, 2003.
[3]Substituted for "semicolon" by Finance Act, 2005 dated June 29, 2005 to make an editorial correction as per 'Notes on Clauses of Finance Bill 2005.
[4]Section 4A omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance (Amendment) Ordinance, 2011 dated March 16, 2011.
[5]Substituted for "(4AB)" by Finance Act, 2026 dated June 26, 2026. Earlier section 4AB was inserted by Finance Act, 2024 w.e.f. 1 July, 2024. In the Finance Act, the Section Number appeared as "(4AB)" which was not in the format for section numbering and has been corrected by the Finance Act, 2026.
[6]Full stop substituted and proviso inserted by Finance Act, 2025 in force from July 1, 2025.
[7]Substituted for "a surcharge shall be payable at the rate of nine percent of the income tax imposed under Division I of Part I of the First Schedule where the taxable income exceeds rupees ten million in a tax year." by Finance Act, 2026 dated June 26, 2026.

S. 4(6)–Charge of advance tax on income subjected to tax withholding under the Ordinance.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Sub-section (6) has been inserted in section 4 to authorize deduction at source or collection or payment in advance under the provision of the Ordinance. The provision is identical to sub-section (2) of section 9 of the repealed Ordinance."

S. 4AB.-Surcharge on tax where taxable income exceeds Ten million rupees. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Through a newly inserted section 4AB, a surcharge has been levied on chargeable tax of individuals and associations of persons (AOPs) if their taxable income exceeds ten million rupees. The surcharge is levied at a rate of ten percent of income tax charged under clause (1) and clause (2) of the Division I of Part I of the First Schedule for non-salaried as well as salaried persons. In order to ensure that tax on salary is deducted at an average rate by including the amount of surcharge, similar changes have been made in the formula of average rate of tax specified in sub-section (2) of section 149. An illustration is given below to describe the computation of tax and tax-deductible U/S 149 of the Ordinance:

Illustration:

Annual salary income:	Rs.13,000,000
Tax on salary income for the year as provided under Division I of Part I of First Schedule:	Rs.3,815,000
Surcharge @ 10% on tax payable:	Rs.381,500
Total annual tax liability:	Rs.4,196,500
Average rate of tax = A/B	

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S. 4AB-Withdrawal of Surcharge on Salaried Individuals.- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Under section 4AB, a surcharge is payable by every individual and association of persons at the rate of ten percent of the income tax imposed under Division I of Part I of the First Schedule where the taxable income exceeds rupees ten million, while for a person whose income was chargeable under the head "Salary" the surcharge was nine percent on crossing the said threshold often million rupees. Through the Finance Act, 2026 the nine percent surcharge has been withdrawn in the case of a salaried individual. The surcharge of ten percent on other individuals and associations of persons shall continue to apply."

8-191-15-09-2026

[1][**4B. Super tax for rehabilitation of temporarily displaced persons.-** (1) A super tax shall be imposed for rehabilitation of temporarily displaced persons, for tax [2][years 2015 [3]*[*and onwards*]*], at the rates specified in Division IIA of Part I of the First Schedule, on income of every person specified in the said Division.

(2) For the purposes of this section, "income" shall be the sum of the following:-

(i) profit on debt, dividend, capital gains, brokerage and commission;

(ii) taxable income [4][(other than brought forward depreciation and brought forward business losses)] under section (9) of this Ordinance, if not included in clause (i);

(iii) imputable income as defined in clause (28A) of section 2 excluding amounts specified in clause (i); and

(iv) income computed [5][(other than brought forward depreciation, brought forward amortization and brought forward business losses)] under Fourth, Fifth, Seventh and Eighth Schedule.

(3) The super tax payable under sub-section (1) shall be paid, collected and deposited on the date and in the manner as specified in sub-section (1) of section 137 and all provisions of Chapter X of the Ordinance shall apply.

(4) Where the super tax is not paid by a person liable to pay it, the Commissioner shall by an order in writing, determine the Super tax payable, and shall serve upon the person, a notice of demand specifying the super tax payable and within the time specified under section 137 of the Ordinance.

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[1]Section inserted by Finance Act, 2015 dated June 30, 2015. *There is a numbering error as section 4A does not exist.

[2]Substituted for "2017" by Finance Act, 2018 dated May 23, 2018. Earlier it was substituted for "year 2015" by Finance Act, 2016 dated June 24, 2016.

[3]Substituted for "to 2020" by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019. Earlier it was substituted for "and 2016" by Finance Act, 2017 dated June 20, 2017.

[4]Words etc inserted by Finance Act, 2016 dated June 24, 2016.

[5]Word inserted by Finance Act, 2019 dated June 30, 2019.

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where-

A is the tax that would be payable if the amount referred to in component B of the formula were the employee's taxable income for that year plus tax chargeable under section 4AB; and

B is the employee's estimated income under the head "Salary" for that year.

Hence in the above illustration-

A= 3,815,500 + 381,500 = 4,196,500

B =13,000,000

Average rate of tax = 4,196,500/13,000,000 = 32.28%

Tax for the year = 4,196,491

Tax deductible per month = Rs.349,708."

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(5) Where the super tax is not paid by a person liable to pay it, the Commissioner shall recover the super tax payable under sub-section (1) and the provisions of Part IV, X, XI and XII of Chapter X and Part I of Chapter XI of the Ordinance shall, so far as may be, apply to the collection of super tax as these apply to the collection of tax under the Ordinance.

(6) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.]

[1][**4C. Super tax on high earning persons**.- (1) A super tax shall be imposed for tax year 2022 and onwards at the rates specified in Division IIB of Part I of the First Schedule, on income of every person:

Provided that this section shall not apply to a banking company for tax year 2022.

(2) For the purposes of this section, "income" shall be the sum of the following:-

(i) profit on debt, dividend, capital gains, brokerage and commission;

(ii) taxable income (other than brought forward depreciation and brought forward business losses) under section 9 of the Ordinance, excluding amounts specified in clause (i);

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[1]S. 4C inserted by Finance Act, 2022 dated June 30, 2022.

S. 4C.- Rationalizing Super Tax.- Following is an extract from FBR's Circular No. 2 of 2023 dated July 26, 2023, explaining the amendment made by the F. Act, 2023, pl. also see S.37 & 100B:-

"Super Tax on high earning persons was introduced through Finance Act, 2022 providing for graduated tax rates ranging from 1% to 4% on income slabs starting from Rs. 150(m) to Rs. 300(m) and above. Certain specified business sectors were required to pay Super Tax at higher rate of 10% where income exceeded Rs. 300 (m). In order to broaden the scope of Super Tax as well as to bring progressivity and uniformity in Super Tax rates structure, additional income slabs of Rs. 350(m) to Rs. 400(m), Rs. 400(m) to Rs. 500(m) and Rs. 500(m) and above providing for Super Tax rates of 6%, 8% and 10% respectively have been enacted through Finance Act, 2023. These Super Tax rates will apply on all persons across the board for Tax Year 2023 and onwards. However, under the second proviso to Division IIB of Part I of the First Schedule, for Tax year 2023, a banking company will be required to pay Super Tax at the rate of 10% if income as defined under section 4C exceeds Rs. 300(M).

Furthermore, an ambiguity persisted regarding payment of Super Tax as to whether Super Tax payable under section 4C of the Ordinance will only be discharged as lump sum amount at the time of filing of income tax return or Super Tax has to be paid along with monthly / quarterly installments of advance tax payable under section 147 of the Ordinance. In order to remove this ambiguity and to bring more clarity, Finance Act, 2023 has introduced a new sub-section (5A) in section 4C of the Ordinance whereby Super Tax liability computed by a person under the said section will be paid along with monthly/ quarterly installments, as the case may be, of advance tax payable under section 147 of the Ordinance. Corresponding amendments have also been made in section 147 of the Ordinance."

S. 4C-Super tax on High Earning Persons.-Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"A new section 4C has been introduced through Finance Act, 2022 and this section will apply for tax year 2022 and onwards. Except for the persons whose income as envisaged in this section is below Rs. 150 million, all other persons including those assessed under Fourth, Fifth and Seventh Schedules to the Ordinance are liable to pay super tax on graduated rates ranging from 1% to 4% based on graduated income slabs provided in Division JIB of Part I of First Schedule given as under:

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(iii) imputable income as defined in clause (28A) of section 2 excluding amounts specified in clause (i); and

(iv) income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under Fourth, Fifth [1][, Seventh and Eighth] Schedules.

(3) The tax payable under sub-section (1) shall be paid, collected and deposited on the date and in the manner as specified in sub-section (1) of section 137 and all provisions of Chapter X of the Ordinance shall apply.

(4) Where the tax is not paid by a person liable to pay it, the Commissioner shall by an order in writing, determine the tax payable, and shall serve upon the person, a notice of demand specifying the tax payable and within the time specified under section 137 of the Ordinance.

(5) Where the tax is not paid by a person liable to pay it, the Commissioner shall recover the tax payable under sub-section (1) and the provisions of Part IV, X, XI and XII of Chapter X and Part I of Chapter XI of the Ordinance shall, so far as may be, apply to the collection of tax as these apply to the collection of tax under the Ordinance.

[1]Substituted for "and Seventh" by Finance Act, 2023 dated June 26, 2023.

S. No	Income under section 4C	Rate of Tax
1.	Where income does not exceed Rs. 150 million	0% of the income
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1% of the income
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2% of the income
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3% of the income
5.	Where income exceeds Its. 300 million	4% of the income

However, for tax year 2022 the rate of super tax under this section will be 10% instead of 4%, where the income of the persons engaged, partly or wholly, in business of airlines, automobiles, beverages, cement, chemicals, cigarette & tobacco, fertilizer, iron & steel, LNG terminal, oil marketing, oil refining, petroleum & gas exploration and production, pharmaceuticals, sugar and textiles exceeds Rs.300 million. For tax year 2023, this super tax on income of banking companies will be 10% if the income for the year exceeds Rs. 300 million.

For the purposes of this section, the income will be the sum of the following:

(i) Profit on debt, dividend, capital gains, brokerage, and commission;

(ii) Taxable income (other than brought forward depreciation and brought forward business losses) under section 9 of the Ordinance, excluding amounts specified in (i) above;

(iii) Imputable income as defined in clause (28A) of section 2 excluding amounts specified in clause (i) above; and

(iv) Income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under Fourth, Fifth and Seventh Schedule.

Super tax payable under this section will be paid on the date and manner as specified in under section 137(1) of the Ordinance. In case of default by the person liable to pay super tax under this section, Commissioner through an order in writing will determine the liability of the person and proceed to recover the same under applicable provisions of the Ordinance."

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[1][(5A) The provisions of section 147 shall apply on tax payable under this section.]

(6) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.]

5. Tax on dividends.– (1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division III of Part I of the First Schedule, on every person who receives a dividend from a [2][ ] company [3][or treated as dividend under clause (19) of section 2].

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[1]Sub-section (5A) inserted by Finance Act, 2023 dated June 26, 2023.
[2]Word "resident" omitted by Finance Act, 2003 dated June 17, 2003.
[3]Inserted by Finance Act, 2009 dated June 30, 2009.

S. 5–Presumptive taxation of dividends.– Following are extracts from CBR's Circular No. 8 of 1991 dated June 30, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Through the newly inserted section 80B read with paragraph CC of Part I of the First Schedule, a simple flat-rate income tax at 10% of dividends and interest or profit on bank deposits etc. (hereinafter referred to as the "unearned income") has been introduced with the following salient features:

(i) This tax is to be deducted without any monetary threshold out of-"

"(b) dividend on which tax is deductible under sub-section (6A) of section 50;"

"(iv) the tax deducted at source shall constitute full and final discharge of tax liability in respect of unearned ……."

"(vi) The persons who have no other income shall not file the prescribed return of income. They will, however, be required to furnish simplified statements of their unearned income and tax deducted at source as will be prescribed under section 143A.

(vii) Since a person having no other income shall not be required to file return of income nor any assessment in his case shall be made, a provision has been made whereby an order under section 59A shall be deemed to have been [*]in respect of such unearned income without making a formal assessment order."

[*]Word "made" is missing in the Circular.

Please also see sections 150, 151 and 156(1).

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(2) The tax imposed under sub-section (1) on a person who receives a dividend shall be computed by applying the relevant rate of tax to the gross amount of the dividend.

(3) This section shall not apply to a dividend that is exempt from tax under this Ordinance.

[1][**5A. Tax on undistributed profits**.- (1) For tax [2][years 2017 to 2019], a tax shall be imposed at the rate of [3][five] percent of its accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least [4][twenty] percent of its after tax profits within six months of the end of the tax year through cash [5][ ]:

[1]Section 5A substituted by Finance Act, 2017 dated June 20, 2017. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.
[2]Substituted for "year 2017 and onwards" by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.
[3]Substituted for "seven and a half" by Finance Act, 2018 dated May 23, 2018.
[4]Substituted for "forty" by Finance Act, 2018 dated May 23, 2018.
[5]Words "or bonus shares" omitted by Finance Act, 2018 dated May 23, 2018.

S.5A-Substitution.- Before substitution it read as follows:-

"**5A. Tax on undistributed reserves**.- (1) Subject to this Ordinance, a tax shall be imposed at the rate of ten percent, on every public company other than a scheduled bank or a modaraba, that derives profits for a tax year but does not distribute cash dividends within six months of the end of the said tax year or distributes dividends to such an extent that its reserves, after such distribution, are in excess of hundred percent of its paid up capital, so much of its reserves as exceed hundred per cent of its paid up capital shall be treated as income of the said company:

Provided that for tax year 2015, cash dividends may be distributed before the due date mentioned in sub-section (2) of section 118, for filing of return for tax year 2015.

(2) The provisions of sub-section (1) shall not apply to-

(a) a public company which distributes profit equal to either forty per cent of its after tax profits or fifty per cent of its paid up capital, whichever is less, within six months of the end of the tax year;

(b) a company qualifying for exemption under clause (132) of Part I of the Second Schedule; and

(c) a company which not less than fifty percent shares are held by the Government.

(3) For the purpose of this section, 'reserve' includes amounts set-aside out of revenue or other surpluses excluding capital reserves, share premium reserves and reserves required to be created under any law, rules or regulations."

Exclusion of certain income from presumptive tax regime.– Following is an extract from CBR's Circular No. 5 of 2001, dated July 4, 2001, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"(ii) The tax withheld from profit or interest on bonds, certificates, debentures, securities etc. under sub-section (7D) of section 50 was final discharge of tax liability. It is being converted into adjustable tax with effect from assessment year 2002-2003. An amendment has accordingly been made in clause (c) of sub-section (2) of section 80B. The tax on income from instruments specified in sub-section (7D) is deductible @ 10 per cent.

(iii) Tax was not deductible from interest on Term Finance Certificates held by companies and others. As the exemption under clause (80A) of Part-I of Second Schedule on TFC's held by individuals, AOP, URF, HUF has been withdrawn, therefore, tax will be deductible @ 10 per cent. The Companies' income from TFC's was taxable and continues as such but as in the past no tax is deductible from income of TFC's held by Companies."

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Provided that for tax year 2017, bonus shares or cash dividends may be distributed before the due date mentioned in sub-section (2) of section 118, for filing of a return.

(2) The provisions of sub-section (1) shall not apply to-

(a) a company qualifying for exemption under clause (132) of Part I of the Second Schedule; and

(b) a company in which not less than fifty percent shares are held by the Government.]

[1][**5AA. Tax on return on investments in sukuks**.-(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IIIB of Part I of the First Schedule, on every person who receives a return on investment in sukuks from a special purpose vehicle [2][, or a company].

(2) The tax imposed under sub-section (1) on a person who receives a return on investment in sukuks shall be computed by applying the relevant rate of tax to the gross amount of the return on investment in sukuks.

(3) This section shall not apply to a return on investment in sukuks that is exempt from tax under this Ordinance.]

6. Tax on certain payments to non-residents.– (1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IV of Part I of the First Schedule, on every non-resident person who receives any Pakistan-source royalty [3][, fee for offshore digital services] [4][, fee for money transfer operations, card network services, payment gateway services, interbank financial telecommunication services] or fee for technical services.

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[1]S.5AA inserted by Tax Laws (Amendment) Ordinance, 2016 dated August 31, 2016, effective 01-07-16.

[2]Words inserted by Finance Act, 2017 dated June 20, 2017.

[3]Words inserted by Finance Act, 2018 dated May 23, 2018.

[4]Words etc. inserted by Finance Act, 2022 dated June 30, 2022.

S. 6–Payments to non-residents, fees for technical services.– Following is an extract from CBR's Circular No. 6 of 1994 dated July 10, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Fees for technical services payable to non-resident consultants were taxed at the rate of 20% of the gross receipts. It was observed that recipient consultants were inclined to disguise such payments as business profits which are subject to concessional tax regime, particularly under bilateral tax treaties. Section 80AA has, therefore, been amended to reduce the rate to 15%. First Schedule has also been amended to proportionately reduce the rate of withholding tax under section 50(3A)." [**Ref:** *94 ITC 5 p. 5*]

Royalty paid to non-resident.– Following is an extract from CBR's Circular No. 8, dated July 27, 1999, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Through the Finance Act, 1998, withholding tax rate on royalties paid to non-residents was reduced from 30% to 15%. A new section 80AAA has been introduced in the Ordinance in order to bring the income by way of royalties received by non-residents under 'presumptive tax regime'. The 15% tax withheld from payments on account of royalties would constitute full and final discharge of tax liability in respect of such income of a non-resident. However, in case of a Treaty for Avoidance of Double Taxation, which Pakistan has with another country, the tax would be withheld at any lower rate specified in such Treaty." [**Ref:** *99 ITC 9 p. 9*]

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(2) The tax imposed under sub-section (1) on a non-resident person shall be computed by applying the relevant rate of tax to the gross [1][amounts of receipts mentioned in sub-section (1)].

(3) This section shall not apply to–

(a) any royalty where the property or right giving rise to the royalty is effectively connected with a permanent establishment in Pakistan of the non-resident person;

(b) any fee [2][ ] where the services giving rise to the fee are rendered through a permanent establishment in Pakistan of the non-resident person; or

(c) any royalty or fee for technical services that is exempt from tax under this Ordinance.

(4) Any Pakistani-source royalty [3][or fee] received by a non-resident person to which this section does not apply by virtue of clause (a) or (b) of sub-section (3) shall be treated as income from business attributable to the permanent establishment in Pakistan of the person.

[4][**6A. Tax on payments for digital transactions in e-commerce platforms**.– (1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IVA of Part I of the First Schedule, on every person who receives payment for supply of digitally ordered goods or services which are delivered from within Pakistan using locally operated online platforms including online marketplace or websites:

Provided that the export proceeds subjected to withholding under section 154 and 154A shall not fall within the ambit of this section.

(2) The tax imposed under sub-section (1) shall be computed by applying the relevant rate of tax to the gross amounts of receipts mentioned in sub-section (1).]

[5][(3) Notwithstanding the provisions of section 8, the tax imposed under this section on a person, whose turnover in a tax year exceeds two hundred million rupees, shall be adjustable:

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[1]Substituted for "amount of the royalty [1][, fee for offshore digital services] or fee for technical services" by Finance Act, 2022 dated June 30, 2022. [1]Earlier words inserted by Finance Act, 2020 dated June 30, 2020.

[2]Words "fee for technical services [1][or fee for offshore digital services]" omitted by Finance Act, 2022 dated June 30, 2022. [1]Earlier words inserted by Finance Act, 2018 dated May 23, 2018.

[3]Substituted for ", fee for technical services [1][or fee for offshore digital services]" by Finance Act, 2022 dated June 30, 2022. [1]Earlier words inserted by Finance Act, 2018 dated May 23, 2018.

[4]S. 6A inserted by Finance Act, 2025 in force from July 1, 2025.

[5]S. 6A(3) inserted by Finance Act, 2026 dated June 26, 2026.

S. 6A(3).- Adjustability of Tax under the E-commerce Tax Regime.- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new sub-section (3) has been added in section 6A, whereby notwithstanding section 8, the tax imposed under section 6A shall be adjustable in the case of a person whose turnover in a tax year exceeds two hundred million rupees. However, a person having turnover up to two hundred million rupees has been provided an option to choose normal tax regime at the time of filing the return for the tax year 2027 and onwards."

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Provided that a person having turnover up to two hundred million rupees may opt out of the final tax regime at the time of filing of return for the tax year 2027 and onwards.]

7. Tax on shipping and air transport income of a non-resident person.– (1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division V of Part I of the First Schedule, on every non-resident person carrying on the business of operating ships or aircraft as the owner or charterer thereof in respect of–

(a) the gross amount received or receivable (whether in or out of Pakistan) for the carriage of passengers, livestock, mail or goods embarked in Pakistan; and

(b) the gross amount received or receivable in Pakistan for the carriage of passengers, livestock, mail or goods embarked outside Pakistan.

(2) The tax imposed under sub-section (1) on a non-resident person shall be computed by applying the relevant rate of tax to the gross amount referred to in sub-section (1).

(3) This section shall not apply to any amounts exempt from tax under this Ordinance.

Rate of tax.– It is 15% on technical services and royalty as provided in First Schedule, Division IV of Part I.

S. 7–Shipping and air transport.– Following is an extract from Circular No. 15 of 1980, dated June 26, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"(b) Like many developing countries, the system of taxation is being changed from net-income basis to tax at fixed percentage of gross billing basis. In case of air enterprises, tax shall be charged at 3% of the gross billings and in case of shipping @ 8% of the gross billings. Both amendments are effective from assessment year 1981-82, collection of tax would start from 1-7-1980 on new basis."

An extract from Circular No. 30 of 1980, dated November 20, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979, is as follows:–

"The undersigned is directed to say that a clarification has been sought as to how in case of a non-resident shipping company where unabsorbed depreciation or losses existed before the change in the basis of assessment under Section 80 would be treated. Sub-section (7) of Section 80 has been substituted by the Finance Ordinance, 1980, which lays down now that the tax paid under Section 80 shall be deemed to be a final discharge of the tax liability. In view of this amendment previous losses will not be set-off against the income of the assessment year 1981-82 onwards.

Clarification has also been sought in shipping cases as to the basis of assessment for the assessment year 1981-82 in cases where the assessee's income year is the calendar year. For the assessment year 1981-82 the income accruing up to 30-6-1980 will have to be assessed on the basis of net income as before amendment and the income accruing from 1-7-1980 to 31-12-1980 will be assessed according to the amended provision."

Misc. clarifications and specimen of return.– Following is the text of Circular No. 20 of 1980, dated August 10, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The undersigned is directed to say that Circular No. 19 of 1980 (Income Tax) issued vide Board's C. No. 1(13) ITI/80, dated 30th July, 1980 is hereby cancelled. The relevant provisions after the promulgation of Finance Ordinance, 1980, regarding the methods of assessment of non-resident shipping enterprises would be as under:–

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2. Effective from assessment year 1981-82 the option to be assessed on the basis of world income has been withdrawn. All freight for carriage of passengers, goods, or live-stock shipped at any port in Pakistan and all amounts received or deemed to be received in Pakistan on account of carriage of passengers, goods or live stock shall be deemed to be income received in Pakistan. Such income, without deduction of any expense, shall be charged to tax at the rate of eight per cent. Thereafter, the assessee shall not be required to file a return of total income under Section 55 of Income Tax Ordinance, 1979.

3. A form of return of income to be furnished under Section 80 of Income Tax Ordinance, 1979 has been prescribed for all non-resident shipping enterprises (copy enclosed). It is to be submitted to the Income Tax Officer, Companies Circle C-5 Central Zone 'C' Karachi.

4. Tax is to be paid in State Bank of Pakistan and the challan alongwith other documents is to be attached with the return prescribed under Section 80 of Income Tax Ordinance, 1979.

5. Under the law, the master of the ship shall prepare and furnish to the Income Tax Officer a return showing (a) the amount paid or payable (whether in or out of Pakistan) to the principal, or to any person on his behalf, on account of the carriage of passengers, livestock, mail or goods shipped at that port since the last arrival of the ship and (b) the amount received or deemed to be received, in Pakistan by, or on behalf of the principal on account of the carriage of passengers, livestock mail or goods at any port outside Pakistan. However, if the Income Tax Officer is satisfied that it is not possible for the master of the ship or the principal to furnish the return before the departure of the ship from the port and the principal has made satisfactory arrangements for the filing of return and payment of the tax by any other person on his behalf, the Income-tax Officer may, if the return is filed within thirty days of the departure of the ship, deem the filing of the return by the person so authorised by the principal as sufficient compliance of the law.

Following documents should, however, accompany the return:–

(a) Freight Manifest;
(b) Bill of lading;
(c) Charter party or fixture note, where applicable;
(d) Proof of payment of tax as per return figures.

6. Port clearance certificate will have to be obtained from the Income tax Department before the departure of every vessel on furnishing guarantee in specified form. The officer authorised in this behalf is Income Tax Officer Companies Circle C-5, Central Zone 'C', Karachi.

7. In case the freight earnings of the vessel are claimed to be exempt under any bilateral treaty even then the Port Clearance Certificate has to be obtained in the same manner as mentioned in para 6. But in this case also, provisions of law/instructions mentioned in para 5 above will hold good. The return should be accompanied with sufficient proof to establish:–

(i) The head Office of the Principal Company;
(ii) The flag and port of Registry of the vessel; and
(iii) Other conditions required to be fulfilled under the relevant provision of the respective tax treaty.

8. To afford maximum facility to the non-resident shippers, the Income Tax Department will issue Port Clearance Certificate in advance in appropriate cases valid for one particular month. For obtaining this facility, the agent or the principal will have to furnish the following:–

(a) List of ships expected in that particular month;
(b) Undertaking that taxes due under the law shall be paid by the date prescribed under law.

RETURN OF INCOME FOR SHIPPING BUSINESS OF NON-RESIDENTS.

1. Name of vessel .....
2. Date of arrival of the vessel .....
3. Date of Departure of the vessel .....
4. Name of Owners/Charterers/Carriers .....
5. Head Office of Principal Company .....
6. Flag and Port of Registry of vessel .....
7. Name and address of Agent at Karachi.....
8. Number of Passengers embarked at Karachi.....
9. Quantity of Live Stock Shipped at Karachi.....
10. Tonnage of Cargo including mail loaded at Karachi.....
11. Amount paid or payable in or outside Pakistan and the amount received or deemed to be received in Pakistan on account of:

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(a) Item No. 8 of above.....Rs.
(b) Item No. 9 of above.....Rs.
(c) Item No. 10 of above.....Rs.

Total Rs.....

12. Tax payable at the rate of 8% on aggregate of amounts in item 11. Rs.....
(a) Tax paid. .....
(b) Date of payment. .....
13. No. and date of Port Clearance Certificate issued by the Income Tax Department.....
14. Documents to be furnished:–
(a) Freight Manifest.
(b) Bills of lading.
(c) Charter party or fixture note, where applicable.
(d) Copy of Challan of payment of tax.
15. In case, the freight earnings of the vessel are claimed to be exempt under any bilateral treaty, specific article(s) of the treaty under which exemption claimed.....

VERIFICATION

I, the undersigned, solemnly declare that to the best of my knowledge and belief:

(a) the information given in this Return and the Annexures and Statements accompanying it is correct and complete;

(b) the amounts of income and other particulars are truly stated. I further declare that I am competent to make this Return and verify it in my capacity as ..... of ..... Date .....**.**

Signature of.....
Agent/Principal .....
Name and Address .....”

Following is the text of Circular No. 26 of 1980, dated October 12, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

“1. The mode and manner of assessment of air transport business by non-residents has undergone major change due to amendments brought about by the Finance Ordinance, 1980.

2. Under the newly introduced Section 80A, if a non-resident person carries on the business of operation of aircraft and any aircraft owned or chartered by such person calls on any airport in Pakistan, the aggregate of the receipts arising from the carriage of passengers, mail, livestock or goods carried from Pakistan be deemed to be the income received in Pakistan by the Principal from the said business. Such non-resident person is required to file return showing:

(a) the assessment* paid or payable to him, or to any person on his behalf, on account of carriage of passengers, mail, livestock or goods loaded at any airport in Pakistan; and

*the apparently intended word is “amount”.

(b) the amount received, or deemed to be received in Pakistan by him, or on his behalf, on account of carriage of passengers, mail, livestock or goods at any airport outside Pakistan.

The total receipts would be treated as income and charged to tax at the rate of 3% of the receipts. The tax so paid shall be deemed to be the final discharge of tax liability of the assessee and he shall not be required to file the return of income under Section 55 of the Income Tax Ordinance, 1979.

3. Under the new law, the principal or an agent authorized by him in this behalf shall prepare and furnish the return referred to in para 2, to the Income Tax Officer on a quarterly basis, which will cover the periods as under: –

(1) 1st Quarter....July/August/September.
(2) 2nd Quarter....October/November/December.
(3) 3rd Quarter....January/February/March.
(4) 4th Quarter....April/May/June.

The return is to be filed within 45 days from the last day of the quarter to which it pertains. To give an example, the return for the first quarter i.e. July, August, September, 1980 is to be furnished by 15th November, 1980.

4. The return *inter alia* would show:–

(a) the amount paid or payable whether in or out of Pakistan to the principal, or to any person on his behalf, on account of the carriage of passengers, mail, livestock or goods loaded from the Pakistan airport, and
(b) the amount received or deemed to be received in Pakistan, by, or on behalf of the principal, on account of carriage of passengers, mail, livestock or goods at any airport outside Pakistan.

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[1][**7A. Tax on shipping of a resident person**.- (1) In the case of any resident person engaged in the business of shipping, a presumptive income tax shall be charged in the following manner, namely:-

(a) ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat chartered and flying Pakistan flag shall pay tonnage tax of an amount equivalent to one US $ per gross registered tonnage per annum; [2][ ]

(b) ships, vessels and all floating crafts including tugs, dredgers, survey vessels and other specialized craft not registered in Pakistan and hired under any charter other than bare-boat charter shall pay tonnage tax of an amount equivalent to fifteen US cents per ton of gross registered tonnage per chartered voyage provided that such tax shall not exceed one US $ per ton of gross registered tonnage per annum:

Explanation.- For the purpose of this section, the expression "equivalent amount" means the rupee equivalent of a US dollar according to the exchange rate prevalent on the first day of December in the case of a company and the first day of September in other cases in the relevant assessment year [3][; and]

[3][(c) A Pakistan resident ship owning company registered with the Securities and Exchange Commission of Pakistan after the 15th day of November, 2019 and having its own sea worthy vessel registered under Pakistan Flag shall pay tonnage tax of an amount equivalent to seventy five US Cents per ton of gross registered tonnage per annum.]

(2) The provisions of this section shall not be applicable after 30th June, [4]*[*2030*]*.]

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[1]Section 7A inserted by Finance Act, 2015 dated June 30, 2015.
[2]Word "and" omitted by Finance Act, 2020 dated June 30, 2020.
[3]For full stop "; and" substituted and clause (c) inserted by Finance Act, 2020 dated June 30, 2020.
[4]Substituted for "2020" by Finance Act, 2020 dated June 30, 2020.

5. The person signing the return must be the representative of the airlines holding powers of Attorney on behalf of that airlines in Pakistan.

6. On receipt of the return, the Income Tax Officer, may after calling for such particulars, accounts or documents as he may require, determine the aggregate of amounts referred to in para 2 and charge tax @ 3%.

7. The specimen of a form of quarterly return has been designed for non-resident operators of air transport business which is enclosed herewith. This return is to be filed with the Income Tax Officer C-3, Central Zone C, Karachi.

8. Tax is to be paid in the State Bank of Pakistan and a photo copy of the challan alongwith other documents is to be attached with the return.

9. Following documents should accompany the quarterly return:

(a) Photo-copy of the company's documents from which the figures filled in the return have been extracted (e.g. computer tabulation) or any other authenticated statement in support of income and other particulars declared in the quarterly return.

(b) Photo-copy of challan showing tax paid.

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[1][**7B. Tax on profit on debt**.- (1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IIIA of Part I of the First Schedule, on every person, other than a company, who receives a profit on debt from any person mentioned in clause (a) to (d) of sub-section (1) of section 151.

(2) The tax imposed under sub-section (1) on a person, other than a company, who receives a profit on debt shall be computed by applying the relevant rate of tax to the gross amount of the profit on debt.

[2][(3) This section shall not apply to a profit on debt that-

(a) is exempt from tax under this Ordinance; or

(b) exceeds [3][five] million Rupees.]]

[1]Section 7B inserted by Finance Act, 2015 dated June 30, 2015.
[2]Section 7B(3) substituted by Finance Act, 2019 dated June 30, 2019.
[3]Substituted for "thirty six" by Finance Act, 2021 dated June 30, 2021.

10. Where the principal fails to pay tax due for more than three months, the Commissioner of Income Tax may issue to the authority by whom clearance may be granted to that aircraft, a certificate empowering and requiring him to refuse clearance from any airport in Pakistan to any aircraft owned or chartered by such person until the tax has been paid."

S. 7B(3)-Substitution.- Before substitution it read as follows:-

"(3) This section shall not apply to a profit on debt that is exempt from tax under this Ordinance."

S. 7B–Tax on profit on debt.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Every person, other than a company, receiving profit on debt from persons mentioned in clauses (a) to (d) of sub-section (1) of section 151 are separately taxed at the rates provided in Division IIIA of Part I of the First Schedule. Prior to the Finance Act, 2019, the rates were 10% where profit on debt was up to Rs.5 million, 15% where profit on debt was more than 5 million but not more than Rs.25 million and 15% where profit on debt exceeded Rs.25 million. Through the Finance Act, 2019, the rates of imposition of tax under section 7B mentioned in Division IIIA. Part I of the First Schedule have been enhanced as given hereunder:-

S. No.	Profit on debt	Rate of tax
(1)	(2)	(3)
1.	Where profit on debt does not exceed Rs.5,000,000	15%
2.	Where profit on debt exceeds Rs.5.000,000 but does not exceed Rs.25,000,000	17.5%
3.	Where profit on debt exceeds Rs.25,000,000 but does not exceed Rs.36,000,000	20%";

Where the profit on debt exceeds Rs. 36 million in a tax year, section 7B will not be applicable and the profit on debt will not be separately taxed for persons other than companies. In such cases, profit on debt will be chargeable to tax under the head, "Income from other sources" under section 39 and tax shall be imposed at the rates specified in paragraph (1) or (2), as the case may be, of Division I, Part I of the First Schedule."

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[1][**7C. Tax on builders**.- (1) Subject to this Ordinance, a tax shall be imposed on the profits and gains of a person deriving income from the business of construction and sale of residential, commercial or other buildings at the rates specified in Division VIIIA of Part I of the First Schedule.

(2) The tax imposed under sub-section (1) shall be computed by applying the relevant rate of tax to the area of the residential, commercial or other building being constructed for sale.

(3) The Board may prescribe:

(a) the mode and manner for payment and collection of tax under this section;

(b) the authorities granting approval for computation and payment plan of tax; and

(c) responsibilities and powers of the authorities approving, suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto.

[2][(4) This section shall apply to projects undertaken for construction and sale of residential and commercial buildings initiated and approved.-

(a) during tax year 2017 only;

(b) for which payment under rule 13S of the Income Tax Rules, 2002 has been made by the developer during tax year 2017; and

(c) the Chief Commissioner has issued online schedule of advance tax installments to be paid by the developer in accordance with rule 13U of the Income Tax Rules, 2002.*]*]

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[1]Sections 7C & 7D inserted by Finance Act, 2016 dated June 24, 2016.

[2]Sub-section (4) substituted by Finance Act, 2017 dated June 20, 2017. Earlier it was inserted by Finance Act, 2016 dated June 24, 2016.

S. 7C(4)-Substitution.- Before substitution it read as follows:-

"(4) This section shall apply to business or projects undertaken for construction and sale of residential, commercial or other buildings initiated and approved after the 1st July, 2016."

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[1][**7D. Tax on developers**.- (1) Subject to this Ordinance, a tax shall be imposed on the profits and gains of a person deriving income from the business of development and sale of residential, commercial or other plots at the rates specified in Division VIIIB of Part I of the First Schedule.

(2) The tax imposed under sub-section (1) shall be computed by applying the relevant rate of tax to the area of the residential, commercial or other plots for sale.

(3) The Board may prescribe:

(a) the mode and manner for payment and collection of tax under this section;

(b) the authorities granting approval for computation and payment plan of tax; and

(c) responsibilities and powers of the authorities approving, suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto.

[2][(4) This section shall apply to projects undertaken for development and sale of residential and commercial plots initiated and approved.-

(a) during tax year 2017 only;

(b) for which payment under rule 13S of the Income Tax Rules, 2002 has been made by the developer during tax year 2017; and

(c) the Chief Commissioner has issued online schedule of advance tax installments to be paid by the developer in accordance with rule 13ZB of the Income Tax Rules, 2002.]

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[1]Sections 7C & 7D inserted by Finance Act, 2016 dated June 24, 2016.

[2]Sub-section (4) substituted by Finance Act, 2017 dated June 20, 2017. Earlier it was inserted by Finance Act, 2016 dated June 24, 2016.

S. 7D(4)-Substitution.- Before substitution it read as follows:-

"(4) This section shall apply to projects undertaken for development and sale of residential, commercial or other plots initiated and approved after the 1st July, 2016."

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[1][ ]

[1]Section 7E omitted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2022 dated June 30, 2022.

S. 7E- Omission of Tax on Deemed Income [Section 7E & tax rate in Division VIIIC]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Tax on deemed income under section 7E of the Ordinance has been abolished by omission of section 7E. Consequentially Division VIIIC providing for rate of tax on deemed income has been omitted. Further amendment has been made in section 8 to omit references to section 7E."

S. 7E-Omission.- Before omission by Finance Act, 2026 it read as follows:-

"**7E. Tax on deemed income**.- (1) For tax year 2022 and onwards, a tax shall be imposed at the rates specified in Division VIIIC of Part-I of the First Schedule on the income specified in this section.

(2) A resident person shall be treated to have derived, as income chargeable to tax under this section, an amount equal to five percent of the fair market value of capital assets situated in Pakistan held on the last day of tax year excluding the following, namely:–

(a) one capital asset owned by the resident person;

(b) self-owned business premises from where the business is carried out by the persons appearing on the active taxpayers' list at any time during the year;

(c) self-owned agriculture land where agriculture activity is carried out by person excluding farmhouse and land annexed thereto;

(d) capital asset allotted to–

(i) a Shaheed or dependents of a shaheed belonging to Pakistan Armed Forces;

(ii) a person or dependents of the person who dies while in the service of Pakistan armed forces or Federal or provincial government;

(iii) a war wounded person while in service of Pakistan armed forces or Federal or provincial government; and

(iv) an ex-serviceman and serving personal of armed forces or ex-employees or serving personnel of Federal and provincial governments, being original allottees of the capital asset duly certified by the allotment authority;

(e) any property from which income is chargeable to tax under the Ordinance and tax leviable is paid thereon;

(f) capital asset in the first tax year of acquisition where tax under section 236K has been paid;

(g) where the fair market value of the capital assets in aggregate excluding the capital assets mentioned in clauses (a), (b), (c), (d), (e) and (f) does not exceed Rupees twenty-five million;

(h) capital assets owned by a provincial government or a local government; or

(i) capital assets owned by a local authority, a development authority, builders and developers for land development and construction, subject to the condition that such persons are registered with Directorate General of Designated Non-Financial Businesses and Professions [1][:]

[1][Provided that the exclusions mentioned at clauses (a), (e), (f) and (g) of this sub-section shall not apply in case of a person not appearing in the active taxpayers' list, other than persons covered in rule 2 of the Tenth Schedule.]

(3) The Federal Government may include or exclude any person or property for the purpose of this section.

(4) In this section–

(a) "capital asset" means property of any kind held by a person, whether or not connected with a business, but does not include–

(i) any stock-in-trade, consumable stores or raw materials held for the purpose of business;

(ii) any shares, stocks or securities;

(iii) any property with respect to which the person is entitled to a depreciation deduction under section 22 or amortization deduction under section 24; or

(iv) any movable asset not mentioned in clauses (i), (ii) or (iii);

[1]Full stop substituted and proviso inserted by Finance Act, 2023 dated June 26, 2023.

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[1][**7F. Tax on builders and developers**.- (1) A tax shall be imposed at the rate specified in Division I or II of Part-I of the First Schedule on the taxable profit of every person deriving income from the business of–

(a) construction and sale of residential, commercial or other buildings;

(b) development and sale of residential* commercial or other plots; or

(c) activities as mentioned in (a) and (b) above.

(2) For the purpose of this section, taxable profit shall be–

(a) ten percent of gross receipts in respect of activities specified in clause (a) of sub-section (1);

(b) fifteen percent of gross receipts in respect of activities specified in clause (b) of sub-section (1); and

(c) twelve percent of gross receipts in respect of activities specified in clause (c) of sub-section (1).

Explanation.- For the removal of doubt, it is clarified that the provisions of this section shall only apply in respect of income accruing from gross receipts from activities specified in sub-section (1) and shall not be applicable to income or incomes from any other source or under any head of income.

(3) Where a taxpayer, while explaining the nature and source of the amount credited or the investment made, money or valuable article owned or the funds from which the expenditure was made, takes into account any source of income which is subject to tax under this section, the taxpayer shall not be allowed to take credit of any sum as is in excess of taxable profit:

Provided that where taxable income under section 9 is more than the taxable profit under this section, taxpayer shall be entitled to take credit of such taxable income subject to the payment of tax at the rate specified in Division I or II of Part-I of First Schedule.

(4) The provisions of this section shall not apply to a builder or developer established by an Act of the Parliament or a Provincial Assembly or by a Presidential Order and who is engaged in activities for the benefit of its employees or otherwise including activities for the planning and development of and for providing and regulating housing and ancillary facilities in a specified or notified area.]

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[1]Section 7F inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

*A comma intended appears to have been overlooked while making the amendment.

(b) "farmhouse" means a house constructed on a total minimum area of 2000 square yards with a minimum covered area of 5000 square feet used as a single dwelling unit with or without an annex:

Provided that where there are more than one dwelling units in a compound and the average area of the compound is more than 2000 square yards for a dwelling unit, each one of such dwelling units shall be treated as a separate farmhouse."

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S. 7F.- Tax on Builders and Developers. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Section 7F has been introduced regarding taxation of builders and developers. The taxable profit shall be 10 percent of the gross receipts from activities of construction and sale of residential, commercial or other buildings, 15 percent of the gross receipts from activities of development and sale of residential, commercial or other plots and 12 percent of the gross receipts in case both the activities above are involved. Tax shall be imposed on the taxable profit as per rates specified in Division I or Division II, as the case may be, for such persons.

Through an explanation, it has been clarified that the provisions of section 7F shall only apply to activities from construction and sale of residential commercial or other buildings and activities from development and sale of residential, commercial or other plots. Any other head of income or income from any other source is excluded from the purview of this section.

Such builders and developers while explaining the nature and source of any amount credited or investment made, money or valuable article owned or funds from which the expenditure was made, shall be allowed to take credit up to the amount of taxable profit under this section. Credit of amount in excess of taxable profit can only be taken if taxable income under section 9 is more than the taxable profit and tax has been paid on such taxable income at the rate specified in Division I or II of Part I of the First Schedule.

Builders and developers established by an Act of the Parliament or a Provincial Assembly or by a Presidential Order for benefit of their employees or specific housing projects are excluded from the purview of section 7F.

As per sub-section (1) of section 147, persons deriving incomes subject to tax under sections 5, 6 and 7, salary income subject to deduction of tax at source and incomes subject to final tax are not liable to pay advance tax. Section 7F has not been mentioned in exclusions from payment of advance tax in sub-section (1) of section 147. Therefore, builders and developers falling under the purview of section 7F shall discharge their advance tax liability on taxable profit for a tax year in four quarterly advance tax instalments. As the advance tax liability for the tax year 2025 is likely to be more than the advance tax liability computed under sub-section (4), builders and developers shall estimate their advance tax liability as per provisions of sub-section (4A) of section 147. The advance tax for a quarter will be computed by applying the rates specified in Division I or II of Part-I of the First Schedule to quarterly taxable profit computed as a percentage of gross receipts i.e., 10 % of the gross receipts from activities of construction and sale of residential, commercial or other buildings, 15 % of the gross receipts from activities of development and sale of residential, commercial or other plots and 12% of the gross receipts in case both the activities above are involved. The due dates for payment of qua11erly advance tax for individuals and AOPs/companies will be same as specified in sub-sections (5) and (5A) of section 147 of the Ordinance respectively. Moreover, provisions of sub-sections (7) to (10) of section 147 will apply mutatis mutandis on quarterly advance tax payable under this section.

A statement of computation will be submitted by a builder or a developer on each due date for the quarters specifying computation of advance tax on the basis of taxable profit for each quarter, gross amount of receipts either in cash or deposited in bank and business bank accounts detail duly certified by a Chartered Accountant or a Cost and Management Accountant."

S. 7F.- Clarification Regarding Applicability of Withholding Tax under Section 236C in Respect of Persons Covered under Section 7F. Following is an extract from FBR's Circular No. 08 of 2025-26, dated April 15, 2026:-

"In supersession of Circular No. 7 of 2025-26 IR-Policy dated 31st March 2026 and in order to further clarify the concerns which have been raised regarding the applicability of withholding tax under section 236C of the Income Tax Ordinance, 2001 ("the Ordinance") to persons engaged in construction and development activities who are subject to tax under the special regime introduced through section 7F of the Ordinance.

2. Under section 7F, a special tax regime has been prescribed for certain categories of builders and developers, whereby their income is determined as a fixed percentage of gross receipts. It has been represented that tax under section 236C is generally adjustable against capital gains arising from such sales. However, in the case of such builders and developers, profits and gains are chargeable under the head "Income from Business" through the special procedure described in section 7F. Consequently, any deduction under section 236C creates an additional liquidity burden on such taxpayers, especially in cases where the taxpayer does not have any other taxable income during the tax year.

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[1][**7G. Tax on certain payments by life insurance business**.- (1) For tax year, 2026 and onwards, a tax shall be imposed, at the rate specified in Division IC of Part III of the First Schedule on every individual who receives any payout, benefit, surrender value, maturity proceeds or similar payment (hereinafter referred to as payout) from a life insurance business on account of insurance policy, family takaful certificate, plan or any similar arrangement.

(2) For the purposes of sub-section (1), the amount liable to tax shall be the gross amount of payout reduced by aggregate amount of premiums or contributions paid by the policy holder or participant.

(3) The provisions of sub-section (1) shall not apply where the payout or benefit is made:-

(a) on account of death of the insured or participant;

(b) on account of disability of the insured or participant; or

(c) after completion of four years from the date of issuance of the policy, certificate or plan.

(4) Tax deducted under this section shall be treated as final tax on the income arising from such payout or benefit.]

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[1]Section 7G inserted by Finance Act, 2026 dated June 26, 2026.

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3. The matter has been examined, and it is hereby clarified that persons who have discharged their tax liability under section 7F of the Ordinance, and who do not have any other income chargeable to tax under the Ordinance (against which such tax collection can be adjusted), may seek exemption from the collection of advance tax under section 236C.

4. Such persons may apply to the concerned Commissioner Inland Revenue under section 159 of the Ordinance for the issuance of an exemption certificate authorizing the non-collection of tax under section 236C on their transactions involving the sale of immovable property.

5. Commissioners Inland Revenue are directed to examine such applications on a case-to-case basis, ensuring that the applicant fulfills all conditions precedent to such exemption, and to decide the matter in accordance with the law.

6. The prescribed timelines for the Commissioner and Chief Commissioner regarding the issuance of exemption certificates shall apply ipso facto. Provided that an applicant files an application after fulfilling all the condition precedent to such exemption and the Commissioner fails to take any action within seven working days of filing of such application, such exemption certificate shall be automatically processed and issued by IRIS."

S. 7G.- Tax on Certain Payments by Life Insurance Business [Sections 7G, 151B and Division IC of Part III of the First Schedule]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new section 7G has been inserted whereby, for tax year 2026 and onwards, tax shall be imposed at the rate specified in Division IC of Part III of the First Schedule on every individual who receives any payout, benefit, surrender value, maturity proceeds or similar payment from a life insurance business on account of an insurance policy, family takaful certificate, plan or similar arrangement. The amount liable to tax is the gross payout reduced by the aggregate premiums or contributions paid by the policyholder or participant. The tax does not apply where the payout is made on account of the death or disability of the insured or participant, or after completion of four years from the date of issuance of the policy, certificate or plan, and the tax so charged is treated as final tax."

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8. General provisions relating to taxes imposed under sections [1][**/5, 5A, 5AA, 6, 6A,/ 7, 7A, 7B and** [2][**7G**]]**.–** Subject to this Ordinance, the tax imposed under sections [1][/5, 5A, 5AA, 6, 6A,/ 7, 7A, 7B and [2]/7G/] shall be a final tax on the amount in respect of which the tax is imposed and–

(a) such amount shall not be chargeable to tax under any head of income in computing the taxable income of the person who derives it for any tax year;

(b) no deduction shall be allowable under this Ordinance for any expenditure incurred in deriving the amount;

(c) the amount shall not be reduced by–

(i) any deductible allowance; or

(ii) the set off of any loss;

(d) the tax payable by a person under [3][section] 5, [4][5A, 6, 7, [5]/7A, 7B and [2]/7G/] shall not be reduced by any tax credits allowed under this Ordinance; and

(e) the liability of a person under [3][section] 5, 6 [6][, 6A] or 7 shall be discharged to the extent that–

(i) in the case of shipping and air transport income, the tax has been paid in accordance with section 143 or 144, as the case may be; or

(ii) in any other case, the tax payable has been deducted at source under Division III of Part V of Chapter X [7][.]

[7][ ]

[1]Substituted for "5, 5A, 5AA, 6," by Finance Act, 2025 in force from July 1, 2025. Earlier it was substituted for " 5, 5AA, 6, 7, 7A and 7B" by Finance Act, 2022 dated June 30, 2022. Earlier it was substituted for "5, 6 and 7" by Finance Act, 2021 dated June 30, 2021. Earlier figure "5A," omitted by Finance Act, 2018 dated May 23, 2018. This was substituted for "6 and 7" by Finance Act, 2015 dated June 30, 2015, Figure "5AA" was inserted by Tax Laws (Amendment) Ordinance, 2016 dated August 31, 2016, effect 01-07-16 and word and figure "and 7B" was substituted for ", 7B, 7C and 7D" by Finance Act, 2017 dated June 20, 2017, it was earlier substituted for "and 7B" by Finance Act, 2016 dated June 24, 2016.

[2]Substituted for "7E" by Finance Act, 2026 dated June 26, 2026.

[3]Substituted for "sections" by Finance Act, 2014 dated June 26, 2014.

[4]Substituted for "6 or 7" by Finance Act, 2015 dated June 30, 2015.

[5]Substituted for "7A and 7B" by Finance Act, 2022 dated June 30, 2022. Earlier it was substituted for ", 7B, 7C and 7D" by Finance Act, 2017 dated June 20, 2017. Earlier comma substituted for "or" by Finance Act, 2016 dated June 24, 2016 and words "7B, 7C and 7D" was inserted by Finance Act, 2016 dated June 24, 2016.

[6]Inserted by Finance Act, 2025 in force from July 1, 2025.

[7]Full stop substituted for colon and Proviso omitted by Finance Act, 2013 dated June 29, 2013. Earlier the Proviso was inserted by Finance Act, 2007, dated June 30, 2007.

S. 8(e)(ii)Proviso-Omission.- Before omission by F.A. 2013, it read as follows:-

"Provided that the provision of this section shall not apply to dividend received by a company."

Dividend income of companies, 10% final tax.-Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:

"Through an amendment in section 8 and corresponding amendment in Section 169 of the Income Tax Ordinance, 2001 dividend received by a corporate taxpayer is now taxable at the rate of 10% as fixed and final tax."

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CHAPTER III

TAX ON TAXABLE INCOME

PART I

COMPUTATION OF TAXABLE INCOME

9. Taxable income.– The taxable income of a person for a tax year shall be the total income [1][under clause (a) of section 10] of the person for the year reduced (but not below zero) by the total of any deductible allowances under Part IX of this Chapter of the person for the year.

10. Total Income.– The total income of a person for a tax year shall be the sum of the [2][-

(a) person‘s income under all heads of income for the year; and

(b) person‘s income exempt from tax under any of the provisions of this Ordinance.]

11. Heads of income.– (1) For the purposes of the imposition of tax and the computation of total income, all income shall be classified under the following heads, namely:–

(a) Salary;

[3][(b) Income from Property;

(c) Income from Business;

(d) Capital Gains; and

(e) Income from Other Sources.]

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[1]Words etc inserted by Finance Act, 2012 dated June 26, 2012.

[2]Substituted for “person’s income under each of the heads of income for the year” by Finance Act, 2012 dated June 26, 2012.

[3]Clauses (b) to (e) substituted by Finance Ordinance, 2002, dated June 15, 2002.

S. 10-Total Income.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

“The definition of total income has been redefined to include a person’s income exempt from tax. However “Taxable Income” as per section 9 shall continues to be a person’s income from all heads of income for the year except the exempt income for the year. As a consequence, sub-section (1A) of Section 53 has also been omitted.”

S. 11–Heads of Income, substitution of clauses (b) to (e) of sub-section (1).– Clauses (b) to (e) before substitution by Finance Ordinance, 2002, read as follows:–

“(b) income from property;

(c) income from business;

(d) capital gains; and

(e) income from other sources.”

(2) Subject to this Ordinance, the income of a person under a head of income for a tax year shall be the total of the amounts derived by the person in that year that are chargeable to tax under the head as reduced by the total deductions, if any, allowed under this Ordinance to the person for the year under that head.

(3) Subject to this Ordinance, where the total deductions allowed under this Ordinance to a person for a tax year under a head of income exceed the total of the amounts derived by the person in that year that are chargeable to tax under that head, the person shall be treated as sustaining a loss for that head for that year of an amount equal to the excess.

(4) A loss for a head of income for a tax year shall be dealt with in accordance with Part VIII of this Chapter.

(5) The income of a resident person under a head of income shall be computed by taking into account amounts that are Pakistan-source income and amounts that are foreign-source income.

(6) The income of a non-resident person under a head of income shall be computed by taking into account only amounts that are Pakistan-source income.

PART II

HEAD OF INCOME: SALARY

12. Salary.– (1) Any salary received by an employee in a tax year, other than salary that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Salary".

(2) Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including–

(a) any pay, wages or other remuneration provided to an employee, including leave pay, payment in lieu of leave, overtime payment, bonus, commission, fees, gratuity or work condition supplements (such as for unpleasant or dangerous working conditions) [1][;]

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[1]Substituted for colon by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted for semi-colon by Finance Act, 2009 dated June 30, 2009.

S. 12–Taxation of salary, reduced salary agreed by employee.– Following is the text of Circular No. 12 of 1948, dated June 2, 1948, explaining similar provision of the Income Tax Act, 1922:–

"Where a Government servant agrees to accept a reduced salary, and not the original salary, the reduced salary should be treated as the amount receivable by him for the purpose of Income Tax Act and his tax liability should be calculated accordingly."

Bonus, reimbursements etc. by SLIC.– Following are extracts from CBR's Letter C.No. 5(39) IT-3/84 dated September 13, 1992 (issued in partial modification of letter of even number dated September 23, 1987), explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The Area Managers of State Life Insurance Corporation of Pakistan are paid special bonuses like incentive and persistency bonuses in addition to their fixed salary and allowances."

"3. However, since all of these allowances are obviously not spent in getting the business, it has been decided that expenses upto a maximum of 45% of receipts of such bonuses may be allowed as deduction in computing the income of such employees by the assessing officers."

Following is an extract from CBR's Letter C. No. 5(39)IT-3/84, dated September 23, 1987, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"2. Reimbursement to the Area Managers of any expenses made by State Life Insurance Corporation should also be checked. Any amount in excess of actual expenses incurred by an Area Manager should be treated as income."

Salaries in tribal areas.– Following is the text of CBR's Letter C. No. 1(8)WHT/94 dated February 27, 1995, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The matter of applicability of the provisions of Income Tax Ordinance, 1979 to the Tribal Areas has been re-considered in consultation with the Law Division.

2. It is clarified that provisions of section 50 of the Income Tax Ordinance, 1979 are not applicable to the branches of Pakistani banks located in the Tribal Areas as defined in Article 246 of the Constitution of Pakistan or any part thereof because no Act of Parliament apply to the said areas except when the President or the Governor of the province, as the case may be, so directs with the prior approval of the President.

3. This may please be brought to the notice of all concerned for compliance." ***[*ref:** *95 ITL 5 p. 2]*

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[1][ ]

[1]Proviso omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by Finance Act, 2009 dated June 30, 2009.

S. 12(2)-Proviso omission.-Before omission by F. Act, 2015, it read as follows:-

"Provided that any bonus paid or payable to corporate employees receiving salary income of one million rupees or more (excluding bonus) in tax year 2010, shall be chargeable to tax at the rate provided in paragraph (2) of Division I of Part 1 of the First Schedule;"

S. 12-Taxation of Bonus paid to corporate Employees.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"A proviso has been inserted in Clause (a) of sub-section (2) of section 20 whereby any bonus paid or payable to a corporate employee receiving salary income of Rs. One million or more (excluding bonus) shall be chargeable to tax at the rate of 30%. This is a one time levy and payable for the tax year 2010 only, so as to support the Internally Displaced People (IDPs) for their rehabilitation.

Example-1-where salary excluding bonus is *above* 1 million

Salary income of a corporate employee in tax year 2010	Rs.1,300,000 (including bonus of Rs.300,000)
Working of Tax	
Salary income other than bonus	Rs.1,000,000
(A) Tax thereon @ 9%	**Rs.90,000**
Bonus income for the year	Rs.300,000
(B) Tax thereon @ 30%	**Rs.90,000**
Total Tax (A+B)	**Rs.180,000**

Example-2-where salary excluding bonus is *below* 1 million

Salary income of a corporate employee in tax year 2010	Rs.1,000,000 (including bonus of Rs.100,000)
Working of Tax	
Salary income other than bonus	Rs. 900,000
Bonus	Rs. 100,000
Salary income including bonus	Rs. 10,00,000
Tax thereon @ 9%	**Rs.90,000"**

S. 12-14-Salary Changes 2012.-Following are extracts from Circular No. 2 of 2012 dated July 27, 2012:-

"Salary Rate Structure.

Tax in the case of a salaried taxpayer shall be computed in accordance with sections 12, 13 and 14 of Income Tax Ordinance 2001, read with rules 3, 4, and 5 of Income Tax Rules 2002. A salaried taxpayer means where salary constitutes more than 50% of the total income. All perquisites, allowances or benefits, [excepting those covered under Part-I of the Second Schedule to the Ordinance], are to be included in the salary and rate of tax prescribed in Part-I of the First Schedule shall be applied for the tax year 2013. For withholding purposes, these shall apply to salary paid on or after 1st day of July, 2012. The taxation of salaried taxpayer is explained as under:

(A) Increase In Basic Threshold.

The basic exemption for tax year 2012 is rupees 3,50,000/-. This has been enhanced to Rs. 400,000/- for the tax year 2013.

(B) Revision In Tax Slabs.

The tax slabs have also been revised through Finance Act, 2012. The existing tax rate slabs have been reduced from 17 to 6. These slabs shall be applicable for tax year 2013. For withholding purposes, these shall apply to salary paid on or after 1st day of July, 2012. The revised slabs are as under:-"*please see 1st Sch for slabs"*

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(b) any perquisite, whether convertible to money or not;

(c) the amount of any allowance provided by an employer to an employee including a cost of living, subsistence, rent, utilities, education, entertainment or travel allowance, but shall not include any allowance solely expended in the performance of the employee's duties of employment;

[1][*Explanation*.- For removal of doubt, it is clarified that the allowance solely expended in the performance of employee's duty does not include-

(i) allowance which is paid in monthly salary on fixed basis or percentage of salary; or

(ii) allowance which is not wholly, exclusively, necessarily or actually spent on behalf of the employer;]

[1]Explanation inserted by Finance Act, 2021 dated June 30, 2021.

"(c) Computation.

Computation of tax on salary shall be as per above table. Instead of applying tax rate on gross amount of salary, computation of tax is to be made through progressive tax rates. However, maximum relief has been provided to low salary income and the relief gradually decreases with the increase in salary. For taxpayers in highest tax rate slab only basic exemption of Rs. 400,000 is provided and the benefit of lower rates of the intermediate slabs has not been passed on to taxpayers in this slab. This is apparent from the fact that for this slab, the rate is 20% plus Rs. 420,000 (instead of Rs. 255,000 which would have been the case if benefit of lower rate of previous slabs was provided to taxpayers in this slab). Similarly, relief in other slabs also decreases with increase in salary. In slab (5), tax rate is 17.5% plus 175,000 (instead of 167,500) and in slab (4), the rate is 15% plus 95,000 (instead of 92,500). However, for first three slabs, benefit of the previous slab rate has been passed on."

Following is the text of CBR's Circular Letter C. No. 1(41)IT-J/94 dated November 28, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The undersigned is directed to state that the Honorable High Court has held that under section 12(1) of the Income Tax Ordinance the salaries received by government employees who are working/posted in tribal areas are liable to tax irrespective of the fact whether the Income Tax Ordinance is applicable in that area or not. It has been held that "once Government employee is receiving his salary from state exchequer, he automatically becomes liable to pay tax on his income, without any barrier of locality, place of service or nature of duties unless specially exempted".

2. I am further directed to enclose a copy of the above mentioned judgment for circulation amongst the officers of your Region." *[***ref:** *94 ITL 56 p. 69]*

Also see footnotes to section 1 titled "Application of tax laws to Northern Areas" and section **148** titled "Applicability of sections 148 to 157 to excluded areas".

Advance salary, un-received salary.– The insertion of the words "or advances" in corresponding provision of the repealed Act has been explained in Circular No. 7 of 1981, dated July 6, 1981 an extract wherefrom is as follows: –

"The words "or advances" have been inserted to cover the situation where advance salary is paid. However, the arrears and advance salary shall be charged to tax in the manner provided in Section 98 of the Ordinance."

It may be noted that previously salary receivable, arrears and advance salary were taxable, now salary "received" is taxable, this would included arrears and advance salary but does not include salary due but not received."

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(d) the amount of any expenditure incurred by an employee that is paid or reimbursed by the employer, other than expenditure incurred on behalf of the employer in the performance of the employee's duties of employment;

(e) the amount of any profits in lieu of, or in addition to, salary or wages, including any amount received –

(i) as consideration for a person's agreement to enter into an employment relationship;

(ii) as consideration for an employee's agreement to any conditions of employment or any changes to the employee's conditions of employment;

Salaries of Senators.– Following is the text of CBR's Letter No. F. 1(81)E&IC/95 dated August 31, 1995, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The subject matter has been examined and position of taxability of salary and various allowances of the Chairmen Standing Committees and Senators is clarified as under:–

Chairman Standing Committees

i) In the light of SRO 1536(I)/73 dated 23rd October, 1973 salary as does not exceed Rs. 1000/- per month is exempt and the rest is taxable.

ii) Sumptuary Allowance is taxable as it has not been specifically exempted.

iii) Office maintenance allowance and Telephone allowance are exempt under clause (39) of the Part-I of the Second Schedule to the Income Tax Ordinance, 1979.

iv) Honoraria is taxable.

v) The value of furnished accommodation is taxable as per Income Tax Rules.

vi) Motor car expenses fall within the exception given [*]is clause (39) of 2nd Schedule to the Income Tax Ordinance, 1979 and are, therefore, taxable.

[*]Apparently intended word is "in".

i) In the light of SRO 1536(I)/73 dated 23rd October, 1973 Salary as does not exceed Rs. 1000/- per month is exempt and the rest is taxable.

ii) Sumptuary Allowance is taxable for above mentioned reason.

iii) Office maintenance allowance and telephone allowance are exempt.

iv) Value of travel vouchers or cash allowance would be exempt if the conditions of clause (39) are fulfilled.

The above clarifications may be circulated among the assessing officers for their guidance." [**Ref:** *95 ITL 34 p.20*]

Compensation on termination of services u/s 12(2)(e)(iii).– The compensation received by an employee on termination of his services was included in the definition of 'profits in lieu of salary' by the Finance Act, 1965, a relief was however made available which may be deemed to continue as the provisions of this Clause are similar to that of Explanation 2 of Section 7(1) of the repealed Act. The said relief has been given vide CBR's Circular No. 1 of 1965, dated July 1, 1965, an extract wherefrom is as follows:–

"The amendment made in this provision clarifies that where any compensation is paid to an employee at, or in connection with the termination of his employment or the modification of the terms and conditions of his employment, such compensation will be treated as the income of the recipient. Such income should, however, be taxed as a separate item of income at the average rate of tax applicable to the recipient during the three preceding years. Where the recipient has been in the employment of the same employer for less than the preceding three years, the average rate applicable to him for the years during which he was in such employment should be adopted. Where the termination or the modification of the terms and conditions of service, as the case may be, takes place in the year of employment itself, the compensation should be added to the other income of the recipient and taxed accordingly."

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(iii) on termination of employment, whether paid voluntarily or under an agreement, including any compensation for redundancy or loss of employment and golden handshake payments;

(iv) from a provident or other fund, to the extent to which the amount is not a repayment of contributions made by the employee to the fund in respect of which the employee was not entitled to a deduction; and

(v) as consideration for an employee's agreement to a restrictive covenant in respect of any past, present or prospective employment;

(f) any pension or annuity, or any supplement to a pension or annuity; and

(g) any amount chargeable to tax as "Salary" under section 14.

[1][(2A) In case of pension under clause (f) of sub-section (2),-

(i) the pension shall be charged to tax as a final tax at the rates specified in the proviso to clause (2) of Division I of Part I of the First Schedule where the amount received by an individual from a former employer for a tax year exceeds ten million rupees and the individual who has attained the age of seventy years shall not be charged to tax on pension income; and

[1]Sub-section (2A) inserted by Finance Act, 2025 in force from July 1, 2025.

Payments under the Golden Handshake Scheme.– Following is the text of CBR's Circular No. 15 of 1997 dated 6th November, 1997, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Recently a number of banks and other organizations have announced golden handshake schemes for their employees, offering a variety of compensation packages to them. It has been represented to the Board that a portion of this compensation amount would be deducted by way of income tax and, therefore, the actual amount that a terminated/retired employee would actually received would get reduced.

2. Payment made under the golden handshake scheme is primarily a "compensation in connection with termination of employment" and is taxable under the head "salary" under section 16(2)(c) of the Income Tax Ordinance, 1979. The compensation forms part of an employee's income for the year in which it is received. This treatment obviously results in taxation at a rate higher than that which would normally be applicable to a terminated employee. Realizing this hardship, the CBR issued circular No. 1 of 1965 dated July 1, 1965, whereby a terminated employee was granted the concession of getting this compensation taxed as a 'separate block' at his three preceding year's average tax rate.

3. In response to the queries referred to the Board in this regard it has been confirmed that this concession is still available.

4. The Board has received representations that in view of the fact that the rates of tax have been substantially reduced from the assessment year 1998-99 onwards, the employees who have been allowed golden handshake would not be able to benefit from this reduction if they are taxed at the previous three years average.

5. The matter has been considered by the Board and it has been decided that the terminated/retired employees if they so opt, can get the amount of termination compensation taxed at the reduced rates applicable to assessment year 1998-99. However, if an employee considers that the three years average tax method is more beneficial to him, he can opt for it. These concessions are obviously in addition to the exemptions already available to private sector employees in respect of payments from Recognised Provident/Gratuity Funds."

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(ii) the pension of an individual who continues to work for former employer or its associate shall be charged to tax at the rates specified under clause (1) or (2) of Division I of Part I to First Schedule as the case may be.]

(3) Where an employer agrees to pay the tax chargeable on an employee's salary, the amount of the employee's income chargeable under the head "Salary" shall be grossed up by the amount of tax payable by the employer.

(4) No deduction shall be allowed for any expenditure incurred by an employee in deriving amounts chargeable to tax under the head "Salary".

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[1]Words inserted by Finance Ordinance, 2002, dated June 15, 2002.

Comments: This Circular was declared to be unlawful and of no legal effect by the Honourable Lahore High Court (1998) 78 Tax 1 (H.C. Lah.) = 1998 PCTLR 1382. The Honourable High Court directed that the adjudicating officer shall proceed to decide *independently* of the Circular as to whether the amounts received in the case of such employees tantamount to salaries or not and are taxable. The Honourable Court also directed that "the amounts, if any, withheld by the Banks and the amounts disbursed to the Department under the impugned Circular, shall be refunded." Thereafter the Lahore High Court reversed this view and the matter is before Supreme Court of Pakistan which has granted leave to appeal. The Supreme Court of AJ&K has, however, held that the golden handshake amount is taxable.

Anyhow the express provision to tax golden handshake and separation payments clarifies the position of taxability w.e.f. 1st July, 2002.

S. 12(3)–Computation of "tax on tax".– Following is the text of undivided Indian Board's Circular No. 34 of 1940, explaining the corresponding provisions of the Income Tax Act, 1922:–

"A point has been raised about the calculation of the correct gross salary in a case where the tax on the salary of an employee is paid or payable by the employer.

The principle is to add together the actual receipt of "salary" proper by the employee to the tax paid by the employer to get at the gross salary. It will be a question of fact in each case to determine whether the extra tax, being the difference of the tax paid by the employer and that calculated on the gross salary, is recovered or recoverable by the employee from his employer. If it is not so recoverable the matter is simple, as the gross income of the employee in that case will consist of the salary proper plus the *amount paid* by the employer as tax, and will be assessed in the hands of the employee, the extra tax, if any, being borne by the employee himself. But if the extra tax is recoverable from the employer the gross and the rate applicable have to be worked out by making calculations some two or three or four steps as shown below:

		Rs.	
Net Salary		4,800-00	
Tax on Rs. 4,800/- @ 6.19 pies per rupee		154-11	(a)
		4,954-11	
Tax on 4,954-11 @ 6.27 pies per rupee	161-15		
Less (a) above	154-11		
		7-4	(b)
		4,961-15	
Tax on Rs. 4,961-15 @ 6.28 pies per rupee	162-5		
Less (a) plus (b)	161-15	0-6	
		4,962-5	

Ordinarily it will not be necessary to carry calculations beyond three steps as above."

S. 13- Employee Loans And Benchmark Rate.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"To facilitate low income employees who seek loans for their social obligations, the threshold of Rs.500,000/- has been earmarked and henceforth notional interest on loans below this amount shall not be considered as a perquisite within the meaning of section 13 of the Income Tax Ordinance, 2001.

S-184-10-07-2025

(5) For the purposes of this Ordinance, an amount or perquisite shall be treated as received by an employee from any employment regardless of whether the amount or perquisite is paid or provided –

(a) by the employee's employer, an associate of the employer, or by a third party under an arrangement with the employer or an associate of the employer;

(b) by a past employer or a prospective employer; or

(c) to the employee or to an associate of the employee [1][or to a third party under an agreement with the employee or an associate of the employee].

(6) An employee who has received an amount referred to in sub-clause (iii) of clause (e) of sub-section (2) in a tax year may, by notice in writing to the Commissioner, elect for the amount to be taxed at the rate computed in accordance with the following formula, namely:–

A/B%

where–

A is the total tax paid or payable by the employee on the employee's total taxable income for the three preceding tax years; and

B is the employee's total taxable income for the three preceding tax years.

(7) Where –

(a) any amount chargeable under the head "Salary" is paid to an employee in arrears; and

(b) as a result the employee is chargeable at higher rates of tax than would have been applicable if the amount had been paid to the employee in the tax year in which the services were rendered,

the employee may, by notice in writing to the Commissioner, elect for the amount to be taxed at the rates of tax that would have been applicable if the salary had been paid to the employee in the tax year in which the services were rendered.

(8) An election under sub-section (6) or (7) shall be made by the due date for furnishing the employee's return of income or employer certificate, as the case may be, for the tax year in which the amount was received or by such later date as the Commissioner may allow.

8-139-13-07-2021

13. Value of perquisites.– (1) For the purposes of computing the income of an employee for a tax year chargeable to tax under the head "Salary", the value of any perquisite provided by an employer to the employee in that year that is included in the employee's salary under section 12 shall be determined in accordance with this section.

(2) This section shall not apply to any amount referred to in clause (c) or (d) of sub-section (2) of section 12.

[1][(3) Where, in a tax year, a motor vehicle is provided by an employer to an employee wholly or partly for the private use of the employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include an amount computed as may be prescribed.]

[2][ ]

(5) Where, in a tax year, the services of a housekeeper, driver, gardener or other domestic assistant is provided by an employer to an employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the total salary paid to [3][such housekeeper, driver, gardener or other domestic assistant] in that year for services rendered to the employee, as reduced by any payment made by the employee [4][to the employer] for such services.

(6) Where, in a tax year, utilities are provided by an employer to an employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the fair market value of the utilities provided, as reduced by any payment made by the employee for the utilities.

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[1]Sub-section (3) substituted by Finance Ordinance, 2002 dated June 15, 2002.

[2]Sub-section (4) omitted by Finance Ordinance, 2002 dated June 15, 2002.

[4]Substituted for "the domestic assistant" by Finance Ordinance 2002 dated June 15, 2002.

[4]Words inserted by Finance Ordinance 2002 dated June 15, 2002.

Difference between the interest, if any, payable by an employee on a loan from employer and interest computed on such loan at the "benchmark rate" is considered as "perquisite" taxable in the hands of the said employee. Benchmark rate is defined as 5% plus 1% for every successive tax year after tax year 2001, which means that benchmark rate for tax year 2012 is 15% and will continue to increase by 1% after every tax year. Finance Act 2012 has fixed an upper limit of "benchmark rate" and is now restricted to a maximum of 10 per cent."

S. 13–Value of perquisites, substitution of sub-section (3).– Sub-section (3) before substitution by Finance Ordinance, 2002, read as follows:–

"(3) Subject to sub-section (4), where, in a tax year, a motor vehicle is provided by an employer to an employee wholly or partly for the private use of the employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the amount computed in accordance with the following formula, namely: –

(A x B) – C

where,

A is the cost to the employer of acquiring the motor vehicle or, if the vehicle is leased by the employer, the fair market value of the vehicle at the commencement of the lease;

B is –

(a) where the vehicle is wholly for private use, fifteen per cent;

(b) where the vehicle is only partly for private use, seven and a half per cent; and

C is any payment made by the employee for the use of the motor vehicle or for its running costs."

8-159-15-07-2021

[1][(7) Where a loan is made, on or after the 1st day of July, 2002, by an employer to an employee and either no profit on loan is payable by the employee or the rate of profit on loan is less than the benchmark rate, the amount chargeable to tax to the employee under the head "Salary" for a tax year shall include an amount equal to–

(a) the profit on loan computed at the benchmark rate, where no profit on loan is payable by the employee, or

(b) the difference between the amount of profit on loan paid by the employee in that tax year and the amount of profit on loan computed at the benchmark rate, as the case may be [2]*[:]*]

[2][Provided that this sub-section shall not apply to such benefit arising to an employee due to waiver of interest by such employee on his account with the employer [3]*[:]*.]

[3][Provided further that the above sub-section shall not apply to loans not exceeding [4][one million] rupees.]

(8) For the purposes of this Ordinance not including sub-section (7), where the employee uses a loan referred to in sub-section (7) wholly or partly for the acquisition of [5][any asset or property] producing income chargeable to tax under any head of income, the employee shall be treated as having paid an amount as profit equal to the benchmark rate on the loan or that part of the loan used to acquire [6][ ] [5][any asset or property].

(9) Where, in a tax year, an obligation of an employee to pay or repay an amount owing by the employee to the employer is waived by the employer, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the amount so waived.

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[1]Sub-section (7) substituted by Finance Ordinance 2002 dated June 15, 2002.
[2]Colon substituted for full stop and Proviso inserted by Finance Act, 2010 dated June 30, 2010.
[3]Colon substituted for full stop and Proviso inserted by Finance Act, 2012 dated June 26, 2012.
[4]Substituted for "five hundred thousand" by Finance Act, 2017 dated June 20, 2017.
[5]Substituted for "property" by Finance Ordinance 2002 dated June 15, 2002.
[6]Word "the" omitted by Finance Act, 2014 dated June 26, 2014.

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[*]after amendment, word "the" has become superfluous.

Substitution of sub-section (4).– Sub-section (4) before omission by Finance Ordinance, 2002, read as follows:–

"(4) Where a motor vehicle referred to in sub-section (3) is available to more than one employee for a tax year, the amount chargeable to tax under the head "Salary" for each such employee for that year shall be the amount determined under sub-section (3) divided by the number of employees permitted to use the vehicle."

Substitution of sub-section (7).– Sub-section (7) before substitution by Finance Ordinance, 2002, read as follows:–

"(7) Where, in a tax year, a loan is made by an employer to an employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the difference between the profit paid by the employee on the loan in the tax year, if any, and the profit which would have been paid by the employee on the loan for the year if the loan had been made at the benchmark rate for that year."

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(10) Where, in a tax year, an obligation of an employee to repay an amount [1][owing] by the employee to another person is paid by the employer, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the amount so paid.

(11) Where, in a tax year, property is transferred or services are provided by an employer to an employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the fair market value of the property or services determined at the time the property is transferred or the services are provided, as reduced by any payment made by the employee for the property or services.

[2][(12) Where, in the tax year, accommodation or housing is provided by an employer to an employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include an amount computed as may be prescribed.]

(13) Where, in a tax year, an employer has provided an employee with a perquisite which is not covered by sub-sections (3) through (12), the amount chargeable to tax to the employee under the head "Salary" for that year shall include the fair market value of the perquisite [3][, except where the rules, if any, provide otherwise] determined at the time it is provided, as reduced by any payment made by the employee for the perquisite.

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[1]Substituted for "owed" by Finance Ordinance, 2002 dated June 15, 2002.
[2]Sub-section (12) substituted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Commas and words inserted by Finance Ordinance, 2002 dated June 15, 2002.

Rule 9-Limit on house-rent allowance.– Following is an extract from CBR's Circular No. 17, dated July 17, 2004:–

The house rent allowance received in cash upto 45% of minimum of the time scale or where there is no time scale of the basic salary subject to maximum of two hundred and seventy thousand rupees has been made exempt from tax in the case of salaried taxpayers whose salary income is six hundred thousand rupees or more. Rule 9 of Income Tax Rules, 2002 has accordingly been amended. This change in exemption limit would be applicable with effect from July 1, 2004 for tax withholding purposes and for tax year 2005 and onwards for the purposes of assessment.

Substitution of sub-section (12).– Sub-section (12) before substitution by Finance Ordinance, 2002, read as follows:–

"(12) Where, in a tax year, accommodation or housing is provided by an employer to an employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include –

(a) where the employer or an associate owns the accommodation or housing, the fair market rent of the accommodation or housing; or

(b) in any other case, the rent paid by the employer for the accommodation or housing,

as reduced by any payment made by the employee for the accommodation or housing."

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[1][(14) In this section,–

(a) "benchmark rate" means–

(i) for the tax year commencing on the first day of July, 2002, a rate of five percent per annum; and

(ii) for the tax years next following the tax year referred to in sub-clause (i), the rate for each successive year taken at one percent above the rate applicable for the immediately preceding tax year but not exceeding [2][ten per cent per annum] in respect of any tax year;

(b) "services" includes the provision of any facility; and

(c) "utilities" includes electricity, gas, water and telephone.]

14. Employee share schemes.– (1) The value of a right or option to acquire shares under an employee share scheme granted to an employee shall not be chargeable to tax.

(2) Subject to sub-section (3), where, in a tax year, an employee is issued with shares under an employee share scheme including as a result of the exercise of an option or right to acquire the shares, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the fair market value of the shares determined at the date of issue, as reduced by any consideration given by the employee for the shares including any amount given as consideration for the grant of a right or option to acquire the shares.

(3) Where shares issued to an employee under an employee share scheme are subject to a restriction on the transfer of the shares –

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[1]Sub-section (14) substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "such rate, if any, as the Federal Government may, by notification, specify" by Finance Act, 2012 dated June 26, 2012.

S. 13(7)-Taxability of interest free/ concessional loans.- Following is an extract from FBR's Circular No. 10, dated July 16, 2010:-

"Sub-section (7) of section 13 provides for taxation of benefit arising on free or concessional loan in the hands of an employee. A proviso has now been added under this section whereby such benefit shall not be taxable in the hands of an employee in cases where such benefit is extended by the employer due to the waiver of interest by such employee on his accounts (e.g. provident fund etc) maintained with the employer."

Substitution of sub-section (14).– Sub-section (14) before substitution by Finance Ordinance, 2002, read as follows:–

"(14) In this section,–

"benchmark rate" means the State Bank of Pakistan discount rate at the commencement of the tax year;

"services" includes the making available of any facility; and

"utilities" includes electricity, gas, water and telephone."

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(a) no amount shall be chargeable to tax to the employee under the head "Salary" until the earlier of –

(i) the time the employee has a free right to transfer the shares; or

(ii) the time the employee disposes of the shares; and

(b) the amount chargeable to tax to the employee shall be the fair market value of the shares at the time the employee has a free right to transfer the shares or disposes of the shares, as the case may be, as reduced by any consideration given by the employee for the shares including any amount given as consideration for the grant of a right or option to acquire the shares.

(4) For purposes of this Ordinance, where sub-section (2) or (3) applies, the cost of the shares to the employee shall be the sum of –

(a) the consideration, if any, given by the employee for the shares;

(b) the consideration, if any, given by the employee for the grant of any right or option to acquire the shares; and

(c) the amount chargeable to tax under the head "Salary" under those sub-sections.

(5) Where, in a tax year, an employee disposes of a right or option to acquire shares under an employee share scheme, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the amount of any gain made on the disposal computed in accordance with the following formula, namely:–

A-B

where –

A is the consideration received for the disposal of the right or option; and

B is the employee's cost in respect of the right or option.

(6) In this sub-section, "employee share scheme" means any agreement or arrangement under which a company may issue shares in the company to –

(a) an employee of the company or an employee of an associated company; or

(b) the trustee of a trust and under the trust deed the trustee may transfer the shares to an employee of the company or an employee of an associated company.

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PART III

HEAD OF INCOME: INCOME FROM PROPERTY

15. Income from property*.– (1) The rent received or receivable by a person [1][for] a tax year, other than rent exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Income from Property".

(2) Subject to sub-section (3), "rent" means any amount received or receivable by the owner of land or a building as consideration for the use or occupation of, or the right to use or occupy, the land or building, and includes any forfeited deposit paid under a contract for the sale of land or a building.

(3) This section shall not apply to any rent received or receivable by any person in respect of the lease of a building together with plant and machinery and such rent shall be chargeable to tax under the head "Income from Other Sources".

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[1]Substituted for "in" by Finance Act, 2003, dated June 17, 2003.

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*consequent to amendment in section 11, it should have been substituted by "Property" i.e. starting with a capital.

S. 15(1)–Income from Property, advance rent.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"The text of sub-section (1) of section 15 of Income Tax Ordinance, 2001 would imply that advance received by a taxpayer would be chargeable to tax in the year of receipt. Sub-section (1) has been amended to remove the anomaly whereby income from property including advance receipt would be charged to tax in the tax year to which the income pertain."

Owner of building where land is owned by another.– The position has been clarified in elaborate detail in Circular No. 14 of 1959, dated August 10, 1959, explaining the corresponding provisions of the Income Tax Ordinance, 1979, an extract wherefrom is as follows:–

"A person may be the owner of the property without being the owner of the land on which the property is built. It is wrong to think that if the land on which the property has been built belongs to one person but the building on it has been constructed by another person, the person owning the land is automatically the owner of the building for the purposes of Section 9 of the Income Tax Act. The owner of the building is the person who has financed the construction of the building and it is he who will be liable to tax in respect of the bonafide annual value of that building. In C.I.T. Madras v. Madras Cricket Club 1934 ITR 209 a Full Bench decision of the Madras High Court, Beasley (C.J.) remarked "I am not at all clear as to what is meant by the description full owners. So far as I understand it what is contended for in connection with the description is that in order to come within the provision of this section, the person who owns the building must also be the owner of the land upon which it stands and possibly the land surrounding it. I see nothing to warrant any such contention."

House occupied by a salaried person u/s 15(2).– Following is an extract from CBR's Circular No. 10 of 1996 dated 16th July, 1996, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Sub-section (3) of section 19 excludes from the application of section 19 cases where property is in the occupation of the owner for purposes of his own residence. The phrase "purposes of own residence" has been elaborated by the insertion of an explanation to the effect that a house given on rent, in whatever manner shall not be considered to be self-occupied. This is to set at rest the controversy and consequent litigation on the point. The clarification is deemed to have always been there."

Check of "fair market rent" is not applicable in above situation by virtue of section 15(5).

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[1][(3A) Where any amount is included in rent received or receivable by any person for the provision of amenities, utilities or any other service connected with the renting of the building, such amount shall be chargeable to tax under the head "Income from Other Sources*.]

(4) Subject to sub-section (5), where the rent received or receivable by a person is less than the fair market rent for the property, the person shall be treated as having derived the fair market rent for the period the property is let on rent in the tax year.

(5) Sub-section (4) shall not apply where the fair market rent is included in the income of the lessee chargeable to tax under the head "Salary".

[2][ ]

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[1]Sub-section (3A) inserted by Finance Act, 2003, dated June 17, 2003.

[2]Sub-sections (6) & (7) omitted by Finance Act, 2021 dated June 30, 2021. Earlier these were inserted by Finance Act, 2016 dated June 24, 2016. Originally these were inserted by Finance Act, 2006, dated July 01, 2006 but were later omitted by Finance Act, 2013 dated June 29, 2013.

*closing inverted commas are missing in the gazette.

S. 15(3A)–Rent of amenities, utilities and other services.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Sub-section (3A) has also been added in section 15 by virtue of which rent received in respect of provision of amenities, utilities or any other service connected with the renting of the building shall be chargeable to tax under the head "Income from Other Sources" instead of "Income from Property". Corresponding amendment to this effect has also been made in section 39. The amendment is applicable prospectively."

Please also see CBR's Circular Letter, C. No. IT-JI-13(24)80-Pt dated July 8, 1985 and November 2, 1994.

S. 15(6) & (7)-Omission.- Before omission by F.A. 2021, these read as follows:-

"(6) Income under this section derived by an individual or an association of persons shall be liable to tax at the rate specified in Division VIA of Part I of the First Schedule.

(7) The provisions of sub-section (1), shall not apply in respect of an individual or association of persons who derive income chargeable to tax under this section not exceeding two hundred thousand rupees in a tax year and does not derive taxable income under any other head."

S. 15(6) & (7)-Omission.- Before omission by F.A. 2013, these read as follows:-

"(6) Income under this section shall be liable to tax at the rate specified in Division VI of Part I of the First Schedule.

(7) the provisions of sub-section(1), shall not apply in respect of a taxpayer who-

(i) is an individual or association of persons;

(ii) derives income chargeable to tax under this section not exceeding Rs.150,000 in a tax year; and

(iii) does not derive taxable Income under any other head."

Property income.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"The block taxation for property income available to non-corporate entities has been done away with. Following changes governing taxation of income chargeable to tax under the head income from property have been introduced;

a) Property income of companies was taxable as norm ally computable income. However, in case of individuals and AOPs there was an option for property income to be taxed on gross rental bases. This distinction has been withdrawn and now property income shall be chargeable to tax under the head income from property under normal tax regime after admissible deductions. Necessary changes have been introduced in sections 15 and 15A of the Ordinance. Subsequently, Division VIA of Part I of First Schedule has been omitted.

8-169-15-10-2022

[1][**15A. Deductions in computing income chargeable under the head "Income from Property".**- (1) In computing the income of a [2][person] chargeable to tax under the head "Income from Property" for a tax year, a deduction shall be allowed for the following expenditures or allowances, namely:-

(a) In respect of repairs to a building, an allowance equal to one-fifth of the rent chargeable to tax in respect of the building for the year, computed before any deduction allowed under this section;

(b) any premium paid or payable by the [2][person] in the year to insure the building against the risk of damage or destruction;

(c) any local rate, tax, charge or cess in respect of the property or the rent from the property paid or payable by the [2][person] to any local authority or government in the year, not being any tax payable under this Ordinance;

(d) any ground rent paid or payable by the [2][person] in the year in respect of the property;

(e) any profit paid or payable by the [2][person] in the year on any money borrowed including by way of mortgage, to acquire, construct, renovate, extend or reconstruct the property;

(f) where the property has been acquired, constructed, renovated, extended, or reconstructed by the [2][person] with capital contributed by the House Building Finance Corporation or a scheduled bank under a scheme of investment in property on the basis of sharing the rent made by the Corporation or bank, the share in rent and share towards appreciation in the value of property (excluding the return of capital, if any) from the property paid or payable by the [2][person] to the said Corporation or the bank in the year under that scheme;

(g) where the property is subject to mortgage or other capital charge, the amount of profit or interest paid on such mortgage or charge;

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[1]Section 15A inserted by Finance Act, 2013 dated June 29, 2013.

[2]Substituted for "company" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted for "person" by Finance Act, 2016 dated June 24, 2016.

b) Current year's loss under any head of income has been allowed to be set off against the person's income chargeable to tax under the head "income from property" by amending section 56 of the Ordinance.

c) Withholding tax regime dealing with rental income from immoveable properties has been rationalized. The ambiguity regarding withholding of tax on rental income of immoveable property of sub- lessee has been removed. It has been explained that all persons making payment on account of immoveable property are required to withhold tax at the prescribed rates which have also been rationalized in Division V of Part III of First schedule."

8-169-15-10-2022

[1][(h) any expenditure, not exceeding [2][four] per cent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section, paid or payable by the [3][person] in the year wholly and exclusively for the purpose of deriving rent chargeable to tax under the head, "Income from Property" including administration and collection charges;]

(i) any expenditure paid or payable by the [3][person] in the tax year for legal services acquired to defend the [3][person]'s title to the property or any suit connected with the property in court; and

(j) where there are reasonable grounds for believing that any unpaid rent in respect of the property is irrecoverable, an allowance equal to the unpaid rent where-

(i) the tenancy was *bona fide,* the defaulting tenant has vacated the property or steps have been taken to compel the tenant to vacate the property and the defaulting tenant is not in occupation of any other property of the [3][person];

(ii) the [3][person] has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or has reasonable grounds to believe that legal proceedings would be useless; and

(iii) the unpaid rent has been included in the income of the [3][person] chargeable to tax under the head "Income from Property" for the tax year in which the rent was due and tax has been duly paid on such income.

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[1]Clause (h) substituted by Finance act, 2015 dated June 30, 2015.
[2]Substituted for "six" by Finance Act, 2020 dated June 30, 2020.
[3]Substituted for "company" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted for "person" by Finance Act, 2016 dated June 24, 2016.

Property Income at normal tax rates.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:

"Prior to Finance Act, 2013, Income from property was taxed as a separate block of income at prescribed rates. Through Finance Act, 2013 income from property is now taxable as part of total income at normal rates as provided in Division I of Part-I of the First Schedule to the Income Tax Ordinance, 2001. Deductions in computing income chargeable under the head 'Income from Property' shall be allowed as per the provisions of Section 15A. The rates for withholding of tax on income from property has also been amended."

Following is an extract from 'Notes on Clauses of Finance Act, 2006':–

"Seeks to impose fixed tax on income from property."

Following is an extract from salient features of budget 2006:–

"Fixed Tax on income from property proposed."

S. 15A(1)(h)-Substitution.- Before substitution by F. Act, 2015, it read as follows:-

"(h) any expenditure (not exceeding six percent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section) paid or payable by the person in the year for the purpose of collecting the rent due in respect of the property;"

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(2) Where any unpaid rent allowed as a deduction under clause (j) of sub-section (1) is wholly or partly recovered, the amount recovered shall be chargeable to tax in the tax year in which it is recovered.

(3) Where a person has been allowed a deduction for any expenditure incurred in deriving rent chargeable to tax under the head "Income from Property" and the person has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be chargeable to tax under the head "Income from Property" in the first tax year following the end of the three years.

(4) Where an unpaid liability is chargeable to tax as a result of the application of sub-section (3) and the person subsequently pays the liability or a part of the liability, the person shall be allowed a deduction for the amount paid in the tax year in which the payment is made.

(5) Any expenditure allowed to a person under this section as a deduction shall not be allowed as a deduction is computing the income of the person chargeable to tax under any other head of income.

(6) The provisions of section 21 shall apply in determining the deductions allowed to a person under this section in the same manner as they in determining the deductions allowed in computing the income of a person chargeable to tax under the head "Income from Business".]

[1][ ]

[1]Section 15A(7) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2019 dated June 30, 2019.

S. 15A(7)– Omission.- Before omission by F. Act, 2021 it read as follows:-

"(7) Notwithstanding sub-section (6) of section 15, the provisions of this section shall apply to an individual or an association of persons [1][ ], who opts* to pay tax at the rate specified in Division I of Part I of the First Schedule;"

[1]Words "deriving income exceeding Rs. 4 million under section 15" omitted by Finance Act, 2020 dated June 30, 2020.

*Should have been substituted by "opt" consequent to the deletion of the words in the sub-section.

S. 15, 15A– Income from property.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Income from property derived by an individual or an association of persons is separately taxed on the gross amount of rent at rates specified in Division VIA of Part I of the First Schedule. Deductions in computing income under the head, "Income from property" were not allowed to individuals and associations of persons. The rate of tax on the gross amount of rent was as under:-

S #	Gross amount of rent	Rate of tax
1.	Where gross rent does not exceed Rs.200,000	Nil
2.	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000	5% of the gross amount exceeding Rs.200,000
3.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000	Rs.20,000 plus 10% of amount exceeding Rs.600,000
4.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000	Rs.60,000 plus 15% of gross amount exceeding Rs.1,000,000
5.	Where the gross amount of rent exceeds Rs.2,000,000	Rs.210,000 plus 20% of amount exceeding Rs.2,000,000

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16. Non-adjustable amounts received in relation to buildings.– (1) Where the owner of a building receives from a tenant an amount which is not adjustable against the rent payable by the tenant, the amount shall be treated as rent chargeable to tax under the head "Income from Property" in the tax year in which it was received and the following nine tax years in equal proportion.

(2) Where an amount (hereinafter referred to as the "earlier amount") referred to in sub-section (1) is refunded by the owner to the tenant on termination of the tenancy before the expiry of ten years, no portion of the amount shall be allocated to the tax year in which it is refunded or to any subsequent tax year except as provided for in sub-section (3).

Through the Finance Act, 2019, bracket at serial No.5 is restricted to gross rent up to Rs.4,000,000 and beyond that, three new brackets of gross rent exceeding Rs.4 million have been introduced with rate of tax at 25%, 30% and 35%. Now the rate of tax on the gross amount of rent would be as under:-

S #	Gross amount of rent	Rate of tax
1.	Where gross rent does not exceed Rs.200,000	Nil
2.	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000	5% of the gross amount exceeding Rs.200,000
3.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000	Rs.20,000 plus 10% of amount exceeding Rs.600,000
4.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000	Rs.60,000 plus 15% of gross amount exceeding Rs.1,000,000
5.	Where the gross amount of rent exceeds Rs.2,000,000 but does not exceed Rs.4,000,000	Rs.210,000 plus 20% of amount exceeding Rs.2,000,000
6.	Where the gross amount of rent exceeds Rs.4,000,000 but does not exceed Rs.6,000,000.	Rs.610,000 plus 25 per cent of the gross amount exceeding Rs.4,000,000
7.	Where the gross amount of rent exceeds Rs.6,000,000 but does not exceed Rs.8,000,000	Rs.1,110,000 plus 30 per cent of the gross amount exceeding Rs.6,000,000
8.	Where the gross amount of rent exceeds Rs.8,000,000	Rs.1,710,000 plus 35 percent of the gross amount exceeding Rs.8,000,000

However, individuals and AOPs deriving gross rent exceeding Rs.4 million will have the option to pay tax at the rates provided in Division I of Part I of the First Schedule on their income from house property. Persons availing this option can claim deductions in computing income from house property mentioned in section 15A.

The rates of deduction of tax from the gross amount of rent have also been increased similar to serial numbers 6, 7 & 8 of the table given above with three new rates at 25%, 30% and 35%."

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(3) Where the circumstances specified in sub-section (2) occur and the owner lets out the building or part thereof to another person (hereinafter referred to as the "succeeding tenant") and receives from the succeeding tenant any amount (hereinafter referred to as the "succeeding amount") which is not adjustable against the rent payable by the succeeding tenant, the succeeding amount as reduced by such portion of the earlier amount as was charged to tax shall be treated as rent chargeable to tax under the head "Income from Property" as specified in sub-section (1).

S. 16–Un-adjustable advance rent under sub-sections (1), (2) and (3).– Following is an extract from CBR's Circular No. 15 of 1980, dated June, 26, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"(a) Any advance received by the owner of any immovable property from a tenant which though returnable on vacation of premises is yet not adjustable against future rent payable by tenant or any pugree or any amount received by such owner from the tenant for delivery of possession of the premises has been deemed to be income of the recipient owner and 10% of such amount has been made taxable as income from property chargeable under Section 20 in the year of receipt and for the nine subsequent income years.

(b) If before the expiry of the said 10 years the tenant vacates the premises and the advance is returned to him, and the owner does not let it out thereafter, no notional income shall be added to his income for that year and any year thereafter.

(c) Where after vacation of property by one tenant it is let out to another tenant and after returning the advance to the previous tenant, another similar advance is taken from the succeeding tenant, the amount of succeeding advance as reduced by the amount of previous advance charged to tax shall be deemed to be income and spread over 10 years and assessed in the same manner as provided in (a) above.

(d) Where any such advance was obtained during the past 10 years, the amount shall be similarly spread over 10 years, and the amount allocable to assessment year 1980-81 or any year thereafter shall be similarly assessed. However, no amount allocable to any year preceding assessment year 1980-81 shall be subjected to tax."

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[1][ ]

[1]Section 17 omitted by Finance Act, 2006 dated July 01, 2006.

S. 17–Omission.– Section 17 before omission by Finance Act, 2006 read as follow: –

"**17. Deductions in computing income chargeable under the head "Income from Property".–** (1) In computing the income of a person chargeable to tax under the head "Income from Property" for a tax year, a deduction shall be allowed for the following expenditures or allowances, namely:–

(a) In respect of repairs to a building, an allowance equal to one-fifth of the rent chargeable to tax in respect of the building for the year, computed before any deduction allowed under this section;

(b) any premium paid or payable by the person in the year to insure the building against the risk of damage or destruction;

(c) any local rate, tax, charge, or cess in respect of the property or the rent from the property paid or payable by the person to any local authority or government in the year, not being any tax payable under this Ordinance;

(d) any ground rent paid or payable by the person in the year in respect of the property;

(e) any profit paid or payable by the person in the year on any money borrowed including by way of mortgage, to acquire, construct, renovate, extend, or reconstruct the property;

(f) where the property has been acquired, constructed, renovated, extended, or reconstructed by the person with capital contributed by the House Building Finance Corporation or a scheduled bank under a scheme of investment in property on the basis of sharing the rent made by the Corporation or bank, the share in rent [1][and share towards appreciation in the value of property] (excluding the return of capital, if any) from the property paid or payable by the person to the said Corporation or the bank in the year under that scheme;

[2][(fa) where the property is subject to mortgage or other capital charge, the amount of profit or interest paid on such mortgage or charge;]

[1]Words inserted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Clause (fa) inserted by Finance Act, 2003, dated June 17, 2003.

(g) any expenditure (not exceeding six per cent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section) paid or payable by the person in the year for the purpose of collecting the rent due in respect of the property;

(h) any expenditure paid or payable by the person in the tax year for legal services acquired to defend the person's title to the property or any suit connected with the property in a Court; and

(i) where there are reasonable grounds for believing that any unpaid rent in respect of the property is irrecoverable, an allowance equal to the unpaid rent where –

(i) the tenancy was bona fide, the defaulting tenant has vacated the property or steps have been taken to compel the tenant to vacate the property, and the defaulting tenant is not in occupation of any other property of the person;

(ii) the person has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or has reasonable grounds to believe that legal proceedings would be useless; and

(iii) the unpaid rent has been included in the income of the person chargeable to tax under the head "Income from Property" for the tax year in which the rent was due and tax has been duly paid on such income.

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(2) Where any unpaid rent allowed as a deduction under clause (i) of sub-section (1) is wholly or partly recovered, the amount recovered shall be chargeable to tax in the tax year in which it is recovered.

(3) Where a person has been allowed a deduction for any expenditure incurred in deriving rent chargeable to tax under the head "Income from Property" and the person has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be chargeable to tax under the head "Income from Property" in the first tax year following the end of the three years.

(4) Where an unpaid liability is chargeable to tax as a result of the application of sub-section (3) and the person subsequently pays the liability or a part of the liability, the person shall be allowed a deduction for the amount paid in the tax year in which the payment is made.

(5) Any expenditure allowed to a person under this section as a deduction shall not be allowed as a deduction in computing the income of the person chargeable to tax under any other head of income.

(6) The provisions of section 21 shall apply in determining the deductions allowed to a person under this section in the same manner as they apply in determining the deductions allowed in computing the income of a person chargeable to tax under the head "Income from Business".

S. 17–Deductions–Profit or interest paid on mortgage of property.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Profit or interest paid on mortgage of property or other capital charge would be an allowable deduction against income from the said property as was under the repealed Ordinance. Section 17 has, therefore, accordingly been amended."

Share of income paid to HBFC & Banks u/s 17(1)(f).– Following is an extract from Circular No. 8 of 1982, dated July 8, 1982, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Interest on capital borrowed for construction of a house is admissible as a deduction in computing the income from house property under clause (e) of Section 20. Persons obtaining funds under the new scheme of investment by HBFC/Banks on income sharing basis, could not claim the share of rent paid to HBFC/Banks as a deduction from property income. To remove this hardship a new clause (ee) has been inserted in Section 20 whereby the amount representing share of rental income paid to HBFC/Banks has been allowed as a deduction in computing income from such property."

Share in appreciation in value of property.– Taxation of capital gains on immovable property is a provincial subject. Please see notes to section 1.

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PART IV

HEAD OF INCOME: INCOME FROM BUSINESS

Division I

Income from Business

18. Income from *business.– (1) The following incomes of a person for a tax year, other than income exempt from tax under this Ordinance, shall be chargeable to tax under the head "Income from Business" –

(a) the profits and gains of any business carried on by a person at any time in the year;

(b) any income derived by any trade, professional or similar association from the sale of goods or provision of services to its members [1][.]

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[1]Substituted for semi colon by Finance Act, 2021 dated June 30, 2021.

*should have been substituted by "Business" consequent to amendment of section 11.

S. 18.-Income from Business.- Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"Although under section 18 of the Income Tax Ordinance, 2001, the fair market value of any benefit or perquisite, whether convertible into money or not, is chargeable to tax. In order to clarify the situation regarding taxability of such benefit or perquisite the word 'benefit' has been elaborated through an explanation to include explicitly any benefit derived by way of waiver of profit on debt or the debt itself under the State Bank of Pakistan, Banking Policy Department's, Circular No. 29 of 2002 dated 15th October, 2002 or in any other scheme issued by the State Bank of Pakistan."

Co-operative societies, sales to members.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Doctrine of mutuality that enunciates that transactions between society and its members will not be taxable under specific circumstances has become a major tool of tax avoidance. In order to curb this practice, explicit provision has been added to the Ordinance for giving clarification on interpretation of law in the context of doctrine of mutuality. Necessary changes have been introduced in section 18 of the Ordinance."

S. 18.-Recreation Clubs Taxability.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [section 18]

"The clause (b) of sub-section (1) of section 18 of the ordinance, which provides for taxability of income derived by cooperative societies from the sale of goods, immoveable property or provision of services to its members has been explained through earlier Act, to always include aforementioned incomes as chargeable to tax under the provisions of this Ordinance. The scope of this explanation regarding tax on income on account of sale of goods or rendering of services by cooperative societies to its members has been expanded to say that it shall mutatis mutandis apply to recreational clubs involved in similar kind of transactions with its members.

The corresponding amendment has been made in clause (36) of section 2 of the Ordinance wherein those recreational clubs have been excluded from the definition of non-profit organizations which charge membership fee exceeding rupees one million for any class of new members as joining fee."

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[1][*Explanation*.- For the removal of doubt, it is clarified that income derived by co-operative societies [2][including recreational club] from the sale of goods, immoveable property or provision of services to its members is and has always been chargeable to tax under the provisions of this Ordinance;]

(c) any income from the hire or lease of tangible movable property;

(d) the fair market value of any benefit or perquisite, whether convertible into money or not, derived by a person in the course of, or by virtue of, a past, present, or prospective business relationship [3][.]

[4][*Explanation*.- For the purposes of this clause, it is declared that the word 'benefit' includes any benefit derived by way of waiver of profit on debt or the debt itself under the State Bank of Pakistan, Banking Policy Department, Circular No.29 of 2002 or in any other scheme issued by the State Bank of Pakistan;]

(e) any management fee derived by a management company (including a modaraba [5][management company]).

[6][*Explanation*.- For the removal of doubt it is clarified that income subject to taxation under sections 5A, 5AA, 6, 7 and 7A shall not be chargeable to tax under this section.]

(2) Any profit on debt derived by a person where the person's business is to derive such income shall be chargeable to tax under the head "Income from Business" and not under the head "Income from Other Sources".

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[1]Explanation inserted by Finance Act, 2021 dated June 30, 2021.
[2]Words inserted by Finance Act, 2025 in force from July 1, 2025.
[3]Substituted for "; and" by Finance Act, 2011 dated June 30, 2011.
[4]Explanation inserted by Finance Act, 2011 dated June 30, 2011.
[5]Words inserted by Finance Ordinance, 2002 dated June 15, 2002.
[6]Explanation inserted by Finance Act, 2018 dated May 23, 2018.

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[1][(3) Where a [2][lessor], being a scheduled bank or an investment bank or a development finance institution or a modaraba or a leasing company has leased out any asset, whether owned by it or not, to another person, any amount paid or payable by the said person in connection with the lease of said asset shall be treated as the income of the said [2][lessor] and shall be chargeable to tax under the head "Income from Business".

(4) Any amount received by a banking company or a non-banking finance company, where such amount represents distribution by a mutual fund [3]/or a Private Equity and Venture Capital Fund/ out of its income from profit on debt, shall be chargeable to tax under the head "Income from Business" and not under the head "Income from Other Sources".]

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[1]Sub-sections (3) and (4) inserted by Finance Act, 2003, dated June 17, 2003.
[2]Substituted for "lesser" by Finance Act, 2014 dated June 26, 2014.
[3]Words inserted by Finance Act, 2007 dated June 30, 2007.

S. 18(3)–Treatment of lease rentals as "Income from Business" for admissibility of depreciation on leased assets.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"A new sub-section (3) has been added in section 18 to treat any amount paid or payable by a person in connection with the lease of an asset by a Scheduled Bank or an Investment Bank or DFI or a Modaraba or a Leasing Company as income of the lessor under the head "Income from Business"."

S. 18(4)–Dividend income on distribution by mutual funds received by a banking company or a NBFC is income from banking business.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"The income earned by a financial institution from any source is liable to tax at normal tax rates. Dividend on distribution of profits is charged at concessional rates. To obviate any misuse of the provision by the financial sector, a new sub-section (4) has been added in section 18 whereby dividend income of the banking company or non-banking

19. Speculation business.– (1) Where a person carries on a speculation business –

(a) that business shall be treated as distinct and separate from any other business carried on [1][by] the person;

(b) this Part shall apply separately to the speculation business and the other business of the person;

(c) section 67 shall apply as if the profits and gains arising from a speculation business were a separate head of income;

(d) any profits and gains arising from the speculation business for a tax year computed in accordance with this Part shall be included in the person's income chargeable to tax under the head "Income from Business" for that year; and

(e) any loss of the person arising from the speculation business sustained for a tax year computed in accordance with this Part shall be dealt with under section 58.

(2) In this section, "speculation business" means any business in which a contract for the purchase and sale of any commodity (including [2][stocks] and shares) is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity, but does not include a business in which –

(a) a contract in respect of raw materials or merchandise is entered into by a person in the course of a manufacturing or mercantile business to guard against loss through future price fluctuations for the purpose of fulfilling the person's other contracts for the actual delivery of the goods to be manufactured or merchandise to be sold;

(b) a contract in respect of stocks and shares is entered into by a dealer or investor therein to guard against loss in the person's holding of stocks and shares through price fluctuations; or

(c) a contract is entered into by a member of a forward market or stock exchange in the course of any transaction in the nature of jobbing [3][arbitrage] to guard against any loss which may arise in the ordinary course of the person's business as such member.

Division II

Deductions: General Principles

20. Deductions in computing income chargeable under the head "Income from Business".– (1) Subject to this Ordinance, in

[1]Word inserted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "stock" by Finance Act, 2005 dated June 29, 2005.
[3]Substituted for "arbitrate" by Finance Act, 2005 dated June 29, 2005.

finance company would be chargeable to tax at normal rates under the head "Income from Business". It would be applicable for tax year 2003 and onwards."

S. 19(2)-Amendments by F.A. 2005.- Following is an extract from 'Notes on Clauses of Finance Bill 2005':-

"Seeks to make editorial corrections."

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computing the income of a person chargeable to tax under the head "Income from Business" for a tax year, a deduction shall be allowed for any expenditure incurred by the person in the year [1][wholly and exclusively for the purposes of business].

[2][(1A) Subject to this Ordinance, where animals which have been used for the purposes of the business or profession otherwise than as stock-in-trade and have died or become permanently useless for such purposes [3][a deduction shall be allowed equal to], the difference between the actual cost to the taxpayer of the animals and the amount, if any, realized in respect of the carcasses or animals.]

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[1]Substituted for "to the extent to which[*] the expenditure is incurred in deriving income from business chargeable to tax" by Finance Act, 2004 dated June 24, 2004, w.e.f. July 1, 2004.

[*]words "to which" are not mentioned in the official gazette for deletion.

[2]Sub-section (1A) inserted by Finance Act, 2009 dated June 30, 2009.

[3]Words inserted by Finance Act, 2021 dated June 30, 2021.

S. 20–Deductions, expenditure on visits of foreign countries.– It has been clarified in CBR's Circular No. 20 ITP of 1950, dated October 10, 1950 that expenditure incurred on visits to foreign countries is an admissible deduction whether or not such visits result immediately in earning of profits. Following is an extract from the Circular:–

"If profits of any such foreign business are assessable in Pakistan the expenditure would be an admissible deduction against such profits. When once it is established that an expenditure of a revenue nature is incurred wholly and exclusively in the interest of the business liable to tax in Pakistan, it should be allowed in the assessment without being too meticulous."

S. 20(1A)-Deductions in Computer Business Income.- Following is an extract from FBR's Circular No. 03 dated July 17, 2009:–

"A new sub-section (1A) has been inserted in section 20 to allow deduction to a person using animals for the purpose of the business or profession otherwise than as stock-in-trade where such animals have died or become permanently useless for such purposes. The amount of deduction to be allowed is not to exceed the difference between the actual cost of the animals and the amount, if any, realized in respect of the carcasses of animals. The amendment has been made to encourage dairy farming businesses which has become very attractive venture for the corporate sectors and will help in boosting foreign direct investment in the country."

Redrafting for business expenses deductions.– Following is an extract from CBR's Circular No. 17, dated July 17, 2004:–

"Apprehension was expressed through various queries that language of law is ambiguous and its interpretation may restrict admissibility of business expenditure. In order to remove doubt regarding admissibility of expenditure against income under the head "Income from Business", sub-section (1) of section 20 of the Income Tax Ordinance, 2001 has been amended to clarify that an expenditure wholly and exclusively incurred for the purpose of business would be allowed as business expense."

Deduction of sales tax when not separately charged.– Following is the text of CBR's Circular No. 2 ITP of 1950, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The Board has decided that where a dealer does not make a separate charge for sales tax, the amount of sales tax paid by him should be allowed as a deduction in computing his income for income tax purposes. This would apply only where the dealer's trading account is accepted. Where, however, his accounts are rejected and profit is estimated on the basis of flat rate on the sales, the sales tax paid should be taken to have been covered by the flat rate adopted."

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(2) Subject to this Ordinance, where the expenditure referred to in sub-section (1) is incurred in acquiring a depreciable asset or an intangible with a useful life of more than one year or is pre-commencement expenditure, the person must depreciate or amortise the expenditure in accordance with sections 22, 23, 24 and 25.

[1][(3) Subject to this Ordinance, where any expenditure is incurred by an amalgamated company on legal and financial advisory services and other administrative cost relating to planning and implementation of amalgamation, a deduction shall be allowed for such expenditure.]

21. Deductions not allowed.– Except as otherwise provided in this Ordinance, no deduction shall be allowed in computing the income of a person under the head "Income from Business" for–

(a) any cess, rate or tax paid or payable by the person in Pakistan or a foreign country that is levied on the profits or gains of the business or assessed as a percentage or otherwise on the basis of such profits or gains;

(b) any amount of tax deducted under Division III of Part V of Chapter X from an amount derived by the person;

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[1]Sub-section (3) inserted by Finance Ordinance, 2002 dated June 15, 2002.

Cost of one cash register machine allowable as deduction.– Following is an extract from CBR's Circular No. 6 of 1987 dated July 5, 1987, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A new clause (xx) has been added in Sub-Section (1) of Section 23 of the Ordinance under which the cost of one cash register machine purchased by an assessee for recording and printing cash sales made by him during the regular course of his business shall be allowed as deduction in equal instalments in two years i.e. half of the cost in the income year in which the said machine was purchased and the balance in the next following income year."

Following is an extract from Circular No. 20 of 1988 dated October 8, 1988, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The said clause has been amended to provide that such expenditure will be allowable only in respect of such machine which has permanent sealed memory system. Also, the entire purchase price will be allowable, as deduction, in the income year in which such machine was purchased. However, initial depreciation shall not be allowable in respect of such machine, by virtue of an amendment in sub-rule (2) of rule 5 of the Third Schedule to the Ordinance."

S. 21–Deductions not allowed, non-deduction of tax from salaries.– Following is an extract from CBR's Circular No. 4 of 1995 dated July 9, 1995, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Salary paid without withholding the tax is an inadmissible deduction against business income. In order to improve compliance of tax withholding provisions, section 24 (c) has been amended so that where any payments are made on account of commission, brokerage, rents, interest or services rendered and tax has not been deducted at the prescribed rates, such payments shall be treated as inadmissible deduction against income."

Section 21(b) provides for disallowance of salary if the employer fails to deduct and pay tax u/s 50. A situation arises where an assessee fails to deduct such tax at the time of paying salaries but subsequently deposits the same at any time before his assessment is completed. This has been clarified in Circular Letter C. No. 4(131)-T-3/71, dated July 22, 1971, explaining corresponding provisions of the repealed Act, 1922, and repealed Ordinance, 1979, an extract wherefrom is as follows:–

"Recourse to Section 10(4)(a) may be taken in cases where the employer has not paid the tax on salaries before the completion of assessment. This clause may not be invoked merely on the ground that the tax was not deducted or paid during the course of the relevant previous year."

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S. 21.-Disallowance of Certain Expenditure.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [sections 21 & 22]

"As explained below, new clauses have been inserted to make disallowance for expenditure under certain specific circumstances:

(i) Through Finance Act, 2025, a new clause (q) has been inserted in Section 21 of the Income Tax Ordinance, 2001 whereby ten percent expenditure attributable to purchases from persons who are not NTN holder will be liable to disallowed. It aims to enable formal sector to capture more market share as compared to that of informal sector. This provision will not apply on agriculture produce unless it is sold by middle men. This provision also authorizes the board to exempt any class of persons subject to conditions and limitations as it deems appropriate.

(ii) Through Finance Act 2025, a new clause(s) has been inserted in Section 21 of the Income Tax Ordinance, 2001, which envisages that where a person makes

i) a sale of Rs.200,000 or above on a single invoice and

ii) and payment is not received through banking channel or digital means

50 % of the proportionate business expenditure attributable to such sales shall be disallowed. For the purposes of section 21(s), it is clarified that when a person, whether an NTN holder or otherwise, deposits the cash against invoices in the bank account of the seller, the payment shall be treated as having taken place through banking channel and no disallowance of the expenditure will be made in this regard under this clause.

(iii) Through Finance Act, 2025, in section 22 of the Ordinance, the depreciation expense of any capital asset shall be inadmissible if the capital asset has been acquired without discharging the withholding obligation on the payments made under sections 152 or 153 of the Ordinance as the case may be. The said amount paid to a supplier of capital assets on which tax was not withheld and deposited will not become part of the cost of asset for the purpose of computation of tax depreciation for the tax year in which the acquisition is made."

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[1][(c) any expenditure from which the person is required to deduct or collect tax under Part V of Chapter X or Chapter XII, unless the person has paid or deducted and paid the tax as required by Division IV of Part V of Chapter X:

Provided that disallowance in respect of purchases of raw materials and finished goods under this clause shall not exceed twenty per cent of purchases of raw materials and finished goods:

Provided further that recovery of any amount of tax under sections 161 or 162 shall be considered as tax paid.]

[2][(ca) any amount of commission paid or payable in respect of supply of products listed in the Third Schedule of the Sales Tax Act, 1990, where the amount of commission paid or payable exceeds 0.2 percent of gross amount of supplies thereof unless the person to whom commission is paid or payable, as the case may be, is appearing in the active taxpayer list under this Ordinance;]

(d) any entertainment expenditure in excess of such limits [2][or in violation of such conditions] as may be prescribed;

(e) any contribution made by the person to a fund that is not a recognised provident fund [3][,] [4][approved pension fund], approved superannuation fund, or approved gratuity fund;

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[1]Clause (c) substituted by Finance Act, 2016 dated June 24, 2016.
[2]Clause (ca) inserted by Finance Act, 2019 dated June 30, 2019.
[3]Comma inserted by Finance Act, 2014 dated June 26, 2014.
[4]Words inserted by Finance Act, 2005 dated June 29, 2005.

S. 21(c)–Substitution.–Before substitution by Finance Act, 2016 it read as follows:–

"(c) any salary, rent, brokerage or commission, profit on debt, payment to non-resident, payment for services or fee paid by the person from which the person is required to deduct tax under Division III of Part V of Chapter X or section 233 of chapter XII, [1][unless] the person has [2][paid or] deducted and paid the tax as required by Division IV of Part V of Chapter X;"

[1]Substituted for "until" by Finance Act, 2003, dated June 17, 2003.
[2]Words inserted by Finance Act, 2003, dated June 17, 2003.

S. 21(d)–Entertainment expenditure.– Please see Rule 10 of Income Tax Rules, 2002.

Following is an extract from salient features of budget 2006:–

"Removal of limit/restriction on expenses incurred by an employer on provision of perquisites to employees proposed."

Full deductibility of expenses on perquisites.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Expenditure on provision of perquisites and allowances to an employee in excess of 50% of his salary [excluding the value of perquisites or amount of allowances] was not deductible in the hands of the employer.

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[1][(ea) an amount in excess of fifty percent of contribution made by a person to an approved gratuity fund, an approved pension fund or an approved superannuation fund.]

(f) any contribution made by the person to any provident or other fund established for the benefit of employees of the person, unless the person has made effective arrangements to secure that tax is deducted under section 149 from any payments made by the fund in respect of which the recipient is chargeable to tax under the head "Salary";

(g) any fine or penalty paid or payable by the person for the violation of any law, rule or regulation;

(h) any personal expenditures incurred by the person;

(i) any amount carried to a reserve fund or capitalised in any way;

(j) any profit on debt, brokerage, commission, salary or other remuneration paid by an association of persons to a member of the association;

[2][ ]

[1]Clause (ea) inserted by Finance Act, 2022 dated June 30, 2022.
[2]Clause (k) omitted by Finance Act, 2006 dated July 01, 2006.

S. 21(k)–Omission.–Clause (k) before omission by Finance Act, 2006 read as follows:–

"(k) any expenditure paid or payable by an employer on the provision of perquisites and allowances to an employee where the sum of the value of the perquisites computed under section 13 and the amount of the allowances exceeds fifty per cent of the employee's salary for a tax year (excluding the value of the perquisites or amount of the allowances);

The restriction on admissibility of full expense on account of perquisites and allowances paid to an employee in the hands of the employer, has been removed by omitting clause (k) of section 21. This amendment will be applicable where expense is incurred on July 1, 2006 and onward."

Pre-2006 position

S. 21(k)–Excess perquisites.– Any expenditure incurred by an assessee on the provision of perquisites, allowances or other benefits to an employee in excess of 50% of his salary, excluding such perquisites, allowances or other benefits, is not an allowable deduction. No such provision existed before assessment year 1963-64. The Finance Act, 1963 amended the Income Tax Act, 1922 by adding a new Clause (d) to Section 10(4). Following is an extract from Circular No. 4 of 1963, dated November 19, 1963, explaining the corresponding provisions of repealed Act, 1922:–

"The new clause restricts the deduction to be allowed on account of expenditure incurred by a company on the provision of perquisites or other benefits to a director or employee exceeding 75 per cent of his salary, or Rs. 30,000 whichever is the less."

The Finance Ordinance, 1971 amended Clause (d). Circular No. 12 of 1971, dated September 8, 1971 explained the amendment, relevant extracts wherefrom are as follows:–

"As a result of the amendment of this clause the amount admissible in the hands of the employers on account of perquisites and other benefits to the employees has been curtailed". "According to the amended clause deduction of such expenditure will be restricted up to a maximum of 30% of the employee's salary as defined in Explanation 1, without any further limit of amount.

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Another important change made by the amendment of this clause is that while hitherto this clause was applicable only to companies, henceforth, the restriction imposed by this clause will apply to all employees both company and non-company."

The provisions of Section 10(4)(d) as it stood after amendment by the Finance Ordinance, 1971, were incorporated in the Ordinance as Section 24(i). But the restriction to 30% had become unjustifiable. It was represented to the CBR that this provision should be modified, in this connection following is the text of a letter from M/s S. A.. Salam & Co. CAs dated September 1, 1979 addressed to the Member (Income Tax) CBR, Islamabad:–

"40% of salary paid in cash as house rent allowance to employees is exempt from income tax in their hands. This is in conflict with Section 24(i) of the Income Tax Ordinance, 1979, whereby the total amount of perquisites should not exceed 30% of the salary of an employee. Now this 30% has existed in the Income Tax Law for a long time and this limit has not been enhanced so far inspite of the fact that in the Rules the allowances have been gradually and progressively increased. In view of the fact that there are many other perquisites in addition to the house rent allowance, it is requested that the figure in section 24(i) of the Income Tax Ordinance, 1979, may be amended to read "50%" instead of the present "30%". It is hoped that necessary steps would be taken to bring about the suggested amendment."

In response to representations, clause (i) was amended by Finance Ordinance, 1980, whereby this limit was raised to 50%, but was made applicable from the assessment year 1981-82.

Another amendment made by the Finance Ordinance, 1980 was the insertion of the words "allowances or other benefits". This amendment has been explained in Circular Letter C. No. 13(23)-IT-I/80, dated August 11, 1980, an extract wherefrom is as follows:–

"(ii) Insertion of the word "allowances" has removed doubts, if there were any, regarding inclusion of cash allowances for purposes of Section 24(i) in respect of working cost of perquisites.

The Board has always held that the term "perquisites" in the Income Tax Ordinance, 1979 includes within its ambit all benefits and allowances. The word "allowances or other benefits" now inserted through the Finance Ordinance, 1980 are only clarificatory in nature. the amount paid in lieu of foregoing the entitlement of leave and for performing duties The term perquisites includes all types of allowances and benefits including "cash allowances" and the provisions should be deemed to be effective from the assessment year 1979-80 i.e., after promulgation of the Income Tax Ordinance, 1979."

Amounts hit by S. 21(k).– Following is the text of CBR's Circular No. 16 of 1990 dated December 4, 1990, explaining corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been brought to the notice of the Board that amounts paid under the following heads are being treated as perquisites, allowances or other benefits within the purview of section 24(i) of the Income Tax Ordinance, 1979:–

(a) Overtime.

(b) Leave encashment.

(c) Contributions towards social security under the Provincial Employees' Social Security Ordinance, 1965.

(d) Contribution towards employees old age benefits under the Employees' Old Age Benefit Act, 1976.

(e) Contribution towards education cess under the Worker's Children (Education) Ordinance, 1972 and Workers' Children (Education) Act 1988.

(f) Expenditure incurred on maintaining canteens under the West Pakistan Canteen Rules, 1959.

(g) Expenditure incurred on maintaining fair price shops under the Punjab Fair Prices Shops (Factories) Ordinance, 1971.

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2. The matter has been considered in the Board and it is clarified that "over-time" and "leave encashment" fall within the ambit of "salary" being the remuneration or compensation for services rendered by an employee. Whereas overtime payment is made for the extra work done by an employee in addition to this normal duties, leave encashment is during the leave period. These two payments are, therefore, direct consideration or price for the job performed by an employee and, therefore, should not be considered inadmissible for the purposes of clause (i) of section 24 of the Income Tax Ordinance, 1979.

3. As regards compulsory contributions towards social security, employees old age benefits and education cess, it may be noted that such contributions made in pursuance of various statutes are mandatory for the employer. The employee receives no direct benefit from the employer who is also not in a position to regulate or adjust such payments to his advantage. Similarly, expenditure incurred on the maintenance of fair price shops and canteens cannot be treated as a perquisite or benefit if such facilities are made available to the employees in accordance with the mandatory provisions of labour laws."

S. 21(l)–Substitution.– Clause (l) before substitution by Finance Act, 2006 read as follow: –

"(l) any expenditure paid or payable under a single account head which, in aggregate, exceeds fifty thousand rupees made other than by a crossed bank cheque or crossed bank draft, except expenditures not exceeding [1][2]*/*ten*/* thousand rupees or on account of freight charges, travel fare, postage, utilities or payment of taxes, duties, [3][fee], fines or any other statutory obligation;"

[1]Substituted for "five hundred rupees or on account of postage or utility bills" by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "five" by Finance Act, 2004, dated June 24, 2004, w.e.f. July 1, 2004.
[3]Substituted for "fees" by Finance Act, 2003, dated June 17, 2003.

Rationalization of provisions.–Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Any expenditure paid or payable under a single account head which, in aggregate, exceeds fifty thousand rupees made other than by a crossed bank cheque or crossed bank draft, except expenditures not exceeding ten thousand rupees or on account of freight charges, travel fare, postage, utilities or payment of taxes, duties, fee, fines or any other statutory obligation, was not be an allowable deduction upto tax year 2006.

This provision was originally introduced under section 24(ff) in the repealed Ordinance, 1979. It was clarified through CBR's Circular No.11 of 1998 dated July 25, 1998, stating that clause (ff) applies to expenditure normally chargeable to profit and loss account. The expenditure chargeable to trading and manufacturing accounts (like wages and freight or purchases debitable to the said accounts) fell out side the ambit of the said clause.

Now the language of the section 21(l) has appropriately been amended to include every expenditure whether debitable to trading or manufacturing accounts or profit and loss account will fall within the purview of said section. Further, the scope of banking transactions has also been expanded to include online transfer of payment from the business account of the payer to the business account of the payee and payment through credit cards subject to the condition that such transactions are verifiable from the bank statement of the respective payer and payee. **This is an elaboration of the definition of banking transactions.** It is explicitly clarified that any expenditure paid or payable under a single account head which, in aggregate, exceeds fifty thousand rupees made other than by a crossed bank draft, shall not be an allowable deduction w.e.f. July 1, 2006. The restriction under this provision will not apply (as before) in respect of expenditure which

(i) does not exceeding ten thousand rupees; or

(ii) is on account of freight charges, travel fare, postage, utilities or payment of taxes, duties, fee, fines or any other statutory obligation;

As a consequence, CBR's Circular No.11 of 1998 dated 25th July, 1998 being contrary to the provision of law is withdrawn, henceforth."

Following is an extract from 'Salient Features' of budget 2006:–

"Provisions relating to deductibility of expense made through banking channel proposed to be rationalized."

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[1][(l) any expenditure [2][ ] for a transaction, paid or payable under a single account head which, in aggregate, exceeds [3][two hundred and fifty] thousand rupees, made other than by a crossed cheque drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of amount from the business bank account of the taxpayer:

Provided that online transfer of payment from the business account of the payer to the business account of payee as well as payments through credit card shall be treated as transactions through the banking channel, subject to the condition that such transactions are verifiable from the bank statements of the respective payer and the payee:

Provided further that this clause shall not apply in the case of–

(a) expenditures not exceeding [4][twenty-five] thousand rupees;

(b) expenditures on account of –

(i) utility bills;

(ii) freight charges;

(iii) travel fare;

(iv) postage; and

(v) payment of taxes, duties, fee, fines or any other statutory obligation [5][:]

[5][Provided further also that this clause shall not apply to a company from the date clause (la) has been made effective through the notification issued by the Board.]

[6][(la) any expenditure by a taxpayer being a company for a transaction, paid or payable under a single account head which, in aggregate, exceeds rupees two hundred and fifty thousand, made other than by digital means from business bank account of the taxpayer notified to the Commissioner under section 114A:

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[1]Clause (l) substituted by Finance Act, 2006 dated July 01, 2006.

[2]Words "by a taxpayer not being a company" omitted being lapsed the Tax Laws (Third Amendment) Ordinance, 2021. Earlier these were inserted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.

[3]Substituted for "fifty" by Finance Act, 2020 dated June 30, 2020.

[4]Substituted for "ten" by Finance Act, 2020 dated June 30, 2020.

[5]Colon substituted for semi-colon and proviso inserted by Finance Act, 2022 dated June 30, 2022.

[6]Clause (la) inserted Finance Act, 2022 dated June 30, 2022. Earlier the same was inserted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.

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S. 21–Disallowance of commission.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"A new clause (ca) has been inserted in section 21 which disallows commission paid or payable in respect of supply of products listed in the Third Schedule to the Sales Tax Act, 1990 which is in excess of 0.2% of the gross amount of supplies to a person who is not appearing in the active taxpayers' list (ATL) under this Ordinance. However, the limit of 0.2% shall not apply if the commission is paid or payable to a person whose name is appearing in the ATL."

S. 21(m)–Enhancement of Salary Limit to be Paid in Cash by the Taxpayers. Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"Before amendment of clause (m) of section 21, vide Finance Act, 2008, any salary paid or payable exceeding Rs.10,000 per month, if not paid through crossed cheque or direct transfer to the employee's bank account, was an inadmissible deduction against business income of the employer. Earlier this limit was enhanced from Rs.5000 in the year 2004. Considering inflationary trend in the economy, this limit has been further enhanced to Rs.15,000 per month."

Following is an extract from 'Notes on Clauses of Finance Act, 2006':–

"Seeks to clarify allowability of expenditure made other than through normal banking channels."

Following is the text of CBR's Circular No. 6 of 1990 dated July 15, 1990, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"A new clause (ff) has been inserted in section 24 of the Ordinance which provides that any expenditure incurred by an assessee at any time in a sum exceeding Rs. 50,000 will not be allowed as deductible unless the payment is made on or after July 1, 1990, through crossed cheque or crossed bank draft. This provision will have restricted application and will relate to profit and loss account expenses like rent, salary, repairs, travelling, advertisement and entertainment, and would not affect purchases and other manufacturing or trading account expenses."

Salaries payment through bank.– Following is an extract from CBR's Circular No. 11 of 1998, dated July 25, 1998 explaining corresponding provisions of the Income Tax Ordinance, 1979:–

"With effect from assessment year 1999-2000, deduction for only such salaries exceeding Rs. 5000 per month shall be allowed, which have been paid through a crossed cheque or direct transfer of funds to the employee's bank account.

It is further clarified that 'Salary' has the same meaning as explained in the explanation to clause (i) of section 24. The clause (fff) does not apply to piece or job-wages. As clarified in the preceding paragraph, direct wages, being trading/ manufacturing account expense, would not fall within the ambit of clause (fff)."

Strict enforcement of the provision.– Following is the text of CBR's Circular Letter C. No. 7(15)DT-14/93 dated August 23, 1993, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to say that the Government places great emphasis on the documentation of economy and expects strict enforcement of the laws requiring such documentation.

2. The provisions of section 24(ff) of the Income Tax Ordinance, 1979 provides that deduction shall not be admissible for any expenditure exceeding Rs. 50,000/- unless the transaction is made through crossed cheque or crossed bank draft.

3. The Regional Commissioners are requested to issue necessary instructions for the strict enforcement of this provision."

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Provided that this clause shall not apply in the case of-

(a) expenditures not exceeding Rupees twenty five thousand; and

(b) expenditures on account of-

(i) utility bills;

(ii) freight charges;

(iii) travel fare;

(iv) postage; and

(v) payment of taxes, duties, fee, fines or any other statutory obligation:

Provided further that this clause shall be effective from such date as the Board may notify.]

(m) any salary paid or payable exceeding [1][thirty-two thousand rupees per month to an individual] other than by a crossed cheque or direct transfer of funds to the employee's bank account [2][or through digital means]; [3][ ]

(n) except as provided in Division III of this Part, any expenditure paid or payable of a capital nature [4][; *[ ]*]

[5][(o) any expenditure in respect of sales promotion, advertisement and publicity in excess of [6][ten] per cent of turnover incurred by pharmaceutical manufacturers [7]*[;]*]

[8][(p) any expenditure on account of utility bill in excess of such limits and in violation of such conditions as may be prescribed; [9][ ]

[9][(q) ten percent of the claimed expenditure made attributable to purchases made from persons who are not National Tax Number holders:

Provided that in case of purchase of agricultural produce this clause shall only apply to the purchase made from middle man:

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[1]Substituted for "twenty-five thousand rupees per month" by Finance Act, 2023 dated June 26, 2023. Earlier it was substituted for "fifteen" by Finance Act, 2020 dated June 30, 2020, was substituted for "ten" by Finance Act, 2008 dated June 27, 2008 and was substituted for "five" by Finance Act, 2004, dated June 24, 2004, w.e.f. July 1, 2004.

[2]Words inserted by Finance Act, 2022 dated June 30, 2022. Earlier words "or through digital mode" inserted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.

[3]Word "and" omitted by Finance Act, 2016 dated June 24, 2016.

[4]Word "and" omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was substituted for full stop by Finance Act, 2016 dated June 24, 2016.

[5]Clause (o) inserted by Finance Act, 2016 dated June 24, 2016.

[6]Substituted for "five" by Finance Act, 2017 dated June 20, 2017.

[7]Substituted for full stop by Finance Act, 2020 dated June 30, 2020.

[8]Clause (p) inserted by Finance Act, 2020 dated June 30, 2020.

[9]Word "and" omitted and clause (q) substituted by Finance Act, 2025 in force from July 1, 2025. Earlier clause (q) inserted by Finance Act, 2020 dated June 30, 2020.

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Provided further that the Board may, by notification in the official Gazette, exempt persons or classes of persons from this clause subject to such conditions and limitations as may be specified therein;]

[1][(r) three percent of the expenditure claimed by any person, who fails to install electronic resource or to act as an integrated enterprise as required by law, subject to the method, manner, and procedure as may be prescribed;]

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[1]Clause (r) substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2022 dated June 30, 2022.

S. 21(q)-Substitution.- Before substitution by Finance Act, 2025, it read as follows:-

"(q) any expenditure attributable to sales made to persons required to be registered but not registered under the Sales Tax Act, 1990 by an industrial undertaking computed according to the following formula, namely:-

(A/B) x C

where-

A is the total amount of deductions claimed under this Part;

B is the turnover for the tax year; and

C is the total amount of sales exclusive of sales tax and federal excise duty to persons required to be registered but not registered under the Sales Tax Act, 1990 where sales equal or exceed rupees one hundred million per person:

Provided that disallowance of expenditure under this clause shall not exceed ten percent of total deductions claimed under this Part:

Provided further that the Board may, by notification in the official Gazette, exempt persons or classes of persons from this clause subject to such conditions and limitations as may be specified therein:

Provided also that this clause shall come into force with effect from the first day of October, 2020."

S. 21-Deductions not allowed.-Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"Section 21 of the Income Tax Ordinance provides for disallowance of certain business expenditures as deductions. Following new clauses have been inserted in this section as explained hereunder:

(i) Earlier, the whole amount of employer contribution to an approved gratuity fund, an approved pension fund or an approved superannuation fund was allowed as deduction. Now, clause (ea) has been inserted whereby the allowable deduction is restricted to fifty percent of employer contribution to these funds and the remaining fifty percent of the employer contribution is not allowed as deduction.

(ii) The Board through notification in official gazette may require a person to integrate his business with Board through approved fiscal electronic device and software. If the notified person fails to integrate his business with the Board, then any expenditure, not exceeding eight percent of allowable deduction attributable to sales, will be disallowed as deduction under newly inserted clause (r)."

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[1][(s) fifty percent of the expenditure claimed in respect of sale where the taxpayer received payment exceeding two hundred thousand rupees otherwise than through a banking channel or digital means against a single invoice containing one or more than one transactions of supply of goods or provisions of services.]

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[1]S. 21(s) inserted by Finance Act, 2025 in force from July 1, 2025.

S. 21(r)-Substitution.- Before substitution by Finance Act, 2026, it read as follows:-

"(r) any expenditure attributable to sales claimed by any person who is required to integrate but fails to integrate his business with the Board through approved fiscal electronic device and software:

Provided that disallowance of expenditure under this clause shall not exceed eight percent of the allowable deduction [1]/; and/]"

[1]Substituted for full stop by Finance Act, 2025 in force from July 1, 2025.

S. 21(r).- Integration with the Board's Computerized System [Sections 2(19DA). 2(30A), 2(30D). 2(42AA). 21(r), 64D and 174(5)].- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"The framework for integration of businesses with the Board's computerized system has been strengthened. In section 2, clause (30A) has been amended to refer to the "Board's computerized system through a licensed integrator"; a new clause (30D) defines "Licensed integrator" by reference to the Sales Tax Act, 1990; a new clause (19DA) defines "electronically readable format"; and a new clause (42AA) defines "PRAL".

Clause (r) of section 21 has been substituted to provide for disallowance of three percent of the expenditure claimed by any person who fails to install an electronic resource or to act as an integrated enterprise as required by law. Section 64D has been substituted to provide a "Tax credit for integration" equal to ten percent of the amount actually invested in the electronic resource in the year of its installation, integration and configuration, available only against normal tax payable under Division I or Division II of Part I of the First Schedule. Section 174(5) has been substituted to empower the Board to require any person or class of persons to install and use an electronic resource, or to act as an integrated enterprise, for receiving, storing, matching and accessing information regarding transactions bearing on tax liability."

S. 21-Depreciation and Initial Allowance.-Following is an extract from FBR's Circular No. 15 of 2022 dated July 21, 2022, explaining the amendment:-

"Finance Act, 2020 introduced restriction on claim of depreciation deduction by fifty percent on a depreciable asset used in a person's business for the first time. In continuation thereof, the person was allowed fifty percent deprecation deduction in the year of disposal of such depreciable assets. Now this restriction has been lifted and a person who introduces a depreciable asset in his business for the first time will be entitled to claim hundred percent deprecation deduction. The corresponding entitlement to claim fifty percent depreciation deduction during the year of disposal has been withdrawn.

Furthermore, the cost of a depreciable asset being passenger transport vehicle not plying for hire was restricted to two and half million rupees for the purpose of deprecation deduction. This limit has been enhanced to seven and half million rupees.

Immovable property or structural improvement to the immovable property have been excluded from the definition of eligible depreciable asset for the purposes of initial allowance."

S. 21(s)- Transactional limit for Cash Based Payments for Retail Outlets and Cash-on-Delivery (COD) in E-Commerce.-Following is text of FBR's Circular No. 02 of 2025-26 dated August 12, 2025:-

"In order to promote the government's overall objective of cashless economy and in line with the provisions of section 21(s) of the Income Tax Ordinance. 2001, it is reiterated that the same principle on transaction limits for cash-based payments as for retail outlets to be followed for e-commerce COD orders as well. The limit for cash transaction for both shall be Rs.200,000/- for this purpose."

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Division III

Deductions: Special Provisions

22. Depreciation.– (1) Subject to this section, a person shall be allowed a deduction for the depreciation of the person's depreciable assets used in the person's business in the tax year [1][:]

[2][Provided that the depreciation expense shall not be allowed for the amount paid for addition of capital assets to a seller in all relevant tax years if the tax deductible under sections 152 or 153 of the Ordinance in respect of those payments has not been deducted and deposited in the treasury, by not adding such amount paid for addition in capital assets in the assets for computation of tax depreciation.]

(2) Subject to [3][sub-section] (3) [4][ ], the depreciation deduction for a tax year shall be computed by applying the rate specified in Part I of the Third Schedule against the written down value of the asset at the beginning of the year [5][.]

[6][ ]

(3) Where a depreciable asset is used in a tax year partly in deriving income from business chargeable to tax and partly for another use, the deduction allowed under this section for that year shall be restricted to the fair proportional part of the amount that would be allowed if the asset [7][was] wholly used to [8][derive] income from business chargeable to tax.

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[1]Substituted for full stop by Finance Act, 2025 in force from July 1, 2025.
[2]Proviso inserted by Finance Act, 2025 in force from July 1, 2025.
[3]Substituted for "sub-sections" by Finance Act, 2005 dated June 29, 2005 to make an editorial correction. Earlier this error was pointed out in this book.
[4]Word etc. "and (4)" omitted by Finance Act, 2004 dated June 24, 2004, w.e.f. July 1, 2004.
[5]Substituted for colon by Finance Act, 2025 in force from July 1, 2025. Earlier it was substituted for full stop by Finance Act, 2020 dated June 30, 2020.
[6]Proviso omitted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Finance Act, 2020 dated June 30, 2020.
[7]Substituted for "were" by Finance Act, 2010 dated June 30, 2010,
[8]Substituted for "derived" by Finance Act, 2003, dated June 17, 2003.

S. 22(2)Proviso.- Before omission by Finance Act, 2022, read as follows:–

"Provided that where a depreciable asset is used in the person's business for the first time in a tax year commencing on or after the 1st day of July, 2020, the depreciation deduction shall be reduced by fifty percent."

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[1][ ]

(5) The written down value of a depreciable asset of a person at the beginning of the tax year shall be–

(a) where the asset was acquired in the tax year, the cost of the asset to the person as reduced by any initial allowance in respect of the asset under section 23; or

(b) in any other case, the cost of the asset to the person as reduced by the total depreciation deductions (including any initial allowance under section 23) allowed to the person in respect of the asset in previous tax years.

[2][*Explanation*,- For the removal of doubt, it is clarified that where any building, furniture, plant or machinery is used for the purposes of business during any tax year for which the income from such business is exempt, depreciation admissible under sub-section (1) shall be treated to have been allowed in respect of the said tax year and after expiration of the exemption period, written down value of such assets shall be determined after reducing total depreciation deductions (including any initial allowance under section 23) in accordance with clauses (a) and (b) of this sub-section.]

(6) Where sub-section (3) applies to a depreciable asset for a tax year, the written down value of the asset shall be computed on the basis that the asset has been solely used to derive income from business chargeable to tax.

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[1]Sub-section (4) omitted by Finance Act, 2004, dated June 24, 2004, w.e.f. July 1, 2004.
[2]Explanation inserted by Finance Act, 2016 dated June 24, 2016.

Sub-section (4) before omission by Finance Act, 2004, read as follows:–

"(4) Where a depreciable asset is not used for the whole of the tax year in deriving income from business chargeable to tax, the deduction allowed under this section shall be computed according to the following formula, namely:–

A x B/C

where –

A is the amount of depreciation computed under sub-section (2) or (3), as the case may be;

B is the number of months in the tax year the asset is used in deriving income from business chargeable to tax; and

C is the number of months in the tax year. "

S. 22(4)–Omission, depreciation on use for part of the year. Following is an extract from 'Notes on Clauses of Finance Bill 2004':-

"Seeks to allow depreciation on full year basis instead of allowing the same on actual use of an asset."

Following are extracts from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"As per the existing provisions depreciation is allowed on the basis of number of months for which the asset was used in a tax year for deriving income from business. Law has been amended to allow depreciation where the asset is put to business in a tax year dispensing with the concept of allowing depreciation proportionate to the period of use of depreciable assets in a tax year."

"As per the existing law, initial allowance could be allowed only if the asset was used for the whole year exclusively for the purpose of deriving income from business chargeable to tax. Sub-section (1) of Section 23 of the Income Tax Ordinance, 2001 has been amended to allow initial allowance for an eligible depreciable asset in the tax year where it is used for the first time or commencement of commercial production, whichever is later. The provision has, therefore, been relaxed for allowing initial allowance."

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(7) The total deductions allowed to a person during the period of ownership of a depreciable asset under this section and section 23 shall not exceed the cost of the asset.

(8) Where, in any tax year, a person disposes of a depreciable asset, no depreciation deduction shall be allowed under this section for that year and–

(a) if the consideration received exceeds the written down value of the asset at the time of disposal, the excess shall be chargeable to tax in that year under the head "Income from Business"; or

(b) if the consideration received is less than the written down value of the asset at the time of disposal, the difference shall be allowed as a deduction in computing the person's income chargeable under the head "Income from Business" for that year [1][:]

[2][ ]

(9) Where sub-section (3) applies, the written down value of the asset for the purposes of sub-section (8) shall be increased by the amount that is not allowed as a deduction as a result of the application of sub-section (3).

(10) Where clause (a) of sub-section (13) applies, the [3][consideration received on disposal] of the passenger transport vehicle for the purposes of sub-section (8) shall be computed according to the following formula –

A x B/C

where–

A is the [4][amount] received on disposal of the vehicle;

B is the amount referred to in clause (a) of sub-section (13); and

C is the actual cost of acquiring the vehicle.

(11) Subject to sub-sections (13) and (14), the rules in Part III of Chapter IV shall apply in determining the cost and consideration received in respect of a depreciable asset for the purposes of this section.

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[1]Substituted for full stop by Finance Act, 2020 dated June 30, 2020.
[2]Proviso omitted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Finance Act, 2020 dated June 30, 2020.
[3]Substituted for "written down value" by Finance Act, 2004 dated June 12, 2004, w.e.f. July 1, 2004.
[4]Substituted for "consideration" by Finance Act, 2004 dated June 12, 2004, w.e.f. July 1, 2004.

S. 22(8)(b)Proviso.- Before omission by Finance Act, 2022, read as follows:–

"Provided that where a depreciable asset is used in the person's business for the first time in a tax year commencing on or after the 1st day of July, 2020, depreciation deduction equal to fifty percent of the rate specified in Part I of the Third Schedule shall be allowed in the year of disposal."

S. 22(10)–WDV for gain on disposal.– Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

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[1][(12) The depreciation deductions allowed to a leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution in respect of assets owned by the leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution and leased to another person shall be deductible only against the lease rental income derived in respect of such assets.]

(13) For the purposes of this section,–

(a) the cost of a depreciable asset being a passenger transport vehicle not plying for hire shall not exceed [2][/Seven and half/ million] rupees;

[3][ ]

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[1]Sub-section (12) substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "two and half" by Finance Act, 2022 dated June 30, 2022. Earlier "two" substituted for "one" by Finance Act, 2012 dated June 26, 2012, words "and half" inserted by Finance Act, 2009 dated June 30, 2009 and "seven hundred and fifty thousand" was substituted by "one million" by Finance Ordinance, 2002 dated June 15, 2002.
[3]Proviso omitted by Finance Act, 2009 dated June 30, 2009. Earlier it was inserted by Finance Act, 2005, dated June 29, 2005.

"The words "written down value" used in the formula to calculate "sale value" of motor vehicle could not convey the correct intent of legislation. Therefore, sub-section (10) of section 22 has been amended to provide for improved wording to calculate value of a motor vehicle on its disposal for the purposes of ascertaining gain or loss to be subjected to tax under sub-section (8) of the said section."

Following are extracts from Notes on Clauses to Finance Bill, 2004:–

"Seeks to allow depreciation on full year basis instead of allowing the same on actual use of an asset."

"Seeks to correct editorial mistake."

S. 22(12)–Substitution.– Sub-section (12) before substitution by Finance Ordinance, 2002, read as follows:–

"(12) The depreciation deductions allowed to a leasing company in respect of assets owned by the company and leased to another person shall be deductible only against the lease rental income derived in respect of such assets."

Depreciation on leased assets u/s 22(12).– Following is an extract from CBR's Circular No. 6 of 1994 dated July 10, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Clause (v) of sub-section (1) of section 23 has been amended to restrict depreciation allowance against the corresponding income from lease rentals. Consequently, section 34, section 35 and section 38 have also been amended to restrict depreciation allowance to the extent of lease rentals for the purposes of set-off and carry-forward of losses. This has been done in order to put an end to the practice of adjustment of depreciation allowance against other business income as a vehicle to reduce tax liability, leading to unfair competition amongst various categories of financial institutions."

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(b) the cost of immovable property or a structural improvement to immovable property shall not include the cost of the land;

[1][(c) any asset owned by a leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution and leased to another person is treated as used in the leasing company or the investment bank or the modaraba or the scheduled bank or the development finance institution's business; and]

(d) where the consideration received on the disposal of immovable property exceeds the cost of the property, the consideration received shall be treated as the cost of the property.

(14) Where a depreciable asset that has been used by a person in Pakistan is exported or transferred out of Pakistan, the person shall be treated as having disposed of the asset at the time of the export or transfer for a consideration received equal to the cost of the asset.

(15) In this section,–

"depreciable asset" means any tangible movable property, immovable property (other than unimproved land), or structural improvement to immovable property, owned by a person that–

(a) has a normal useful life exceeding one year;

(b) is likely to lose value as a result of normal wear and tear, or obsolescence; and

(c) is used wholly or partly by the person in deriving income from business chargeable to tax,

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[1]Clause (c) substituted by Finance Ordinance, 2002 dated June 15, 2002.

S. 22(13)(a)- Admissibility of depreciation on Passenger Transport Vehicles.-

The omitted clause (a) to sub-section (13) read as follows.–

"Provided that the prescribed limit of one million rupees shall not apply to passenger transport vehicles, not plying for hire, acquired on or after the first day of July, 2005."

Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"The cost of passenger transport vehicles not plying for hire was restricted to Rs. 1 million for the purpose of claiming depreciation by amendment made through Finance Act, 2002. Subsequently, through Finance, Act, 2005, this restriction was removed for the vehicles acquired on or after the first day of July, 2005. Resultantly, the taxpayers were claiming huge depreciation in respect of luxurious vehicles mostly used for personal purposes at the cost of revenue. In view of this, the said proviso has been omitted; however, the limit has been enhanced to Rs. 1.5 million keeping in view the increase in the prices of vehicles."

Substitution of clause (c) to sub-section (13).– Clause (c) before substitution by Finance Ordinance, 2002, read as follows:–

"(c) an asset owned by a financial institution or leasing company and leased to another person is treated as used in the financial institution or leasing company's business; and"

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but shall not include any tangible movable property, immovable property, or structural improvement to immovable property in relation to which a deduction has been allowed under another section of this Ordinance for the entire cost of the property or improvement in the tax year in which the property is acquired or improvement made by the person; and

"structural improvement" in relation to immovable property, includes any building, road, driveway, car park, railway line, pipeline, bridge, tunnel, airport runway, canal, dock, wharf, retaining wall, fence, power lines, water or sewerage pipes, drainage, landscaping or dam [1][:]

[2][Provided that where a depreciable asset is jointly owned by a taxpayer and an Islamic financial institution licensed by the State Bank of Pakistan or Securities and Exchange Commission of Pakistan, as the case may be, pursuant to an arrangement of *Musharika* financing or diminishing *Musharika* financing, the depreciable asset shall be treated to be wholly owned by the taxpayer.]

23. Initial allowance.– (1) A person who places an eligible depreciable asset into service in Pakistan for the first time in a tax year shall be allowed a deduction (hereinafter referred to as an "initial allowance") computed in accordance with sub-section (2), provided the asset is [3][used by the person for the purposes of his business for the first time or the tax year in which commercial production is commenced, whichever is later].

(2) The amount of the initial allowance of a person shall be computed by applying the rate specified in Part II of the Third Schedule against the cost of the asset.

(3) The rules in section 76 shall apply in determining the cost of an eligible depreciable asset for the purposes of this section.

[4][(4) A deduction allowed under this section to a leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution in respect of assets owned by the leasing company or the investment bank or the modaraba or the scheduled bank or the development finance institution and leased to another person shall be deducted only against the leased rental income derived in respect of such assets.]

[1]Substituted for full stop by Finance Act, 2017 dated June 20, 2017.
[2]Proviso inserted by Finance Act, 2017 dated June 20, 2017.
[3]Substituted for "wholly and exclusively used by the person in deriving income from business chargeable to tax" by Finance Act, 2004, dated June 24, 2004, w.e.f. July 1, 2004.
[4]Sub-section (4) substituted by Finance Ordinance, 2002 dated June 15, 2002.

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S. 23(1).– Following is an extract from Notes on Clauses to Finance Bill, 2004:–

"Seeks to allow initial allowance for an asset used first time for the purposes of business in a tax year or the year in which commercial production is commenced."

(5) In this section, "eligible depreciable asset" means a depreciable asset [1][ ] other than–

(a) any road transport vehicle unless the vehicle is plying for hire;

(b) any furniture, including fittings;

(c) any plant or machinery [2][that has been used previously in Pakistan]; [3][ ]

(d) any plant or machinery in relation to which a deduction has been allowed under another section of this Ordinance for the entire cost of the asset in the tax year in which the asset is acquired [4][; or]

[5][(e) immovable property or structural improvement to the immovable property.]

[6][ ]

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[1]Words and comma "that is plant or machinery," omitted by Finance Act, 2003 dated June 17, 2003.
[2]Substituted for "that is acquired second hand" by Finance Act, 2003, dated June 17, 2003.
[3]Word "or" omitted by Finance Act, 2022 dated June 30, 2022.
[4]Substituted for full stop by Finance Act, 2022 dated June 30, 2022.
[5]Clause (e) inserted by Finance Act, 2022 dated June 30, 2022.
[6]S. 23A omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 and was inserted by Finance Act, 2008 dated June 27, 2008.

S. 23(4)–Initial depreciation, substitution of sub-section (4).– Sub-section (4) before substitution by Finance Ordinance, 2002, read as follows:–

"(4) A deduction allowed under this section to a leasing company in respect of assets owned by the company and leased to another person shall be deductible only against the lease rental income derived in respect of such assets."

S. 23(5)–Initial allowance on second hand plant and machinery used for the first time in Pakistan.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"To encourage investment in industry, the facility of initial allowance on account of depreciation to plant and machinery imported second hand and not earlier used in Pakistan, has been provided by amending sub-section (5) of section 23 of the Income Tax 0rdinance 2001. Amended provisions would be applicable in respect of tax year 2003 onwards."

S. 23A–Omission.– Before omission by F. Act, 2021 it read as follows:–

"**23A. First year allowance**.- (1) Plant, machinery and equipment installed by any industrial undertaking set up in specified rural and under developed areas [1][or engaged in the manufacturing of cellular mobile phones and qualifying for exemption under clause (126N) of Part I of the Second Schedule], and owned and managed by a company shall be allowed first year allowance in lieu of initial allowance under section 23 at the rate specified in Part II of the Third Schedule against the cost of the "eligible depreciable assets" put to use after July 1, 2008.

(2) The provisions of section 23, except sub-sections (1) and (2) thereof, shall *mutatis mutandis* apply.

(3) The Federal Government may notify "specified areas" for the purposes of sub-section (1)."

[1]Words etc. inserted by Finance Act, 2015 dated June 30, 2015.

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[1][**23B. Accelerated depreciation to alternate energy projects.-** (1) Any plant, machinery and equipments installed for generation of alternate energy by an industrial undertaking set up anywhere in Pakistan and owned and managed by a company shall be allowed first year allowance in lieu of initial allowance under section 23, at the rate specified in Part II of the Third Schedule against the cost of the eligible depreciation assets put to use after first day of July, 2009.

(2) The provisions of section 23 except sub-sections (1) and (2) thereof, shall *mutatis mutandis* apply.]

24. Intangibles.– (1) A person shall be allowed an amortisation deduction in accordance with this section in a tax year for the cost of the person's intangibles –

(a) that are wholly or partly used by the person in the tax year in deriving income from business chargeable to tax; and

(b) that have a normal useful life exceeding one year.

(2) No deduction shall be allowed under this section where a deduction has been allowed under another section of this Ordinance for the entire cost of the intangible in the tax year in which the intangible is acquired.

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[1]S. 23B inserted by Finance Act, 2009 dated June 30, 2009.

S. 23A- Accelerated Depreciation to Alternate Energy Projects.- Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"A new section 23A has been inserted whereby First Year Allowance (FYA) at the rate of 90% of the cost of plant, machinery and equipment has been allowed. The plant, machinery and equipment has to be installed in Pakistan by a company set up for the purpose of alternate energy power generation. The FYA will be allowed in lieu of initial allowance allowed u/s 23 in respect of "eligible depreciation assets" put to use after July 01, 2009. This has been done to encourage investment in this sector both by residents and non-residents. The amendment has also been made in section 57 to allow carry forward of losses for indefinite period."

S. 23A- First Year Allowance for Industries in Specified Areas.- Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"Special incentive schemes i.e. tax holiday had been introduced in the past, to encourage industrial development with reference to rural areas, under-developed areas, industrial zones or for social reasons of promoting economic activity and generating employment opportunities. It also helped to some extent in spreading of industries across the country.

4.1 To encourage industrial investment in rural and under developed areas, instead of tax holiday, First Year Allowance @ 90% of the value of industrial assets has been allowed under section 23A to the industrial undertakings established in specified areas to be notified by the Federal Government."

S. 24.-Amortization of Intangibles.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [section 24]

"Earlier intangible assets which does not have a determinable useful life was allowed to be amortized for twenty-five years. Through an amendment vide Finance Act, 2025 this period has been reduced to fifteen years for any intangible assets having indeterminable useful life."

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(3) Subject to sub-section (7), the amortization deduction of a person for a tax year shall be computed according to the following formula, namely:–

$$\frac{A}{B}$$

where–

A is the cost of the intangible; and

B is the normal useful life of the intangible in whole years.

[1][(4) An intangible that does not have an ascertainable useful life shall be treated as if it had a normal useful life of [2][fifteen years].]

(5) Where an intangible is used in a tax year partly in deriving income from business chargeable to tax and partly for another use, the deduction allowed under this section for that year shall be restricted to the fair proportional part of the amount that would be allowed if the intangible were wholly used to derive income from business chargeable to tax.

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[1]S. 24(4) substituted by Finance Act, 2019 dated June 30, 2019.

[2]Substituted for "twenty-five years" by Finance Act, 2025 in force from July 1, 2025.

S. 24(4).–Substitution.- Before substitution by F. Act, 2019 it read as follows:–

"(4) An intangible–

(a) with a normal useful life of more than ten years; or

(b) that does not have an ascertainable useful life,

shall be treated as if it had a normal useful life of ten years."

S. 24– Amortization of intangibles.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Amortization deduction is allowed under section 24 for the cost of a person's intangibles that have a normal useful life exceeding one year and that are wholly or partly used by the person in the tax year in deriving income from business chargeable to tax. Amortization deduction for a tax year is computed by dividing the cost of the intangible over normal useful life of the intangible in whole years. Prior to the Finance Act, 2019, sub-section (4) of section 24 stated that where an intangible had a normal useful life of more than ten years or where its useful life was not ascertainable, it was treated to have a normal useful life of 10 years.

Through the Finance Act, 2019, sub-section (4) of section 24 has been substituted to the effect that an intangible shall now be amortized over its actual normal useful life which can extend beyond ten years also. Further, where the normal useful life is not ascertainable, the intangible shall be treated to have a normal useful life of 25 years. The term, "intangible" has been defined in sub-section (11) of section 24. Through the Finance Act, 2019, self-generated goodwill or any adjustment arising on account of accounting treatment as may be prescribed in rules has been excluded from the definition of "intangible"."

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(6) Where an intangible is not used for the whole of the tax year in deriving income from business chargeable to tax, the deduction allowed under this section shall be computed according to the following formula, namely:–

A x B/C

where –

A is the amount of [1][amortization] computed under sub-section (3) or (5), as the case may be;

B is the number of days in the tax year the intangible is used in deriving income from business chargeable to tax; and

C is the number of days in the tax year.

(7) The total deductions allowed to a person under this section in the current tax year and all previous tax years in respect of an intangible shall not exceed the cost of the intangible.

(8) Where, in any tax year, a person disposes of an intangible, no amortisation deduction shall be allowed under this section for that year and–

(a) if the consideration received by the person exceeds the written down value of the intangible at the time of disposal, the excess shall be income of the person chargeable to tax in that year under the head "Income from Business"; or

(b) if the consideration received is less than the written down value of the intangible at the time of disposal, the difference shall be allowed as a deduction in computing the person's income chargeable under the head "Income from Business" in that year.

(9) For the purposes of sub-section (8)–

(a) the written down value of an intangible at the time of disposal shall be the cost of the intangible reduced by the total deductions allowed to the person under this section in respect of the intangible or, where the intangible is not wholly used to derive income chargeable to tax, the amount that would be allowed under this section if the intangible were wholly so used; and

(b) the consideration received on disposal of an intangible shall be determined in accordance with section 77.

(10) For the purposes of this section, an intangible that is available for use on a day (including a non-working day) is treated as used on that day.

[1]Substituted for "depreciation" by Finance Ordinance, 2002 dated June 15, 2002.

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(11) In this section,–

"cost" in relation to an intangible, means any expenditure incurred in acquiring or creating the intangible, including any expenditure incurred in improving or renewing the intangible; and

"intangible" means any patent, invention, design or model, secret formula or process, copyright [1][, trade mark, scientific or technical knowledge, computer software, motion picture film, export quotas, franchise, licence, intellectual property],

or other like property or right, contractual rights and any expenditure that provides an advantage or benefit for a period of more than one year (other than expenditure incurred to acquire a depreciable asset or unimproved land) [2][but shall not include self-generated goodwill or any adjustment arising on account of accounting treatment in the manner as may be prescribed].

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[1]Words inserted by Finance Act, 2003, dated June 17, 2003.

[2]Words inserted by Finance Act, 2019 dated June 30, 2019.

S. 24(11)–Intangible.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Second paragraph of sub-section (11) of section 24 has been amended to include "trade mark, scientific or technical knowledge, computer software, motion picture film, export quotas, franchise, license, intellectual property" in the definition of "intangible". Expense relating to these items shall be amortized in accordance with provision of section 24."

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25. Pre-commencement expenditure.– (1) A person shall be allowed a deduction for any pre-commencement expenditure in accordance with this section.

(2) Pre-commencement expenditure shall be amortized on a straight-line basis at the rate specified in Part III of the Third Schedule.

(3) The total deductions allowed under this section in the current tax year and all previous tax years in respect of an amount of pre-commencement expenditure shall not exceed the amount of the expenditure.

(4) No deduction shall be allowed under this section where a deduction has been allowed under another section of this Ordinance for the entire amount of the pre-commencement expenditure in the tax year in which it is incurred.

(5) In this section, "pre-commencement expenditure" means any expenditure incurred before the commencement of a business wholly and exclusively to derive income chargeable to tax, including the cost of feasibility studies, construction of prototypes, and trial production activities, but shall not include any expenditure which is incurred in acquiring land, or which is depreciated or amortised under section 22 or 24.

26. Scientific research expenditure.– (1) A person shall be allowed a deduction for scientific research expenditure incurred in Pakistan in a tax year wholly and exclusively for the purpose of deriving income from business chargeable to tax.

(2) In this section–

"scientific research" means any [1][activity] [2][undertaken in Pakistan] in the fields of natural or applied science for the development of human knowledge;

"scientific research expenditure" means any expenditure incurred by a person on scientific research [2][undertaken in Pakistan] for the purposes of developing the person's business, including any contribution to a scientific research institution to undertake scientific research for the purposes of the person's business, other than expenditure incurred [*]

(a) in the acquisition of any depreciable asset or intangible;

(b) in the acquisition of immovable property; or

(c) for the purpose of ascertaining the existence, location, extent or quality of a natural deposit; and

[1]Substituted for "activities" by Finance Ordinance 2002 dated June 15, 2002.
[2]Words inserted by Finance Act, 2003, dated June 17, 2003.

[*]Hyphen "–" is missing in the gazette.

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S. 26–Scientific research expenditure.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Sub-section (1) of section 26 has been amended to restrict the admissibility of scientific research expenditure in respect of research, which has been undertaken in Pakistan."

"scientific research institution" means any institution certified by the [1][Board] as conducting scientific research in Pakistan.

27. Employee training and facilities.– A person shall be allowed a deduction for any expenditure (other than capital expenditure) incurred in a tax year in respect of–

(a) any educational institution or hospital in Pakistan established for the benefit of the person's employees and their dependents;

(b) any institute in Pakistan established for the training of industrial workers recognised, aided, or run by the Federal Government [2][or a Provincial Government] or a [3][Local Government]; or

(c) the training of any person, being a citizen of Pakistan, in connection with a scheme approved by the [1][Board] for the purposes of this section.

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[1]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.
[2]Words inserted by Finance Act, 2003, dated June 17, 2003.
[3]Substituted for "local authority" by Finance Act, 2008 dated June 27, 2008.

S. 28(1)(a)–Following is an extract from Notes on Clauses to Finance Bill, 2004:–

"Seeks to allow interest on borrowed capital used for the purposes of business."

S. 28(1)(b)–Lease money paid, a deductible expense.– Following is an extract from CBR's Circular No. 20 of 1988 dated October 8, 1988, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Through insertion of new clause (via) in sub-section (1) of section 23, the lease money paid by an assessee, on or after 1st July, 1985, to a scheduled bank, a financial institution, or such modaraba or leasing company as is approved by the Central Board of Revenue for the purposes of the Third Schedule to the Ordinance, in respect of an asset taken on lease by the

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assessee for use in his business or profession, shall be allowed as a business expense. This means that the entire lease rentals paid by the assessee to any of the above-mentioned category of lessors shall be allowable to him as business expense."

Also see notes to the Third Schedule.

S. 28(1)(b)–Following is an extract from Notes on Clauses to Finance Bill, 2004:–

"Seeks to allow the lease rentals paid on leased assets used for business purposes against business income."

Following is the text of CBR's Circular Letter C. No. 1(1)TP-II/89, dated January 30, 1989, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Please refer to your letter No. RCIT-Jud(Gen)-7)/88/1855, dated January 07, 1989 on the above mentioned subject.

2. I am directed to say that in cases where lease money relating to the period from Ist July, 1985 and onwards was not allowed as a deduction in the original assessment, the provisions of section 156 of the Income Tax Ordinance, 1979 should be invoked provided the claim was made by assessee/lessee but was not allowed. If the assessee, however, treated the same as a hire-purchase agreement and claimed only a part of the payment, no rectification is required. Simultaneously, it may also be necessary to verify the fact that the entire amount of lease rentals and any other amount (such as additional payment, interest for delayed payment of instalments, penalties, delivery charges and insurance charges, etc.) received and receivable on or after 1st July, 1985 has be taken as the deemed income of the lessor. The Income Tax Officer allowing the lease rentals, etc. as expenses should, therefore, send communication slip to the Income Tax Officer assessing the lessor/leasing company."

Following is the text of CBR's Circular No. 26 of 1988, dated December 19, 1988, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Consequent upon the decision to eliminate interest from the economy, a number of financial arrangements have been introduced. Leasing is one of these. This business has been operating in Pakistan within the general framework of corporate law and no specific enactment has yet been made in this behalf.

2. Briefly speaking, under an ordinary leasing arrangement, ownership of the leased asset being financed continues to vest in the lessor. The right of use to the asset is vested in the lessee who enjoys unfettered use of assets for generation of income. In such cases, the leased asset appears in the balance sheet of the owner who is entitled to the depreciation allowance.

In the hands of the lessee, the amount of lease money is admissible as expenditure. The maintenance expenses are admissible in the hands of lessee or lessor whosoever is responsible for such expenses according to the lease agreement. Under such arrangement, ginning factories, oil mills, ice factories, cinemas etc have been traditionally leased out in our country and officers are well aware of the tax treatment in such cases. The Income Tax Ordinance recognises such arrangement as is reflected in sections 30(2)(d) and 31(1)(e).

3. The second type of such arrangement is the hire-purchase agreement. Although there is no provision in the Ordinance relating to such financial arrangements yet tax treatment for these transactions has been spelt out in the CBR's circular No.9/1943-R.Dis No. 27(4IT.43, dated 23.3.1943 (copy of this circular is enclosed for guidance). The basic principle underlying that circular is that according to the terms of the agreement if the ownership of the asset is transferred to the hirer (lessee) at the time of delivery, it is treated as outright sale and if the ownership is transferrable on the expiry of period of instalments and payment thereof, it shall be treated as hire-cum-purchase agreement. In the later case, the instalment is broken up into hire and purchase. The hire element is allowed as deductible expenditure and the "purchase" portion is capitalised and is eligible for depreciation.

4. The modern leasing industry has introduced a third type of lease known as "finance lease". A "finance lease", according to the International Accounting Standard 1982 (IAS 17) is a lease "which transfers substantially all the risks and rewards incident to the ownership of an asset. Title may or may not be eventually transferred". However the most important thing to remember in this behalf is that it is not the "form" but the "substance" which determines whether it is a finance or an operating lease.

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28. Profit on debt, financial costs and lease payments.– (1) Subject to this Ordinance, a deduction shall be allowed for a tax year for –

(a) any profit on debt incurred by a person in the tax year to the extent that the proceeds or benefit of the debt have been used by the person [1][for the purposes of business];

(b) any lease rental incurred by a person in the tax year to a scheduled bank, financial institution, an approved modaraba, an approved leasing company or a Special Purpose Vehicle on behalf of the Originator for an asset used by the person [1][for the purposes of business] [2][:]

[3][Provided that for the purpose of determining the deduction on account of lease rentals the cost of a passenger transport vehicle not plying for hire to the extent of principal amount shall not exceed two and a half million rupees;]

(c) any amount incurred by a person in the tax year to a modaraba or a participation term certificate holder for any funds borrowed and used by the person [1][for the purposes of business];

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[1]Substituted for "in deriving income chargeable to tax under the head "Income from Business"" by Finance Act, 2004, dated June 24, 2004, w.e.f. July 1, 2004.
[2]Substituted for semi-colon by Finance Act, 2020 dated June 30, 2020.
[3]Proviso inserted by Finance Act, 2020 dated June 30, 2020.

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5. The various factors relevant to the determination of the type of lease are as under–

(a) degree of risk and rewards relating to asset assumed by the lessee i.e. insurance maintenance, taxes etc,

(b) guarantees by the lessee of the residual values,

(c) cancellation provisions and penalties, and

(d) reward and purchase option etc.

6. The present Income tax law prescribes a treatment for all types of leases. Section 23(1)(via) introduced by Finance Ordinance, 1988 allows as deduction in the hand of the lessee, any sum paid to the lessor who may be an approved,

(a) scheduled bank or financial institution or

(b) an approved (for purposes of Third Schedule) leasing company or a modaraba.

7. The Third Schedule allows depreciation allowance to the lessor who is any entity described at (a) or (b) above. Neither provision makes any distinction between an operating or finance lease. However, if the lessor does not fall into the category of the 4 types of institutions mentioned in (a) & (b) above, these provisions are not applicable. In such cases, the treatment shall be depending on the nature of lease, the same as laid down in Circular No. 9/1943.

8. In the case of leases covered by section 23(1)(via) and the Third Schedule, the Ordinance does not provide for the treatment to be accorded to the transaction arising at the end of the lease period. In the case of an operating lease, there is no problem. The lessor takes back the asset and continues to get depreciation allowance on the WDV whether he uses the asset himself or leases it out again. In case of finance lease, if, at the end of the lease term, the asset is taken back by the lessor, the treatment shall be the same as in the case of operating lease. In case, however, the ownership of the lease passes to the lessee, it shall be treated as ordinary sale to the lessee by the lessor. In the hands of the seller, the treatment shall be as follows:–

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Profit/loss on sale = Sale Price minus WDV.

The resultant gain or loss shall be treated in accordance with the provisions of Rule 7 of the Third Schedule. In the hands of the lessee, depreciation allowance shall be allowed on the amount paid as price of the asset at which it is transferred to him.

11. A number of companies have started the business of leasing expensive cars. Rule 8(8)(a) places a restriction on the WDV of motor cars by limiting the value to a maximum of Rs. 1,75,000 for purposes of depreciation. Car leases are so designed as to overcome this restriction. In the hands of the lessee, the entire amount paid as lease money is deductible whereas the lessor claims that the leased vehicle constitutes a vehicle plying for hire. Whereas the lessee is justified in claiming the amount paid as lease money, the lessor is not so justified unless the lease is an "operating lease" i.e. the vehicle is transferred back to the lessor at the end of the lease. But if it is ultimately transferred to the lessee or his nominee, it shall be treated as a vehicle not plying for hire. In such cases, the depreciation allowance shall be restricted in accordance with Rule 8(8)(a) of the Third Schedule."

Payment to Special Purpose Vehicles.– Following is an extract from CBR's Circular No. 5 of 2001, dated July 4, 2001, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"SPVs are companies formed under the Assets Backed Securitisation Rules, 1999, framed under the Companies Ordinance, 1984 for the purposes of securitisation of receivable. The following concessions have been allowed to SPVs:–

(i) Where payment is made to a SPV on behalf of the creditor (originator), it shall be treated as payment to the creditor and would be allowable as a deduction if it was admissible as an expenditure u/s 23.

(ii) The financial cost/discount of securitisation of receivables would be deductible as an expense by the person selling/getting discounted the receivables i.e. Originator . On the other hand total amount of receivables securitised would be recognised as an income of the year in which the securitisation takes place.

(iii) Tax would not be deductible under section 50(4) from payments made by SPVs to the Originator.

(iv) Credit for the tax deducted by a debtor from payments made on behalf of the creditor to SPV would be allowed to the creditor/originator."

S. 28(1)(c)–Following is an extract from Notes on Clauses to Finance Bill, 2004:–

"Seeks to allow any amount paid to a modaraba or a participation fund certificate holder for funds borrowed for business purposes against income from business."

Tax on income of Modaraba, distribution of profit through bonus shares.– Following is the text of CBR's Letter C. No. F4(6)ITP/94 dated 14th June, 1997, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Representations have been received in the Board from Modaraba Companies that exemption from income tax is being denied to them under sub-section (1A) of section 9 of the Income Tax Ordinance, 1979 in the first three years of business as the distribution of profit was made through bonus shares instead of cash.

2. The matter has been considered in the Board and the opinion of law division has also been obtained. As a result, it is clarified that the proviso to sub-section (1A) of section 9 does not qualify distribution of profit to be in the form of cash. Thus it can be in the form of bonus shares as the real criteria would be the transfer of the profit to the Modaraba certificate holders. Therefore, distribution of profit in the form of bonus shares qualifies for distribution of profit for purpose of proviso to sub-section (1A) of section 9 of the Income Tax Ordinance, 1979."

Changes explained.– Following is an extract from CBR's Circular No. 14 of 1992 dated July 1, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"(b) Under the provisions of section 37 of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, the income of a modaraba was exempt from tax on the condition that at least ninety per cent of its profits in a year were distributed to the modaraba certificate holders. By over-riding these provisions and all other laws, charging section 9 of the Ordinance has been amended to tax the income of a modaraba from assessment year 1993-94. However, a modaraba will not be charged to tax for the first three assessment years after commencement of its business if not less than ninety per cent of its profits in a year are distributed to the modaraba certificate holders.

(c) Income of a modaraba will be charged to tax at concessional flat rate of 25% from assessment year 1993-94 for which amendment has been made in the First Schedule. However, modarabas having income year ending on 31st December, 1992 will not be charged to tax.

(d) The inclusion of 'modaraba' in the definition of company has imposed upon it all the obligations and responsibilities of a company (including the responsibility of withholding tax as a payer) with the following additional effects:–

(i) Distribution of profit amongst modaraba certificate holders shall be treated as dividend but exempted from tax for the assessment year 1993-94 and it will not be liable to withholding tax during the financial year 1992-93. Subsequently, such dividend income will be treated as a separate block of income and subjected to tax @ 10% like all other dividends.

(ii) Sale of modaraba certificates shall now be treated like sale of shares of a public company and enjoy exemption from tax on capital gains as per amendment made in clause (116) of Part-I of the Second Schedule to the Ordinance.

(iii) Companies receiving dividends from modaraba shall be taxed on such inter-corporate dividends at normal rates i.e. 5% for public companies, 15% for bodies corporate/foreign companies and 20% for others."

Following is the text of Section 37 of Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980:–

"37. Exemption from tax.– The income of a modaraba shall be exempt from tax under the Income Tax Ordinance, 1979 (XXXI of 1979), if not less than ninety per cent of its profits in a year is distributed to the holders of the Modaraba Certificates."

Following is the text of CBR's Circular No. 24 dated July 30, 1992:–

"While explaining the important amendments made through the Finance Act, 1992, it was *inter alia* stated in paragraphs (1) and (19) of the Board's Circular No. 14 of 1992 dated the 1st July, 1992 that:–

(i) a modaraba will not be charged to tax for the first three assessment years after commencement of its business if not less than ninety per cent of its profits in a year are distributed to the modaraba certificate holders;

(ii) the inclusion of 'modaraba' in the definition of company has imposed upon it all the obligations and responsibilities of a company (including the responsibility of withholding tax as a payer); and

(iii) modarabas having been included in the definition of 'company' have also come within the ambit of section 80D.

2. The issues arising out of the implementation of the provisions relating to the modarabas have been examined in consultation with the Corporate Law Authority and the State Bank of Pakistan. Clarifications are accordingly issued as under:–

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(i) According to State Bank Regulations, 20% of the profits of a modaraba are required to be transferred to reserves. Out of the remaining 80% profits, ninety per cent are to be distributed to the modaraba certificate holders under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980. Therefore, for purposes of exemption from income tax, distribution of 72% of the total profits (including reserves) amongst the modaraba certificate holders will entitle the modarabas to avail the tax concession under the proviso to sub-section (1A) of section 9 of the Income Tax Ordinance, 1979.

(ii) Modarabas are under no legal obligation to collect or deduct tax at source under section 50 in respect of those financial transactions as are known by the name of "Morabaha" under the Islamic mode of financing. Therefore withholding tax shall not be applicable on "Morabaha" transactions.

(iii) Minimum tax on the income of modarabas is not payable under section 80D of the Income Tax Ordinance, 1979, inspite of their inclusion in the definition of company' through the Finance Act, 1992. Formal notification of exemption is being issued separately."

Tax deduction by modarabas.– Following is the text of CBR's Circular No. 29 of 1992 dated September 14, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It had earlier been clarified by the Board vide C. No. ITJI-1(7)/84 Vol-II dated 27-3-1988 and C. No. 1(42) WHT/91 dated 19-2-92 that lease rentals were not liable to withholding but the payments made for the purchase of an asset (in buy and lease back arrangement or otherwise) were liable to deduction of tax under section 50(4).

2. Board's Circular No. 24 of 1992 dated 30 July 1992, while explaining the tax treatment of 'Modarabas' provided that Modarabas are under no legal obligation to collect or deduct Tax at source under section 50 in respect of those financial transactions as are known by the name of "Morabaha" under the Islamic mode of financing.

3. It is, therefore, necessary to explain a 'Morabaha'. A 'morabaha' transaction has two stages. First in which the morabaha company, being financer, purchases the asset for the financee or allows the financee to purchase the asset as an agent on its behalf. In the second stage the morabaha company sells the asset to the financee and gets the price in instalments or otherwise. The first stage of the transaction amounts to purchase by the company and the second stage is similar to lease rentals.

4. Tax shall therefore, be deducted under sub-section (4) of section 50 at first stage of morabaha transaction. Modarabas, if they undertake morabaha transactions, shall be likewise subject to the provisions of sub-section (4) of section 50.

5. It is also clarified that modarabas engaged in leasing business will be treated at par with leasing companies. The payments made by them for the purchase of an asset (in buy and lease back situation or otherwise) will be liable to deduction of tax u/s 50(4)."

Following is an extract from Circular No. 15 of 1980, dated June 26, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"With the introduction of Modaraba Law the institution of interest is intended to be gradually substituted by profit sharing on funds obtained for business purposes. In this behalf, two institutions have been created:

(a) Participation Term Certificates will replace the debentures. The certificates will be issued by the "borrower" to the lender but instead of interest, the "borrower" will share profits with the lender. The amount paid by borrower to a P.T. Certificate-holder shall be allowed as deduction.

(d) any amount incurred by a scheduled bank in the tax year to a person maintaining a profit or loss sharing account or a deposit with the bank as a distribution of profits by the bank in respect of the account or deposit;

(b) Alternately a borrower may establish a 'modaraba' and float its certificates which will be subscribed by the public. This 'modaraba' will pass on the funds to the assessee who will share profits with the said 'modaraba' and the 'modaraba' will distribute these profits to the certificate holders. The profits paid by the assessee to 'modaraba' for the funds obtained for business purposes have been allowed as deduction."

Concept of modaraba.– Following is an extract from CBR's Letter C. No. 4(78)TP-I/90 dated July 11, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A modaraba has been defined as a business in which one person participates with his money and another with his efforts or skills or both efforts and skills. All mutual funds and unit trusts by whatever name called are included in the definition of a "Modaraba". The Modarabas are governed by the provisions of Modaraba Companies (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981. The income of a modaraba is exempt from tax under the Income Tax Ordinance, 1979 if not less than 90% of its profits in a year is distributed to the holders of the modaraba certificates.

Existing Arrangements

A modaraba can only be floated after permission to such floatation has been allowed by the Registrar Modaraba. A joint stock company having floatation of a modaraba as one of its objects and registered with Registrar as a modaraba company can be permitted to float a modaraba. Corporations established by a Government do not require such registration. Every modaraba is floated by issuance of a prospectus for public subscription and is required to be quoted on a Stock Exchange for trading of its certificates. However, unlike other joint stock companies, a modaraba need not hold an annual general meeting nor its registers are open to inspection by certificate holders. The directors of the management company are treated as sponsors of the modaraba and are required to comply with the legal requirements regarding filing of returns and accounts of the Modaraba. A modaraba is a legal person distinct from the company that manages it as also from every other modaraba floated by the management company. A management company is entitled to a fixed percentage of the annual net profits of the modaraba not exceeding 10 per cent as remuneration.

2. Modarabas are engaged in all kinds of business activity which is approved by the Religious Board as being not repugnant to the injunctions of Islam. Most of the modarabas are, however, engaged solely, or primarily in leasing business or providing funds on musharika basis to industrial, commercial and trading concerns. While engaging in such kind of lending, their position is not different from that of banks or financial institutions. They evaluate the projects, business plans and feasibility reports of the intending applicants before entering into a lease or a musharika arrangement. The only difference between them and the banks and financial institutions being that they advance money on the basis of musharika agreement approved by the Religious Board. The modaraba are expressly prohibited to charge interest or even mark-up. In their business activities and their plans to allocate funds for particular fields or parties, modaraba are absolutely independent and no control is contemplated upon them under the modaraba ordinance or the rules. Leasing modarabas, however, do have some restrictions imposed upon them with respect to exposure to capital for a single group or the subsidiaries of the management companies. The office of the Registrar Modaraba satisfies itself about the management companies, their business and financial acumen as also their ability to manage a modaraba before allowing floatation of a modaraba.

(e) any amount incurred by the House Building Finance Corporation (hereinafter referred to as "the Corporation") constituted under the House Building Finance Corporation Act, 1952 (XVIII of 1952), in the tax year to the State Bank of Pakistan (hereinafter referred to as "the Bank") as the share of the Bank in the profits derived by the Corporation on its investment in property made under a scheme of partnership in profit and loss, where the investment is provided by the Bank under the House Building Finance Corporation (Issue and Redemption of Certificates) Regulations, 1982;

(f) any amount incurred by the National Development Leasing Corporation Limited (hereinafter referred to as "the Corporation") in the tax year to the State Bank of Pakistan (hereinafter referred to as "the Bank") as the share of the Bank in the profits derived by the Corporation on its leasing operations financed out of a credit line provided by the Bank on a profit and loss sharing basis;

(g) any amount incurred by the [1][Small and Medium Enterprises Bank (hereinafter referred to as "the SME Bank"] in the tax year to the State Bank of Pakistan (hereinafter referred to as the *"Bank") as the share of the Bank in the profits derived by the [2][SME Bank] on investments made in small business out of a credit line provided by the Bank on a profit and loss sharing basis;

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[1]Substituted for "Small Business Finance Corporation (hereinafter referred to as "the Corporation")" by Finance Act, 2009 dated June 30, 2009.

[2]Substituted for "Corporation" by Finance Act, 2011 dated June 30, 2011.

*The opening inverted commas should have been before the word "the".

Yardstick to be Applied for Examining of Deduction Claims

The Modarabas can and do lend money but only on the basis of musharika or modaraba. Both musharika and modaraba are Islamic modes of doing business i.e. the modaraba becomes a business partner to some extent with the concern or the entity to which it lends money. This partnership, however, is limited only to the extent of the activity in which the money supplied by the modaraba has actually been supplied. The Religious Board has approved a standard form for entering into musharika arrangements with the borrowers of money. Since every modaraba is obliged under the law to maintain true and fair account of all of its transactions, every claim from a person for deduction under sub-clause (viia) of section 23(1) of the Ordinance could be cross checked from the books of accounts of a modaraba. The details of borrowing terms could be verified from the agreement between the modaraba and assessee/claimant."

S. 28(1)(d)–PLS accounts, profit distributed by banks.– Following is an extract from Circular No. 7 of 1981, dated July 6, 1981, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"With the introduction of interest-free banking, the banks would now distribute profits, instead of interest, among account holders maintaining profit and loss sharing accounts. Such payments being in the nature of profits are not allowable as a business expense. However, amendments have been made and these profits have been allowed as a business expense against the income of the banks."

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(h) any amount incurred by a person in the tax year to a banking company under a scheme of musharika representing the bank's share in the profits of the musharika;

(i) any amount incurred by a person in the tax year to a certificate holder under a musharika scheme approved by the Securities and Exchange Commission and Religious Board formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) representing the certificate holder's share in the profits of the musharika; or

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S. 28(1)(e)–Share of State Bank in HBFC's income.– Following is an extract from Circular No. 8 of 1982, dated July 8, 1982, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"State Bank of Pakistan is providing finance to the House Building Finance Corporation on profit and loss sharing basis. For the purpose of making investment in house building on income sharing basis, such share of income paid to State Bank of Pakistan is not admissible to HBFC as an expenditure against its profits under the existing law. To place the financing on profit and loss sharing basis at par with financing through interest bearing loans the share payable to the State Bank has been made deductible in the hands of HBFC."

S. 28(1)(f)–Share of State Bank in NDLC's income.– Following is an extract from Circular No. 10 of 1985, dated August 18, 1985, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A new clause has been inserted in Section 23 according to which the share of profits paid by National Development Leasing Corporation Limited to the State Bank of Pakistan on its leasing operations financed out of a credit line provided by the Bank on a profit and loss sharing basis shall be allowed as a deduction in computing the "income from business or profession" of the corporation."

S. 28(1)(h)–Payments to a Bank under a 'musharika' scheme.– Following is an extract from Circular No. 7 of 1983, dated June 12, 1983, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In connection with the process of Islamisation of the economy business is being organised and conducted under scheme of musharika. Under this scheme the banks provide capital under an agreement of musharika with the customer. The starting point for calculating profit is the expected profit rate projected by the customer at the time of seeking finance. If the projections of the customer are achieved, the customer is given a good management bonus as agreed to at the time of signing musharika agreement. Profit left after the adjustment of bonus are divided between the bank and customer on daily product basis.

The law did not make provisions for deduction of share of income paid to a bank, by a customer out of profits of musharika which could adversely affect the customer as well as the scheme. To remove this handicap deduction in respect of payments made to a bank under the scheme of musharika, has been allowed by adding a new sub-clause in sub-section (1) of section 23."

Concept of musharika.– Following is an extract from CBR's Letter C. No. 4(78)TP-I/90 dated July 11, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

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(j) the financial cost of the securitization of receivables incurred by an Originator in the tax year from a Special Purpose Vehicle being the difference between the amount received by the Originator and the amount of receivables securitized from a Special Purpose Vehicle.

(2) Notwithstanding any other provision in this Ordinance, where any assets are transferred by an Originator, as a consequence of securitisation [1][or issuance of sukuks], to a Special Purpose Vehicle, it shall be treated as a financing transaction irrespective of the method of accounting adopted by the Originator.

(3) In this section, –

"approved leasing company" means a leasing company approved by the [1][Board] for the purposes of clause (b) of sub-section (1); and

"approved modaraba" means a modaraba approved by the [2][Board] for the purposes of clause (b) of sub-section (1).

29. Bad debts.– (1) A person shall be allowed a deduction for a bad debt in a tax year if the following conditions are satisfied, namely:–

[1]Words inserted by Tax Laws (Amendment) Ordinance, 2016 dated August 31, 2016, effective 01-07-16.
[2]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.

"The word "musharika" is a derivative of the Arabic word "Shirkat" meaning sharing. A musharika can be defined to be an arrangement of business or its financing based on the concept of profit loss sharing in which parties contribute their money or efforts or skills or a combination of these. Profits may be shared in prearranged proportions but the loss, if any, shall be borne by the capital alone in strict proportion to capital contribution by each party. A musharika may assume one out of many kinds depending upon the proportion of efforts or skills contributed or money supplied or guarantee offered or even the nature of capital raised. As far musharika as a mode of business, no specific law has so far been enacted in Pakistan to regulate musharika arrangements. There could not, therefore, be a precise or legal definition of the term. In general terms, it is an arrangement/partnership formed between a financer (usually a bank and an entrepreneur (a customer) engaged in trade/commerce/industry/agriculture etc. whereby both the financer and the customer agree to contribute mutually agreed share in the form of capital and labour of both and share profits in an agreed ratio and share loss according to the capital employed in the business. Musharika has been most favorite, or, to some extent, the only mode of short term financing by the banks and financial institutions after they were required to switch over to Islamic economy. While the banks and financial institutions have evolved various set forms of "Musharika investment agreement", the Religious Board constituted under section 10 of the Modaraba Ordinance, 1980 did not view any of them with favour. Their apprehension being that these agreements have provided a convenient mode of re- introduction of interest (riba) through its even crude form known as "mark-up". As pointed out earlier, a standard "musharika" form has been evolved by the Board for all the modarabas who would like to engage in such an arrangement with a customer.

Mode of Examining Deduction Claims

Every sum paid as profit to a bank/modaraba under the musharika mode of financing is treated as expense for reasons similar to that allowed to interest on borrowed money. That being so, all the methods employed for allowing deductions to the accounts paid as interest on borrowing would be applicable to those paid as profits under a musharika arrangement."

(a) The amount of the debt was–

(i) previously included in the person's income from business chargeable to tax; o*

(ii) in respect of money lent by a financial institution in deriving income from business chargeable to tax;

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*The apparently intended word is "or".

Deductibility of share paid as profit by Musharika.– Following is an extract from CBR's Circular No. 11 of 1998 dated July 25, 1998, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

A new provision has been introduced to allow deduction (from profits) of any amount paid to a Certificate holder by way of his share in profit of a musharika under a Musharika Scheme approved by the Corporate Law Authority and the Religious Board formed under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 (XXXI of 1980)."

S. 29–Bad debts provision for banks u/s 29 and 30.– Following is the text of CBR's Letter No. F. 13(26)IT-I/79, dated April 17, 1996, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

Clause (x) of subsection (1) of section 23 of the Income Tax Ordinance, 1979 provides that in computing business income of a taxpayer, deduction is admissible in respect of bad debts which is determined by the Deputy Commissioner of Income Tax to be irrecoverable and which is actually written off.

2. In view of certain special circumstances, the Central Board of Revenue, vide Letter No. 1(48) IT-I/82, dated 8-8-1983, had given certain concessions to nationalized banks in respect of their loans that had turned bad. It is decided that in the cases of nationalized banks the assessing officers shall not insist on actual writing off of a bad debt for allowing such claim but would for the purpose rely on the findings in this regard given by the Stat Bank of Pakistan.

3. Vide C.B.R. Letter No. 13(26) IT-I/74, dated 21-9-1992, this facility was further extended to all those privatized, private and foreign banks which are legally subject to the regulatory framework of State Bank of Pakistan.

4. In the present changed circumstances the previous instructions have been reviewed and it has been decided that:

(i) The existing facility may be provided to only those banks which are wholly owned by the Government; and

(ii) The names of account holders and the amounts considered as bad debt in each case may be indicated in the certificate issued by the State Bank of Pakistan.

5. This decision has been conveyed to the Governor State Bank of Pakistan and Chairman, Pakistan Banking Council for necessary action. Copy of the letter is enclosed. The assessing officers may be directed to henceforth complete assessments of banks in the light of these instructions.

Following is the text of CBR's letter No. 13(26)/IT-1/79 dated February 4, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In supersession of Board's letter of even number dated 21st September, 1992 on the subject, I am directed to convey the following decisions for necessary compliance:–

i) The present procedure as prescribed by the CBR's Circular No. 1(48)IT-1/82 dated 8th August, 1983 should be continued and the verification of State Bank of Pakistan on the level of provision for bad debts by a bank should be taken as final; and

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(b) the debt or part of the debt is written off in the accounts of the person in the tax year; and

(c) there are reasonable grounds for believing that the debt is irrecoverable.

(2) The amount of the deduction allowed to a person under this section for a tax year shall not exceed the amount of the debt written off in the accounts of the person in the tax year.

(3) Where a person has been allowed a deduction in a tax year for a bad debt and in a subsequent tax year the person receives in cash or kind

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ii) The operation of CBR's Circular dated 8th August, 1983 should be extended to all those privatised, private and foreign banks which are legally subject to the regulatory framework of the State Bank of Pakistan.

2. These decisions shall have effect for the loans that are certified bad after the 21st September, 1992."

Following is the text of CBR's Letter C. No. 13(26)IT-1/79 dated May 9, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The undersigned is directed to refer to your letter No. RCIT-Jud. (Misc)/94/2145 dated March 28, 1994 on the subject and to say that a uniform treatment be extended to all banks (including IDBP, which are covered by CBR's Circular No. 13(26)IT-1/79 dated February 4, 1993) in respect of "bad debts" only.

2. Consequently, the instructions contained in Circular C. No. 1(48)IT-1/82 dated August 8, 1993, would continue to apply. It may kindly be noted that the applicability of the said instructions was extended to all those privatization, private and foreign banks also, which are legally subject to the regulatory frame work of the State Bank of Pakistan, and that the extension of this treatment was to take effect prospectively i.e. w.e.f. September, 21, 1992.

3. The representation of IDBP may kindly be disposed of accordingly."

Bad debts, allowability in case of banks u/s 29 and 30.– Following is the text of CBR's letter C. No. 7(17)DT-14/92 dated May 19, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been brought to the notice of the Central Board of Revenue that huge revenue is being lost for the reason that the criterion for specifying the claim of bad debts is different with the State Bank of Pakistan than what is laid down in section 23(1)(x) of the Income Tax Ordinance. The said section lays down the following two important conditions for allowing of the claim:–

(i) that the debt has become bad, and is

(ii) irrecoverable.

2. Taking cognizance of the above situation, the State Bank of Pakistan (Banking Inspection Department) has already issued a Circular No. 1/91 dated 6th April, 1991 to the banks for internal audit with special reference to the claim of bad debts.

3. I am, therefore, directed to request that instructions contained in State Bank of Pakistan's Circular No. 1/91 dated 6th April, 1991 may kindly be adhered to in respect of the current as well pending income tax assessments to avoid further loss of revenue."

Bad Debts of sick industries, write off by banks u/s 29 and 30.– Following is the text of Circular Letter No. 13 (29) IT-I/74, dated November 27, 1982, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

any amount in respect of that debt, the following rules shall apply, namely:–

(a) Where the amount received exceeds the difference between the whole of such bad debt and the amount previously allowed as a deduction under this section, the excess shall be included in the person's income under the head "Income from Business" for the tax year in which it was received; or

(b) where the amount received is less than the difference between the whole of such bad debt and the amount allowed as a deduction under this section, the shortfall shall be allowed as a bad debt deduction in computing the person's income under the head "Income from Business" for the tax year in which it was received.

[1][**29A. Provision regarding consumer loans**.– (1) A [2][ ] [3][non-banking finance company or the house building finance corporation] shall be allowed a deduction, not exceeding three per cent of

[1]Section 29A inserted by Finance Act, 2003 dated June 17, 2003.
[2]Words "banking company or" omitted by Finance Act, 2009 dated June 30, 2009.
[3]Words inserted by Finance Act, 2004 dated June 24, 2004, w.e.f. July 1, 2004.

"I am directed to refer to the above subject and to say that ordinarily the Income Tax Officers do not accept write offs of bad debts by financial institutions until all the remedies available to the creditors, including legal action, have been exhausted.

This practice has been considered in the context of liabilities of 'sick units' and it has been decided that in case of sick industries where the financial restructuring is done with the approval of Federal Government, and as a result of the decisions the financial institutions are required to write off part of the outstanding debts, the Income Tax Officers should accept such write-offs for the purpose of deduction from profits without raising any queries. A recovery at later date will of course be written back as income for tax purposes."

S. 29A-Provisions regarding consumer loans.- Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Prior to Finance Act 2009, a banking company or non-banking finance company or house building finance corporation were allowed deductions not exceeding 3% of the income for the tax year arising out of consumer loans for creation of a reserve to setoff bad debts arising out of such loans.

8.1 Since special provisions for computation of income of a banking company will be operative through Seventh Schedule to the Income Tax Ordinance, 2001, from tax year 2009, therefore, the banking companies have been excluded from section 29A. Such companies would not be entitled to any provision regarding consumer loans with effect from July 1, 2009. However, they would be entitled to make provisions in accordance with Rule 1(c) of the Seventh Schedule for total advances and off balance sheet items as provided therein."

Meaning of writing off.– Following is an extract from Circular Letter C. No. 13(26)-IT/74, dated July 2, 1975 explaining the corresponding provisions of the repealed Act, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"So far as the requirement of writing off is concerned, the Board is of the view that there is no authority in law under which an assessee should be required to write off the debt or loan in the account of the debtor. The assessee bank would be within its right to

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income for the tax year, arising out of consumer loans for creation of a reserve to off-set bad debts arising out of such loans.

(2) Where bad debt can not be wholly set off against reserve, any amount of bad debt, exceeding the reserves shall be carry forward for adjustment against the reserve for the following years.]

[1][*Explanation.*– In this section, "consumer loan" means a loan of money or its equivalent made by [2][ ] a non-banking finance company or the house building finance corporation to a debtor (consumer) and the loan is entered primarily for personal, family or household purposes and includes debts created by the use of a lender credit card or similar arrangement as well as insurance premium financing.]

30. Profit on non-performing debts of a banking company or development finance institution*.– (1) A banking company or development finance institution [2][or Non-Banking Finance Company (NBFC) or modaraba] shall be allowed a deduction for any profit accruing on a non-performing debt of the banking company or institution [2][or Non-

[1]Explanation inserted by Finance Act, 2004, dated June 24, 2004, w.e.f. July 1, 2004.
[2]Words "a banking company or" omitted by Finance Act, 2009 dated June 30, 2009.
[3]Words etc. inserted by Finance Act, 2003, dated June 17, 2003.

*consequential insertion of words "or Non-Banking Finance Company (NBFC) or modaraba" as inserted in the body of the section has not been made in the title of the section.

claim the deduction u/s 10(2)(xi) if it so chooses by debiting the profit and loss account and crediting any other account maintained for the purpose, such as suspense account or an irrecoverable loans account." (**ref:** for enclosures, annexures and letter to Governor State Bank of Pakistan see *96 ITL 22*)

Bad debts allowed and recovered.– Following is an extract from Circular No. 7 of 1981, dated July 6, 1981, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Section 23(1)(x) provides for deduction of bad debts, actually written off, as an expense and section 25 stipulates taxation of the full amount of such bad debts as income of the year in which these are recovered, irrespective of the amount which may have been disallowed and taxed in the year of claim. This provision was unjust as it entailed double taxation of the amount of bad debts in cases where the amount subsequently recovered was more than the amount originally disallowed, and short allowance in cases where bad debts subsequently recovered were less than those originally disallowed.

Interest in suspense by DFIs. Following is an extract from CBR's Circular No. 5 of 2001, dated July 4, 2001, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A new clause (xxii) has been inserted in section 23(1) allowing as an expense the interest on non-performing loan credited to suspense account by development finance institutions in accordance with the Prudential Regulations for banks and such institutions by the SBP. This is applicable for assessment year commencing on or after the 1st day of July, 2001."

The position has been remedied by adding clause (aa) in Section 25. Under the amended law, in case where the amount of bad debts recovered subsequently is greater than the difference between the whole of such bad debts and the amount of bad debts allowed as deduction, only the excess shall be subjected to tax.

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Banking Finance Company (NBFC) or modaraba] where the profit is credited to a suspense account in accordance with the Prudential Regulations for Banks or [1][Non-Banking Finance Company or modaraba], as the case may be, issued by the State Bank of Pakistan [2][or the Securities and Exchange Commission of Pakistan].

(2) Any profit deducted under sub-section (1) that is subsequently recovered by the banking company or development finance institution [3][or Non-Banking Finance Company (NBFC) or modaraba] shall be included in the income of the company or institution [3][or Non-Banking Finance Company (NBFC) or modaraba] chargeable under the head "Income from Business" for the tax year in which it is recovered.

31. Transfer to participatory reserve.– (1) Subject to this section, a company shall be allowed a deduction for a tax year for any amount transferred by the company in the year to a participatory reserve created under [1][section 66 of the Companies Act, 2017 (XIX of 2017)] in accordance with an agreement relating to participatory redeemable capital entered into between the company and a banking company as defined in the [2][Financial Institutions (Recovery of Finances) Ordinance, 2001 (XLVI of 2001)].

(2) The deduction allowed under subsection (1) for a tax year shall be limited to five per cent of the value of the company's participatory redeemable capital.

(3) No deduction shall be allowed under subsection (1) if the amount of the tax exempted accumulation in the participatory reserve exceeds ten per cent of the amount of the participatory redeemable capital.

(4) Where any amount accumulated in the participatory reserve of a company has been allowed as a deduction under this section is applied by the company towards any purpose other than payment of share of profit on the participatory redeemable capital or towards any purpose not allowable for deduction or exemption under this Ordinance the amount so applied shall be included in the income from business of the company in the tax year in which it is so applied.

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[1]Substituted for "section 120 of the Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.

[2]Substituted for "Banking Tribunals Ordinance, 1984" by Finance Act, 2014 dated June 26, 2014.

Similarly where the amount of bad debts subsequently recovered is less than such difference the deficiency shall be allowed as a business expense in the year in which such bad debts are recovered."

S. 29A-Consumer loans, provision.– Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"To encourage consumer banking, section 29A was inserted through Finance Act, 2003 whereby banks were allowed to set-apart 3% of the income from consumer banking for creation of a reserve out of which bad debts under consumer loans could be set-off. Section 29A has now been amended to allow the facility of creating similar reserve for bad debts on account of consumer loans to non-banking finance companies and House Building Finance Corporation like the one allowed to banking companies. It is to provide level playing field to NBFCs, HBFC and Banking Companies."

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Division IV

Tax Accounting

32. Method of accounting.– [1][(1) Subject to this Ordinance, a person's income chargeable to tax shall be computed in accordance with the method of accounting regularly employed by such person.]

(2) Subject to sub-section (3), a company shall account for income chargeable to tax under the head "Income from Business" on an accrual basis, while other persons may account for such income on a cash or accrual basis.

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[1]Substituted for "Non-bank Financial Institutions" by Finance Act, 2003, dated June 17, 2003.
[2]Words inserted by Finance Act, 2003, dated June 17, 2003.
[3]Words etc. inserted by Finance Act, 2003, dated June 17, 2003.
[4]Sub-section (1) substituted by Finance Act, 2003, dated June 17, 2003.

Consumer loans, 3% reserve for bad debts.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"A new section 29A has been inserted in the Ordinance to allow 3% of total income from consumer loans as deduction against the said income to banking companies for creation of a reserve for the purpose of setting off any future bad debt pertaining to consumer banking loans. However, if the bad debt, arising on consumer loans, actually written off exceeds the said reserve, it will not be adjustable against any other income of the bank but shall be carried forward for adjustment against such reserve for the next year."

S. 29A(1)–Following is an extract from Notes on Clauses to Finance Bill, 2004:–

"Seeks to allow creation of reserve for non-performing consumer loan by non-banking finance company and House Building Finance Corporation."

S. 29A(2)–Exp.–Following is an extract from Notes on Clauses to Finance Bill, 2004, explaining the amendment:–

"Seeks to provide the definition of consumer loan."

S. 30–Profit on non-performing debts on accrual basis as a deduction to NBFCs.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Section 30 has been amended to allow deduction of profit on non-performing debts on accrual basis to non-banking finance companies like that of banking companies. Amended provisions are applicable to the tax year 2004 onwards."

S. 32–Method of accounting, substitution of sub-section (1).– Sub-section (1) before substitution by Finance Act, 2003, read as follows:–

"(1) A person's income chargeable to tax under the head "Income from Business" shall be computed in accordance with the method of accounting regularly employed by the person."

See **Rules 28** to **33** of Income Tax Rules, 2002 for records and books of accounts.

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(3) The [1][Board] may prescribe that any class of persons shall account for income chargeable to tax under the head "Income from Business" on a cash or accrual basis.

(4) A person may apply, in writing, for a change in the person's method of accounting and the Commissioner may, by [2][order] in writing, approve such an application but only if satisfied that the change is necessary to clearly reflect the person's income chargeable to tax under the head "Income from Business".

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[1]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.
[2]Substituted for "notice" by Finance Act, 2003, dated June 17, 2003.

Computation of profit or loss on construction contracts.– Following is the text of CBR's Circular No. 2 of 1975, dated January 22, 1975, explaining the corresponding provisions of Income Tax Act, 1922:–

"In its Circular No. 17-D of 1946, the Central Board of Revenue (India) had issued certain instructions regarding assessments of contractors deriving income from contracts which took more than one year to complete. Briefly stated the instructions were that where a contractor maintained regular accounts and the final profit or loss on the completion of the contract was acceptable to the Assessing Officer, subject to any adjustment for the inadmissible expenses, the total profit or loss of the completed contract should be spread over the period of the contract in proportion to the payments received by the contractor on account for each year. It had also been provided in the Circular that if the profits so allocated to any year were found to be higher than the assessed profit for that year, action should be taken under section 34 of the Income Tax Act for assessing the full profit and where in any year the assessed profit was lower than the allocable profit, the assessment should be revised by the Commissioner under section 33A of the Act, irrespective of limitation.

2. Because of changes in the Income Tax Law in Pakistan and other factors it has become necessary to modify the instructions of 1946. Board desires that henceforth in making assessment of contractors the following procedure should be followed for computing profits of a contract which takes more than one year to complete:–

(i) Profits may be computed from year to year during the currency of the contract in the normal manner on the basis of actual receipts and accounts for each year.

(ii) When the contract is completed, the total profit of the contract should be computed. The profits already assessed in the earlier years for that contract should be deducted from the total profits and only the balance profit should be assessed in those years of the contract for which assessments have yet to be made.

(iii) Where the contract on completion results in loss or less profit than what has already been assessed in respect of that contract the loss or profit may be allocated to the years of the contract. The assessments for the pending years may be made on the amount allocated to each of those years. As for the assessments already completed for earlier years these may be revised by the Commissioner of Income Tax under Section 33A of the Act.

3. The allocation of profit or loss is to be made on the basis of receipts for each year.

4. These instructions, which supersede the instructions of 1946, apply only to those contractors who keep regular accounts and where the total profit of a contract on completion is acceptable, subject to such adjustment for inadmissible expenses, as may be necessary."

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(5) If a person's method of accounting has changed, the person shall make adjustments to items of income, deduction, or credit, or to any other items affected by the change so that no item is omitted and no item is taken into account more than once.

Assessment of developers of housing schemes.– Following is the text of RCIT, Central Region's Letter No. 8052 dated April 5, 1988:–

"A large number of parties are buying residential plots and selling them after constructing residential houses thereon. For income tax purposes, they show sale of plot to the purchaser and thereafter they show as if they constructed the house thereon on contract from the purchaser.

The modus operandi is that though the houses are sold when these have been finally completed, yet sale is executed in respect of land only. Simultaneously, they executed a back dated agreement with the purchaser for the construction of the house.

Scrutiny of number of files shows that the Department has been unwillingly accepting this arrangement and the developers are escaping with minimum tax liability. In this behalf the following steps should be taken:–

1. The moment a scheme is advertised in the press or television/radio, the Income Tax Officer should pay personal visit to the project and make a report to his IAC about the stage of the project. If the houses are partly completed, he should address letter to the developer asking him specifically to furnish particulars of the persons to whom these partly completed houses have been sold. This preclude them from making back dated transactions.

2. Where the project was completed in an earlier year, the arrangement can be broken by examination of the Transfer Deed of the plot. Since the house is sold after it has been completed, the date of agreement of the construction of house is ante-dated which is not possible. Nobody would enter into an agreement prior to the purchase of plot.

3. In this behalf, the statement of the purchaser may also be recorded and electricity and gas bills may also be examined.

4. The Capital Gain Tax Authorities have never accepted this arrangement. They always assess the unit as if it has been sold after completion. This would support the department's case that it is only a fictitious arrangement and the house has been sold after completion.

Necessary instructions may be passed on to the Income Tax Officers."

Material supplied to contractors, application of flat rate.– Following is the text of CBR's Circular No. 11 of 1961, dated September 14, 1961:–

"It has been brought to the notice of the Board that some companies undertake to supply to their contractors part of the material to be utilised in a work contract and while making payment to them, there is no element of profit on the value of material so supplied. It has, therefore, been represented that while applying the flat rate for the purpose of arriving at the gross profit of the contractor, the cost of material supplied by the company should not be included in the amount of receipts.

The Board has examined the question and has decided that the principle enunciated in the Board's Circular No. 1 of 1950 in the case of assessments of P.W.D. and M.E.S. Contractors should be followed in the case of contractors who are engaged by the companies of repute provided that there is documentary evidence to the effect that the material was supplied by the company and no profit was allowed to the Contractors on the material so supplied.

These instructions will apply only to the pending assessments."

33. Cash-basis accounting.– A person accounting for income chargeable to tax under the head "Income from Business" on a cash basis shall derive income when it is received and shall incur expenditure when it is paid.

34. Accrual-basis accounting.– (1) A person accounting for income chargeable to tax under the head "Income from Business" on an accrual basis shall derive income when it is due to the person and shall incur expenditure when it is payable by the person.

(2) Subject to this Ordinance, an amount shall be due to a person when the person becomes entitled to receive it even if the time for discharge of the entitlement is postponed or the amount is payable by instalments.

Following is the text of CBR's Circular No. 1 of 1950, dated January 10, 1950, referred to above:–

"Reference is invited to Board's Circular No. 4 of 1944 dated the 18th February, 1944, in which it was said that in fixing rates per unit for the work to be carried out by contractors, the M.E.S. and P.P.W.D. authorities allow them a percentage also on the value of materials supplied to them free-of-cost by Government as an element of profit and as such should be taken into consideration for assessment.

2. The position has been re-examined in consultation with P.P.W.D. and Director General of Supplies and Development, and it has been ascertained that in valuing payments to be made to contractors, they are not allowed any profit on the material supply by Government.

The Board, therefore, directs that in case where assessment of P.P.W.D. and M.E.S. contractors have to be made by application of flat rate to their total receipts, the cost to the extent of material supplied by Government should not be included in the amount of receipts. The Board's Circular No. 4 dated the February 18, 1944 is hereby cancelled. Assessments already completed will not however be revised."

Rejection of books of account.– Following is an extract from CBR's Circular No. 13-ITP/1951, dated May 28, 1951 explaining corresponding provisions of the repealed Act:–

"Books of accounts should not be rejected on flimsy or trifling grounds. So far as practicable and depending upon the merits of each case the Income Tax Officers should also not reject accounts merely because a few vouchers are missing provided the amounts covered by such missing vouchers do not represent a substantial sum in relation to the total expenditure under that particular head. The appropriate remedy in such cases should be to add back an appropriate sum to the profits otherwise shown by the accounts."

Rejection of book version on account of low yield.– Following is an extract from CBR's Circular No. 23 of 1957, dated November 29, 1957 which relates to cotton ginners, but is of interest in other cases as well:–

"The Board is of the view that it is wrong to apply one single formula uniformly to all cases. Where the accounts are reliable and complete, the book version of profits should ordinarily be accepted. In cases, where the accounts are unreliable or incomplete and the book-version of the yield is materially below the yield declared by other cases of like nature, the Income Tax Officer is justified in raising the book-profit by adding to it the estimated value of the shortfall in the yield.

The Board likes to emphasis again that in every case where the rejection of book-version of profit on account of short-fall in yield or for some other reasons appears

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(3) Subject to this Ordinance, an amount shall be payable by a person when all the events that determine liability have occurred and the amount of the liability can be determined with reasonable accuracy [1][ ].

[2][ ]

(5) Where a person has been allowed a deduction for any expenditure incurred in deriving income chargeable to tax under the head "Income from Business" and the person has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be chargeable to tax under the head "Income from Business" in the first tax year following the end of the three years.

[3][(5A) Where a person has been allowed a deduction in respect of a trading liability and such person has derived any benefit in respect of such trading liability, the value of such benefit shall be chargeable to tax

[1]Comma and words ", but not before economic performance occurs" omitted by Finance Act, 2004, dated June 24, 2004, w.e.f. July 1, 2004.
[2]Sub-section (4) omitted by Finance Act, 2004, dated June 24, 2004, w.e.f. July 1, 2004.
[3]Sub-section (5A) inserted by Finance Act, 2003, dated June 17, 2003.

inevitable, the Income tax Officer must, before concluding the assessment, apprise the assessee of his view and the reasons for his view and he should give the assessee an opportunity to explain the causes of the low result disclosed by his books. The explanation should be obtained in writing and if ultimately the explanation is rejected, reasons for rejecting it should be recorded in the order of assessment."

S. 34(3)-Accrual basis of accountancy, 'economic performance'.– Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"The term "economic performance" as used in sub-section (3) of section 34 of the Income Tax Ordinance, 2001 and the situation when economic performance occurs as given in sub-section (4) have been omitted because it was against the spirit of the internationally accepted concept of accrual basis of accounting."

Following is an extract from Notes on Clauses to Finance Bill, 2004 explaining the amendment:–

"(a) Seeks to correct editorial mistake.

(b) Seeks to omit the definition of "economic performance"."

S. 34(4)–Omission.– Sub-section (4) before omission by Finance Act, 2004, read as follows:–

"(4) For the purposes of sub-section (3), economic performance shall occur–

(a) in the case of the acquisition of services or assets, at the time the services or assets are provided;

(b) in the case of the use of assets, at the time the assets are used; and

(c) in any other case, at the time payment is made in full satisfaction of the liability."

S. 34(5A)–Trading liability, benefit derived.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"A new sub-section (5A) has been inserted in section 34 to treat any benefit derived by a taxpayer in respect of a trading liability allowed as a deduction as income chargeable to tax under the head "Income from Business" for the tax year in which such benefit is received."

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under [1][the] head "Income from Business" for the tax year in which such benefit is received.]

(6) Where an unpaid liability is chargeable to tax as a result of the application of sub-section (5) and the person subsequently pays the liability or a part of the liability, the person shall be allowed a deduction for the amount paid in the tax year in which the payment is made.

35. Stock-in-trade.– (1) For the purposes of determining a person's income chargeable to tax under the head "Income from Business" for a tax year, the cost of stock-in-trade disposed of by the person in the year shall be computed in accordance with the following formula, namely:–

$$\mathbf{(A + B) – C}$$

where –

A is the opening value of the person's stock-in-trade for the year;

B is cost of stock-in-trade acquired by the person in the year; and

C is the closing value of stock-in-trade for the year.

(2) The opening value of stock-in-trade of a person for a tax year shall be–

(a) the closing value of the person's stock-in-trade at the end of the previous year; or

(b) where the person commenced to carry on business in the year, the fair market value of any stock-in-trade acquired by the person prior to the commencement of the business.

(3) The fair market value of stock-in-trade referred to in clause (b) of sub-section (2) shall be determined at the time the stock-in-trade is ventured in the business.

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[1]Word "the" inserted by Finance Act, 2005, dated June 29, 2005 to make an editorial correction as per 'Notes on Clauses of Finance Bill 2005'. Earlier this mistake was pointed out in this book.

Write-offs.– Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"The mark-up or debt written off under State Bank of Pakistan BPD Circular No.29 of 2002 dated October 15, 2002 would be adjusted against assessed losses of the taxpayers concerned. However, any amount not so adjusted shall not be treated as their income under sub-sections (5) or (5A) of section 34 or under section 70 of the Income Tax Ordinance, 2001. For this purpose clause (3A) has been inserted in Part IV of the Second Schedule to the Income Tax Ordinance, 2001."

(4) The closing value of a person's stock-in-trade for a tax year shall be the lower of cost or [1][net realizable] value of the person's stock-in-trade on hand at the end of the year.

(5) A person accounting for income chargeable to tax under the head "Income from Business" on a cash basis may compute the person's cost of stock-in-trade on the prime-cost method or absorption-cost method, and a person accounting for such income on an accrual basis shall compute the person's cost of stock-in-trade on the absorption-cost method.

(6) Where particular items of stock-in-trade are not readily identifiable, a person may account for that stock on the first-in-first-out method or the average-cost method but, once chosen, a stock valuation method may be changed only with the written permission of the Commissioner and in accordance with any conditions that the Commissioner may impose.

(7) In this section,–

"absorption-cost method" means the generally accepted accounting principle under which the cost of an item of stock-in-trade is the sum of direct material costs, direct labour costs, and factory overhead costs;

"average-cost method" means the generally accepted accounting principle under which the valuation of stock-in-trade is based on a weighted average cost of units on hand;

"direct labour costs" means labour costs directly related to the manufacture or production of stock-in-trade;

"direct material costs" means the cost of materials that become an integral part of the stock-in-trade manufactured or produced, or which are consumed in the manufacturing or production process;

"factory overhead costs" means the total costs of manufacturing or producing stock-in-trade, other than direct labour and direct material costs;

"first-in-first-out method" means the generally accepted accounting principle under which the valuation of stock-in-trade is based on the assumption that stock is sold in the order of its acquisition;

"prime-cost method" means the generally accepted accounting principle under which the cost of stock-in-trade is the sum of direct material costs, direct labour costs, and variable factory overhead costs;

[1]Substituted for "fair market" by Finance Ordinance, 2002 dated June 15, 2002.

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"stock-in-trade" means anything produced, manufactured, purchased, or otherwise acquired for manufacture, sale or exchange, and any materials or supplies to be consumed in the production or manufacturing process, but does not include stocks or shares; and

"variable factory overhead costs" means those factory overhead costs which vary directly with changes in volume of stock-in-trade manufactured or produced.

36. Long-term contracts.– (1) A person accounting for income chargeable to tax under the head "Income from Business" on an accrual basis shall compute such income arising for a tax year under a long-term contract on the basis of the percentage of completion method.

(2) The percentage of completion of a long-term contract in a tax year shall be determined by comparing the total costs allocated to the contract and incurred before the end of the year with the estimated total contract costs as determined at the commencement of the contract.

(3) In this section,–

"long-term contract" means a contract for manufacture, installation, or construction, or, in relation to each, the performance of related services, which is not completed within the tax year in which work under the contract commenced, other than a contract estimated to be completed within six months of the date on which work under the contract commenced; and

"percentage of completion method" means the generally accepted accounting principle under which revenue and expenses arising under a long-term contract are recognised by reference to the stage of completion of the contract, as modified by sub-section (2).

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PART V

HEAD OF INCOME: CAPITAL GAINS

37. Capital *gains.– (1) Subject to this Ordinance, a gain arising on the disposal of a capital asset by a person in a tax year, other than a gain that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Capital Gains".

[1][(1A) Notwithstanding anything contained in sub-section (1), gain arising on disposal of immovable property situated in Pakistan, to a person in a tax year shall be chargeable to tax under the head capital gains at the rates specified in Division VIII of Part I of the First Schedule.]

(2) Subject to [2][sub-section] (4), the gain arising on the disposal of a capital asset by a person shall be computed in accordance with the following formula, namely:–

A – B

where–

A is the consideration received by the person on disposal of the asset; and

B is the cost of the asset.

[3][ ]

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[1]Sub-section (1A) substituted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Finance Act, 2012 dated June 26, 2012.

[2]Substituted for "sub-sections (3) and" by Finance Act, 2022 dated June 30, 2022.

[3]Sub-section (3) omitted by Finance Act, 2022 dated June 30, 2022.

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*should have been substituted by "Gains" consequent to amendment of section 11.

S.37(1A)-Substitution.- Before substitution by F. Act, 2022, it read as follows:-

"(1A) Notwithstanding anything contained in sub-sections (1) and (3), gain [1][under sub-sections (3A) [2][ ], [3][ ] by a person in a tax year, shall be chargeable to tax in that year under the head Capital Gains at the rates specified in Division VIII of Part I of the First Schedule.]

[1]Substituted for "arising on the disposal of immovable property" by Finance Act, 2019 dated June 30, 2019.

[2]Words etc "and 3B" omitted by Finance Act, 2021 dated June 30, 2021.

[3]Words etc "held for a period up to two years," omitted by Finance Act, 2014 dated June 26, 2014.

S.37(3)-Omission.- Before omission by F. Act, 2022, it read as follows:-

"(3) Where a capital asset has been held by a person for more than one year [1][other than shares of public companies including the vouchers of Pakistan Telecommunication Corporation, modaraba certificates or any instrument of redeemable capital as defined in the [2][Companies Act, 2017 (XIX of 2017)] the amount of any gain arising on disposal of the asset shall be computed in accordance with the following formula, namely:–

***A* x ¾**

where **A** is the amount of the gain determined under sub-section (2)."

[1]Words etc. inserted by Finance Act, 2010 dated June 30, 2010.

[2]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.

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[1][ ]

[2][ ]

[1]Sub-section (3A) omitted by Finance Act, 2022 dated June 30, 2022. Earlier it was substituted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finance Act, 2019 dated June 30, 2019.

[2]Sub-section (3B) omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finance Act, 2019 dated June 30, 2019.

S.37(3A)-Omission.- Before omission by F. Act, 2022, it read as follows:-

"(3A) Notwithstanding anything contained in sub-section (3), the amount of any gain arising on disposal of an immovable property shall be computed in accordance with the formula specified in the Table below, namely:-

TABLE

S. No.	Holding period	Gain
(1)	(2)	(3)
1.	Where the holding period of an immoveable property does not exceed one year	A
2.	Where the holding period of an immoveable property exceeds one year but does not exceed two years	A x 3/4
3.	Where the holding period of an immoveable property exceeds two years but does not exceed three years	A x 1/2
4.	Where the holding period of an immoveable property exceeds three years but does not exceed four years	A x 1/4
5.	Where the holding period of an immoveable property exceeds four years	0

where **A** is the amount of gain determined under sub-section (2)."

S.37(3A)-Substitution.- Before substitution by F. Act, 2020, it read as follows:-

"(3A) Notwithstanding anything contained in sub-section (3), the amount of any gain arising on disposal of immovable property being an open plot shall be computed in accordance with the formula specified in the Table below, namely:-

TABLE

S. No.	Holding Period	Gain
(1)	**(2)**	**(3)**
1.	Where the holding period of open plot does not exceed one year	A
2.	Where the holding period of open plot exceeds one year but does not exceed eight years	A x 3/4
3.	Where the holding period of open plot exceeds eight years	0

where **A** is the amount of the gain determined under sub-section (2)."

S.37(3B)-Omission.- Before omission by F. Act, 2020, it read as follows:-

"(3B) Notwithstanding anything contained in sub-section (3), the amount of any gain arising on disposal of immovable property being a constructed property shall be computed in accordance with the formula specified in the Table below, namely:-

TABLE

S. No.	Holding Period	Gain
(1)	**(2)**	**(3)**
1.	Where the holding period of constructed property does not exceed one year	A
2.	Where the holding period of constructed property exceeds one year but does not exceed four years	A x 3/4
3.	Where the holding period of constructed property exceeds four years	0

where **A** is the amount of the gain determined under sub-section (2)."

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(4) For the purposes of determining component **B** of the formula in sub-section (2), no amount shall be included in the cost of a capital asset for any expenditure incurred by a person–

(a) that is or may be deducted under another provision of this Chapter; or

(b) that is referred to in section 21.

[1][ ]

[1]Sub-section (4A) omitted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Finance Act, 2003, dated June 17, 2003.

S. 37-Capital Gain on Disposal of Immoveable Properties and Other Capital Assets.-Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"Earlier, the gain arising on the disposal of immovable property after the holding period of 4 years was exempt from tax. Now the holding period concession will separately apply which for open plots is six years, for constructed property is four years and for flats is two years. Further, whole amount of gain on disposal of immovable property will be taxable at graduated rates provided in Division VIII of Part I of First Schedule of the Ordinance given as under:

S. No	Holding Period	Rate of Tax		
		Open Plots	Constructed Property	Flats
1.	Where the holding period does not exceed one year	15%	15%	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-
5.	Where the holding period exceeds four years but does not exceed five years	5%	0	-
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-
7.	Where the holding period exceeds six years	0%	-	-

The concessional taxation regime for capital gains has been made applicable only to disposal of immovable properties situated in Pakistan. The benefit of holding period and concessional rate of tax is not available in respect of capital gains arising on disposal of immoveable property situated outside Pakistan.

Furthermore, to streamline capital gains taxation regime, the concessions earlier available under sub-sections (3) and (3A) of section 37 in terms of reduction in capital gain by certain percentages on disposal of capital assets held for more than one year has been withdrawn.

Sub-section (4A) of section 37 has been omitted. Accordingly, non-recognition provision of section 79 will apply to determine the cost of acquisition on transfer of capital asset under the circumstances contained therein."

S.37(4A)-Omission.- Before omission by F. Act, 2022, it read as follows:-

"(4A) Where the capital asset becomes the property of the person–

(a) under a gift [1][from a relative as defined in sub-section (5) of section 85], bequest or will;

(b) by succession, inheritance or devolution;

[1]Words etc. inserted by Finance Act, 2018 dated May 23, 2018.

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(c) a distribution of assets on dissolution of an association of persons; or

(d) on distribution of assets on liquidation of a company,

the fair market value of the asset, on the date of its transfer or acquisition by the person shall be treated to be the cost of the asset [2][*:*]]

[3][Provided that, if the capital asset acquired through gift is disposed of within two years of acquisition and the Commissioner is satisfied that such gift arrangement is a part of tax avoidance scheme, then the provisions of sub-section (3) of section 79 shall apply for the purpose of determining the cost of asset in the hands of recipient of the gift.]

[2]Colon substituted for full stop by Finance Act, 2021 dated June 30, 2021.
[3]Proviso inserted by Finance Act, 2021 dated June 30, 2021.

S. 37(4A)–Capital gains, cost in case of inheritance etc.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Sub-Section (4A) to section 37 has been inserted to determine the cost of capital assets acquired under a gift, bequest or will; by succession, inheritance or devolution; on distribution of assets on dissolution of association of persons; or distribution of assets on liquidation of a company to be taken as fair market value of the asset on the date of its transfer or acquisition by the person."

Streamlining certain transactions.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

Law provides special mechanism for treatment of transfer of assets under certain transactions. The non-recognition rules provide that no gain or loss shall arise on disposal of assets under certain special arrangements enumerated in sub-section (1) of section 79. However, these rules did not apply if the recipient was a non-resident person. This was giving rise to anomalous situations in certain circumstances therefore, non-recognition rules have been extended in cases of disposal of assets between spouses under an agreement to live apart, inheritance and gift from a relative in case of non-residents.

Sub-section (4A) of section 37 provides valuation of assets received under certain transact ions. However, this was manipulated to avoid tax therefore a proviso has been inserted whereby the commissioner has been empowered to undo such tax avoidance scheme. Gifts received from certain persons were made taxable in the hands of recipients. The provision has been broadened to exclude gifts received from relatives from this taxation in line with other provisions. Necessary changes have been made in clause (la) of sub-section (1) of section 39 of the Ordinance."

Exchange Traded funds.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Exchange traded funds (ETF) are an emerging product in capital market. In order to streamline its taxation, the units of ETF have been included in the definition of security. Moreover, tax credit has also been allowed for investment in ETF at par with investment in shares and insurance premium. Necessary changes have been introduced in section 37 and 62 of the Ordinance."

S. 37–Capital gain on immovable properties.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Prior to the Finance Act, 2019, capital gain on immovable property was separately taxed on the basis of holding period of property, The gain was taxed @ of 10% if the holding period is up to one year, 7.5% if the holding period was more than or equal to one year but less than two years and @ 5% if the holding period was equal to or more than two years but less than three years. The rate of tax was zero where the holding period was more than three years. The gain was calculated by deducting the cost of the asset from the consideration received by the person on disposal of the asset.

Through the Finance Act, 2019, the holding period for taxation of capital gain of open plots has been increased to eight years and for constructed properties it has been increased to four years. Where the holding period does not exceed one year, the total amount of gain will be taxed. The gain will be calculated by deducting the cost from the consideration received. If the holding period is more than one year but does not exceed eight years in the case of open plot or four years in the case of constructed property, 75% of the gain will be taxed. It is further clarified that form of immoveable property, whether open plot or constructed, will be determined at the time of sale of immoveable property.

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(5) In this section, "capital asset" means property of any kind held by a person, whether or not connected with a business, but does not include–

[1][(a) any stock-in-trade [2][ ], consumable stores or raw materials held for the purpose of business;]

(b) any property with respect to which the person is entitled to a depreciation deduction under section 22 or amortisation deduction under section 24; [3][or]

[4][ ]

(d) any movable property [5][[excluding capital assets specified in sub-section (5) of section 38]] held for personal use by the person or any member of the person's family dependent on the person [6][.]

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[1]Clause (a) substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Words & brackets "(not being stocks and shares)" omitted by Finance Act, 2010 dated June 30, 2010.
[3]Word inserted by Finance Act, 2012 dated June 26, 2012.
[4]Clause (c) omitted by Finance Act, 2012 dated June 26, 2012.
[5]Substituted for "(including wearing apparel, jewellery, or furniture)" by Finance Act, 2003, dated June 17, 2003.
[6]Full stop substituted for "; or" by Finance Ordinance, 2002 dated June 15, 2002.

The aforesaid is elaborated in the following manner:-

Open plots

S. No.	Holding Period	Gain
1.	Holding period of open plot is up to one year	100% gain will be taxed
2.	Holding period of open plot is more than one year but not more than eight years	75% of the gain will be taxed.
3.	Holding period of open plot is more than eight years	No gain will be taxed.

Constructed properties

S. No.	Holding Period	Gain
1.	Holding period of constructed property is up to one year	100% gain will be taxed
2.	Holding period of constructed property is more than one year but not more than four years	75% of the gain will be taxed
3.	Holding period of constructed property is more than four years	No gain will be taxed.

The tax rates will be applicable on the gain in the following manner:-

S. No.	Amount of gain	Rate of tax
1.	Where the gain is up to Rs.5 million	5%
2.	Where the gain is more than Rs.5 million but not more than Rs.10 million	10%
3.	Where the gain is more than Rs.10 million but not more than Rs.15 million	15%
4.	Where the gain is more than Rs.15 million	20%"

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[1][ ]

[1]Clause (e) omitted by Finance Ordinance, 2002 dated June 15, 2002.

S. 37(5)(a)–Substitution.– Clause (a) before substitution by Finance Ordinance, 2002, read as follows:– "(a) any stock-in-trade;"

S. 37(5)(c)–Omission.– Clause (c) before omission by Finance Act, 2012, read as follows:–

"(c) any immovable property; [1][or]"

[1]Word inserted by Finance Ordinance, 2002 dated June 15, 2002.

S. 37-Capital Gains on Immovable Property.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"Prior to the 18th Constitutional Amendments effective from 19th April 2010 Entry 50 of the Federal Legislative List contained in Part-I of the Fourth Schedule to the Constitution of Islamic Republic of Pakistan empowered the Federal Legislature to levy taxes on the capital value of the assets, not including taxes on capital gains on immoveable property. The words "on capital gains" were omitted by the 18th Constitutional amendment. The effect of omission of these words is that the Federal Legislature cannot impose taxes on capital value of immoveable property but can levy tax on capital gains on disposal of immoveable property.

In view of the aforesaid modified constitutional position exemption to capital gains on the disposal of immoveable property held for a period upto two years was withdrawn by making amendments in section 37 of the Income Tax Ordinance, 2001 through the Finance Act, 2012. Simultaneously, a new Division was added in the First Schedule to the Income Tax Ordinance, 2001 giving the following rates of tax to be paid on capital gains from disposal of immoveable property:-

S. No	Period	Rate of Tax
1.	Where holding period of Immovable property is up to one year.	10%
2.	Where holding period of Immovable property is more than one year but not more than two years.	5%

To overcome the administrative problems in respect of collection of CGT on disposal of immoveable property and to keep a track of the transactions of immoveable property adjustable advance withholding tax @ 0.5% of the consideration received on sale/transfer of immoveable property was levied on sellers/transferors of immoveable property under section 236C of the Income Tax Ordinance, 2001.

It is clarified that the advance tax to be collected under section 236C has been introduced for the purposes of providing a mechanism for collection of capital gain tax on disposal of immoveable property. The actual quantum of capital gain and tax payable thereon is to be computed at the time of filing of return of income. Section 236C is not an independent provision and does not operate in isolation. Since Capital Gain Tax has been imposed only on disposal of properties held for a period up to two years therefore, advance tax is also to be collected from sellers who held the immoveable properties for a period upto two years."

S. 37(5)(e)–Omission.– Clause (e) before omission by Finance Ordinance, 2002, read as follows:–

"(e) any modaraba certificate or any instrument of redeemable capital listed on any stock exchange or shares of a public company."

S. 37(5)–Valuation of bonus shares for determination of capital gains.– Following is an extract from CBR's Letter C. No. 1(13)IT-1/72 dated May 18, 1972, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The correct method to value the bonus shares would be to spread the cost of the old shares over the old shares plus the bonus shares taken together."

The above interpretation has been upheld by the Supreme Court of Pakistan vide its order dated April 26, 1992 in the case of *Ebrahim Brothers Ltd.* vs. *CIT*, reported as 66 Tax 6 (S.C. Pak.). This has disapproved the different interpretation given by the Lahore High Court in cases reported as *CIT* vs. *Umar Saigol*, 28 Tax 159 and *Miss Shirin Ayub Khan* vs. *CIT*, 33 Tax 227.

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[1][(6) The person acquiring a capital asset, being shares of a company, shall deduct advance adjustable tax from the gross amount paid [2][or payable] as consideration for the shares [2][at the time of payment or at the time of registration of shares by the Securities and Exchange Commission of Pakistan or by the State Bank of Pakistan, whichever is earlier] at the rate of ten percent of the fair market value of the shares which shall be paid to the Commissioner by way of credit to the Federal Government, within fifteen days of the payment.

[1]S. 37(6) to (10) inserted by Finance (Supplementary) Act, 2023 dated February 23, 2023.
[2]Words inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

S. 37(6).- Introduction of tax from Capital Gains of non-listed companies.- Following is an extract from FBR's Circular No. 2 of 2023 dated July 26, 2023:-

"Through Finance (Supplementary) Act 2023 new sub-sections (6) to (10) have been inserted in section 37 providing for deduction of tax on sale of shares transactions other than covered under section 37A. New provisions inserted require the acquirer of the capital asset [being shares of the company, other than shares of companies listed on registered stock exchange traded on said stock exchange and settled by the NCCPL], to deduct advance adjustable tax at the rate of 10% from gross amount of the sale consideration at fair market value of shares. The fair market value of shares shall be determined without deduction of liabilities as envisaged in sub-section (4) of section 101A of the Ordinance. The person acquiring the shares may seek certificate of exemption or reduced rate certificate from the Commissioner holding the jurisdiction where the person considers the transaction of sale of shares is either exempt or subject to reduced rate of tax under any of the provisions of the Ordinance. A person disposing of the shares is required within 30 days to furnish to the Commissioner holding jurisdiction over the case, information or documents in a statement as may be prescribed. However, Commissioner can call for the said information or documents within less than 30 days by a notice in writing if necessitated. Moreover, proviso has been inserted in section 37A ousting shares of listed companies not traded on registered stock exchange and not settled through NCCPL from ambit of section 37A. In such cases provisions of section 37 shall apply with respect to collection and payment of taxes. This is done to capture off market transactions of shares of listed companies which are not traded through registered stock and not settled by NCCPL. In this regard relevant amendment in Income Tax Rules, 2002 has been made through SRO 776(I))/2023 dated 27th June, 2023.

The Finance Act, 2023 made further two amendments on account of capital gains on securities covered under section 37A of the Ordinance namely:-

i. Through the Finance (Supplementary) Act, 2023, capital gain arising on disposal of shares of a listed company which is made otherwise than through registered stock exchange and which are not settled through NCCPL, is taxed under section 37 of the Ordinance instead of section 37A of the Ordinance. The said amendment had resulted in unwarranted tax implications on public offerings of listed securities. Through an amendment made by the Finance Act 2023, disposal of shares through initial public offer during the listing process will remain subject to tax under section 37A of the Ordinance provided the detail of such disposal is furnished to NCCPL for the computation of Capital Gains and tax thereon has been collected and paid.

ii. Capital gains arising on disposal of securities that were acquired before July 1, 2013 were subject to tax at the rate of 12.5%. Through Finance Act 2023, capital gains arising on disposal of such securities will be subject to tax at 0%. Through the Finance Act 2022 the rate of 12.5% tax was applicable on capital gains arising on disposal where the securities were acquired on or before the 30th day of June, 2022 irrespective of holding period of such securities. Now the rate of 12.5% tax shall apply on capital gain arising on disposal where the securities are acquired on or after the first day of July, 2013 till the 30th day of June, 2022.

iii. Moreover, reduced rate based on holding period shall continue to apply on securities acquired on or after July 1, 2022."

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(7) Notwithstanding the provisions of section 68, the value of shares, for the purpose of sub-section (6), shall be the fair market value, as prescribed for sub-section (4) of section 101A, without reduction of liabilities.

(8) The Commissioner may, on application made by the person acquiring of the shares, and after making such inquiry as the Commissioner thinks fit, allow to make the payment, without deduction of tax or deduction of tax at a reduced rate.

(9) The provisions of sections 161, 162, entry No. 15 of the Table in section 182, clause (c) of sub-section (1) of section 191 and section 205 shall *mutatis mutandis* apply to the tax deductible and payable under this section.

(10) The person disposing of the capital asset, being shares of a company, shall furnish to the Commissioner within thirty days of the transaction of disposal, the prescribed information or documents, in a statement as may be prescribed:

Provided that the Commissioner may, by notice in writing, require the said person, to furnish information, documents and statement within a period of less than thirty days as specified in the notice.]

S. 37.- Amendment in Taxation of Capital gains. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Prior to the Finance Act, 2024, a person acquiring shares of a company was required to deduct tax at the rate of ten percent of the fair market value of shares from the gross amount paid. Through the Finance Act, 2024, the person acquiring the shares is required to deduct tax from the gross amount paid or payable at the time of payment or at the time of registration of shares, whichever is earlier. Hence, 10% of the fair market value of shares will be deposited by the acquirer even if payment for shares has not been made, if the shares stand registered in the name of the acquirer of shares."

S. 37.- Tax rates on capital gains from immovable property. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"As per sub-section (1A) of section 37, gain arising on disposal of immovable property situated in Pakistan, to a person in a tax year shall be chargeable to tax under the head capital gains at the rates specified in Division VIII of Part I of the First Schedule. Prior to the Finance Act, 2024, the gain was taxed on the basis of holding period with maximum rate of 15% where holding period was less than a year for open plots, constructed properties and flats. The rate decreased as the holding period increased so that the rate was 0% for plots where holding period was more than six years, 0% for constructed properties where holding period was more than four years and 0% for flats where holding period was more than two years. Through the Finance Act, 2024, the concept of holding period has been done away with for properties acquired on or after the 1st day of July, 2024. The gain arising on disposal of properties which are acquired on or after the 1st day of July, 2024 will be taxed at the rate of 15% for persons appearing on the ATL on the date of disposal of property and at the rate specified in Division I of Part I of the First Schedule for individuals and AOPs not appearing on the ATL on the date of disposal of property and at the rate specified in Division II of Part I of the First Schedule for companies not appearing on the ATL on the date of disposal of property. However, for individuals and AOPs the rate shall not be less than 15% in any case.

For the properties acquired on or before the 30th day of June, 2024, the law as it existed prior to the Finance Act; 2024 will continue to apply i.e., gain on disposal of such properties will be taxed on the basis of holding period at the same rates as existed prior to commencement of the Finance Act, 2024."

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[1][**37A. Capital gains on sale of securities.**- (1) The capital gain arising on or after the first day of July 2010, from disposal of securities [2][ ] [3][, other than a gain that is exempt from tax under this Ordinance], shall be chargeable to tax at the rate specified in Division VII of Part I of the First Schedule;

[4][ ]

Provided [5][ ] that this section shall not apply to a banking company and an insurance company [6][:]

[7][Provided further that this section shall not apply to the disposal of shares-

(i) of a listed company made otherwise than through registered stock exchange and which are not settled through NCCPL;

(ii) through initial public offer during listing process except where the detail of such disposal is furnished to NCCPL for computation of capital gains and tax thereon under this section,

and the provisions of section 37 shall apply on such disposal of shares of a listed company or disposal of shares through initial public offer, accordingly.]

[8][(1A) The gain arising on the disposal of a security by a person shall be computed in accordance with the following formula, namely:-

A - B

Where–

(i) **'A'** is the consideration received by the person on disposal of the security; and

(ii) '**B'** is the cost of acquisition of the security.]

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[1]S. 37A inserted by Finance Act, 2010 dated June 30, 2010.
[2]Words "held for a period of less than a year" omitted by Finance Act, 2015 dated June 30, 2015.
[3]Words etc. inserted by Finance Act, 2012 dated June 26, 2012.
[4]Proviso omitted by Finance Act, 2014 dated June 26, 2014.
[5]Word "further" omitted by Finance Act, 2014 dated June 26, 2014.
[6]Full stop substituted by Finance (Supplementary) Act, 2023 dated February 23, 2023.
[7]Proviso substituted by Finance Act, 2023 dated June 26, 2023. Earlier it was inserted by Finance (Supplementary) Act, 2023 dated February 23, 2023.
[8]Sub-section (1A) inserted by Finance Act, 2012 dated June 26, 2012.

S. 37A(1)-Proviso-Omission.- Before omission by F.A. 2014, it read as follows:-

"Provided that this section shall not apply if the securities are held for a period of more than a year;"

S. 37A(1)-2nd Proviso-Substitution.- Before substitution by F.A. 2023, it read as follows:-

"Provided further that this section shall not apply to the disposal of shares of a listed company made otherwise than through registered stock exchange and which are not settled through NCCPL and the provisions of section 37 shall apply on such disposal of shares of a listed company, accordingly."

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S. 37A.-Tax on Capital gains on securities. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Prior to the Finance Act, 2024, capital gain on disposal of securities was taxed at different rates on the basis of holding period. For the securities acquired on or after the first day of July, 2022 the rate of capital gains on disposal was 15% where the holding period does not exceed one year and the rate was progressively lower on the basis of holding period and the same was to be zero where the holding period was beyond six years. For the securities acquired on or after the first day of July, 2013 but on or before the thirtieth day of June, 2022, the rate was 12.5%. The rate was zero where securities were acquired before the first day of July, 2013.

Finance Act, 2024 has not brought any change in tax rates on capital gains on disposal of securities which were acquired prior to the first day of July, 2024. The rate on disposal of securities remains 12.5% for securities acquired between 01.07.2013 to 30.06.2022 (both dates inclusive). The rate on disposal is zero where security was acquired prior to 01.07.2013. For securities acquired from 01.07.2022 to 30.06.2024, the rate of capital gains on disposal remains the same on the basis of holding period i.e., 15% where holding period is less than one year, 12.5% where holding period exceeds one year but does not exceed two years, 10% where holding period exceeds two years but does not exceed three years, 7.5% where holding period exceeds three years but does not exceed four years, 5% where holding period exceeds four years but does not exceed five years, 2.5% where holding period exceeds five years but does not exceed six years and 0% where the holding period exceeds six years.

Finance Act, 2024 has amended the rate of tax to be paid under section 37A on disposal of securities acquired on or after the 1st July, 2024. The rate of tax on capital gain on disposal of such securities is 15% irrespective of the holding period for persons who were present on the ATL on the date of acquisition as well as on the date of disposal of securities. For individuals and AOPs who were not on the ATL on the date of acquisition and on the date of disposal of securities, the rate shall be as provided in Division I, Part I of the First Schedule provided that such rate shall not be less than 15% in any case. For companies not on ATL on the date of acquisition and date of disposal, the rate shall be as provided in Division II of Part I of the First Schedule which is 29%.

The rate of deduction of capital gains by a mutual fund or a collective investment scheme or a REIT scheme on redemption of securities for individuals and AOPs for stock funds and other funds was 10% and the same has been increased to 15%. Similarly, the 10% rate for stock fund for a company has also been increased to 15%. In the case of a stock fund where dividend receipts of the fund were less than capital gains, the rate of tax deduction was 12.5% which has now been increased to 15%."

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(2) The holding period of a security for the purposes of this section, shall be reckoned from the date of acquisition (whether before, on or after the thirtieth day of June, 2010) to the date of disposal of such security falling after the thirtieth day of June, 2010.

(3) For the purposes of this section "securities" means share of a public company, voucher of Pakistan Telecommunication Corporation, Modaraba Certificate, an instrument of redeemable capital [1][, debt securities] [2][, unit of exchange traded fund] and derivative products.

[3][(3A) For the purpose of this section, "debt securities" means-

(a) Corporate Debt Securities such as Term Finance Certificates (TFCs), Sukuk Certificates (Sharia Compliant Bonds), Registered Bonds, Commercial Papers, Participation Term Certificates (PTCs) and all kinds of debt instruments issued by any Pakistani or foreign company or corporation registered in Pakistan; and

(b) Government Debt Securities such as Treasury Bills (T-bills), Federal Investment Bonds (FIBs), Pakistan Investment Bonds (PIBs), Foreign Currency Bonds, Government Papers, Municipal Bonds, Infrastructure Bonds and all kinds of debt instruments issued by Federal Government, Provincial Governments, Local Authorities and other statutory bodies.]

[4][*Explanation*: For removal of doubt it is clarified that derivative products include future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery.]

[5][(3B) For the purpose of this section, "shares of a public company" shall be considered as security if such company is a public company at the time of disposal of such shares.]

(4) Gain under this section shall be treated as a separate block of income.

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[1]Word etc inserted by Finance Act, 2014 dated June 26, 2014.
[2]Word etc inserted by Finance Act, 2021 dated June 30, 2021.
[3]Sub-section (3A) inserted by Finance Act, 2014 dated June 26, 2014.
[4]Explanation inserted by Finance Act, 2016 dated June 24, 2016.
[5]Sub-section (3B) inserted by Finance Act, 2020 dated June 30, 2020.

Capital asset, stocks and shares u/s 37(5)(a).– It has been clarified in Circular No. 2-IT/1972, dated July 1, 1972, explaining corresponding provisions of the repealed Act, that: ".... stocks and shares held by all persons will be considered as 'capital asset' even if they are held as stock-in-trade, and the gains arising out of their disposal will be taxed as 'capital gains'."

Depreciable assets u/s 37(5)(b).– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Income or profits on sale or transfer of assets used for business or profession in respect of which depreciation is allowable under the Third Schedule, shall not be treated as capital gains. Instead such profits or gains are now chargeable to tax under the head "Income from business or profession" in accordance with the provisions of Rule 7 of the Third Schedule."

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(5) Notwithstanding anything contained in this Ordinance, where a person sustains a loss on disposal of securities in a tax year, the loss shall be set off only against the gain of the person from any other securities chargeable to tax under this section and no loss shall be carried forward to the subsequent tax year.]

[1][Provided that so much of the loss sustained on disposal of securities in tax year 2019 and onwards that has not been set off against the gain of the person from disposal of securities chargeable to tax under this section shall be carried forward to the following tax year and set off only against the gain of the person from disposal of securities chargeable to tax under this section, but no such loss shall be carried forward to more than three tax years immediately succeeding the tax year for which the loss was first computed.]

[2][(6) To carry out purpose of this section, the Board may prescribe rules.]

38. Deduction of losses in computing the amount chargeable under the head "Capital Gains".– (1) Subject to this Ordinance, in computing the amount of a person chargeable to tax under the head "Capital Gains" for a tax year, a deduction shall be allowed for any loss on the disposal of a capital asset by the person in the year.

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[1]Proviso inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.
[2]Sub-section (6) inserted by Finance Act, 2021 dated June 30, 2021.

S. 37A Tax on Capital gains on Disposal of Securities.- Following is an extract from FBR's Circular No. 10, dated July 16, 2010:-

"On expiry of exemption on tax on capital gains, capital gains arising on disposal of securities has been made chargeable to capital gains tax through newly introduced section 37A:-

"Securities"

For the purposes of capital gain tax (CGT), "securities" mean share of a public company, voucher of Pakistan Telecommunication Corporation, Modaraba Certificate, an instrument of redeemable capital and derivative products.

Date of chargeability of CGT.

Capital gain tax shall be chargeable on capital gain arising from securities disposed off on or after 1st July 2010.

Charge of CGT according to the holding period.

Capital gain tax shall not be chargeable on disposal of securities which are held for a period of more than one year.

Holding period.

Holding period of securities shall be calculated from the date of acquisition (whether before or after the thirtieth day of June, 2010) to the date of disposal of such security falling after 30th June 2010.

Adjustment of losses.

Adjustment of losses on disposal of securities in a tax year shall be adjustable only against the gain from disposal of any other securities and such loss shall not be carried forward to a subsequent tax year.

Capital gains – a separate block of income.

Capital gains on disposal of securities shall be taxed as a **separate block of income** and shall be charged on capital gain arising to securities holders **irrespective of taxpayer's tax (exemption) status**.

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(2) No loss shall be deducted under this section on the disposal of a capital asset where a gain on the disposal of such asset would not be chargeable to tax.

(3) The loss arising on the disposal of a capital asset by a person shall be computed in accordance with the following formula, namely:–

$$A - B$$

where–

A is the cost of the asset; and

B is the consideration received by the person on disposal of the asset.

(4) The provisions of sub-section (4) of section 37 shall apply in determining component **A** of the formula in sub-section (3).

CGT on banking company and on insurance company.

Provision of section 37AA are not applicable to an insurance company and a banking company as CGT in these cases is governed under the provisions of Fourth Schedule and the Seventh Schedule to the Income Tax Ordinance 2001, respectively.

CGT by Collective Investment Scheme/Mutual Fund.

A new proviso has been inserted under clause (103) Part-I of the Second Schedule to the Income Tax Ordinance, 2001whereby exemption from CGT available to a collective investment scheme registered with SECP/mutual fund has been restricted only to the investment by such schemes/funds which are debt or money market funds. Thus CGT is now chargeable on the unit holders of such schemes/funds at the time of redemption of a security by the unit holder and a collective investment scheme/mutual fund shall be responsible to deduct tax (at the prescribed CGT rates as given below) on redemption of securities. Such tax shall be adjustable against the overall CGT liability, and tax so deducted shall be payable to the relevant Commissioner Inland Revenue within seven days of its deduction.

CGT Rates.

The rate of capital gain tax under section 37A as specified in Division VII of Part I of the First Schedule to the Income Tax Ordinance, 2001 are as under:-

S. No.	Period	Tax Year	Rate of Tax
(i)	Where holding period of a security is less than six months.	2011 2012 2013 2014 2015	10% 10% 12.5% 15% 17.5%
(ii)	Where holding period of a security is more than six months but less than twelve months.	2011 2012 2013 2014 2015 2016	7.5% 8% 8.5% 9% 9.5% 10%
(iii)	Where holding period of a security is more than one year.	--	0%

Capital Gains Tax payable by the Insurance companies:

Rules (6B) and (6C) have been introduced under the FOURTH SCHEDULE to the Income Tax Ordinance, 2001, for levy of CGT on disposal of securities by Insurance Companies. “Securities” shall have the same meaning as defined under Section 37A.

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(5) No loss shall be recognised under this Ordinance on the disposal of the following capital assets, namely:–

(a) A painting, sculpture, drawing or other work of art;

(b) jewellery;

(c) a rare manuscript, folio or book;

(d) a postage stamp or first day cover;

(e) a coin or medallion; or

(f) an antique.

CGT on Insurance Companies is chargeable at the following rates:

Tax year	Where withholding period of securities is less than six months	Where withholding period of securities is more than six months but less than twelve months
2011	10.0%	8.0%
2012	12.5%	8.5%
2013	15.0%	9.0%
2014	17.5%	9.5%
2015	17.5%	10.0%

No CGT shall be chargeable on disposal of securities held for a period of more than one year by an insurance company.

Loss on disposal of securities sustained in a tax year shall be set off only against the gain from any other securities chargeable to tax in the hands of such insurance company.

No loss shall be carried forward to the subsequent tax year.

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PART VI

HEAD OF INCOME: INCOME FROM OTHER SOURCES

39. Income from *other sources.– (1) Income of every kind received by a person in a tax year, [1][if it is not included in any other head,] other than income exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Income from Other Sources", including the following namely:–

(a) [2][dividend];

(b) [3][royalty];

(c) profit on debt;

[4][(cc) additional payment on delayed refund under any tax law;]

(d) ground rent;

(e) rent from the sub-lease of land or a building;

(f) income from the lease of any building together with plant or machinery;

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[1]Words and comma inserted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "Dividends" by Finance Ordinance, 2002 dated June 15, 2002.
[3]Substituted for "royalties" by Finance Ordinance, 2002 dated June 15, 2002.
[4]Clause (cc) inserted by Finance Act, 2012 dated June 26, 2012.

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*should have been substituted by "Other Sources" consequent to amendment of section 11.

S. 39(1)(a)–Dividend income.– This is taxable on presumptive basis u/s 5 as also mentioned in section 39(5). The specific mention of "dividend" in section 39(1) as includible in "income from other sources" is misleading.

Interest on capital borrowed for acquiring shares. Following is an extract from CBR's Circular No. 10 of 1967, dated August 1, 1967, explaining corresponding provisions of the repealed Act, 1922:–

"The Tribunal has held that in cases where shares were acquired with borrowed capital and it was proved to the satisfaction of the Income Tax Authorities that the capital borrowed could be co-related to the specific investment, the interest paid on borrowed capital becomes an admissible expense under the provisions of section 12(2) of the Income Tax Act. By payment of this interest the cost of the investment is in no way increased. Interest paid cannot, therefore, be treated as a capital expense. If the capital is borrowed for investments and the specific investments thus acquired generate income in the shape of dividends, a liability of interest is to be met out of dividends. There is, therefore, an immediate connection between the earnings of the dividends and the payments of the interest.

In such circumstances the Board is also of the view that the interest paid on capital is an admissible expense and should be allowed to the assessees irrespective of the fact whether dividends were received or not in any year."

Cl. (cc)-Additional Payment For Delayed Refunds.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"A new clause has been inserted in Section 39 by which additional payments received on delayed issuance of refunds under any tax law have been included in the definition of "Income from other Source".

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[1][(fa) income from provision of amenities, utilities or any other service connected with renting of building;]

(g) any annuity or pension;

(h) any prize bond, or winnings from a raffle, lottery [2][, prize on winning a quiz, prize offered by companies for promotion of sale] or cross-word puzzle;

(i) any other amount received as consideration for the provision, use or exploitation of property, including from the grant of a right to explore for, or exploit, natural resources;

(j) the fair market value of any benefit, whether convertible to money or not, received in connection with the provision, use or exploitation of property; [3][ ]

(k) any amount received by a person as consideration for vacating the possession of a building or part thereof, reduced by any amount paid by the person to acquire possession of such building or part thereof [4]*[*; *[ ]]*

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[1]Clause (fa) inserted by Finance Act, 2003, dated June 17, 2003.
[2]Commas and words inserted by Finance Act, 2003, dated June 17, 2003.
[3]Word "and" omitted by Finance Act, 2014 dated June 26, 2014.
[4]Word "and" omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was substituted for full stop by Finance Act, 2017 dated May 23, 2018.

S. 39(1)(f)–Rental from factory.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Income from the hire of machinery, plant or furniture belonging to an assessee and also of building belonging to him if the letting of the building is inseparable from the letting of the said machinery, plant or furniture is chargeable to tax under the head "Income from other sources" [Section 30(2)(d)]. However, depreciation in respect of such building, machinery, plant or furniture is not a deductible expense under Section 31. Under the repealed Act, depreciation on such assets was a deductible expense. As a matter of concession, a notification under Section 167 is being issued by virtue of which such plant and machinery will be eligible for depreciation allowance in respect of assessment for assessment year 1979-80."

The above referred Notification No. SRO 751(I)/79, dated August 23, 1979 issued u/s 167 added a new clause (c) to sub-section (1). This amendment was later incorporated in the Finance Ordinance, 1980 with the effect that the allowance is available also for the assessment years subsequent to 1979-80.

S. 39(1)(h)–Prize winning in quiz and prizes relating to promotion of sales.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Section 39(1)(h) has been amended to include prize on winning a quiz or prize offered for promotion of sales to be chargeable to tax under the head "Income from Other Sources". Where the prize is not paid in cash amendment has been made in section 68, by adding sub-section (3) providing for the determination of fair market value of the prize by the Commissioner. As per amended section 156 the tax withheld @ 10% on the amount of prize on winning a quiz or prize offered for promotion of sales or fair market value thereof as the case may, would constitute the final discharge of tax liability."

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[1][(l) any amount received by a person from Approved Income Payment Plan or Approved Annuity Plan under Voluntary Pension System Rules, 2005 [2]*[*;[2]*[ ]]*]

[3][(la) subject to sub-section (3), any amount or fair market value of any property received without consideration or received as gift, other than gift received from [4][relative as defined in sub-section (5) of section 85] [5]*[*; and*]*.]

[6][(lb) income arising to the shareholder of a company, from the issuance of bonus shares;]

[7][ ]

(2) Where a person receives an amount referred to in clause (k) of sub-section (1), the amount shall be chargeable to tax under the head "Income from Other Sources" in the tax year in which it was received and the following nine tax years in equal proportion.

(3) Subject to sub-section (4), any amount received as a loan, advance, deposit [8][for issuance of shares] or gift by a person in [9][a tax year] from another person (not being a banking company or financial institution) otherwise than by a crossed cheque drawn on a bank or through a banking channel [10][or through digital means as defined in section 2] from a person holding a National Tax Number [11][ ] shall be treated as income chargeable to tax under the head "Income from Other Sources" for the tax year in which it was received.

(4) Sub-section (3) shall not apply to an advance payment for the sale of goods or supply of services.

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[1]Clause (I) inserted by Finance Act, 2005 dated June 29, 2005.
[2]Word "and" omitted by Finance Act, 2023 dated June 26, 2023. Earlier it was substituted for full stop by Finance Act, 2019 dated June 30, 2019, was substituted for "and" by Finance Act, 2018 dated May 23, 2018 and was inserted by Finance Act, 2014 dated June 26, 2014.
[3]Clause (la) inserted by Finance Act, 2019 dated June 30, 2019.
[4]Substituted for "grandparents, parents, spouse, brother, sister, son or a daughter" by Finance Act, 2021 dated June 30, 2021.
[5]Word "; and" inserted by Finance Act, 2023 dated June 26, 2023.
[6]Clause (lb) inserted by Finance Act, 2023 dated June 26, 2023.
[7]Clause (m) omitted by Finance Act, 2018 dated May 23, 2018. Earlier it was inserted by Finance Act, 2014 dated June 26, 2014.
[8]Words inserted by Finance Act, 2003, dated June 17, 2003.
[9]Substituted for "an income year" by Finance Ordinance, 2002 dated June 15, 2002.
[10]Words inserted by Finance Act, 2025 in force from July 1, 2025.
[11]Word "Card" omitted by Finance Act, 2006 dated July 01, 2006.

S. 39(1)(m)–Omission.– Before omission by Finance Act, 2018, it read as follows:-

"(m) income arising to the shareholder of a company, from the issuance of bonus shares."

S. 39(2)–Pugree received by a tenant.– Following is an extract from Circular No. 15 of 1980, dated June 26, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"(a) Similarly, any 'pugree' or any amount received by a tenant from an owner or a subsequent tenant for vacating the possession of a property as reduced by the amount of 'pugree' paid by him for obtaining the possession, shall be deemed to be income of the tenant chargeable under Section 30 in the year of receipt and the nine subsequent years in equal parts.

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(b) Where any tenant received any pugree from succeeding tenant or the owner for vacating possession of a property during the past ten years, the amount of such pugree as reduced by the amount of any pugree paid by him for obtaining possession of such premises shall be similarly spread over 10 years. However, only the amounts falling in assessment year 1980-81 and the subsequent years, out of said 10 years shall be chargeable to tax."

S. 39–Taxation of gift.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Data analysis of Income Tax Returns filed in previous years show that huge amount of non recurring receipts from un-related persons are transferred in the garb of gifts to avoid incidence of taxation. In order to discourage this practice of undisclosed receipts, section 39 has been amended through the Finance Act, 2019 to include any amount or fair market value of any property received without consideration or received as a gift in income under the head, "Income from other sources". However, gift received from grandparents, parents, spouse, brother, sister, son or a daughter shall not be included in such income. The new provision is subject to sub-section (3) of section 39 which states that an amount received by a person otherwise than by a cross cheque drawn on a bank or through a banking channel from a person holding a National Tax Number shall be treated as income chargeable to tax under the head "Income from other sources"' This means that gift received by a person is chargeable to tax if gift is not received from grandparents, parents, spouse, brother, sister, son or a daughter of the recipient. However, even if cash gift is received from the relations mentioned above but the same has not been received through cross cheque or banking channel, as the case may be, the amount of gift will still be added in income chargeable to tax under the head, "Income from other sources"."

S. 39(3)–Treatment of certain loans, advances and gifts as deemed income.– Following is an extract from CBR's Circular No. 11 of 1998 dated July 25, 1998, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Under sub-section (18) of section 12, any loan of Rs. 100,000 or more was deemed to be the income of recipient, if it was received otherwise than through a crossed cheque. This provision has been amended and now all loans, advances and gifts shall be deemed to be the income of an assessee if these are not transacted through a crossed cheque or a banking channel from a person holding a NTN.

This change in law, shall be applicable in respect of loans/advances and gifts which are made on or after 1st July, 1998."

Following is an extract from Circular No. 6 of 1987 dated July 5, 1987, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A new Sub-section (18) has been introduced in Section 12 which provides for treatment of certain loans as deemed income for tax purposes. It stipulates that in case an assessee claims, or shows, any amount as having been received by him as loan(s) during any income year commencing on or after the 1st July, 1987, from any person (other than a banking company, or a financial institution notified by the Central Board of Revenue for this purpose), the amount of such loan(s) shall be deemed to be income of the assessee for the said income year, if:–

(i) the total amount of loan or loans received in the income year exceeds Rs. 50,000; and

(ii) the said amount is not received through crossed bank cheque(s).

It may, however, be clarified that these provisions would apply only in respect of loans which are shown, or claimed, to have been received during any income year commencing on or after the 1st July, 1987.

The proviso to the said sub-section implies that if the assessee claims, or shows, the said loan(s) for explaining any asset, investment, expenditure etc. relating to an income year the assessment in respect of which stands completed, the deemed income under Sub-Section (18) of Section 12 shall be treated as income of the income year which relates to the assessment year in which such assets, investment, expenditure etc. was discovered."

Following is an extract from CBR's Circular No. 6 of 1990 dated July 15, 1990:–

"This sub-section which was initially inserted by the Finance Act, 1987 where the limit was Rs.50,000 was held in abeyance by virtue of clause (7) of Part IV of the Second Schedule to the Ordinance. The said clause (7) has also been amended so as to make the provisions of section 12(18) operative for cash loans received on or after July 1, 1990."

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Relief to genuine transactions.– Following is the text of CBR's Circular No. 3 of 1992 dated January 27, 1992, explaining the corresponding provisions of the I. T. Ordinance, 1979:–

"It has been brought to the notice of the Board that genuine loans shown to have been received from identifiable persons through the banking channels are being deemed to be the income of the assessees under sub-section (18) of section 12 of the Income Tax Ordinance, 1979, merely on the ground that the amount of such loans has not been received through crossed bank cheques.

2. The matter has been considered in the Board. Since the basic purpose of the aforesaid provision of law is to be check fictitious loans and to preclude back-dated introduction of creditors in the books of accounts, assessing officers should not invoke the provisions of section 12(18) in respect of genuine loans received by way of crossed cheques, pay orders, demand drafts or telegraphic transfers etc. through the banking channels.

3. In any case, where the nature and source of the amount of money is not satisfactorily explained, addition to the income of the assessee can still be made under section 13, notwithstanding the claim that any loan was received through crossed bank cheque, pay order, demand draft, telegraphic transfer or any other instrument."

Following is the text of Circular No. 11 of 1992 dated May 4, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been represented that genuine loans shown to have been received from identifiable persons through bearer cheques encashed by the borrowers from the banks on which these are drawn should not be deemed to be the income of the assessees under sub-section (18) of section 12 of the Income Tax Ordinance, 1979.

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2. In view of the fact that encashment of the aforesaid bearer cheques clearly establish the date of the credit and the name of the borrower and genuineness of the loans can be verified, it has been decided that the provisions of section 12(18) shall not be invoked in respect of such loans received by way of bearer cheques for the current assessments which are pending for want of clarification on this issue.

3. This issues in continuation of Board's Circular No. 3 of 1992 dated the 27th January, 1992."

Following is the text of CBR's Circular No. 12 of 1992, dated May 19, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been represented that cash deposits in the account books maintained in the names of directors of the company or partners of the firm, which are otherwise genuine and verifiable, should not be treated as deemed income of the assessee under sub-section (18) of section 12 of the Income Tax Ordinance, 1979. Similarly, cash transactions/cash flow between sister companies and firms having common directors and partners should not fall within the ambit of section 12(18) of the Ordinance because these amounts are for self-utilisation of funds already available in the possession of sister concerns.

2. The matter has been considered in the Board and it has been decided that although such amounts attract the provisions of section 12(18) yet in view of the general lack of awareness of this provision on the part of the tax payers, the provisions of section 12(18) shall not be invoked for the assessment year 1991-92 in respect of cash deposits and transactions referred to in paragraph 1 above.

3. It is also clarified that where any sum of loan is deemed to be the income of an assessee u/s 12(18), it is only the peak credit of the lender which is to be taken as deemed income of the assessee and not the aggregate of all sums of loan received during the relevant income year.

4. This issues in continuation of Board's Circular No. 11 of 1992, dated the 4th May, 1992."

Following is the text of CBR's Circular No. 1 of 1993 dated January 11, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Circular No. 11 and 12 of 1992 (Income Tax) dated 4 May and 19 May, 1992 exempted from the provisions of section 12(18) for the assessment year 1991-92 the loans through bearer cheques, cash deposits by directors and partners in the books of the company and the firm respectively, and cash transactions between sister companies and firms.

2. It has been pointed out to the Board that persons having calendar year as their income year would not be able to benefit from this concession in respect of such loans in their books which were repaid prior to 30 June, 1991 as those would fall in their case in assessment year 1992-93.

3. The matter has been considered in the Board. It is clarified that the contents of Circulars 11 and 12 of 1992 shall be applicable in respect of transactions referred to in these circulars (No. 11 and 12) undertaken during the financial year ending on 30th June, 1991 irrespective of the assessment year of the tax payer."

Transactions with Finance Society.– Following is an extract from CBR's Letter No. 4(93)TP-1/90, Pt., dated February 12, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to say that 'finance society' is defined in Section 2(21A) to include a cooperative society which accepts money on deposit or otherwise for the purposes of advancing loans or making investments in the ordinary course of business. It is different from a banking company or a notified financial institution referred to in sub-section (18) of Section 12. Cash loans claimed to have been received from finance societies will therefore be hit by the provisions of Section 12(18). However, treatment of genuine loans will be in accordance with CBR's Circular No. 3 of 1992 dated 27th January, 1992."

Following is the text of CBR's Letter C. No. 4(13)TP-I/92 dated September 13, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

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[1][(4A) Where –

(a) any profit on debt derived from investment in National Savings Deposit Certificates including Defence Savings Certificate paid to a person in arrears or the amount received includes profit chargeable to tax in the tax year or years preceding the tax year in which it is received; and

(b) as a result the person is chargeable at higher rate of tax than would have been applicable if the profit had been paid to the person in the tax year to which it relates,

the person may, by notice in writing to the Commissioner, elect for the profit to be taxed at the rate of tax that would have been applicable if the profit had been paid to the person in the tax year to which it relates.

(4B) An election under sub-section (4A) shall be made by the due date for furnishing the person's return of income for the tax year in which the amount was received or by such later date as the Commissioner may allow by an order in writing.]

(5) This section shall not apply to any income received by a person in a tax year that is chargeable to tax under any other head of income or subject to tax under section [2][5, 5AA, 6, 7 or 7B].

[3][ ]

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[1]Sub-sections (4A) and (4B) inserted by Finance Act, 2003 dated June 17, 2003.
[2]Substituted for "5, 6 or 7" by Finance Act, 2021 dated June 30, 2021.
[3]Sub-section (6) omitted by Finance Ordinance, 2002 dated June 15, 2002.

"It has been brought to the knowledge of the Central Board of Revenue that the Income Tax Authorities have invoked the provisions of sub-section (18) of section 12 of the Income Tax Ordinance 1979, in case of loans from Finance Companies & Co-operative Societies, treating them as transactions through non-banking channels.

2. It has been contended that the Co-operative Societies/Finance Companies are identifiable persons maintaining regular record of all transactions, hence the loans received from them be considered as genuine and no action should be taken under section 12(18) of the Income Tax Ordinance, 1979.

3. The matter has been considered in the Board and it is clarified that provisions of section 12(18) of Income Tax Ordinance may not be invoked in case the Co-operative Societies/Finance Companies which are clearly identifiable, have regular accounts and the loans from them is received through normal banking channels."

S. 39(4A)–Accumulated profits on maturity of National Saving Certificates– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"At present profits are taxed in the year of receipt which caused hardship especially in the case of National Saving Certificates etc. where accumulated profits on maturity were to be taxed attracting invariably higher rate of tax. A new sub-section (4A) to section 39 has been added in the Income Tax Ordinance 2001 whereby the taxpayer may opt to get the Profit on debt in respect of investment made in National Savings Deposit Certificates including Defence Savings Certificate on or after July 1, 2001 to be taxed at the rate of tax applicable to the tax year to which the profit relates or when such profit accrued."

S. 39(6)–Omission.– Before omission by Finance Ordinance, 2002, read as follows:–

"(6) Expenditure is of a capital nature if it has a normal useful life of more than one year."

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40. Deductions in computing income chargeable under the head "Income from Other Sources".– (1) Subject to this Ordinance, in computing the income of a person chargeable to tax under the head "Income from Other Sources" for a tax year, a deduction shall be allowed for any expenditure paid by the person in the year to the extent to which the expenditure is paid in deriving income chargeable to tax under that head, other than expenditure of a capital nature.

(2) A person receiving any profit on debt chargeable to tax under the head "Income from Other Sources" shall be allowed a deduction for any Zakat paid by the person [1][ ] under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), at the time the profit is paid to the person.

(3) A person receiving income referred to in clause [2][ ] (f) of sub-section (1) of section 39 chargeable to tax under the head "Income from Other Sources" shall be allowed –

(a) a deduction for the depreciation of any plant, machinery or building used to derive that income in accordance with section 22; and

(b) an initial allowance for any plant or machinery used to derive that income in accordance with section 23.

(4) No deduction shall be allowed to a person under this section to the extent that the expenditure is deductible in computing the income of the person under another head of income.

(5) The provisions of section 21 shall apply in determining the deductions allowed to a person under this section in the same manner as they apply in determining the deductions allowed in computing the income of the person chargeable to tax under the head "Income from Business".

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[1]Words "on the profit" omitted by Finance Act, 2003, dated June 17, 2003.
[2]Brackets, letter and word "(e) or" omitted by Finance Act, 2003, dated June 17, 2003.

S. 40–Deductions against Income from Other Sources.– Following are extracts from Circular No. 14 of 1989 dated November 6, 1989, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"(3) The aforesaid dividend income shall continue to be computed as income from other sources under section 30 by allowing deductions under section 31(1)(a)&(b) of the Income Tax Ordinance, 1979, namely:–

(a) any sum paid by way of commission to a banking company realising such dividends on behalf of the assessee.

(b) any expenditure (not being in the nature of capital expenditure or personal expenses of the assessee) laid out or expended wholly and exclusively for the purpose of earning such income."

"(5) Zakat and Wealth-tax are admissible deductions against total income. If the total income consists of the aforesaid dividend income only, then Zakat deducted and Wealth-tax paid against such dividend income may also be allowed as a deduction in addition to the deductions mentioned at (3) above."

[1][(6) Expenditure is of a capital nature if it has a normal useful life of more than one year.]

PART VII

EXEMPTIONS AND TAX CONCESSIONS

41. Agricultural income.– (1) Agricultural income derived by a person shall be exempt from tax under this Ordinance.

(2) In this section, "agricultural income" means,–

(a) any rent or revenue derived by a person from land which is situated in Pakistan and is used for agricultural purposes;

(b) any income derived by a person from land situated in Pakistan from –

(i) agriculture;

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[1]Sub-section (6) inserted by Finance Ordinance, 2002 dated June 15, 2002.

S. 41(2)–Agricultural income.– Please see Item 47 of Part I of the Fourth Schedule to the Constitution precluding federal legislature from levying tax on agricultural income.

No clubbing of agricultural income for rate purposes.– Following is the text of CBR's Circular Letter No. F.4(48)ITP/2002, dated September 20, 2002:–

"The undersigned is directed to refer to your letter dated nil on the above subject and to clarify that agricultural income of a person who has no other source of income except agriculture is exempt from Federal Taxation. The First Schedule of Income Tax Ordinance, 2001 is operative w.e.f. July 1, 2002, thereby separate tax rates have been provided for individual taxpayers who have income from business as well as agriculture, which is liable to tax under the laws of any province of Pakistan and such income exceeds Rs. 80,000/-. The objective was that such a taxpayer should not be entitled to double exemption of basic threshold i.e. Rs. 80,000 under provincial tax laws as well as federal income tax law. The provision[*] of clause (1) of Part I of Second Schedule of the repealed Ordinance are no more applicable w.e.f. July 1, 2002. Thus, agricultural income is not includible for rate purposes under any provision of the Income Tax Ordinance, 2001."

Dairy Farms etc.– Income from dairy-farms, stud-farms, cattle-farms etc., is not agricultural income as explained in Circular No. 6 of 1958, dated April 28, 1958 an extract wherefrom is as follows:–

"Income from all dairy-farms, cattle-farms, stud-farms and poultry farms which are run on commercial lines should be assessed to tax. No distinction should be made between the farms where animals and birds are stall-fed and farms where the animals and birds are fed on agricultural produce, raised or received by the person who carries on business of animal husbandry or dairy-farming."

Income from forests.– Taxability or otherwise of forests of spontaneous growth was controversially considered in CBR's Circulars No. 9-ITP of 1950 and 6 of 1958. However, finally, through Circular No. 2 of 1966, dated May 6, 1966, instructions were issued that income from all those forests should be taxed which "do not involve the application of human labour and skill in the shape of ploughing the soil, manuring it and planting the trees etc." as "they have a spontaneous growth even if weeding and care etc. of trees have been performed which do not constitute agricultural process."

Income which is partially agricultural.– Please see Rule 12 of the Income Tax Rules, 2002.

[*]should have been "provisions".

(ii) the performance by a cultivator or receiver of rent-in-kind of any process ordinarily employed by such person to render the produce raised or received by the person fit to be taken to market; or

(iii) the sale by a cultivator or receiver of rent-in-kind of the produce raised or received by such person, in respect of which no process has been performed other than a process of the nature described in sub-clause (ii); or

(c) any income derived by a person from –

(i) any building owned and occupied by the receiver of the rent or revenue of any land described in clause (a) or (b);

(ii) any building occupied by the cultivator, or the receiver of rent-in-kind, of any land in respect of which, or the produce of which, any operation specified in sub-clauses (ii) or (iii) of clause (b) is carried on,

but only where the building is on, or in the immediate vicinity of the land and is a building which the receiver of the rent or revenue, or the cultivator, or the receiver of the rent-in-kind by reason of the person's connection with the land, requires as a dwelling-house, a store-house, or other out-building.

42. Diplomatic and United Nations exemptions.– (1) The income of an individual entitled to privileges under the Diplomatic and Consular Privileges Act, 1972 (IX of 1972) shall be exempt from tax under this Ordinance to the extent provided for in that Act.

(2) The income of an individual entitled to privileges under the United Nations (Privileges and Immunities) Act, 1948 (XX of 1948), shall be exempt from tax under this Ordinance to the extent provided for in that Act.

(3) Any pension received by a person, being a citizen of Pakistan, by virtue of the person's former employment in the United Nations or its specialised agencies (including the International Court of Justice) provided the person's salary from such employment was exempt under this Ordinance.

43. Foreign government officials.– Any salary received by an employee of a foreign government as remuneration for services rendered to such government shall be exempt from tax under this Ordinance provided–

(a) the employee is a citizen of the foreign country and not a citizen of Pakistan;

(b) the services performed by the employee are of a character similar to those performed by employees of the Federal Government in foreign countries; [1][and]

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[1]Word inserted by Finance Ordinance, 2002 dated June 15, 2002.

(c) the foreign government grants a similar exemption to employees of the Federal Government performing similar services in such foreign country [1][.]

[2][ ]

44. Exemptions under international agreements.– (1) Any Pakistan-source income which Pakistan is not permitted to tax under a tax treaty shall be exempt from tax under this Ordinance.

(2) Any salary received by an individual (not being a citizen of Pakistan) shall be exempt from tax under this Ordinance to the extent provided for in an Aid Agreement between the Federal Government and a foreign government or public international organisation, where–

(a) the individual is either [3][not a resident] individual or a resident individual solely by reason of the performance of services under the Aid Agreement;

(b) if the Aid Agreement is with a foreign country, the individual is a citizen of that country; and

(c) the salary is paid by the foreign government or public international organisation out of funds or grants released as aid to Pakistan in pursuance of such Agreement.

(3) Any income received by [4][any person] engaged as a contractor, consultant, or expert on a project in Pakistan shall be exempt from tax under this Ordinance to the extent provided for in a bilateral or multilateral [5][ ] agreement between the Federal Government and a foreign government or public international organisation, where–

(a) the project is financed out of grant funds in accordance with the agreement;

(b) the person is either a non-resident person or a resident person solely by reason of the performance of services under the agreement; and

(c) the income is paid out of the funds of the grant in pursuance of the agreement.

[6][(4) Federal Government may, in respect of an official development assistance financed loans and grants-in-aid, subject to such conditions and limitations as it may specify, exempt income of any person on a case to case basis through a notification in the official Gazette.]

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[1]Full stop substituted for "; and" by Finance Ordinance, 2002 dated June 15, 2002.
[2]Clause (d) omitted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Substituted for "a non-resident" by Finance Act, 2003 dated June 17, 2003.
[4]Substituted for "a person (not being a citizen of Pakistan)" by Finance Act, 2022 dated June 30, 2022.
[5]Words "technical assistance" omitted by Finance Act, 2022 dated June 30, 2022.
[6]Sub-section (4) inserted by Finance Act, 2022 dated June 30, 2022.

S. 43–Foreign government officials, substitution of clause (d).– Clause (d) before omission by Finance Ordinance, 2002, read as follows:–

"(d) the income is subject to tax in that foreign country."

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[1][**44A. Exemption under Foreign Investment (Promotion and Protection) Act, 2022 (XXXV of 2022)**.– (1) Taxes on income (including capital gains), advance tax, withholding taxes, minimum and final taxes under this Ordinance shall, for the period and to the extent provided in the Second and Third Schedules to the Foreign Investment (Promotion and Protection) Act, 2022 (XXXV of 2022) in respect of qualified investment as specified at Sr. No.1 of the First Schedule to the said Act or investors, be exempt or subject to tax at the rate and in the manner specified under the said Act.

(2) All investors and shareholders of the qualified investment, their associates and companies specified in the Second and Third Schedules to the said Act including third party lenders on account of any loan shall also be exempt from taxes and other provisions of this Ordinance or subject to tax at the rate and in the manner specified under the said Act for the period and to the extent provided in the Second and Third Schedules to the said Act.

(3) Provisions of this Ordinance relating to Anti-Avoidance, for the period and to the extent specified in the said Act including sections 106, 106A, 108, 109 and 109A, shall not apply to the persons and amounts mentioned in sub-sections (1) and (2).

(4) Rates of depreciation, initial allowance and pre-commencement expenditure under sections 22, 23 and 25 as on the 20th day of March, 2022 shall continue to be applicable for thirty years as provided in the Third Schedule to the said Act in respect of persons mentioned in sub-sections (1) and (2).

(5) For the purpose of this section, the terms defined under the Second and Third Schedules to the said Act shall apply *mutatis mutandis* to this Ordinance.]

45. President's honours.– (1) Any allowance attached to any Honour, Award, or Medal awarded to a person by the President of Pakistan shall be exempt from tax under this Ordinance.

(2) Any monetary award granted to a person by the President of Pakistan shall be exempt from tax under this Ordinance.

46. Profit on debt.– Any profit received by a non-resident person on a security issued by a resident person shall be exempt from tax under this Ordinance where–

(a) the persons are not associates;

(b) the security was widely issued by the resident person outside Pakistan for the purposes of raising a loan outside Pakistan for use in a business carried on by the person in Pakistan;

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[1]Section 44A inserted by Finance Act, 2023 dated June 26, 2023.

(c) the profit was paid outside Pakistan; and

(d) the security is approved by the [1][Board] for the purposes of this section.

47. Scholarships.– Any scholarship granted to a person to meet the cost of the person's education shall be exempt from tax under this Ordinance, other than where the scholarship is paid directly or indirectly by an associate.

48. Support payments under an agreement to live apart.– [2][Any income received by a spouse as support payment under an agreement to live apart] shall be exempt from tax under this Ordinance.

49. Federal [3][Government,] Provincial Government and [4][Local Government] income.– (1) The income of the Federal Government shall be exempt from tax under this Ordinance.

(2) The income of a Provincial Government or a [3][Local Government] in Pakistan shall be exempt from tax under this Ordinance, other than income chargeable under the head "Income from Business" derived by a Provincial Government or [3][Local Government] from a business carried on outside its jurisdictional area.

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[1]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.
[2]Substituted for "Any support payment received by a spouse under an agreement to live apart" by Finance Ordinance, 2002 dated June 15, 2002.
[3]Substituted for "and" by Finance Act, 2009 dated June 30, 2009.
[4]Substituted for "local authority" by Finance Act, 2008 dated June 27, 2008.

S. 49-Substitution Of The Term "Local Authority" With The Term "Local Government" In The Income Tax Ordinance, 2001. Following is the extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"Section 49 of the Ordinance, exempt income of Federal Government, Provincial Government and Local Authority from income tax. The term "Local Authority" was not defined in the Ordinance, due to which some organizations like National Highway Authority, Port Qasim Authority etc. tried to stretch the definition given in the General Clauses Act to avail exemption. The intention of the legislature was to provide exemption to a Municipal Committee, District and Tehsil Government etc. alongwith Federal Government, Provincial Government.

5.1 In order to bring clarity and avoid misinterpretation of the provision, the relevant provisions of the Ordinance have been amended, substituting the term "Local Authority" by the term "Local Government" so that, exemption is applicable as intended by the legislature. This would be in line with Article 165A of the Constitution as already stated in sub-section (4) of section 49."

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[1][(3) Subject to sub-section (2), any payment received by the Federal Government, a Provincial Government or a [2][Local Government] shall not be liable to any collection or deduction of advance tax.]

[3][(4) Exemption under this section shall not be available in the case of corporation, company, a regulatory authority, a development authority, other body or institution established by or under a Federal law or a Provincial law or an existing law or a corporation, company a regulatory authority, a development authority or other body or institution set up, owned and controlled, either directly or indirectly, by the Federal Government or a Provincial Government, regardless of the ultimate destination of such income as laid down in Article 165A of the Constitution of the Islamic Republic of Pakistan [4]*[:]*.]

[4][Provided that the income from sale of spectrum licenses [5][and renewal thereof] by Pakistan Telecommunication Authority on behalf of the Federal Government after the first day of March 2014 shall be treated as income of the Federal Government and not of the Pakistan Telecommunication Authority.]

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[1]Sub-Section (3) inserted by Finance Act, 2006 dated July 01, 2006.
[2]Substituted for "local authority" by Finance Act, 2008 dated June 27, 2008.
[3]Sub-section (4) inserted by Finance Act, 2007 dated June 30, 2007.
[4]Substituted for full stop and Proviso inserted by Finance Act, 2014 dated June 26, 2014.
[5]Words inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

S. 49-Govt. income.-Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Regulatory authorities and development entities are liable to income tax. These authorities are covered by the definition of "company" given under Income Tax Ordinance but some of these entities have gone into litigation on the issue of taxability

In view of above a clarificatory amendment has been made in the law by adding a new sub-section to section 49, which specifically prescribes that income of a –

(i) corporation;
(ii) company;
(iii) regulatory authority;
(iv) other body; or
(v) institution;

established by or under a Federal law or a Provincial law or an existing law and setup, owned and controlled;

(a) either directly; or
(b) indirectly;

by the Federal Government or a Provincial Government, is chargeable to tax. Further the ultimate destination of such income is not a bar for the purpose of chargeability of tax as laid down in Article 165A of the Constitution of Islamic Republic of Pakistan."

S. 49-Exemption from withholding tax to payments received by governments etc.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"The provisions of section 49 provide exemption to the income of the –

(i) Federal Government;
(ii) a Provincial Government; or
(iii) a local authority.

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50. Foreign-source income of short-term resident individuals.– (1) Subject to sub-section (2), the foreign-source income of an individual [1][ ]–

(a) who is a resident individual solely by reason of the individual's employment; and

(b) who is present in Pakistan for a period or periods not exceeding three years,

shall be exempt from tax under this Ordinance.

(2) This section shall not apply to–

(a) any income derived from a business of the person established in Pakistan; or

(b) any foreign-source income brought into or received in Pakistan by the person.

51. Foreign-source income of returning expatriates.– [2][(1)] Any foreign-source income derived by a citizen of Pakistan in a tax year who was not a resident individual in any of the four tax years preceding the tax year in which the individual became a resident shall be exempt from tax under this Ordinance in the tax year in which the individual became a resident individual and in the following tax year.

[3][(2) Where a citizen of Pakistan leaves Pakistan during a tax year and remains abroad during that tax year, any income chargeable under the head "Salary" earned by him outside Pakistan during that year shall be exempt from tax under this Ordinance.]

[4][ ]

[1]Words etc. "(other than a citizen of Pakistan)" omitted by Finance Act, 2003, dated June 17, 2003.
[2]Section 51 renumbered as sub-section (1) of the section by Finance Act, 2003, dated June 17, 2003.
[3]Sub-section (2) inserted by Finance Act, 2003, dated June 17, 2003.
[4]Section 52 omitted by Finance Ordinance, 2002 dated June 15, 2002.

Some of the sections pertaining to WHT do not provide explicitly exemption from such deduction or collection. Therefore, government departments were required to obtain exemption certificate from the Commissioner of Income Tax. Now, the Federal Government, Provincial Governments and local authorities (excluding those incomes of a provincial government or a local authority from a business carried on outside its jurisdiction) have been provided exemption explicitly from all withholding taxes deductible/collectable under the Income Tax Ordinance, 2001."

Following is an extract from 'Notes on Clauses of Finance Bill 2006':-

"Seeks to specifically exempt the Federal Government, a Provincial Government or a local authority from collection or deduction of advance tax."

S. 51(2)–Salary abroad in year of leaving Pakistan.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Sub-section (2) to section 51 has been added to exempt from tax the salary income earned by Pakistanis outside Pakistan during the tax year they went abroad for the said tax year."

S. 52–Shipping and airline business, omission.– Section 52 before omission by Finance Ordinance, 2002, read as follows:–

"52. Non-resident shipping and airline enterprises.– (1) Subject to sub-section (2), any income of a non-resident person, for the time being approved by the Federal Government for the purpose of this section, from the operation of ships and aircraft in international traffic shall be exempt from tax under this Ordinance, other than income from ships and aircraft operated principally to transport passengers, livestock, mail, or goods exclusively between places in Pakistan.

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53. Exemptions and tax concessions in the Second Schedule.– (1) The income or classes of income, or persons or classes of persons specified in the Second Schedule shall be–

(a) exempt from tax under this Ordinance, subject to any conditions and to the extent specified therein;

(b) subject to tax under this Ordinance at such rates, which are less than the rates specified in the First Schedule, as are specified therein;

(c) allowed a reduction in tax liability under this Ordinance, subject to any conditions and to the extent specified therein; or

(d) exempted from the operation of any provision of this Ordinance, subject to any conditions and to the extent specified therein.

[1][ ]

[1]Sub-section (1A) omitted by Finance Act, 2012 dated June 26, 2012. Earlier it was inserted by Finance Act, 2003, dated June 17, 2003.

(2) Sub-section (1) shall not apply to a non-resident person where the person's country of residence does not allow a similar exemption to a resident of Pakistan."

S. 53(1A)–omission.– Before omission by Finance Act, 2012, it read as follows:–

"(1A) Where any income which is exempt from tax under any provision of the Second Schedule, such income, as may be specified in the said Schedule and subject to such conditions as may be specified therein, shall be included in the total income, however the tax shall not be payable in respect of such income."

S. 53(1A)–Exempt income to be declared in return.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Sub-section (1A) to section 53 has been inserted whereby It has been made mandatory to declare income even if it is exempt from tax and no tax is payable on the same."

Exemptions.– Following is an extract from Circular No. 20 of 1988 dated October 8, 1988, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A proviso has been added to sub-section (1) of section 14 of the Ordinance, whereby any income which is exempt under any provision of the Second Schedule to the Ordinance, shall, where it is so specified, be included in the total income. However, tax shall not be chargeable on such exempt income. The effect of this provision is that by including the tax-exempt income in the total income, the tax rate and the tax payable on that portion of the total income which is chargeable to tax, may, in some cases, be higher than what would have been if such inclusion were not made."

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(2) The [1][Federal Government or the] [2][Board with the approval of the Federal Minister-in-charge may, from time to time, pursuant to the approval of the Economic Coordination Committee of the Cabinet] [3][, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, [4]*[ ]* implementation of bilateral and multilateral agreements [5]*[*or granting an exemption from any tax imposed under this Ordinance including a reduction in the rate of tax imposed under this Ordinance or a reduction in tax liability under this Ordinance or an exemption from the operation of any provision of this Ordinance to any international financial institution or foreign Government owned financial institution operating under an agreement, memorandum of under-standing or any other arrangement with the Government of Pakistan*/*], by notification in the official Gazette, make such amendment in the Second Schedule by–

(a) adding any clause or condition therein;

(b) omitting any clause or condition therein; or

(c) making any change in any clause or condition therein,

as the Government may think fit, and all such amendments shall have effect in respect of any tax year beginning on any date before or after the commencement of the financial year in which the notification is issued.

(3) The Federal Government shall place before the National Assembly all amendments made by it to the Second Schedule in a financial year.

[6][(4) Any notification issued under sub-section (2) after the commencement of the Finance Act, 2015, shall, if not earlier rescinded, stand rescinded on the expiry of the financial year in which it was issued [7]*[:]*]

[1][Provided that all such notifications, except those earlier rescinded, shall be deemed to have been in force with effect from the first day of July, 2016 and shall continue to be in force till the thirtieth day of June, 2018, if not earlier rescinded:

[1]Words etc. inserted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.

[2]Substituted for "Federal Government may" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted for "Board with the approval of Federal Minister-in-charge may, from time to time pursuant to the approval of the Economic Coordination Committee of Cabinet" by Finance Act, 2018 dated May 23, 2018, which was substituted for "Federal Government" by Finance Act, 2017 dated June 20, 2017.

[3]Words etc. inserted by Finance Act, 2015 dated June 30, 2015. Earlier the same was inserted by Ordinance No. IX of 2015 dated April 30, 2015.

[4]Words "removal of anomalies in taxes, development of backward areas [,]" omitted by Finance Act, 2019 dated June 30, 2019. Earlier comma substituted for "and" by Finance Act, 2016 dated June 24, 2016.

[5]Words etc inserted by Finance Act, 2016 dated June 24, 2016.

[6]Sub-section (4) inserted by Finance Act, 2015 dated June 30, 2015. Earlier the same was inserted by Ordinance No. IX of 2015 dated April 30, 2015.

[7]Substituted for full stop by Finance Act, 2017 dated June 20, 2017.

[1]Provisos inserted by Finance Act, 2017 dated June 20, 2017.

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Provided further that all notifications issued on or after the first day of July, 2016 and placed before the National Assembly as required under sub-section (3) shall continue to remain in force till the thirtieth day of June, 2018, if not earlier rescinded by the Federal Government or the National Assembly.]

[2][**53A. Rationalization of rates of withholding taxes in the nature of minimum tax**.- (1) The Federal Government may reduce the rate of any of the withholding taxes in the nature of minimum tax as given in First Schedule of this Ordinance, other than minimum tax chargeable under section 113 of this Ordinance, by one percent on the basis of economic viability in cases of persons or class of persons, subject to such restrictions and limitations as the Federal Government may specify.

(2) The Federal Government shall place before the National Assembly all amendments made in rates of withholding taxes in the First Schedule, in a financial year under this section.

(3) In this section, the term 'economic viability' includes an anticipated net loss of business income due to tax burden either directly or indirectly due to non-availability of resources to maintain or increase efficiency of the business as certified by a chartered accountant firm listed as Category A, as per rating issued by the State Bank of Pakistan.]

54. Exemptions and tax provisions in other laws.– No provision in any other law providing for –

(a) an exemption from any tax imposed under this Ordinance;

(b) a reduction in the rate of tax imposed under this Ordinance;

(c) a reduction in tax liability of any person under this Ordinance; or

(d) an exemption from the operation of any provision of this Ordinance,

shall have legal effect unless also provided for in this Ordinance [3][.]

[4][ ]

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[2]S. 53A inserted by Finance Act, 2026 dated June 26, 2026.

[3]Full stop substituted for colon by Finance Act, 2008 dated June 27, 2008. Earlier it was substituted for full stop by Finance Act, 2003, dated June 17, 2003.

[4]Proviso omitted by Finance Act, 2008 dated June 27, 2008. Earlier it was inserted by Finance Act, 2003, dated June 17, 2003.

S. 53A.- Rationalization of Withholding Tax Rates in the Nature of Minimum Tax.- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new section 53A has been inserted empowering the Federal Government to reduce, by one percent, the rate of any withholding tax in the nature of minimum tax as given in the First Schedule, other than the minimum tax chargeable under section 113, on the basis of "economic viability"" in respect of persons or a class of persons, subject to such restrictions and limitations as it may specify. The term "economic viability" has been defined, and all such reductions are required to be placed before the National Assembly in the relevant financial year."

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55. Limitation of exemption.– (1)* Where any income is exempt from tax under this Ordinance, the exemption shall be, in the absence of a specific provision to the contrary contained in this Ordinance, limited to the original recipient of that income and shall not extend to any person receiving any payment wholly or in part out of that income.

[1][ ]

[1]Sub-section (2) omitted by Finance Act, 2003, dated June 17, 2003.

*after omission of sub-section (2), brackets and figure "(1)" have become superfluous.

S. 54.–Withdrawal of Exemptions Available Under Other Statutes.– Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:–

"Exemption from tax available through other statutes of the Government was withdrawn by virtue of overriding provision of section 54 of the Ordinance. Such exemptions included pension of a former President of Pakistan and his widow under President's Pension Act 1954, State Bank of Pakistan Act 1956, State Bank of Pakistan Banking Services Ordinance, 2001, RDFC, Pakistan Broadcasting Corporation, Small Business Finance Corporation, Federal Bank for Cooperative, ADBP, Pakistan Telecommunication Authority, National Telecommunication Corporation, Pakistan Telecommunication Employees Trust, PTCL, International Financial Corporation (IFC), etc. However, a proviso to section 54 was inserted through Finance Act 2003 to protect such exemptions provided under other statutes and not incorporated in Second Schedule to the Income Tax Ordinance, 2001. The said protection apart from discriminatory had a revenue cost impacting tax to GDP ratio. The FBR has been reviewing exemptions under the Ordinance and 35 exemptions have been withdrawn through Finance Act, 2008. It was also not possible to know exact number of exemptions allowed under other statutes and review their retention.

6.2 The proviso to section 54 has, therefore, been omitted to do away with all such exemptions so as to improve tax to GDP ratio, improve taxation and enforce the overriding provisions of section 54. However, exemption to the pension of a former President of Pakistan and his widow under President's Pension Act 1974, State Bank of Pakistan Act, 1956 and State Bank of Pakistan Banking Services Ordinance, 2001 have been specifically provided vide sub-clauses (xix) and (xx) of clause (66) of Part I of the Second Schedule to the Ordinance, respectively."

S. 54Pr.-Omission.-Before omission by Finance Act, 2008, it read as follows:-

"Provided that any exemption from income tax [1][or a reduction in the rate of tax or a reduction in tax liability of any person or an exemption from the operation of any provision of this Ordinance] provided in any other law and in force on the commencement of this Ordinance shall continue to be available unless withdrawn."

[1]Words inserted by Finance Act, 2004, dated June 24, 2004, w.e.f. July 1, 2004.

Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003 commenting at the time of introducing the Proviso:–

"Section 54 of the Income Tax Ordinance 2001 has been amended to protect the exemption from income tax available in other-than-income-tax statutes of the Government prior to promulgation of Income Tax Ordinance, 2001. Henceforth exemption from tax, taxation on reduced rate, reduction in tax liability or exemption from operation of a particular provision of the Ordinance shall be available only if it is provided in the Income Tax Ordinance 2001 which has an overriding affect*."

*should have been "effect".

S. 54Pr.-Omission.-Before omission by Finance Act, 2008, it read as follows:-

"Provided that any exemption from income tax [1]/or a reduction in the rate of tax or a reduction in tax liability of any person or an exemption from the operation of any provision of this Ordinance/ provided in any other law and in force on the commencement of this Ordinance shall continue to be available unless withdrawn."

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S. 54-Overriding of tax reductions etc.– Following is an extract from CBR's Circular No. 17 of 2004, dated July 17,2004:–

"The proviso to section 54 of the Income Tax Ordinance, 2001 has been amended to also protect the provisions relating to reduction in the rate of tax, reduction in tax liability of any person or exemption from the operation of any provisions of Income Tax Ordinance, 2001, contained in other statutes. Earlier, only income exempt from income tax under other statutes and prior to enforcement of Income Tax Ordinance, 2001 were protected by inserting proviso to section 54. The overriding provision of section 3 shall, however, continue to be applicable with effect from enforcement of Income Tax Ordinance, 2001 on July 1, 2002."

Following is an extract from Notes on Clauses to Finance Bill, 2004, explaining the amendment:–

"Seeks to protect the provisions contained in other statutes regarding reduction in the rate of tax, a reduction in tax liability of any person or exemption from the operation of any provision of Income Tax Ordinance."

S. 55–Limitation of exemption, omission of sub-section (2).– Sub-section (2) before omission by Finance Act, 2003, read as follows:–

"(2) Where a person's income from business is exempt from tax under this Ordinance as a result of a tax concession, any loss sustained in the period of the exemption shall not be set off against the person's income chargeable to tax after the exemption expires."

Carry forward of losses in exempt period.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Sub-section (2) of section 55 of the Income Tax Ordinance 2001 has been omitted. The business loss sustained during the exempt period has, therefore, been made adjustable against income of the post-exemption period of industrial undertakings. The limitation period for carry forward of loss as contained in section 57 would continue to be applicable."

Treatment of Dividend.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In the hands of the share-holders, the dividend income is assessed without reference to the income of the company from which dividends are distributed. Whatever the head of income under which the income of the company is assessed, the dividends distributed out of such income are assessed as dividend. Under the scheme of the repealed Act as well as the new Ordinance, dividends are treated as a separate source and type of income. However, in a judicial decision, it was held that if an income is exempt in the hands of a company, the dividends distributed out of such income shall also be exempt although it has not always been the intention of the law makers to grant exemption to the income of a company and not apply to the dividends distributed out of such exempted income. Despite these stipulations considerable litigation has gone on in the courts over this issue. The provisions of Section 151 conclusively settle the controversy by stipulating that where an exemption has been granted to an income, the exemption shall be confined to the original recipient of income and shall not extend to any other person receiving any payment out of such income."

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PART VIII

LOSSES

56. Set off of losses.– (1) Subject to sections 58 and 59, where a person sustains a loss for any tax year under any head of income specified in section 11, the person shall be entitled to have the amount of the loss set off against the person's income [1][except income under the head salary [2]*[ ]*], if any, chargeable to tax under any other head of income for the year [3]*[:]*

[3][Provided that the adjustment of business loss shall not be allowed against income from property for the tax year.]

(2) Except as provided in this Part, where a person sustains a loss under a head of income for a tax year that cannot be set off under sub-section (1), the person shall not be permitted to carry the loss forward to the next tax year.

(3) Where [4][, in a tax year,] a person sustains a loss under the head "Income from Business" and a loss under another head of income, the loss under the head "Income from Business* shall be set off last.

[5][**56A. Set off of losses of companies operating hotels**.– Subject to sections 56 and 57, where a [6][public company as defined in the Companies Act, 2017 and] registered in Pakistan [7][, Gilgit-Baltistan] or Azad Jammu and Kashmir (AJ&K), operating hotels in Pakistan [7][, Gilgit-Baltistan] or AJ&K, sustains a loss in Pakistan [7][, Gilgit-Baltistan] or AJ&K for any tax year under the head "income from business" shall be entitled to have the amount of the loss set off against the company's income in Pakistan [7][, Gilgit-Baltistan] or AJ&K, as the case may be, from the tax year 2007 [8]*[*onward*]*.]

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[1]Words inserted by Finance Act, 2013 dated June 29, 2013.
[2]Words "or income from property" omitted by Finance Act, 2021 dated June 30, 2021.
[3]Substituted for full stop and proviso inserted by Finance Act, 2025 in force from July 1, 2025.
[4]Commas and words inserted by Finance Ordinance, 2002 dated June 15, 2002.
[5]Section 56A inserted by Finance Act, 2007 dated June 30, 2007.
[6]Substituted for "company" by Finance Act, 2019 dated June 30, 2019.
[7]Words inserted by Finance Act, 2019 dated June 30, 2019.
[8]Substituted for "onword" by Finance Act, 2014 dated June 26, 2014.

Set of losses not against salary or property income.-Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"Through Finance Act, 2013 a person sustaining a loss in any head of income as specified in section 11 cannot set off such loss against income under the head salary or income from property."

S.56- Restriction of Inter-head adjustment of losses.- Following is an extract from FBR's Circular No. 1 of 2025-26 dated August 02, 2025:- [section 56]

"Earlier losses under any head of income including loss under section 18 were allowed to be set off against income chargeable to tax under any head except salary. Finance Act 2025 has introduced a proviso whereby the setting off of the business losses with the income from property has been disallowed."

S. 56A–Set-off of losses of hotels in AJ&K.–Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Previously companies registered in Pakistan or AJ&K were not allowed to set off business loss against income arising in Pakistan or AJ&K and vice versa.

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57. Carry forward of business losses.–(1) Where a person sustains a loss for a tax year under the head "Income from Business" (other than a loss to which [1][sub-section (4) or] section 58 applies) and the loss cannot be wholly set off under section 56, so much of the loss that has not been set off shall be carried forward to the following tax year and set off against the person's income chargeable under the head "Income from Business" for that year.

(2) If a loss sustained by a person for a tax year under the head "Income from Business" is not wholly set off under sub-section (1), then the amount of the loss not set off shall be carried forward to the following tax year and applied as specified in sub-section (1) in that year, and so on, but no loss can be carried forward to more than six tax years immediately succeeding the tax year for which the loss was first computed.

[2][(2A) Where a loss, referred to in sub-section (2), relating to any assessment year commencing on or after 1st day of July, 1995, and ending on the 30th day of June 2001, is sustained by a banking company wholly owned by the Federal Government as on first day of June, 2002, which is approved by the State Bank of Pakistan for the purpose of this sub-section, the said loss shall be carried forward for a period of ten years.]

[3][(2B) Where a loss, referred to in sub-section (2), relating to a tax year commencing on or after the first day of July, 2020 is sustained by a resident company engaged in the hotel business in Pakistan, the said loss shall be carried forward for a period of eight years.]

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[1]Words inserted by Finance Act, 2018 dated May 23, 2018.
[2]Sub-section (2A) inserted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Sub-section (2B) inserted by Finance Act, 2020 dated June 30, 2020.

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[*]Closing inverted commas are missing.

A new section 56A has been added in the Income Tax Ordinance 2001, which provides set off of business loss arising to companies registered in Pakistan and operating hotels in AJ&K against business income arising in Pakistan."

S. 56 to 59–Set-off and carry forward of losses.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979:–

"The provisions relating to the set-off and carry forward of losses are more or less identical to those of the repealed Act. It should, however, be noted that no loss which has not been determined in pursuance of an order under Section 59, [*]62, 63 or 65 can be carried forward and set-off against future income and that the set-off of losses is not permissible against 'deemed' income in respect of loans and advances and bonus shares, etc., referred to in Section 12(7) and (9) respectively, such income being treated as the income of the assessee for certain purposes only e.g., discouraging tax evasion through diversion of income and facilitating recovery of tax.

Following is an extract from 'Notes on Clauses of Finance Bill 2007':-

"Seeks to provide for set off of losses of companies operating hotels in Pakistan and AJ & K against their business income in Pakistan or AJ&K and vice versa."

As a result of the introduction of a liberal self-assessment scheme and substantial reduction in the number of pending assessments, it should be possible for the Income Tax Officers to finalise 'loss' cases within the assessment year itself, so that there would be no difficulty in the matter of the carry forward and set off of losses.

For the purpose of the payment of tax alongwith the return under Section 54, an assessee may adjust losses of earlier years, but while doing so, he will no doubt, in his own interest, keep in mind the provisions of Section 88.

It should be noted that there is no limit on the carry-forward of unabsorbed depreciation, which would be allowed to be carried forward indefinitely as before."

[*]Also Section 59A due to an amendment in Section 38 by Finance Ordinance, 1980.

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[1][(2C) Where a loss, referred to in sub-section (2), relating to a tax year commencing on or after the first day of January, 2017 is sustained by Pakistan International Airlines Corporation Limited, the said loss shall be carried forward for a period of ten years.]

(3) Where a person has a loss carried forward under this section for more than one tax year, the loss of the earliest tax year shall be set off first.

[2][(4) The loss attributable to deductions allowed under sections 22, 23, [3][ ], 23B and 24 that has not been set off against income, the loss not set off shall be set off against fifty percent of the person's balance income chargeable under the head "income from business" after setting off loss under sub-section (1), in the following tax year and so on until completely set off:

Provided that such loss shall be set off against hundred percent of the said balance income if the taxable income for the year is less than ten million Rupees.]

(5) In determining whether a person's deductions under sections 22, 23 [4][3][ ], 23B] and 24 have been set off against income, the deductions allowed under those sections shall be taken into account last.

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[1]Sub-section (2C) inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

[2]Sub-section (4) substituted by Finance Act, 2018 dated May 23, 2018.

[3]Figure "23A" omitted by Finance Act, 2021 dated June 30, 2021. Earlier the same was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

[4]Inserted by Finance Act, 2009 dated June 30, 2009.

S. 57(4)-Substitution.- Before substitution it read as follows:-

"(4) Where the loss referred to in sub-section (1) includes deductions allowed under sections 22, 23 [1][, 23A, 23B] and 24 that have not been set off against income, the amount not set off shall be added to the deductions allowed under those sections in the following tax year, and so on until completely set off."

[1]Inserted by Finance Act, 2009 dated June 30, 2009.

S. 57–Losses and unabsorbed depreciation determined under the repealed Act.– Following is an extract from CBR's Circular Letter C. No. 1(40)IT-I/79, dated June 10, 1981, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The matter has been considered in the Board. It is clarified that the losses determined under the repealed Act as well as unabsorbed depreciation will be carried forward and set off against the profits determined under the Income Tax Ordinance, 1979."

Losses of a subsidiary industrial unit.– Following is an extract from Circular No. 15 of 1980, dated June 26, 1980, explaining the provisions of section 34A of the repealed Ordinance, though there is no corresponding provisions in the Ordinance, 2001 this may still be of interest:–

"In order to revive sick industrial units, incentive is being provided to healthy companies to acquire companies owning such units by allowing a holding company to set-off, for 3 years, the current losses of a subsidiary company against its current year's profits. There are following conditions and limitations:

(a) The holding company shall be a company quoted on a registered stock exchange and the subsidiary company shall be wholly owned by the holding company.

(b) The losses can be set-off in assessment year 1981-82 or any year thereafter and shall be set off for 3 consecutive years.

(c) The losses of the subsidiary company determined in any assessment year shall be set off against the income of the holding company for the same assessment year. However, where the assessment of the subsidiary company is not completed by the time, the return of the holding company becomes due, the latter may claim set-off in its return.

(d) Where the loss of subsidiary company cannot be set-off or wholly set-off in any year, such loss or part thereof shall be carried forward in the hands of subsidiary company and not the holding company.

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(e) The losses of subsidiary company eligible for set-off shall only be the business loss excluding depreciation allowance and speculation loss.

(f) The facility of set-off is conditional upon approval of a plan for the revival of such unit of PICIC, IDBP, NDFC or Bankers Equity Ltd. The holding company shall also submit a progress report to the said institution to satisfy that the steps have been taken as laid down in the approved plan for the revival of the subsidiary unit.

(g) The facility will be available irrespective of the date of acquisition of the subsidiary company as long as subsidiary company is owned by the holding company during the income years for which the set-off is claimed."

S. 57(2A)–Losses of Govt. banking companies.– Following is an extract from CBR's Circular No. 13 of 2002, dated August 9, 2002, explaining insertion of 2nd proviso in section 35 of the Income Tax Ordinance, 1979 (simultaneous with insertion of sub-section (2A) in section 57 of the Income Tax Ordinance, 2001):–

"The banking companies wholly owned by the Federal Government as on June 1, 2002 and approved by the State Bank of Pakistan were allowed to carry forward their losses relating to assessment year commencing on first day of July 1995 and ending on 30th day of June 2001 for a period of six years. Through a proviso added to in section 35 the period of carry forward of losses has been extended upto ten years."

S. 57A-Losses on amalgamation, substitution of sub-section (1).-Before substitution by Finance Act 2007, it read as follows:-

"(1) The accumulated loss under the head "Income from Business" (not being a loss to which section 58 applies) of an amalgamating company or companies shall be set off or carried forward against the business profits and gains of the amalgamated company [3][and *vice versa*,] up to a period of six tax years immediately succeeding the tax year in which the loss was first computed in the case of [3][amalgamated company or] amalgamating company or companies."

[3]Inserted by Finance Act, 2005 dated June 29, 2005.

Changes in 2007, services companies included, 6 years period from amalgamation.–Following is an extract from 'Notes on Clauses of Finance Bill 2007':-

"Seeks to exclude Brought Forward and Capital losses for set off of amalgamating company against profit of amalgamated company and vice versa."

Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Prior to Finance Act 2007, amalgamation meant merger of one or more;

(i) banking companies; or
(ii) non-banking financial institutions; or
(iii) insurance companies; or
(iv) companies owning and managing industrial undertaking in which at least one company is a;
  (a) public company; or
  (b) company incorporated under a specific law other than the Companies Ordinance 1984.

The meaning of "amalgamation" has been extended to include companies engaged in providing services other than trading companies.

Furthermore, on amalgamation the business loss other than speculation loss of an amalgamating company was available for set-off against the business profits and gains of an amalgamated company for 6 tax years. This set-off has been withdrawn for amalgamation taking place on or after 1st July, 2007."

Fiscal incentives for merger of Banks, NBFCs and industrial undertakings, amendments by F.A. 2005.– Following is an extract from 'Notes on Clauses of Finance Bill 2005' with reference to the amendments in sub-sections (1), (2) and (3) respectively:-

"(a) Seeks to provide two-way set-off of losses in the case of amalgamation of companies;

(b) Seeks to impose the condition of continuation of business of the amalgamating company for a minimum period of five years in order to avail set-off of losses;

(c) Seeks to recover loss of revenue in case conditions laid down for amalgamation are found not to have been fulfilled."

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[1][**57A. Set off of business loss consequent to amalgamation.–**[2][(1) The assessed loss (excluding capital loss) for the tax year, other than brought forward and capital loss, of the amalgamating company or companies shall be set off against business profits and gains of the amalgamated company, and vice versa, in the year of amalgamation and where the loss is not adjusted against the profits and gains for the tax year the unadjusted loss shall be carried forward for adjustment upto a period of six tax years succeeding the year of amalgamation.]

(2) The provisions of sub-section (4) and (5) of section 57 shall, *mutatis mutandis*, apply for the purposes of allowing unabsorbed depreciation of amalgamating company or companies in the assessment of amalgamated company [3][and *vice versa*] [4][:]

[4][Provided that the losses referred to in sub-section (1) and unabsorbed depreciation referred to in sub-section (2) shall be allowed set off subject to the condition that the amalgamated company continues the business of the amalgamating company for a minimum period of five years from the date of amalgamation.]

[5][(2A) In case of amalgamation of Banking Company or Non-banking Finance Company, modarabas or insurance company, the accumulated loss under the head "Income from Business" (not being speculation business losses) of an amalgamating company or companies shall be set off or carried forward against the business profits and gains of the amalgamated company and *vice versa,* up to a period of six tax years immediately succeeding the tax year in which the loss was first computed in the case of amalgamated company or amalgamating company or companies:

Provided that the provisions of this sub-section shall in the case of Banking companies be applicable from July 1, 2007]

(3) Where any of the conditions as laid down by the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan, [6][or any court] as the case may be, in the scheme of amalgamation, are not fulfilled, the set off of loss or allowance for depreciation made in any tax year of the amalgamated company [1][or the amalgamating company or companies] shall be deemed to be the income of that amalgamated company [7][or the amalgamating company or companies, as the case may be,] for the year in which such default is discovered by the Commissioner or taxation officer, and all the provisions of this Ordinance shall apply accordingly.]

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[1]Section 57A inserted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Sub-section (1) substituted by Finance Act, 2007 dated June 30, 2007.
[3]Words inserted by Finance Act, 2005 dated June 29, 2005.
[4]Colon substituted for "full stop" and Proviso inserted by Finance Act, 2005 dated June 29, 2005.
[5]Sub-section (2A) inserted by Finance Act, 2008 dated June 27, 2008.
[6]Words inserted by Finance Act, 2005 dated June 29, 2005.
[7]Words and commas inserted by Finance Act, 2005 dated June 29, 2005.

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S. 57A(2A)-Set-off of Business Loss Consequent to Amalgamation of Banking Companies, Non Banking Finance Companies, Insurance Companies and Modarabas.-Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"Under section 57A, assessed loss (excluding capital loss) for the "tax year", other than brought forward and capital loss, can be set-off in the case of amalgamation of two companies for a period upto six years, succeeding the year of amalgamation. However, un-absorbed depreciation is allowable as per the provisions of sub-section (4) and (5) of section 57.

7.2 To encourage amalgamation of Banking Companies, NBFCs, Modarabas and Insurance Companies, the facility of carry forward of "accumulated loss" under the head "income from business" (not being speculation business losses) for a period of six years succeeding the tax year in which the loss was first computed in the case of amalgamated company or amalgamating company or companies has been allowed. It will facilitate the amalgamation of one or more such companies and modarabas as was available from the tax year, 2002, through the Finance Act, 2002. However, this facility will be available again to NBFC, insurance and modarabas from tax year 2008, and for Banking companies from tax year 2007 and onwards."

Following are extracts from CBR's Circular No. 1 of 2005, dated July 5, 2005:-

"The scope of this definition has been extended to the industrial sector as well where amalgamation takes place on or after July 1, 2005.

Further more, previously both the merging companies had to be either public companies or companies incorporated under any law other than the companies Ordinance 1984. This restriction has also been relaxed by allowing one of the merging companies to be a private limited company."

"The provision for set-off of business loss consequent to amalgamation was introduced in 2002 in terms of section 57A by virtue of which the accumulated business loss of an **amalgamating company** could be set-off or carried forward against the profits of the **amalgamated company** upto a period of six years. This section has been amended and in case of amalgamation/merger, two way set off of losses has been provided so that the losses available in the case of amalgamating company as well as the amalgamated company can be set off in either case. This provision shall be effective from tax year 2006 and onwards."

Amendments by F.A. 2004.- Following is an extract from CBR's Circular No. 17 of 2004 dated July 17, 2004:–

"Banking companies and NBFCs were allowed the facility of amalgamation by amending law through Finance Ordinance, 2002 and limitation was imposed upto June 30, 2004 through Finance Act, 2003. The cut off date for amalgamation of banking companies or non-banking financial institutions has been extended to June 2006. This facility of amalgamation has also been extended to insurance companies."

Amendments by F.A. 2003.-Following is an extract from Circular No. 7 of 2003, dated July 11, 2003:–

"The Finance Ordinance 2002 provided the following incentives on merger of Banking Companies and Non-Banking Companies:

(a) admissibility of expenses on merger/amalgamation;

(b) continued availability of unabsorbed depreciation;

(c) transfer/carry forward of losses of merged entities; and

(d) admissibility of different tax rates for banking and non-banking operations.

Limitation upto 30th June, 2004 has now been provided by amending section 2(1A) of the Income Tax 0rdinance 2001 to avail the aforesaid incentives."

See section 2(1A) for definition of "amalgamation".

58. Carry forward of speculation business losses.– (1) Where a person sustains a loss for a tax year in respect of a speculation business carried on by the person (hereinafter referred to as a "speculation loss"), the loss shall be set off only against the income of the person from any other speculation business of the person chargeable to tax for that year.

(2) If a speculation loss sustained by a person for a tax year is not wholly set off under sub-section (1), then the amount of the loss not set off shall be carried forward to the following tax year and applied against the income of any speculation business of the person in that year and applied as specified in sub-section (1) in that year, and so on, but no speculation loss shall be carried forward to more than six tax years immediately succeeding the tax year for which the loss was first computed.

(3) Where a person has a loss carried forward under this section for more than one tax year, the loss of the earliest tax year shall be set off first.

59. Carry forward of capital losses.– (1) Where a person sustains a loss for a tax year under the head "Capital Gains" (hereinafter referred to as a "capital loss"), the loss shall not be set off against the person's income, if any, chargeable under any other head of income for the year, but shall be carried forward to the next tax year and set off against the capital gain, if any, chargeable under the head "Capital Gains" for that year.

(2) If a capital loss sustained by a person for a tax year under the head "Capital Gains" is not wholly set off under sub-section (1), then the amount of the loss not set off shall be carried forward to the following tax year, and so on, but no loss shall be carried forward to more than six tax years immediately succeeding the tax year for which the loss was first computed.

(3) Where a person has a loss carried forward under this section for more than one tax year, the loss of the earliest tax year shall be set off first.

[1][**59A. Limitations on set off and carry forward of losses**.–

[2][ ]

(3) In case of association of persons, [3][any loss] shall be set off or carried forward and set off only against the income of the association.

[1]Section 59A inserted by Finance Act, 2003, dated June 17, 2003.
[2]Sub-sections (1) & (2) omitted by Finance Act, 2012 dated June 26, 2012.
[3]Substituted for "to which sub-section (3) of section 92 does not apply, any loss of such association" by Finance Act, 2012 dated June 26, 2012.

S. 59A(1) & (2)–Omission.– Before omission these by Finance Act, 2012, read as follows:–

"(1) In case of an association of persons to which sub-section (3) of section 92 applies, any loss which cannot be set off against any other income of the association of persons in accordance with section 56, shall be dealt with as provided under sub-section (2) of section 93.

(2) Nothing contained in section 57, section 58 or section 59 shall entitle an association of persons, to which sub-section (3) of section 92 applies to have its loss carried forward and set off thereunder."

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(4) Nothing contained in section 56, 57, 58 or 59 shall entitle–

(a) any member of an association of persons [1][ ] to set off any loss sustained by such association of persons, as the case may be, or have it carried forward and set off, against his income; or

(b) any person who has succeeded, in such capacity, any other person carrying on any business or profession, otherwise than by inheritance, to carry forward and set off against his income, any loss sustained by such other person.

[2][(5) Subject to sub-section (4) of section 57, sub-section (12) of section 22 and sub-section (6), where in computing the taxable income for any tax year, full effect cannot be given to the loss relating to deductions under section 22, 23, 24 or 25 owing to there being no profits or gains chargeable for that year or such profits or gains as mentioned in sub-section (4) of section 57, being less than the said loss, the loss or part of the loss, as the case may be, shall be set off against fifty percent of the person's income chargeable under the head "income from business" for the following year or if there is no "income from business" for that year, be set off against fifty percent of the person's income chargeable under the head "income from business" for the next following year and so on for succeeding years.]

(6) Where, under sub-section (5), deduction is also to be carried forward, effect shall first be given to the provisions of section 56 and sub-section (2) of section 58.

(7) Notwithstanding anything contained in this Ordinance, no loss which has not been assessed or determined in pursuance of an order made under section 59, 59A, 62, 63 or 65 of the repealed Ordinance or an order made or treated as made under section 120, 121 or 122 shall be carried forward and set off under section 57, sub-section (2) of section 58 or section 59.]

[3][**59AA. Group taxation.–** (1) Holding companies and subsidiary companies of 100% owned group may opt to be taxed as one fiscal unit. In such cases, besides consolidated group accounts as required under the [4][Companies Act, 2017 (XIX of 2017)], computation of income and tax payable shall be made for tax purposes.

[1]Words etc. "to which sub-section (3) of section 92 does not apply," omitted by Finance Act, 2012 dated June 26, 2012.
[2]Section 59A(5) substituted by Finance Act, 2018 dated May 23, 2018.
[3]Section 59AA inserted by Finance Act, 2007 dated June 30, 2007.
[4]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.

S. 59A(5)–Substitution.– Before substitution by Finance Act, 2018, read as follows:–

"(5) Where in computing the taxable income for any tax year, full effect cannot be given to a deduction mentioned in section 22, 23, 24 or 25 owing to there being no profits or gains chargeable for that year or such profits or gains being less than the deduction, then, subject to sub-section (12) of section 22, and sub-section (6), the deduction or part of the deduction to which effect has not been given, as the case may be, shall be added to the amount of such deduction for the following year and be treated to be part of that deduction, or if there is no such deduction for that year, be treated to be the deduction for that year and so on for succeeding years."

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(2) The companies in the group shall give irrevocable option for taxation under this section as one fiscal unit.

(3) The group taxation shall be restricted to companies locally incorporated under the [1][Companies Act, 2017 (XIX of 2017)].

(4) The relief under group taxation would not be available to losses prior to the formation of the group.

(5) The option of group taxation shall be available to those group companies which comply with such corporate governance requirements [2][and group designation rules or regulations] as may be specified by the Securities and Exchange Commission of Pakistan from time to time and are designated as companies entitled to avail group taxation.

(6) Group taxation may be regulated through rules as may be made by the [3]*[*Board*]*.]

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[1]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.
[2]Words inserted by Finance Act, 2013 dated June 29, 2013.
[3]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007. Same amendment is now made by F. A. 2014

S. 59A–Limitation for set off and carry forward of losses of AOPs.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Section 59A has been added to determine the limitation period for set off and carry forward of losses in respect of AOP and its members."

Changes by F.A. 2012.- Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"Section 93 of the Income Tax Ordinance, 2001 was omitted by Finance Act, 2007. However, its reference in section 59A was overlooked and it continued to find mention in Section 59A. Finance Act, 2012 has redeemed this anomaly and omitted mentioning of the already omitted Section 93 of the Income Tax Ordinance, 2001."

S. 59AA–Group taxation.–Following is an extract from 'Notes on Clauses of Finance Bill 2007':-

"Seeks to introduce group taxation in case of Holding and Subsidiary companies as one fiscal unit."

Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"The concept of "Group Taxation" has been introduced through newly inserted section 59AA. The salient features of the regime are as follows:

(i) 100% owned group of companies locally incorporated under the Companies Ordinance, 1984 will be taxed as a single fiscal unit, provided an irrevocable option is exercised to be taxed as a group;

(ii) Losses incurred by the group company will be off-set against income of other group companies;

(iii) Consolidated group account as required under the Companies Ordinance, 1984 will form;

(a) the basis of computation of income; and

(b) tax payable by the group.

(iv) the relief under group taxation will not be available to losses prior to the formation of the group;

(v) any income derived, on or after 1st July 2007, from inter corporate dividend within a group companies, entitled to group taxation under section 59AA shall be exempt [clause (103A), Part I of Second Schedule]."

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[1][**59B**. **Group relief**.– (1) Subject to sub-section (2), any company, being a subsidiary [2][or] a holding company, may surrender its assessed loss [3][as computed in sub-section (1A)] (excluding capital loss) for the tax year (other than brought forward losses and capital losses), in favour of its holding company or its subsidiary or between another subsidiary of the holding company:

Provided that where one of the company in the group is a public company listed on a registered stock exchange in Pakistan, the holding company shall directly hold fifty five per cent or more of the share capital of the subsidiary company. Where none of the companies in the group is a listed company, the holding company shall hold directly seventy-five per cent or more of the share capital of the subsidiary company.

[4][(1A) The loss to be surrendered under sub-section (1) shall be allowed as per following formula, namely:-

(A/100) x B

where-

A is the percentage share capital held by the holding company of its subsidiary company; and

B is the assessed loss of the subsidiary company.]

(2) The loss surrendered by the subsidiary company may be claimed by the holding company or a subsidiary company for set off against its income under the head "income from Business" in the tax year and the following two tax years subject to the following conditions, namely:–

(a) there is continued ownership for five years, of share capital of the subsidiary company to the extent of fifty-five per cent in the case of a listed company, or seventy-five per cent or more, in the case of other companies;

(b) a company within the group engaged in the business of trading shall not be entitled to avail group relief;

[5][(ba) a company or companies within the group whose income from business is chargeable to tax under any provisions of this Ordinance other than Division II of Part I of the First Schedule to the Ordinance shall not be entitled to avail group relief;]

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[1]Section 59B substituted by Finance Act, 2007 dated June 30, 2007. Earlier section 59B was inserted by Finance Act, 2004, dated June 24, 2004, w.e.f. July 1, 2004.
[2]Substituted for "of" by Finance Act, 2021 dated June 30, 2021.
[3]Words inserted by Finance Act, 2016 dated June 24, 2016.
[4]Sub-section (1A) inserted by Finance Act, 2016 dated June 24, 2016.
[5]Clause (ba) inserted by Finance Act, 2025 in force from July 1, 2025.

S.59B-Substitution.-Before substitution by Finance Act, 2007, it read as follows:-

"**59B. Group Relief.–** (1) Subject to sub-section(2), any company, being a subsidiary of a public company listed on stock exchange in Pakistan, owning and managing an industrial undertaking [1][or an undertaking engaged in providing services], may surrender its assessed loss for the tax year other than brought forward losses, in favour of its holding company provided such holding company owns or acquires seventy-five per cent or more of the share capital of the subsidiary company.

[1]Words inserted by Finance Act, 2005 dated June 29, 2005.

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(c) holding company, being a private limited company with seventy-five per cent of ownership of share capital gets itself listed within three years from the year in which loss is claimed;

(d) the group companies are locally incorporated companies under the [1][Companies Act, 2017 (XIX of 2017)];

(e) the loss surrendered and loss claimed under this section shall have approval of the Board of Directors of the respective companies;

(f) the subsidiary company continues the same business during the said period of three years;

(g) all the companies in the group shall comply with such corporate governance requirements [2][and group designation rules or regulations] as may be specified by the Securities and Exchange Commission of Pakistan from time to time, and are designated as companies entitled to avail group relief; and

(h) any other condition as may be prescribed.

(3) The subsidiary company shall not be allowed to surrender its assessed losses for set off against income of the holding company for more than three tax years.

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[1]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.
[2]Words inserted by Finance Act, 2013 dated June 29, 2013.

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(2) The loss surrendered by the subsidiary company may be claimed by the holding company for set off against its income under the head "Income from Business" in the tax year and the following two tax years subject to the following conditions, namely:–

(a) there is continued ownership of share capital of the subsidiary company to the extent of seventy-five per cent or more for five years; and

(b) the subsidiary company continues the same business during the said period of five years.

(3) The subsidiary company shall not be allowed to surrender its assessed losses for set off against income of the holding company for more than three tax years.

(4) Where the losses surrendered by a subsidiary company are not adjusted against income of the holding company in the said three tax years, the subsidiary company shall carry forward the unadjusted losses in accordance with the provision of section 57.

(5) If there has been any disposal of shares by the holding company during the aforesaid period of five years to bring the ownership of the holding company to less than seventy-five per cent, the holding company shall, in the year of disposal, offer the amount of profit on which taxes have not been paid due to set off of losses surrendered by the subsidiary company."

S. 59B-Preventing Tax Avoidance Loophole Under Group Relief Scheme.- Following is an extract from FBR's Circular No. 1 of 2025-26 dated August 02, 2025:- [section 59B]

"Finance Act, 2025 has introduced additional condition which prevents any company within the group whose income is not chargeable to tax under Division II of Part I of the First Schedule to the Ordinance to become part of the group relief scheme under the Ordinance. This means that any income of a company within the group chargeable to tax other than Division ll of Part I of the First Schedule to the Ordinance will lead to such company to get disqualified for group relief under section 598 of the Ordinance."

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(4) Where the losses surrendered by a subsidiary company are not adjusted against income of the holding company in the said three tax years, the subsidiary company shall carry forward the unadjusted losses in accordance with section 57.

(5) If there has been any disposal of shares by the holding company during the aforesaid period of five years to bring the ownership of the holding company to less than fifty-five per cent or seventy-five per cent, as the case may be, the holding company shall, in the year of disposal, offer the amount of profit on which taxes have not been paid due to set off of losses surrendered by the subsidiary company.

(6) Loss claiming company shall, with the approval of the Board of Directors, transfer cash to the loss surrendering company equal to the amount of tax payable on the profits to be set off against the acquired loss at the applicable tax rate. The transfer of cash would not be taken as a taxable event in the case of either of the two companies.

(7) The transfer of shares between companies and the share holders, in one direction, would not be taken as a taxable event provided the transfer is to acquire share capital for formation of the group and approval of the Securities and Exchange Commission of Pakistan or State Bank of Pakistan, as the case may be, has been obtained in this effect. Sale and purchase from third party would be taken as taxable event.]

Changes explained.-Following is an extract from 'Notes on Clauses of Finance Bill 2007':-

"Seeks to regulate/impose conditionalities for Holding and Subsidiary companies to avail benefit of group relief."

Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Section 59B was added through the Finance Act, 2004, with the purpose of providing group relief by way of allowing a holding company with certain conditions, to set-off losses incurred by its subsidiary. The existing regime has been substituted through the Finance Act 2007. The salient features of the changes brought in the scheme are as follows:

(i) a subsidiary company may surrender its assessed losses (excluding capital loss or brought forward losses) for the tax year in favour of its holding company or between the subsidiaries of the holding company or between another subsidiary of the holding company;

(ii) holding company shall be a public company listed on a registered stock exchange in Pakistan or a private limited company;

(iii) holding company being a public company, should directly hold 55 percent or more of the share capital of the subsidiary company. Where none of the companies in the group is a listed company, the holding company shall hold directly 75% or more of the share capital of the subsidiary company;

(iv) losses surrendered by the subsidiary company can be claimed by the holding company or a subsidiary for set-off against its "income from business" in the tax years in which losses have been surrendered and the following two tax years;

(v) there should be a continued ownership of prescribed shareholding for five years. In case of disposal of shares in a year bringing the ownership below the prescribed threshold, the holding company shall be required to offer for tax the amount of profit on which taxes have not been paid due to set off of losses surrendered by the subsidiary company;

(vi) a company within the group engaged in the business of trading shall not be entitled to avail group relief;

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(vii) a private limited company, being a holding company, should get listed within 3 years from the year in which loss is claimed;

(viii) group companies should be locally incorporated companies under the companies Ordinance, 1984;

(ix) loss surrendered and claimed should have approval from the Board of Directors of the respective companies;

(x) subsidiary company should continue the same business during the period of 3 years;

(xi) all the companies in the group shall comply with such corporate governance requirements as may be specified by the SECP from time to time and are designated as companies entitled to avail group relief;

(xii) subsidiary company shall not be allowed to surrender its assessed loss for se-off against income of the holding company for more than (consecutive) 3 tax years;

(xiii) any unadjusted surrendered loss after the period of 3 years, shall be available to the surrendering subsidiary company to carry forward according to statute of limitation;

(xiv) loss claiming company, with the approval of Board of Directors shall transfer cash to the loss surrendering company equal to the amount of applicable tax rate on the profits to be set off against the acquired loss. The transfer of cash would not be taken as a taxable event in the case of either of the 2 companies;

(xv) transfer of shares between companies and shareholders in one direction, would not be taken as a taxable event if the purpose is to hold share capital for formation of group and approval of;

(a) Securities and Exchange Commission of Pakistan; or

(b) State Bank of Pakistan whichever, applicable, has been obtained. However, sale and purchase from third party would be taken as

taxable event and after acquiring shares for purpose of group formation, if sold in the open market or to a third party shall attract tax on the capital gains, if any, arising from such sale."

Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"A new section 59B has been inserted through Finance Act, 2004, to introduce the concept of "group relief" whereby loss surrendered by a subsidiary company can be claimed and allowed against income of the holding company, holding or acquiring 75% share capital of the subsidiary company. The conditions to avail this benefit are as follows:–

i. the holding company is a public company listed on Stock Exchange in Pakistan;

ii. the subsidiary company owns and manages an industrial undertaking;

iii. the holding company owns or acquires 75% or more of the share capital of the subsidiary company; and

iv. the losses surrendered by the subsidiary company are assessed losses for the tax year (other than brought forward losses).

The losses surrendered by the subsidiary company may be claimed by the holding company for set off against its "Income from Business" in the tax year and the following two tax years subject to the conditions that:

i. the holding company continuously holds 75% or more of share capital of the subsidiary company for a minimum period of five years from the date of acquisition; and

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ii. the business of subsidiary company is also continued for the said period of five years.

In case the holding company during the aforesaid five years brings share capital in the subsidiary company below 75%, the holding company shall, in the year of disposal, offer the amount of profit on which taxes have not been paid due to set off of subsidiary company's surrendered losses."

Following is an extract from Notes on Clauses to Finance Bill, 2004, explaining the amendment:–

"Seeks to introduce the concept of "group relief" for setting off of loss of a subsidiary company against income of a holding company provided the later owns or acquire 75% share capital of the former for five years and the subsidiary company continues the same business for five years."

Services sector.-Following is an extract from CBR's Circular No. 1 of 2005, dated July 5, 2005:-

"Finance Act 2004 provided Group Relief by allowing a subsidiary company, being a subsidiary of a public company listed on a registered stock exchange of Pakistan, owning and managing an industrial undertaking, to surrender its tax loss for the tax year, other than brought forward losses, in favour of its holding company provided such holding company owned or acquired 75% or more of the share capital of the subsidiary company.

For expanding the scope of the group company relief, section 59B has been amended to include the services sector also which includes activities such as hotels, information technology, communications, shipping and transport. Other conditions shall continue to apply in order to qualify for the concession. The aforesaid benefit is extended w.e.f. tax year 2006."

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[1][ ]

[1]S. 59C omitted by Finance Act, 2022 dated June 30, 2022 and shall be deemed to have been omitted with effect from 2nd March, 2022. Earlier it was inserted by Income Tax (Amendment) Ordinance, 2022 dated March 03, 2022.

S. 59C-Omission.- Before omission by F. Act, 2022 it read as follows:–

"59C. Carry forward of business losses of sick industrial units.- (1) Subject to sub-section (2), where a company hereinafter referred to as acquiring company, acquires under a scheme of acquisition majority share capital of another company being a sick industrial unit, hereinafter referred to as acquired company, the acquiring company shall be entitled to adjust loss for the latest tax year and brought forward assessed business losses excluding capital loss of the acquired company subject to provisions of section 57 font period of three years.

(2) Sub-section (1) shall apply subject to the following conditions, namely:-

(a) there is continued ownership for five years starting from the 30th June, 2023 and there is no change in share capital of the acquiring company;

(b) the assets or the acquired company shall not be sold upto the 30th June, 2026; and

(c) the acquired company continues the same business till the 30th June, 2026.

(3) Where the losses surrendered by the acquired company are not adjusted against income of the acquiring company in the said three tax years, the acquired company shall carry forward the unadjusted losses in accordance with section 57.

(4) The loss of the acquired company referred to in sub-section (1) shall be adjusted against income under the head "income from business" of the acquiring company as per following formula, namely:-

(A/100) x B

where-

A is the percentage share capital held by the acquiring company of the acquired company; and

B is the loss of the acquired company referred to in sub-section (1).

(5) If the acquiring company fails to revive the acquired company by tax year 2026, the acquiring company shall, in tax year 2027 offer the amount of profit on which taxes have not been paid due to set off of losses surrendered by the acquired company.

(6) For the removal of doubt, this section shall not apply to any scheme of amalgamation or merger.

(7) For the purposes of this section,-

(a) a sick industrial unit referred to as acquired company in sub- section (1), shall be deemed to be revived if the said company attains maximum production capacity that was obtained before the industrial unit vent sick:

Provided that the acquired company produces a certificate to the effect that it stands revived, duly issued by Engineering Development Board, along with the return of income filed for tax year 2026.

(b) "sick industrial unit" means a company being an industrial undertaking, which-

(i) has accumulated losses, for a continuous period of three years prior to the 1st July, 2022, equal to or exceeding its entire capital and reserves at the time of acquisition, as the ease may be; or

(ii) has defaulted towards repayment of outstanding debts owing to banking companies or non-banking financial institutions for a consecutive period of three years immediately before acquisition, as the case may be, or

(iii) has been declared as such by the Federal Government in a notification published in the official Gazette."

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PART IX

DEDUCTIBLE ALLOWANCES

60. Zakat.– (1) A person shall be entitled to a deductible allowance for the amount of any Zakat paid by the person in a tax year under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

(2) Sub-section (1) does not apply to any Zakat taken into account under sub-section (2) of section 40.

(3) Any allowance or part of an allowance under this section for a tax year that is not able to be deducted under section 9 for the year shall not be refunded, carried forward to a subsequent tax year, or carried back to a preceding tax year.

[1][**60A. Workers' Welfare Fund.–** A person shall be entitled to a deductible allowance for the amount of any Workers' Welfare Fund paid by the person in tax year under Workers' Welfare Fund Ordinance, 1971 (XXXVI of 1971) [2][or under any law relating to the Workers' Welfare Fund enacted by Provinces after the Eighteenth Constitutional Amendment Act, 2010] [3][:]

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[1]Section 60A inserted by Finance Act, 2003, dated June 17, 2003.
[2]Words inserted by Finance Act, 2021 dated June 30, 2021.
[3]Substituted for full stop by Finance Act, 2021 dated June 30, 2021. Full stop (earlier missing) inserted by Finance Act, 2005 dated June 29, 2005. This was earlier pointed out in this book.

S. 60A–WWF under Presumptive Tax Regime (PTR) Cases.– Following is the text of FBR's Circular No. 13 of 2008 dated October 23, 2008:–

"Vide clause 12 of the Finance Act, 2006, the definition of "total income" under the WWF Ordinance, 1971, was substituted and the persons, who were required to file the statement, the profit (before taxation or provision for taxation) as per accounts or 4% of the receipts as per the statement filed under section 115 of the Ordinance, whichever is higher, were made liable to WWF. However, corresponding changes in section 4 of WWF Ordinance, 1971, were not made. In view of this lacuna in law, the chargeability of the WWF in PTR cases, where only statements under section 115 of the Income Tax Ordinance, 2001 were filed, was agitated by these taxpayers.

2. The FBR has taken up the matter with the Labour and Manpower Division (WWF Wing) and has pointed out the deficiency. The aforesaid Division has accordingly agreed that the status quo be maintained in PTR cases and demand of WWF for the tax years 2007 and 2008 may not be created, as it will not be maintainable by the appellate authorities.

3. The said lacuna, however, has been removed vide the Finance Act, 2008. In the wake of this amendment levy of WWF may be pressed, wherever exigible in Tax Year 2009."

WWF, allowability on basis of method of accounting.– Following is the text of CBR's Circular No. 1 of 2004, dated January 3, 2004:–

"Queries have been received in the Board as to whether the Worker Welfare Fund (WWF) would be an admissible allowance when it becomes payable or at the time when it is actually paid since section 60A of the Income Tax Ordinance, 2001 uses the word "payment" for allowing of Worker Welfare Fund (WWF) as a deductible allowance.

2. The issue has been examined. Under section 32, of the Income Tax Ordinance, 2001, a person's income chargeable to tax shall be computed in accordance with the method of accounting regularly employed by such person whereas it is mandatory for a company to account for income chargeable to tax under the head "income from business", on accrual basis, other persons may follow cash or accrual basis of accounting. It is, therefore, clarified that the allowability of Worker Welfare Fund as a deductible allowance would depend on the method of accounting being employed by the taxpayers in accordance with the provisions of income tax law."

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[1][Provided that this section shall not apply in respect of any amount of Workers' Welfare Fund paid to the Provinces by a trans-provincial establishment.]

[2][**60B. Workers' Participation Fund.–** A person shall be entitled to a deductible allowance for the amount of any Workers' Participation Fund paid by the person in a tax year in accordance with the provisions of the Companies Profit (Workers' Participation) Act, 1968 (XII of 1968) [3][or under any law relating to the Workers' Profit Participation Fund enacted by Provinces after the Eighteenth Constitutional Amendment Act, 2010] [4][:]]

[4][Provided that this section shall not apply in respect of any amount of Workers' Profit Participation Fund paid to the province by a trans-provincial establishment.]

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[1]Proviso inserted by Finance Act, 2021 dated June 30, 2021.
[2]Section 60B inserted by Finance Act, 2004, dated June 24, 2004, w.e.f. July 1, 2004.
[3]Words inserted by Finance Act, 2021 dated June 30, 2021.
[4]Substituted for full stop & Proviso inserted by Finance Act, 2021 dated June 30, 2021.

WWF & WPPF.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"After the 18th constitutional amendment, the matters regarding WWF and WPPF have been devolved to the Provinces. Provinces have promulgated their own workers welfare fund and workers profit participation fund laws. The statutory contributions made by businesses to these funds under federal laws are deductible allowances. However, the contributions made under provincial laws were inadmissible expenses. Now contributions made to provinces have made deductible allowances. Necessary changes have been made in sections 60A and 60B of the Ordinance. However, in case of trans-provincial organizations, the admissibility of these allowances shall be subject to payment to federal government, which follows the Honorable Apex Court judgment on the subject."

S. 60B–Workers' Participation Fund as expense.– Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"Contribution made to Worker's Participation Fund under Companies Profit (Workers' Participation) Act, 1968 (Act No. XII of 1968), is a legally admissible expense like WWF but it was not specifically provided in the Income Tax Ordinance, 2001. In order to remove the ambiguity regarding admissibility of Workers' Participation Fund as deductible expense, a new section 60B has been inserted in the Income Tax Ordinance, 2001."

Following is an extract from Notes on Clauses to Finance Bill, 2004, explaining the amendment:–

"Seeks to allow Workers' Participation Fund as deduction against company's income."

Amendments by F.A. 2006.-Following are extracts from 'Notes on Clauses of Finance Bill, 2006':–

"Seeks to make editorial correction necessitated by modification in the definition of eligible person."

"Seeks to extend the threshold date for making additional contribution to Voluntary Pension Scheme."

"Seeks to introduce the condition to qualify for tax credit in the case of transfer of existing balance from pension or annuity scheme to individual pension accounts under the Voluntary Pension Scheme."

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[1][ ]

[2][***/60D/*. Deductible allowance for education expenses**.- (1) Every individual shall be entitled to a deductible allowance in respect of tuition fee paid by the individual in a tax year provided that the taxable income of the individual is less than one [3][and a half] million rupees.

(2) The amount of an individual's deductible allowance allowed under sub-section (1) for a tax year shall not exceed the lesser of-

(a) five per cent of the total tuition fee paid by the individual referred to in sub-section (1) in the year;

(b) twenty-five per cent of the person's taxable income for the year; and

(c) an amount computed by multiplying sixty thousand with number of children of the individual.

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[1]Section 60C omitted by Finance Act, 2022 dated June 30, 2022. Earlier S. 64A was renumbered as 60C by Finance Act, 2017 dated June 20, 2017. Earlier it was inserted as 64A by Finance Act, 2015 dated June 30, 2015.
[2]Section 64AB renumbered as 60D by Finance Act, 2017 dated June 20, 2017. Earlier it was inserted as 64AB inserted by Finance Act, 2016 dated June 24, 2016.
[3]Words inserted by Finance Act, 2017 dated June 20, 2017.

S. 60C–Omission.– Before omission by Finance Act, 2022, read as follows:–

"/60C/. Deductible allowance for profit on debt.- (1) Every individual shall be entitled to a deductible allowance for the amount of any profit or share in rent and share in appreciation for value of house paid by the individual in a tax year on a loan by a scheduled bank or non-banking finance institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government, Provincial Government or a statutory body or a public company listed on a registered stock exchange in Pakistan where the individual utilizes the loan for the construction of a new house or the acquisition of a house.

(2) The amount of an individual's deductible allowance allowed under sub-section (1) for a tax year shall not exceed fifty percent of taxable income or [1][two] million rupees, whichever is lower.

(3) Any allowance or part of an allowance under this section for a tax year that is not able to be deducted for the year shall not be carried forward to a subsequent tax year."

[1]Substituted for "one" by Finance Act, 2016 dated June 24, 2016.

S. 60C and 62A.-Elimination of certain tax credits and deductible allowance.-Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"Tax credits available to an individual u/s 62 for investment in shares and insurance, u/s 62A for investment in health insurance and deductible allowance u/s 60C for profit on debt have been omitted. Corresponding change in section 149 has also been incorporated accordingly."

S. 64–Profit on housing debt–Substitution of sub-section (1).– Sub-section (1) before substitution by Finance Act, 2003, read as follows:–

"(1) A person shall be entitled to a tax credit for a tax year in respect of any profit or share in rent and share in appreciation of value of house paid by the person in the year on a loan by a scheduled bank under a house finance scheme approved by the State Bank of Pakistan or advanced by Government, the local authority or House Building Finance Corporation where the person utilizes the loan for the construction of a new house or the acquisition of a house."

Before substitution by Finance Ordinance, 2002, sub-section (1) read as follows:– "(1) A person shall be entitled to a tax credit for a tax year in respect of any profit paid by the person in the year on a loan not exceeding six hundred thousand rupees by a Scheduled Bank under a house finance scheme approved by the State Bank of Pakistan or advanced by Government, a local authority, or House Building Finance Corporation where the person utilises the loan for the construction of a new house or the acquisition of a house."

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(3) Any allowance or part of an allowance under this section for a tax year that is not able to be deducted for the year shall not be carried forward to a subsequent tax year.

(4) Allowance under this section shall be allowed against the tax liability of either of the parents making payment of the fee on furnishing national tax number (NTN) or name of the educational institution.

(5) Allowance under this section shall not be taken into account for computation of tax deduction under section 149.]

S.64–Write-offs.– Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"The mark-up or debt written off under State Bank of Pakistan BPD Circular No.29 of 2002 dated October 15, 2002 would be adjusted against assessed losses of the taxpayers concerned. However, any amount not so adjusted shall not be treated as their income under sub-sections (5) or (5A) of section 34 or under section 70 of the Income Tax Ordinance, 2001. For this purpose clause (3A) has been inserted in Part IV of the Second Schedule to the Income Tax Ordinance, 2001."

S. 64-Tax Credit on profit on debt for construction of new house or acquisition of house.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"A person is entitled to tax credit for a tax year in respect of housing loans from a scheduled bank or non-banking finance institution or advanced by Government or Local Government which are utilized for construction of a new house or acquisition of house. The tax credit before amendment through Finance Act, 2009 was to be computed at the average rate of tax on lesser of:

- total profit on debt
- 40 percent of taxable income of taxpayer
- Rs. 500,000/-

After amendment, the above limits have been increased as under.

-The limit of 40% taxable income has been increased to 50%.

-The ceiling of Rs. 500,000/- has been raised to Rs. 750,000/-."

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PART X

TAX CREDITS

61. Charitable donations.– [1][(1) A person shall be entitled to a tax credit in respect of any sum paid, or any property given by the person in the tax year as a donation [2][, voluntary contribution or subscription] to –

(a) any board of education or any university in Pakistan established by, or under, a Federal or a Provincial law;

(b) any educational institution, hospital or relief fund established or run in Pakistan by Federal Government or a Provincial Government or a [3][Local Government]; or

(c) any non-profit organization [4]*[*or any person eligible for tax credit under section 100C of this Ordinance; or*]*]

[5][(d) entities, organizations and funds mentioned in the Thirteenth Schedule to this Ordinance.]

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[1]Sub-section (1) substituted by Finance Act, 2003, dated June 17, 2003.
[2]Inserted by Finance Act, 2021 dated June 30, 2021. Earlier the same was inserted Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[3]Substituted for "local authority" by Finance Act, 2008 dated June 27, 2008.
[4]Substituted for full stop by Finance Act, 2021 dated June 30, 2021. Earlier the same was substituted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[5]Clause (d) inserted by Finance Act, 2021 dated June 30, 2021. Earlier the same was inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

S. 61–Charitable donations, substitution of sub-section (1).– Sub-section (1) before substitution by Finance Act, 2003, read as follows:–

"(1) A person shall be entitled to a tax credit for a tax year in respect of any amount paid, or property given by the person in the tax year as a donation to a non-profit organisation."

Donations to a university, hospital or relief fund.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Tax credit was available on donation paid to a non-profit organization. Provision has been made for tax credit on donations made on or after 1.7.2003 to any Board of Education, any University in Pakistan established under Federal or a Provincial Act or any educational institution, hospital or relief fund established or run in Pakistan by Federal Government or a Provincial Government or a local authority. For this purpose sub-section (1) of section 61 has accordingly been amended."

Rebates on donations in kind.– Following is an extract from CBR's Circular No. 11 of 1998 dated July 25, 1998, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Section 47 has been amended so that donations made in kind shall also qualify for tax rebate. Rules for valuation of such goods or article are being prescribed by the CBR.

S. 61(2)(b)(ii)-Tax credit on admissible donations.- Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"In the case of a company, an amount of tax credit allowed for a tax year is computed at an average rate of tax on the lesser of the amount of donations or 15% of the taxable income for the year. In order to encourage the charitable activities, the limit of 15% has been enhanced to 20%."

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(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:–

(A/B) x C

where –

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;

B is the person's taxable income for the tax year; and

C is the lesser of–

(a) the total amount of the person's donations referred to in sub-section (1) in the year, including the fair market value of any property given; or

(b) where the person is –

(i) an individual or association of persons, thirty per cent of the taxable income of the person for the year; or

(ii) a company, [1][twenty] per cent of the taxable income of the person for the year [2]*[:]*

[3][Provided that where any sum is paid or any property is given to an associate by a donor, clause (b) of component C shall be, in the case of-

(i) an individual or association of persons, fifteen percent of the taxable income of the person for the year; or

(ii) a company, ten percent of the taxable income of the person for the year.]

(3) For the purposes of clause (a) of component **C** of the formula in sub-section (2), the fair market value of any property given shall be determined at the time it is given.

(4) A cash amount paid by a person as a donation shall be taken into account under clause (a) of component **C** [4][of] sub-section (2) only if it was paid by a crossed cheque drawn on a bank.

[5][(5) The [6][Board] may make rules regulating the procedure of the grant of approval under sub-clause (c) of clause (36) of section 2 and any other matter connected with, or incidental to, the operation of this section.]

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[1]Substituted for "fifteen" by Finance Act, 2009 dated June 30, 2009.
[2]Substituted for full stop by Finance Act, 2020 dated June 30, 2020.
[3]Proviso inserted by Finance Act, 2020 dated June 30, 2020.
[4]Word inserted by Finance Ordinance, 2002 dated June 15, 2002.
[5]Sub-section (5) inserted by Finance Act, 2003 dated June 17, 2003.
[6]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.

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[1][ ]

[1]S. 62 omitted by Finance Act, 2022 dated June 30, 2022. Earlier it was substituted by Finance Act, 2011 dated June 30, 2011.

S. 62-Omission.- Before omission by F. Act, 2022, it read as follows:-

"**62. Tax credit for investment in shares and insurance.–** (1) A resident person other than a company shall be entitled to a tax credit for a tax year either-

(i) in respect of the cost of acquiring in the year new shares offered to the public by a public company listed on a stock exchange in Pakistan, provided the resident person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan; [1][ ]

[2][(ia) in respect of cost of acquiring in the tax year, sukuks offered to the public by a public company listed and traded on stock exchange in Pakistan, provided the resident person is the original allottee of the sukuks; [3][ ]]

[3][(ib) in respect of cost of acquiring in the tax year, unit of exchange traded fund offered to public and traded on stock exchange in Pakistan; or]

(ii) in respect of any life insurance premium paid on a policy to a life insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided the resident person is deriving income chargeable to tax under the head "salary" or "income from business" [4][:]

[5][Provided that where tax credit has been allowed under this clause and subsequently the insurance policy is surrendered within two years of its acquisition, the tax credit allowed shall be deemed to have been wrongly allowed and the Commissioner, notwithstanding anything contained in this Ordinance, shall re-compute the tax payable by the taxpayer for the relevant tax years and the provisions of this Ordinance, shall, so far as may, apply accordingly.]

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:-

(A/B) x C

where–

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;

B is the person's taxable income for the tax year; and

C is the lesser of-

(a) the total cost of acquiring the shares, [6][or sukuks] or the total contribution or premium paid by the person referred to in sub-section (1) in the year;

(b) [7][twenty] per cent of the person's taxable income for the year; or

(c) [8][two] million rupees].

(3) Where–

(a) a person has been allowed a tax credit under sub-section (1) in a tax year in respect of the purchase of a share; and

(b) the person has made a disposal of the share within [9][twenty-four] months of the date of acquisition, the amount of tax payable by the person for the tax year in which the shares were disposed of shall be increased by the amount of the credit allowed.]

[1]Word "or" omitted by Finance Act, 2017 dated June 20, 2017.

[2]Clause (ia) inserted by Finance Act, 2017 dated June 20, 2017.

[3]Word "or" omitted and clause (ib) inserted by Finance Act, 2021 dated June 30, 2021.

[4]Substituted for full stop by Finance Act, 2017 dated June 20, 2017.

[5]Proviso inserted by Finance Act, 2017 dated June 20, 2017.

[6]Words inserted by Finance Act, 2017 dated June 20, 2017.

[7]Substituted for "fifteen" by Finance Act, 2012 dated June 26, 2012.

[8]Substituted for "one and a half" by Finance Act, 2018 dated May 23, 2018. Earlier substituted for "five hundred thousand rupees" by Finance Act, 2012 dated June 26, 2012 and later on words "and a half" was inserted by Finance Act, 2015 dated June 30, 2015.

[9]Substituted for "thirty six" by Finance Act, 2012 dated June 26, 2012.

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S. 62-Substitution.-Before substitution it read as follows:-

"62. Investment in shares.– (1) A person [1][other than a company] shall be entitled to a tax credit for a tax year in respect of the cost of acquiring in the year new shares offered to the public by a public company listed on a stock exchange in Pakistan where the person [2][other than a company] is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan.

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:–

(A/B) x C

where –

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;

B is the person's taxable income for the tax year; and

C is the lesser of –

(a) the total cost of acquiring the shares referred to in sub-section (1) in the year;

(b) ten per cent of the person's [3][taxable] income for the year; or

(c) [4][[5]/three/ hundred] thousand rupees.

(3) Where–

(a) a person has [6][been allowed] a tax credit under sub-section (1) in a tax year in respect of the purchase of a share; and

(b) the person has made a disposal of the share within twelve months of the date of acquisition,

the amount of tax payable by the person for the tax year in which the shares were disposed of shall be increased by the amount of the credit allowed."

[1]Words inserted by Finance Act, 2003, dated June 17, 2003.
[2]Words inserted by Finance Act, 2003, dated June 17, 2003.
[3]Substituted for "total" by Finance Act, 2003, dated June 17, 2003.
[4]Substituted for "one hundred and fifty" by Finance Act, 2006, dated July 01, 2006.
[5]Substituted for "two" by Finance Act, 2007, dated June 30, 2007.
[6]Substituted for "claimed" by Finance Act, 2003, dated June 17, 2003.

S. 62- Tax Credit for investment in shares and insurance.- Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"Under the existing provisions of Section 62 a tax credit is allowed for investment by a person other than a company, in new shares of a listed company in Pakistan to the original allottee of such shares or the shares acquired from Privatization Commission of Pakistan. Through substitution of the existing section 62, new section has been inserted which provides for tax credit on shares or tax credit for investment in life insurance premium paid on a policy to a life insurance company registered with the Security and Exchange Commission of Pakistan under the Insurance Companies Ordinance, 2000 (XXXIX of 2000). This tax credit shall be allowed for the year or investment if the resident person (other than a company) is deriving income chargeable to tax under the head "salary" or "income from business".

Tax credit under this section shall be calculated on the basis of lesser of-

(a) total cost of acquisition of the shares or total contribution or premium paid;

(b) fifteen per cent of the persons taxable income for the year; or

(c) five hundred thousand rupees."

8-167-15-07-2022

S. 62- (old)-Tax credit for investment in IPOs.- Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"The maximum limit of investment in Initial Public Offerings (IPOs) for the purpose of tax credit under section 62, for a person (other than a company) has been enhanced from Rs.200,000/- to 300,000/-"

Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:-

"Before amendment in section 62 tax credit was available on investment in Initial Public Offerings (IPOs) upto maximum investment of Rs.150.000/-. In order to encourage savings and to provide incentive for fresh investment, this limit has been enhanced to Rs.200,000/- for the purpose of tax credit under section 62 of the Income Tax Ordinance, 2001, where investment is made on July 1, 2006 and onward."

Tax credit for new shares and of privatized units.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Section 62 of Income Tax Ordinance, 2001 has been amended. Tax credit in respect of investment made in the purchase of new shares of a public company listed on a stock exchange in Pakistan or the shares *from acquired the Privatization Commission of Pakistan would be admissible to individuals only. Such investment made by companies would not be entitled to tax credit."

*should have been "acquired from" instead of "from acquired".

Allowance for investment in shares.– Following is an extract from 'Notes on Clauses of Finance Bill 2007':-

"Seeks to raise the limit of investment in shares for the purpose of tax credit."

Following is an extract from CBR's Circular No. 5 of 2001, dated July 4, 2001, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"An individual assessee would be entitled to an allowance not exceeding 10 per cent of his income or Rs 100,000 – whichever may be less, invested during income year commencing on or after 1st July 2001. The allowance would be available in respect of new shares offered to the public by companies listed on stock exchange and the assessee is the original allottee of such shares. This allowance would also be available in respect of listed shares sold by privatisation Commission of Pakistan. The shares must be held for at least 12 months reckoned from the date of purchase. If any shares are disposed of before 12 months, the relief in tax would be added to the tax payable.

The relief in tax would be allowed in the form of a rebate calculated at the average rate of tax."

8-167-15-07-2022

[1][ ]

[1]S. 62A omitted by Finance Act, 2022 dated June 30, 2022. Earlier inserted by Finance Act, 2016 dated June 24, 2016.

S. 62A-Omission.- Before omission by F. Act, 2022, it read as follows:-

"**62A. Tax credit for investment in health insurance**.- (1) A resident person [1][ ] other than a company shall be entitled to a tax credit for a tax year in respect of any health insurance premium or contribution paid to any insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided the resident person [1][ ] is deriving income chargeable to tax under the head "salary" or "income from business".

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:-

(A/B) x C

where-

A is the amount of tax assessed to the person for the tax year before allowance of tax credit under this section;

B is the person's taxable income for the tax year; and

C is the lesser of-

(a) the total contribution or premium paid by the person referred to in sub-section (1) in the year;

(b) five per cent of the person's taxable income for the year; and

(c) one hundred [2][and fifty] thousand rupees."

[1]Words "being a filer" omitted by Finance Act, 2019 dated June 30, 2019.

[2]Words inserted by Finance Act, 2017 dated June 20, 2017.

8-167-15-07-2022

[1][**63. Contribution to an Approved Pension Fund**.– (1) An eligible person as defined in sub-section (19A) of section 2 deriving income chargeable to tax under the head "Salary" or the head "Income from Business" shall be entitled to a tax credit for a tax year in respect of any contribution or premium paid in the year by the person in approved pension fund under the Voluntary Pension System Rules, 2005.

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:–

(A/B) x C

Where–

A is the amount of tax assessed to the person for the tax year, before allowance of any tax credit under this Part;

B is the person's taxable income for the tax year; and

C is the lesser of–

(i) the total contribution or premium referred to in sub-section (1) paid by the person in the year; or

(ii) twenty per cent of the [2][eligible] person's taxable income for the relevant tax year;

Provided that [3][an eligible person] joining the pension fund at the age of forty-one years or above, during the first ten years [4][starting from July 1, 2006], shall be allowed additional contribution of 2% per annum for each year of age exceeding forty years.

Provided further that the total contribution allowed to such person shall not exceed 50% of the total taxable income of the preceding year [5][:]

[6][Provided also that the additional contribution of two percent per annum for each year of age exceeding forty years shall be allowed upto the 30th June, 2019 subject to the condition that the total contribution allowed to such person shall not exceed thirty percent of the total taxable income of the preceding year.]

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[1]Section 63 substituted by Finance Act, 2005 dated June 29, 2005.
[2]Word inserted by Finance Act, 2006 dated July 01, 2006.
[3]Substituted for "a person" by Finance Act, 2006 dated July 01, 2006.
[4]Substituted for "of the notification of the Voluntary Pension System Rules, 2005" by Finance Act, 2006 dated July 01, 2006.
[5]Substituted for full stop by Finance Act, 2016 dated June 24, 2016. Earlier it was substituted for "; or" by Finance Act, 2011 dated June 30, 2011.
[6]Proviso inserted by Finance Act, 2016 dated June 24, 2016.

8-128-31-07-17

[1][ ]

[2][(3) The transfer by the members of approved employment pension or annuity scheme or approved occupational saving scheme of their existing balance to their individual pension accounts maintained with one or more pension fund managers shall not qualify for tax credit under this section.]

[1]Clause (iii) omitted by Finance Act, 2011 dated June 30, 2011. Before omission it read as follows:-"(iii) five hundred thousand rupees."
[2]Sub-Section (3) inserted by Finance Act, 2006 dated July 01, 2006.

S. 63-Substitution, retirement annuity scheme.– Section 63 before substitution by Finance Act, 2005, read as follows:–

"**63. Retirement annuity scheme.–**(1) Subject to sub-section (3), a resident individual deriving income chargeable to tax under the head "Salary" or the head "Income from Business" shall be entitled to a tax credit for a tax year in respect of any contribution or premium paid in the year by the person under a contract of annuity scheme approved by [1][, Securities and Exchange Commission of Pakistan] of an insurance company duly registered under the Insurance Ordinance, 2000 (XXXIX of 2000), having its main object the provision to the person of an annuity in old age.

[1]Substituted for "SECP" by Finance Ordinance, 2002 dated June 15, 2002.

(2) The amount of a resident individual's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: –

(A/B) x C

where –

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;

B is the person's taxable income for the tax year; and

C is the lesser of –

(a) the total contribution or premium referred to in sub-section (1) paid by the individual in the year;

(b) [1][ten] per cent of the person's [2][taxable] income for the tax year; or

(c) [3][*[*two*]*] hundred] thousand rupees.

(3) A person shall not be entitled to a tax credit under sub-section (1) in respect of a contract of annuity which provides –

(a) for the payment during the life of the person of any amount besides an annuity;

(b) for the annuity payable to the person to commence before the person attains the age of sixty years;

(c) that the annuity is capable, in whole or part, of surrender, commutation, or assignment; or

(d) for payment of the annuity outside Pakistan."

[1]Substituted for "five" by Finance Act, 2003, dated June 17, 2003.
[2]Substituted for "total" by Finance Act, 2003, dated June 17, 2003.
[3]Word "two" substituted for "one" by Finance Act, 2003, dated June 17, 2003. Earlier "one hundred" was substituted for "fifty" by Finance Ordinance, 2002 dated June 15, 2002.

S. 63- Contribution to an Approved Pension Fund.-Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"Limit of 'five hundred thousand rupees' under sub-section (2) of section 63 of the Income Tax Ordinance, 2001, imposed for calculation of person's tax credit for contribution to an Approval Pension Fund has been withdrawn to provide a level playing field to Voluntary Pension Schemes."

8-128-31-07-17

[1][**63A. Tax credit for interest paid on low-cost housing loan**.- (1) An individual shall be entitled to a tax credit for a tax year in respect of any profit on debt or share in rent or share in appreciation for value of house paid by the person in the year on a loan by a scheduled bank or any other financial institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government or a statutory body or a public company listed on a registered stock exchange in Pakistan where the person utilizes the loan for the construction (including land) or acquisition of one personal house having land area up to two thousand five hundred square feet or flat having total area up to two thousand square feet.

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:-

$$(A/B) \times C$$

where-

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;

B is the person's taxable income for the tax year; and

C is the lesser of-

(a) the total profit on debt referred to in sub-section (1) paid by the person in the year; or

(b) thirty per cent of the person's taxable income for the year.

(3) The person shall not be entitled to tax credit under this section for any profit deductible under section 15A.

(4) Where an individual has claimed tax credit under this section, he shall not be entitled to claim tax credit for another house or flat under this section during the subsequent fifteen tax years.]

[1]Section 63A inserted by Finance Act, 2025 in force from July 1, 2025.

8-184-10-07-2025

[1][ ]

[1]Section 64 omitted by Finance Act, 2015 dated June 30, 2015.

S. 63-Measures for Implementation of Voluntary Pension System Rules.-Following is an extract from CBR's Circular No. 1 of 2005, dated July 5, 2005:-

"Section 63 "Retirement Annuity Scheme" has been substituted as "Contribution to an Approved Pension Fund" to be approved by the SECP and the main object of the Scheme is to make provision for the contribution for old age and to allow tax credit to the taxpayer for such contribution.

The profit or gain or benefit derived by the pension fund or the pension fund manager from the pension fund, approved under the VPS Rules, 2005 will be exempt from tax on redemption of the seed capital invested in Pension Fund under clause (57) of Part I of Second Schedule.

Consequent to above amendments, the following expressions have been defined in section 2 of the Income Tax Ordinance, 2001.

	Description	**Under Clause**
(i)	Approved Annuity Plan;	3A
(ii)	Approved Income Payment Plan;	3B
(iii)	Approved Pension Fund;	3C
(iv)	Contribution to an Approved Pension Fund;	13B
(v)	Eligible Person;	19A
(vi)	Individual Pension Account; and	29B
(vii)	Pension Fund Manager.	40A"

S.64-Omission.- Before omission by F. Act, 2015, it read as follows:-

"64. Profit on debt.– [1][(1) A person shall be entitled to a tax credit for a tax year in respect of any profit or share in rent and share in appreciation for value of house paid by the person in the year on a loan by a scheduled bank or non-banking finance institution* regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the [2][Local Government] [3][or a statutory body or a public company listed on a registered stock exchange in Pakistan] where the person utilizes the loan for the construction of a new house or the acquisition of a house.]

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:–

(A/B) x C

where–

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;
B is the person's taxable income for the tax year; and
C is the lesser of –

(a) the total profit referred to in sub-section (1) paid by the person in the year;
(b) [4][fifty] per cent of the person's [5][taxable] income for the year; or
(c) [6][seven hundred and fifty] thousand rupees.

(3) A person is not entitled to [7][tax credit] under this section for any profit deductible under section 17."

[1]Sub-section (1) substituted by Finance Act, 2003, dated June 17, 2003. Earlier it was substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "local authority" by Finance Act, 2008 dated June 27, 2008.[3]Words inserted by Finance Act, 2004, dated June 24, 2004, w.e.f. July 1, 2004.
[4]Substituted for "forty" by Finance Act, 2009 dated June 30, 2009. Earlier "forty" was substituted for "twenty five" by Finance Act, 2003, dated June 17, 2003.
[5]Substituted for "total" by Finance Act, 2003, dated June 17, 2003.
[6]Substituted for "five hundred" by Finance Act, 2009 dated June 30, 2009. Earlier "five" was substituted for "one" by Finance Act, 2003, dated June 17, 2003 and "one hundred" was substituted for "fifty" by Finance Ordinance, 2002 dated June 15, 2002.
[7]Substituted for "a deductible allowance" by Finance Ordinance, 2002 dated June 15, 2002.
*it should have been "company".

8-159-15-07-2021

[1][**64B. Tax credit for employment generation by manufacturers**.- (1) Where a taxpayer being a company formed for establishing and operating a new manufacturing unit sets up a new manufacturing unit between 1st day of July, 2015 and 30th day of June, [2][2019], (both days inclusive) it shall be given a tax credit for a period of ten years.

(2) The tax credit under sub-section (1) for a tax year shall be equal to [3][two] percent of the tax payable for every fifty employees registered with The Employees Old Age Benefits Institution or the Employees Social Security Institutions of Provincial Governments during the tax year, subject to a maximum of ten percent of the tax payable.

(3) Tax credit under this section shall be admissible where-

(a) the company is incorporated and manufacturing unit is setup between the first day of July, 2015 and 30th day of June, 2018, both days inclusive;

(b) employs more than fifty employees in a tax year registered with The Employees Old Age Benefits Institution and the Employees Social Security Institutions of Provincial Governments;

(c) manufacturing unit is managed by a company formed for operating the said manufacturing unit and registered under the [4][Companies Act, 2017 (XIX of 2017)] and having its registered office in Pakistan; and

(d) the manufacturing unit is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan at any time before 1st July 2015.

(4) Where any credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner that any of the conditions specified in this section were not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.

(5) For the purposes of this section, a manufacturing unit shall be treated to have been setup on the date on which the manufacturing unit is ready to go into production, whether trial production or commercial production.]

8-159-15-07-2021

[1]Section 64B inserted by Finance Act, 2015 dated June 30, 2015.
[2]Substituted for "2018" by Finance Act, 2016 dated June 24, 2016.
[3]Substituted for "one" by Finance Act, 2016 dated June 24, 2016.
[4]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.

[1][ ]

[1]S. 64C omitted by Finance Act, 2021 dated June 30, 2021. Earlier the same was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Finance Act, 2019 dated June 30, 2019.

S. 64C–Omission.- Before omission by Finance Act, 2021 it read as follows:-

"**64C. Tax credit for persons employing fresh graduates.-** (1) A person employing freshly qualified graduates from a university or institution recognized by Higher Education Commission shall be entitled to a tax credit in respect of the amount of annual salary paid to the freshly qualified graduates for a tax year in which such graduates are employed.

(2) The amount of tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:-

(A/B) x C

where-

A is the amount of tax assessed to the person for the tax year before allowance of tax credit under this section;

B is the person's taxable income for the tax year; and

C is the lessor of-

(a) the annual salary paid to the freshly qualified graduates referred to in sub-section (1) in the year; and

(b) five percent of the person's taxable income for the year;

(3) The tax credit shall be allowed for salary paid to the number of freshly qualified graduates not exceeding fifteen percent of the total employees of the company in the tax year.

(4) In this section, "freshly qualified graduate" means a person who has graduated after the first day of July, 2017 from any institution or university recognized by the Higher Education Commission."

S. 64C–Tax credit for persons employing fresh graduates.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"In order to generate employment opportunities for freshly qualified graduates, a new tax credit has been provided by introducing a new section 64C in the Ordinance. As per this section, persons employing freshly qualified graduates from a university or institution recognized by the Higher Education Commission shall be entitled to a tax credit in respect of the amount of salary paid to such freshly qualified graduates for the tax year in which such graduates are employed. For claiming this tax credit, the term "freshly qualified graduate" has been defined to mean a person who has graduated after the first day of July, 2017 from any institution or university recognized by the Higher Education Commission. The tax credit shall be computed according to the following formula:-

(A/B) x C

where-

A is the amount of tax assessed to the person for the tax year before allowance of tax credit;

B is the person's taxable income for the tax year; and

C is the lesser of-

(a) the annual salary paid to the freshly qualified graduates in the tax year; and

(b) 5% of the person's taxable income for the year.

However, the tax credit will only be allowed to the number of freshly qualified graduates as are not exceeding 15% of the total employees in the tax year. For example, if a company employs 20 such fresh graduates in a tax year and its total employees including such fresh graduates are 100, then only annual salary of 15 fresh graduates will be counted for the purpose of computation of tax credit."

8-191-15-09-2026

[1][**64D. Tax credit for integration**.- (1) Any person required, under this Ordinance, the Sales Tax Act, 1990 or the Federal Excise Act, 2005, to integrate with the computerized system of the Board for real-time production monitoring, or for the recording or reporting of sales or receipts, shall be entitled to a tax credit in respect of expenditure incurred exclusively on the purchase, acquisition, installation or implementation of such equipment, hardware, software or other electronic components as are directly and exclusively utilized for the purposes of such integration:

Provided that the Board may prescribe limitations, conditions and restrictions for availing the tax credit under this section.

(2) The amount of tax credit allowed under sub-section (1) for a tax year in which electronic resource is installed, integrated and configured with the Board‘s computerized system shall be ten percent of the amount actually invested in the electronic resource.

(3) Such tax credit shall not be allowable against operation and maintenance expenses related to such electronic resource.

(4) This tax credit shall be available only against normal tax payable under Division I or Division II of Part I of the First Schedule.]

65. Miscellaneous provisions relating to tax credits.– (1) Where the person entitled to a tax credit under [2][this] Part is a member of an association of persons to which sub-section (1) of section 92 applies, the following shall apply–

(a) component **A** of the formula in sub-section (2) of section 61, sub-section (2) of section 62, sub-section (2) of section 63 and sub-section (2) of section 64 shall be the amount of tax that would be assessed to the individual if any amount derived in the year that is exempt from tax under sub-section (1) of section 92 were chargeable to tax; and

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[1]S. 64D substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2021 dated June 30, 2021.

[2]Word inserted by Finance Ordinance, 2002 dated June 15, 2002.

New S. 64D.- Integration with Board’s Computerized System [Sections 2(19D), 2(30A), 2(30D), 2(42AA), 21(r), 64D and 174(5)].- Please see FBR’s Circular 2 of 2026-27, under section 21(r).

S. 64D-Substitution.- Before substitution by F. Act, 2026, it read as follows:-

“**64D. Tax credit for point of sale machine**.- (1) Any person who is required to integrate with Board’s computerized system for real time reporting of sale or receipt, shall be entitled to tax credit in respect of the amount invested in purchase of point of sale machine.

(2) The amount of tax credit allowed under sub-section (1) for a tax year in which point of sale machine is installed, integrated and configured with the Board’s computerized system shall be lesser of-

(a) amount actually invested in purchase of point of sale machine; or

(b) rupees one hundred and fifty thousand per machine.

(3) For the purpose of this section, the term point of sale machine means a machine meant for processing and recording the sale transactions for goods or services, either in cash or through credit and debit cards or online payments in an internet enabled environment.”

Following is an extract from Notes on Clauses to Finance Bill, 2004:–

“Seeks to extend the facility of tax credit on “profit on debt” paid on a house loan from employer by the employees of statutory bodies or listed public companies.”

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(b) component **B** of the formula in sub-section (2) of section 61, sub-section (2) of section 62, sub-section (2) of section 63 and sub-section (2) of section 64 shall be the taxable income of the individual for the year if any amount derived in the year that is exempt from tax under sub-section (1) of section 92 were chargeable to tax.

(2) Any tax credit allowed under this Part shall be applied in accordance with sub-section (3) of section 4.

(3) Subject to sub-section (4), any tax credit or part of a tax credit allowed to a person under this Part for a tax year that is not able to be credited under sub-section (3) of section 4 for the year shall not be refunded, carried forward to a subsequent tax year, or carried back to a preceding tax year.

(4) Where the person to whom sub-section (3) applies is a member of an association of persons to which sub-section (1) of section 92 applies, the amount of any excess credit under sub-section (3) for a tax year may be claimed as a tax credit by the association for that year.

(5) Sub-section (4) applies only where the member and the association agree in writing for the sub-section to apply and such agreement in writing must be furnished with the association's return of income for that year.

[1][(6) Where the person is entitled to a tax credit under section 65B, 65D or 65E, provisions of clause (d) of sub-section (2) of section 169 and clause (d) of sub-section (1) of section 113 shall not apply.]

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[1]Sub-section (6) inserted by Finance Act, 2015 dated June 30, 2015.

Tax credit for point of sale (POS) machines.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"All Tier 1 retailers are required to integrate with Board's Point of Sale online real time reporting system. In order to encourage integration with point of sale real time reporting system of FBR, tax credit for POS machines has been introduced through introduction of new section 64D. Tax credit of Rs. 150, 000 or the cost of the machine whichever is lower shall be extended to the Tier 1 retailers installing and integrating machines with Board's system."

8-190-15-07-2026

[1][ ]

[1]Section 65A omitted by Finance Act, 2017 dated June 20, 2017. Earlier it was inserted by Finance Act, 2009 dated June 30, 2009.

S.65A.-Omission.- Before omission by F. Act, 2017 it read as follows:-

"**65A. Tax credit to a person registered under the Sales Tax Act, 1990.-** (1) Every manufacturer, registered under the Sales Tax Act, 1990, shall be entitled to a tax credit of [1][three] per cent of tax payable for a tax year, if ninety per cent of his sales are to the *person who is registered under the aforesaid Act during the said tax year.

(2) For claiming of the credit, the person shall provide complete details of the persons to whom the sales were made.

(3) No credit will be allowed to a person whose income is covered under final tax or minimum tax.

(4) Carry forward of any amount where full credit may not be allowed against the tax liability for the tax year, shall not be allowed.]

[1]Substituted for "two and a half" by Finance Act, 2016 dated June 24, 2016.
*the intention appears to be sales to one or more than one person.

S. 65A-Substitution.- Before substitution by Finance Act, 2012, Sub-sections (4) & (5) read as follows:-

"(4) Where no tax is payable by the taxpayer in respect of the tax year in which such plant or machinery is installed, or where the tax payable is less than the amount of credit, the amount of the credit or so much of it as is in excess thereof, as the case may be, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year, and so on, but no such amount shall be carried forward for more than two tax years, however, the deduction made under sub-section (2) and this sub-section shall not exceed in aggregate the limit specified in sub-section (1).

(5) Where any credit is allowed under this section and subsequently it is discovered by the Commissioner Inland Revenue that any one or more of the conditions specified in this section was, or were, not fulfilled, as the case may be, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be apply accordingly."

Widening of scope and enhancement of limits.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"The scope of the provision of section 64 has been widened to include all loans by scheduled banks or non-banking financial institutions (NBFIs) regulated by Securities and Exchange Commission of Pakistan. Advance* by Government or a local authority or HBFC are already included for the purpose of tax credit in respect of any profit or share in rent, where the loan is utilized for construction or acquisition of a house. To encourage and facilitate housing the limit for tax credit has also been enhanced to Rs.500,000 or 40% of the income – whichever is less. Enhanced limit would be applicable in respect of tax year commencing on or after July 1, 2003."

*should have been "Advances"

Following is an extract from CBR's Circular No. 5 of 2001, dated July 4, 2001, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A new section has been inserted in the Ordinance to allow a rebate at average rate of tax on any mark up paid by an assessee on a loan sanctioned and advance on or after 1st July 2001 and which does not exceed Rs.600,000 and is advanced for the purpose of construction of a new house or acquisition of a house. The allowance would be available where such loan is advanced by a scheduled bank under a house finance scheme approved by the State Bank of Pakistan or advanced by Government or a local authority or House Building Finance Corporation. The maximum amount eligible for an allowance under this section is 25 per cent of income or Rs 50,000 – whichever is the less. Besides, the loan must be utilised for construction of a new house or acquisition of a house. An allowance under this section would not be available where an assessee claims a deduction for mark up under clause (e) or (ee) of sub-section (1) of section 20."

8-190-15-07-2026

[1][**65B**. **Tax credit for investment**.- (1) Where a taxpayer being a company invests any amount in the purchase of a plant and machinery, for the purposes of [2][extension, expansion,] balancing, modernization and replacement of the plant and machinery, already installed therein, in an industrial undertaking set up in Pakistan and owned by it, credit equal to ten per cent of the amount so invested shall be allowed against the tax payable [2][, including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance,] by it in the manner hereinafter provided [3][:]

[4][Provided that for the tax year 2019 the rate of credit shall be equal to five percent of the amount so invested:

Provided further that the provisions of sub-section (5) relating to carry forward of the credit to be deducted from tax payable, to the following tax years, as specified in the said sub-section, shall continue to apply after tax year 2019;]

(2) The provisions of sub-section (1) shall apply if the plant and machinery is purchased and installed at any time between the first day of July, 2010, and the 30th day of June, [5][2019].

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[1]Ss. 65B & 65C inserted by Finance Act, 2010 dated June 30, 2010.
[2]Words etc. inserted by Finance Act, 2012 dated June 26, 2012.
[3]Substituted for full stop by Finance Act, 2019 dated June 30, 2019.
[4]Provisos inserted by Finance Act, 2019 dated June 30, 2019.
[5]Substituted for "2021" by Finance Act, 2019 dated June 30, 2019. Earlier it was substituted for "2019" by Finance Act, 2018 dated May 23, 2018. Earlier it was substituted for "2016" by Finance Act, 2016 dated June 24, 2016, was substituted for "2015" by Finance Act, 2015 dated June 30, 2015.

S. 65A-Tax credit for manufacturer making sales to sales tax registered persons.- Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"For broadening of tax base a new section 65A has been inserted whereby every manufacturer registered under the Sale Tax Act, 1990 is entitled to a tax credit of 2.5% of tax payable for tax year if 90% of sales are made to persons who are registered under the Sales Tax Act, 1990. For claiming the tax credit, the taxpayer, will however be required to provide complete details of the persons to whom the sales were made during the tax year. The facility, however is not allowed to a person whose income is covered under the final or minimum tax regime. However, no carry forward of such credit is allowed."

S. 65B–Reduction of tax credit on purchase of plant & machinery and eventual withdrawal.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Tax credit for investment in purchase of plant and machinery for the purposes of extension, expansion, balancing, modernization and replacement of already installed machinery is provided in section 65B of the Income Tax Ordinance, 2001. The rate of tax credit was 10% of the amount so invested. This section was introduced through the Finance Act, 2010 and had a sunset clause whereby this tax credit was to expire after 30.06.2015. However, the sunset clause was extended to 30.06.2016 by the Finance Act, 2016 and thereafter extended to 30.06.2019 through the Finance Act, 2016. This credit was subsequently, once again extended to 30.06.2021 through the Finance Act, 2018. Through the Finance Act, 2019, the date of expiry of this tax credit has been amended to 30.06.2019. Hence, this tax credit will not be available on any investment made after 30.06.2019. Further, for the tax year 2019, the rate of tax credit has been reduced from 10% to 5% of the amount so invested. However, the tax credits up to the tax year 2019 which have not been adjusted against the tax payable can still be carried forward beyond tax year 2019 as per provisions of sub-section (5) of section 65B."

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(3) The amount of credit admissible under this section shall be deducted from the tax payable by the taxpayer in respect of the tax year in which the plant or machinery in the purchase of which the amount referred to in sub-section (1) is invested and installed.

[1][(4) The provisions of this section shall apply *mutatis mutandis* to a company setup in Pakistan before the first day of July, 2011, which makes investment, through hundred per cent new equity during first day of July, 2011 and 30th day of June, 2016, for the purposes of balancing, modernization and replacement of the plant and machinery already installed in an industrial undertaking owned by the company. However, credit equal to twenty per cent of the amount so invested shall be allowed against the tax payable, including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance. The credit shall be allowed in the year in which the plant and machinery in the purchase of which the investment as aforesaid is made, is installed therein.

Explanation.-For the purpose of this section the term "new equity" shall have the same meaning as defined in sub-section (7) of section 65E.

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[1]Sub-sections (4), (5) and (6) substituted for sub-sections (4) and (5) by Finance Act, 2012 dated June 26, 2012.

S. 65B-Tax credit for investment in industrial undertaking.- Following is an extract from FBR's Circular No. 10, dated July 16, 2010:-

"In order to encourage companies for investment in balancing, modernization and replacement of the already installed plant and machinery in an industrial undertaking set up in Pakistan and owned by such company under the provisions of newly inserted section 65B, 10% rebate in income tax payable for the tax year in which such plant and machinery

is installed, shall be admissible if such investment is made in the purchase and installation of plant and machinery at any time between the 1st day of July, 2010 and the 30th day of June, 2015.

In case where investment in purchase of machinery and completion of installation thereof do not occur in the same tax year, such tax rebate shall be admissible in the tax year of installation of such plant and machinery.

In cases where no tax is payable by the taxpayer in the year of installation of plant and machinery or where the tax payable is less than the amount of tax credit, the amount of such credit or the amount of unadjusted tax credit, as the case may be, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year, and so on, but no such amount shall be carried forward for more than two tax years and shall not exceed in aggregate the 10% limit as specified."

S. 65B-Tax Credit for Investments.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"To facilitate industrialization in the country and to encourage modernization of the already existing manufacturing concerns, tax credit under this section has also been extended for extension and expansion of an industrial undertaking. Furthermore, the ambit of tax credit has been extended to include minimum tax and final taxes payable under any provision of the Ordinance.

The substituted sub-section (4) incentivizes Industrial Undertakings already set up before July 01, 2011 to make 100% equity investment through issuance of new shares for cash consideration in balancing, modernization and replacement of their plant & machinery by providing a tax credit of 20% of the amount invested in the tax year the machinery is installed. The limitation of availing tax credit for investments by Industrial Undertakings already set up before July 01, 2011 and making 100% equity investments during the period July 01, 2011 to June 30, 2016 has been extended to five years. However, the tax credit allowable under this section shall not exceed the limits as specified in subsections (1) & (4) of this section."

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(5) Where no tax is payable by the taxpayer in respect of the tax year in which such plant or machinery is installed, or where the tax payable is less than the amount of credit as aforesaid, the amount of the credit or so much of it as is in excess thereof, as the case may be, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year and so on, but no such amount shall be carried forward for more than two tax years in the case of investment referred to in sub-section (1) and for more than five tax years in respect of investment referred to in sub-section (4), however, the deduction made under this section shall not exceed in aggregate the limit specified in sub-section (1) or sub-section (4), as the case may be.

(6) Where any credit is allowed under this section and subsequently it is discovered by the Commissioner Inland Revenue that any one or more of the conditions specified in this section was, or were, not fulfilled, as the case may be, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner, notwithstanding anything contained in this Ordinance, shall re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.]

[1][ ]

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[1]S. 65C omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Finance Act, 2010 dated June 30, 2010.

S. 65C-Omission.- Before omission it read as follows:-

"**65C**. **Tax credit for enlistment**.- (1) Where a taxpayer being a company opts for enlistment in any registered stock exchange in Pakistan [2][on or before the 30th day of June, 2022], a tax credit equal to [3][twenty] per cent of the tax payable shall be allowed for the tax year in which the said company is enlisted [4]/and for the following [5]/three tax years:/

[6]/Provided that the tax credit for the last two years shall be ten per cent of the tax payable./"

[2]Words etc. inserted by Finance Act, 2020 dated June 30, 2020.

[3]Substituted for "fifteen" by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted for "five" by Finance Act, 2011 dated June 30, 2011.

[4]Words etc inserted by Finance Act, 2016 dated June 24, 2016.

[5]Substituted for "tax year." by Finance Act, 2017 dated June 20, 2017.

[6]Proviso inserted by Finance Act, 2017 dated June 20, 2017.

S. 65C-Tax credit for Enlistment.- Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"In section 65C, limit for the amount of tax credit of the tax payable allowed for the tax year in which the said company is enlisted has been increased to fifteen per cent through Finance Act, 2011 to encourage companies opting for enlistment in any registered Stock Exchange in Pakistan."

S. 65C-Incentive for enlistment by a company.- Following is an extract from FBR's Circular No. 10, dated July 16, 2010:-

"To encourage companies for enlistment in any registered stock exchange in Pakistan, a new section 65C has been introduced through Finance Act, 2010 in the Income Tax Ordinance, 2001, whereby companies opting for enlistment shall be entitled to the benefit of 5% tax credit on tax payable in the tax year of its enlistment."

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[1][ ]

[1]S. 65D omitted by Finance Act, 2021 dated June 30, 2021. Earlier Ss. 65D & 65E inserted by Finance Act, 2011 dated June 30, 2011.

S. 65D-Omission.- Before omission it read as follows:-

"**65D Tax credit for newly established industrial undertakings**.- (1) Where a taxpayer being a company formed for establishing and operating a new industrial undertaking [1][including corporate dairy farming] sets up, it shall be given a tax credit equal to [2][an amount as computed in sub-section (1A)] of the tax payable [3][, including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance,] on the taxable income arising from such industrial undertaking [1][including corporate dairy farm] for a period of five years beginning from the date of setting up or commencement of commercial production, whichever is later.

[4][(1A) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:

A x (B/C)

where-

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year;

B is the equity raised through issuance of new shares for cash consideration; and

C is the total amount invested in setting up the new industrial undertaking.]

(2) Tax credit under this section shall be admissible where-

(a) the company is incorporated and industrial undertaking is setup between the first day of July, 2011 and 30th day of June, [5][2021];

(b) industrial undertaking is managed by a company formed for operating the said industrial undertaking and registered under the Companies Ordinance, 1984 (XLVII of 1984) and having its registered office in Pakistan;

(c) the industrial undertaking is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an industrial undertaking established in Pakistan at any time before 1st July, 2011; and

(d) the industrial undertaking is set up with [6][at least seventy per cent] equity [7][raised through issuance of new shares for cash consideration:]

[8][Provided that short term loans and finances obtained from banking companies or non-banking financial institutions for the purposes of meeting working capital requirements shall not disqualify the taxpayer from claiming tax credit under this section.]

[9][ ]

[1]Inserted by Finance Act, 2012 dated June 26, 2012.
[2]Substituted for "hundred per cent" by Finance Act, 2016 dated June 24, 2016.
[3]Substituted for "for manufacturing in Pakistan" by Finance Act, 2012 dated June 26, 2012.
[4]Sub-section (1A) inserted by Finance Act, 2016 dated June 24, 2016.
[5]Substituted for "2019" by Finance Act, 2018 dated May 23, 2018. Earlier it was substituted for "2016" by Finance Act, 2016 dated June 24, 2016.
[6]Substituted for "hundred per cent" by Finance Act, 2016 dated June 24, 2016.
[7]Substituted for "owned by the company." by Finance Act, 2012 dated June 26, 2012.
[8]Inserted by Finance Act, 2012 dated June 26, 2012.
[9]Sub-section (3) omitted by Finance Act, 2012 dated June 26, 2012.

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(4) Where any credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner Inland Revenue that [1][the business has been discontinued in the subsequent five years after the credit has been allowed or] any of the [2][conditions] specified in this section [3][were] not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.

[4][(5) For the purposes of this section and sections 65B and 65E, an industrial undertaking shall be treated to have been setup on the date on which the industrial undertaking is ready to go into production, whether trial production or commercial production.]

[1]Words etc inserted by Finance Act, 2016 dated June 24, 2016.
[2]Substituted for "condition" by Finance Act, 2012 dated June 26, 2012.
[3]Substituted for "was" by Finance Act, 2012 dated June 26, 2012.
[4]Sub-section (5) inserted by Finance Act, 2012 dated June 26, 2012.

S. 65D(3)- Omission.- Before omission by F. Act, 2012, it read as follows:-

"(3) The amount of credit admissible under this section shall be deducted from the tax payable by the taxpayer in respect of the tax year in which the plant or machinery referred in sub-section (1) is purchased and installed."

S. 65D-Tax credit for Equity Investment in newly established Industrial Undertaking.- Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

A new section 65D has been introduced in order to provide incentive for investment in new industrial undertaking in Pakistan. Tax rebate equal to 100% of the tax payable by a newly established company is admissible where all of the following conditions are fulfilled:-

(i) the company is incorporated / registered under the Companies Ordinance 1984 (XLVII of 1984) having its registered office in Pakistan and formed for establishing and operating a new industrial undertaking for manufacturing in Pakistan;

(ii) the industrial undertaking managed y such company is set up / established in Pakistan between the 1st day of July, 2011 and 30th day of June, 2016;

(iii) the said industrial undertaking is established with 100% equity owned by the said company;

(iv) the company or the industrial undertaking is not established by the splitting up or reconstruction or reconstitution of an industrial undertaking already in existence; and

(v) the company or the industrial undertaking is not established by transfer of machinery or plant from an existing industrial undertaking.

Tax credit under this section shall be available for a period of five years and this period will begin from the later of the date of setting up of such industrial undertaking or from the date of commencement of commercial production."

S. 65D-Tax Credit for Investments.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"Certain substitutions have been made that clarify the mode of 100% equity to be raised through issuance of new shares for cash consideration. Corporate Dairy farming has also been included in the ambit of this section to encourage this important sector of our economy. The domain of tax credit to be availed in this section has been extended to minimum tax and final taxes payable under any provision of the Income Tax Ordinance, 2001. It has also been clarified that short term financing obtained from banking companies or non banking financial institutions for meeting the working capital requirements shall not disqualify the taxpayer from claiming tax credit under this section.

It has further been elaborated that an industrial undertaking shall be considered to have been set up when it starts its production whether trial or commercial."

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[1][**65E. Tax credit for industrial undertakings established before the first day of July, 2011**.- [2][(1) Where a taxpayer being a company, setup in Pakistan before the first day of July, 2011, invests any amount, with [3][at least seventy per cent] new equity raised through issuance of new shares, in the purchase and installation of plant and machinery for an industrial undertaking, including corporate dairy farming, for the purposes of-

(i) expansion of the plant and machinery already installed therein; or

(ii) undertaking a new project,

a tax credit shall be allowed against the tax payable in the manner provided in sub-section (2) and sub-section (3), as the case may be, for a period of five years beginning from the date of setting up or commencement of commercial production from the new plant or expansion project, whichever is later.]

[2][(2) Where a taxpayer maintains separate accounts of an expansion project or a new project, as the case may be, the taxpayer shall be allowed a tax credit equal to one* [3][an amount as computed in sub-section (3A)] of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, attributable to such expansion project or new project.

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[1]S. 65E inserted by Finance Act, 2011 dated June 30, 2011.
[2]Sub-sections (1) to (5) substituted for sub-sections (1) to (4) by Finance Act, 2012 dated June 26, 2012.
[3]Substituted for "hundred per cent" by Finance Act, 2016 dated June 24, 2016.

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*word "one" has become superfluous.

S. 65E(1) to (4)- Substitution.- Before Substitution by Finance Act, 2012, sub-sections (1) to (4) read as follows:-

"(1) Where a taxpayer being a company invests any amount, with hundred per cent equity investment, in the purchase and installation of plant and machinery for the purposes of balancing, modernization, replacement, or for expansion of the plant and machinery already installed in an industrial undertaking setup in Pakistan before the first day of July 2011, a tax credit shall be allowed against the tax payable in the manner provided hereinafter, in the same proportion, which exists between the total investment and such equity investment made by the industrial undertaking.

(2) The provision of sub-section (1) shall apply if the plant and machinery is purchased and installed at any time between the first day of July, 2011, and the 30th day of June, 2016.

(3) The amount of credit admissible under this section shall be deducted from the tax payable by the taxpayer in respect of the tax year in which the plant or machinery referred in sub-section (1) is purchased and installed and for the subsequent four years.

(4) Where no tax is payable by the taxpayer in respect of the tax year in which such plant or machinery is installed, or where the tax payable is less than the amount of tax credit, the amount of such credit or so much of it as is in excess thereof, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year:

Provided that no such amount shall be carried forward for more than four tax years:

Provided further that deduction made under sub-section (1) and under this sub-section shall not exceed in aggregate the limit of the tax credit specified in sub-section (1)."

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(3) In all other cases, the credit under [1][sub-section (3A)] shall be such proportion of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, as is the proportion between the new equity and the total equity including new equity.

[2][(3A) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:-

A x (B/C)

where-

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year;

B is the equity raised through issuance of new shares for cash consideration; and

C is the total amount invested in the purchase and installation of plant and machinery for the industrial undertaking.]

(4) The provisions of sub-section (1) shall apply if the plant and machinery is installed at any time between the first day of July, 2011 and the 30th day of June, [3][2021].

(5) The amount of credit admissible under this section shall be deducted from the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, by the taxpayer [4]*/*, for a period of five years beginning from the date of setting up or commencement of commercial production from the new plant or expansion project, whichever is later*/*.]

[5][(6)] Where any credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner Inland Revenue that [6][the business has been discontinued in the subsequent five years after the credit has been allowed or] any of the condition specified in this section was not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall apply accordingly.]

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[1]Substituted for "this section" by Finance Act, 2016 dated June 24, 2016.
[2]Sub-section (3A) inserted by Finance Act, 2016 dated June 24, 2016.
[3]Substituted for "2019" by Finance Act, 2018 dated May 23, 2018. Earlier it was substituted for "2016" by Finance Act, 2016 dated June 24, 2016.
[4]Substituted for "in respect of the tax year in which the plant or machinery referred to in sub-section (1) is installed and for the subsequent four years" by Finance Act, 2015 dated June 30, 2015.
[5]Sub-section (5) renumbered as (6) by Finance Act, 2012 dated June 26, 2012.
[6]Words etc inserted by Finance Act, 2016 dated June 24, 2016.

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[1][(7) For the purposes of this section, 'new equity' means equity raised through fresh issue of shares against cash by the company and shall not include loans obtained from shareholders or directors:

Provided that short term loans and finances obtained from banking companies or non-banking financial institutions for the purposes of meeting working capital requirements shall not disqualify the taxpayer from claiming tax credit under this section.]

[1]Sub-section (7) inserted by Finance Act, 2012 dated June 26, 2012.

S. 65E-Tax Credit for Investments.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"The ambit of Section 65E has been expanded to facilitate existing industrial undertakings to undertake new projects for claim of a tax credit under this section. The period of tax credit has been enhanced to five years instead of the previous four years.

To ensure proper documentation, taxpayers have been encouraged to maintain separate books of accounts for an expansion project or a new project. An incentive of 100% tax credit equal to hundred percent tax payable including minimum & final taxes payable under any provisions of the Income Tax Ordinance, 2001 has been offered.

Furthermore the proportionate formula for tax credit has been elaborated and it will be as under:-

(New Equity/Total Equity including new equity) X tax payable

'New equity" has been explained to include equity raised through issuance of fresh shares by the company against cash and shall not include loans obtained from shareholders or directors. It has been elaborated that short term loans and finances obtained by the company for meeting working capital requirements shall not disqualify it from claiming credit under this section."

S. 65E- Tax credit for Equity Investment for BMR/Expansion in Industrial Undertaking Established before the first day of July, 2011.- Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"Newly introduced section 65E is meant to provide tax credit on investment by a company with 100% equity investment in balancing, modernization, replacement, or for expansion of the plant and machinery already installed, in an industrial undertaking set up in Pakistan before the 1st day of July 2011 subject to the fulfillment of all of the following conditions:

(i) tax credit shall be allowed on the basis of proportion which such equity investment bears to the total investment in the company;

(ii) tax credit shall be allowed if the plant and machinery is purchased and installed at any time between the 1st day of July, 2011, and the 30th day of June, 2016; and

(iii) amount of tax credit shall be allowed against the tax payable by the taxpayer in respect of the tax year in which the plant or machinery is purchased and installed and for the subsequent four years;

In cases where no tax is payable by the taxpayer in the year of installation of plant and machinery or where the tax payable is less than the amount of tax credit, the amount of such credit or the amount of unadjusted tax credit, as the case may be, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year, and so on, but no such amount shall be carried forward for more than four tax years and shall not exceed in aggregate the limit of the tax credit."

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[1][**65F. Tax credit for certain persons**.- (1) Following persons or incomes shall be allowed a tax credit equal to one hundred per cent of the tax payable under any provisions of this Ordinance including minimum, alternate corporate tax and final taxes for the period, to the extent, upon fulfillment of conditions and subject to limitations detailed as under:-

[2][(a) persons engaged in coal mining projects in Sindh, to the extent, the income is derived from supplying coal to power generation projects.]

(b) a startup as defined in clause (62A) of section 2 for the tax year in which the startup is certified by the Pakistan Software Export Board and the next following two tax years [3][.]

[4][***Explanation***.– For the removal of doubt it is clarified that tax credit under clause (a) shall only be available to the income derived from the operations of coal mining projects in Sindh supplying coal to power generation projects.]

[5][ ]

(2) The tax credit under sub-section (1) shall be available subject to fulfillment of the following conditions, where applicable, namely:-

(a) return has been filed;

(b) withholding tax statements for the relevant tax year have been filed in respect of those provisions of the Ordinance, where the person is a withholding agent; and

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[1]Ss. 65F & 65G inserted Finance Act, 2021 dated June 30, 2021. Earlier these were inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[2]Clause (a) substituted by Finance Act, 2025 in force from 1 July, 2025.
[3]Substituted for "; and" by Finance Act, 2024 w.e.f. 1 July, 2024.
[4]Explanation inserted by Finance Act, 2024 w.e.f. 1 July, 2024.
[5]Clause (c) omitted by Finance Act, 2022 dated June 30, 2022.

S. 65F(1)(a)-Substitution.-Before substitution by F. Act, 2025, it read as follows:-

"(a) persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects;"

S. 65F(1)(c)-Omission.-Before omission it read as follows:-

"(c) Income from exports of computer software or IT services or IT enabled services as defined in clause (30AD) and (30AE) of section 2 upto the period ending on the 30th day of June, 2025:

Provided that eighty percent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels."

S. 65F. Tax credit for Persons engaged in Coal Mining. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Hundred percent tax credit under section 65F is allowed to persons engaged in coal mining projects in Sindh, and supplying coal exclusively to power generation projects in Sindh. An explanation has been added to section 65F to clarify that hundred percent tax is available exclusively to their income derived from coal mining operations in Sindh supplying coal exclusively to power generation projects and thus the provisions of section 65F has not allowed the tax credit to any other income or incomes under any heads other than from supplying coal exclusively to power generation projects in Sindh."

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(c) sales tax returns for the tax periods corresponding to relevant tax year have been filed if the person is required to file Sales Tax Return under any of the Federal or Provincial sales tax laws.]

[1][**65G. Tax credit for specified industrial undertakings**.- (1) When making certain eligible capital investments as specified in sub-section (2), the eligible taxpayers defined in subsection (3) shall be allowed to take an investment tax credit of twenty five percent of the eligible investment amount, against tax payable under the provisions of this Ordinance including minimum and final taxes. The tax credit not fully adjusted during the year of investment shall be carried forward to the subsequent tax year subject to the condition that it may be carried forward for a period not exceeding two years.

(2) For the purposes of this section, the eligible investment means investment made in purchase and installation of new machinery, buildings, equipment, hardware and software, except self-created software and used capital goods.

(3) For the purpose of this section, eligible person means-

(a) green field industrial undertaking as defined in clause (27A) of section 2 engaged in-

(i) the manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition; or

(ii) ship building:

Provided that the person incorporated between the 30th day of June, 2019 and the 30th day of June, 2024 and the person is not formed by the splitting up or reconstitution of an undertaking already in existence or by transfer of machinery, plant or building from an undertaking established in Pakistan prior to the commencement of new business and is not part of an expansion project; and

(b) an industrial undertaking set up by the 30th day of June 2023 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, for a period of five years beginning from the date such industrial undertaking is set up.]

[1]Ss. 65F & 65G inserted Finance Act, 2021 dated June 30, 2021. Earlier these were inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

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8-128-31-07-17

[1][ ]

[1]S. 65H omitted by Finance Act, 2022 dated June 30, 2022 and shall be deemed to have been omitted with effect from 2nd March, 2022. Earlier it was inserted by Income Tax (Amendment) Ordinance, 2022 dated March 03, 2022.

S. 65H-Omission.-Before omission it read as follows:-

"**65H. Tax credit for foreign investment for industrial promotion**.- (1) Where a taxpayer being-

(a) a non-resident Pakistani citizen having continued non-residential status for more than five years; or

(b) a resident individual having foreign assets declared in terms of section 116 or 116A by the 31st December, 2021,

invests in a company incorporated on or after the 1st March, 2022, to set up an industrial undertaking in Pakistan with equity, not less than fifty million rupees, with funds remitted into Pakistan through proper banking channel as per the procedure to be prescribed by the State Bank of Pakistan, at any time up to the 31st December. 2022, that company shall be entitled to a one-time tax credit equal to one hundred percent of the amount remitted and credited in rupees in the bank account of such company against tax liability for the tax year in which commercial production commences.

(2) Where no tax is payable by the taxpayer in respect of the tax year in which the commercial production has commenced or where the tax payable is less than the amount or credit as aforesaid, the amount of the credit or so much of it as is in excess thereof, as the case may be, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year and so on, but no such amount shall be carried forward for more than five tax years in the case of investment referred to in sub-section (1), however, the deduction made under this section shall not exceed in aggregate the limit specified in sub-section (1).

(3) This section shall not apply to a company or an industrial undertaking established by splitting up or reconstitution of a company or an industrial undertaking already in existence or by transfer of machinery or plant front an industrial undertaking established at any time before the 1st March, 2022.

(4) The provisions of sub-section (1) shall apply if commercial production commences by the 30th June, 2024.

(5) Where any credit is allowed under this section and subsequently it is discovered by the Commissioner Inland Revenue that any one or more of the conditions specified in this section was or were not fulfilled, as the case may be, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner, notwithstanding anything contained in this Ordinance, shall re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly."

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CHAPTER IV

COMMON RULES

PART I

GENERAL

66. Income of joint owners.– (1) For the purposes of this Ordinance and subject to sub-section (2), where any property is owned by two or more persons and their respective shares are definite and ascertainable –

(a) the persons shall not be assessed as an association of persons in respect of the property; and

(b) the share of each person in the income from the property for a tax year shall be taken into account in the computation of the person's taxable income for that year.

(2) This section shall not apply in computing income chargeable under the head "Income from Business".

67. Apportionment of deductions.– (1) Subject to this Ordinance, where an [1][expenditures, deductions and allowances] relates to –

(a) the derivation of more than one head of income; or

[2][(ab) derivation of income comprising of taxable income and any class of income to which sub-sections (4) and (5) of section 4 apply, or]

(b) the derivation of income chargeable to tax under a head of income and to some other purpose,

the [1][expenditures, deductions and allowances] shall be apportioned on any reasonable basis taking account of the relative nature and size of the activities to which the amount relates.

(2) The Central Board of Revenue may make rules under section [3][237] for the purposes of apportioning deductions [4][expenditures and allowances].

68. Fair market value.– (1) For the purposes of this Ordinance, the fair market value of any property [5][or rent], asset, service, benefit or perquisite at a particular time shall be the price which the property [3][or rent], asset, service, benefit or perquisite would ordinarily fetch on sale or supply in the open market at that time.

(2) The fair market value of any property [5][or rent], asset, service, benefit or perquisite shall be determined without regard to any restriction on transfer or to the fact that it is not otherwise convertible to cash.

8-125-31-12-16

[1]Substituted for "expenditures" by Finance Act, 2016 dated June 24, 2016.
[2]Clause (ab) inserted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Substituted for "232" by Finance Ordinance, 2002 dated June 15, 2002.
[4]Words inserted by Finance Act, 2016 dated June 24, 2016.
[5]Words inserted by Finance Act, 2003, dated June 17, 2003.

[1][(3) Where the price [2][other than the price of immovable property] referred to in sub-section (1) is not ordinarily ascertainable, such price may be determined by the Commissioner.]

[3][(4) Notwithstanding anything contained in sub-sections (1) and (3), [4][the Board may, from time to time by notification in the official Gazette, determine the fair market value of immovable property of the area or areas as may be specified in the notification].]

[5][(5) Where the fair market value of any immovable property of an area or arras has not been determined by the Board in the notification referred to in sub-section (4), the fair market value of such immovable property shall be deemed to be the value fixed by the District Officer (Revenue) or provincial or any other authority authorized in this behalf for the purposes of stamp duty.]

[5][(6) In respect of immovable property-

(i) component A of the formula in sub-section (2) of section 37;

(ii) "consideration received" as mentioned in Division X of Part IV of First Schedule;

(iii) "value of Immovable property" as mentioned in Division XVIII of Part IV of the First Schedule; and

(iv) valuation for the purposes of section 111, shall not be less than the fair market value as determined under sub-section (4) or (5).

Explanation.- (1) For the removal of doubt, it is clarified that the fair market value as determined under sub-section (4) or (5) shall be for carrying out the purposes of this Ordinance only.

(2) It is further clarified that for the purposes of clauses (i) to (iv) of this sub-section if the fair market value determined under sub-section (4) or (5) is different than the auction price the applicable price shall be the higher of the two.]

69. Receipt of income.– For the purposes of this Ordinance, a person shall be treated as having received an amount, benefit, or perquisite if it is –

(a) actually received by the person;

(b) applied on behalf of the person, at the instruction of the person or under any law; or

(c) made available to the person.

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[1]Sub-section (3) inserted by Finance Act, 2003 dated June 17, 2003.
[2]Words inserted by Finance Act, 2016 dated June 24, 2016.
[3]Sub-section (4) inserted by Finance Act, 2016 dated June 24, 2016.
[4]Substituted for "the fair market value of immovable property shall be determined on the basis of valuation made by a panel of approved valuers of the State Bank of Pakistan" by Income Tax (Fourth Amendment) Act, 2016 dated December 06, 2016. Earlier the same was substituted by Income Tax (Amendment) Ordinance, 2016 dated July 31, 2016.
[5]Sub-sections (5) & (6) inserted by Income Tax (Fourth Amendment) Act, 2016 dated December 06, 2016. Earlier the same was by Income Tax (Amendment) Ordinance, 2016 dated July 31, 2016.

8-125-31-12-16

70. Recouped expenditure.– Where a person has been allowed a deduction for any expenditure or loss incurred in a tax year in the computation of the person's income chargeable to tax under a head of income and, subsequently, the person has received, in cash or in kind, any amount in respect of such expenditure or loss, the amount so received shall be included in the income chargeable under that head for the tax year in which it is received.

71. Currency conversion.– (1) Every amount taken into account under this Ordinance shall be in Rupees.

(2) Where an amount is in a currency other than rupees, the amount shall be converted to the Rupee at the State Bank of Pakistan [1][ ] rate applying between the foreign currency and the Rupee on the date the amount is taken into account for the purposes of this Ordinance.

72. Cessation of source of income.– Where–

(a) any income is derived by a person in a tax year from any business, activity, investment or other source that has ceased either before the commencement of the year or during the year; and

(b) if the income had been derived before the business, activity, investment or other source ceased it would have been chargeable to tax under this Ordinance,

this Ordinance shall apply to the income on the basis that the business, activity, investment or other source had not ceased at the time the income was derived.

73. Rules to prevent double derivation and double deductions.– (1) For the purposes of this Ordinance, where–

(a) any amount is chargeable to tax under this Ordinance on the basis that it is receivable, the amount shall not be chargeable again on the basis that it is received; or

(b) any amount is chargeable to tax under this Ordinance on the basis that it is received, the amount shall not be chargeable again on the basis that it is receivable.

(2) For the purposes of this Ordinance, where –

(a) any expenditure is deductible under this Ordinance on the basis that it is payable, the expenditure shall not be deductible again on the basis that it is paid; or

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[1]Word "mid-exchange" omitted by Finance Act, 2003 dated June 17, 2003.

S. 71(2)–Conversion of other currencies.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Sub-section (2) of section 71 has been amended to convert other currencies into Pak. rupees at the SBP rate on the day of conversion instead of mid-exchange rate which was a complicated and impracticable method of conversion especially for taxpayers whose transactions run into thousands."

8-142-15-07-19

(b) any expenditure is deductible under this Ordinance on the basis that it is paid, the expenditure shall not be deductible again on the basis that it is payable.

PART II

TAX YEAR

[1][**74. Tax year.**– (1) For the purpose of this Ordinance and subject to this section, the tax year shall be a period of twelve months ending on the 30th day of June (hereinafter referred to as 'normal tax year') and shall, subject to sub-section (3), be denoted by the calendar year in which the said date falls.

(2) Where a person's income year, under the repealed Ordinance, is different from the normal tax year, or where a person is allowed, by an order under sub-section (3), to use a twelve months' period different from normal tax year, such income year or such period shall be that person's tax year (hereinafter referred to as 'special tax year') and shall, subject to sub-section (3), be denoted by the calendar year relevant to normal tax year in which the closing date of the special tax year falls.

[1]Section 74 substituted by Finance Ordinance, 2002 dated June 15, 2002.

S. 74–Tax year, substitution– Section 74 before substitution by Finance Ordinance, 2002 read as follows:–

"74. Tax year.– (1) For the purposes of this Ordinance and subject to this section, the tax year shall be the period of twelve months ending on the 30th day of June (referred to in this section as the financial year).

(2) A person may apply, in writing, to use as the person's tax year a twelve-month period (hereinafter referred to as a "special year") other than the financial year and the Commissioner may, subject to sub-section (4), by notice in writing, approve the application.

(3) A person granted permission under sub-section (2) to use a special year may apply, in writing, to change the person's tax year to the financial year or to another special year and the Commissioner may, subject to sub-section (4), by notice in writing, approve such application.

(4) The Commissioner may approve an application under sub-section (2) or (3) only if the person has shown a compelling need to use a special year or to change the person's tax year and any approval shall be subject to such conditions as the Commissioner may prescribe.

(5) The Commissioner may, by notice in writing to a person, withdraw the permission to use a special year granted under sub-section (2) or (3).

(6) A notice served by the Commissioner under sub-section (2) shall take effect on the date specified in the notice and a notice under sub-section (3) or (5) shall take effect at the end of the special year of the person in which the notice was served.

(7) Where the tax year of a person changes as a result of sub-section (2), (3) or (5), the period between the last full tax year prior to the change and the date on which the changed tax year commences shall be treated as a separate tax year, to be known as the "transitional year".

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[1][/(2A) The Central Board of Revenue,–

(i) in the case of a class of persons having a special tax year different from a normal tax year may permit, by a notification in the official Gazette, to use a normal tax year; and

(ii) in the case of class of persons having a normal tax year may permit, by a notification in the official Gazette, to use a special tax year./]

(3) A person may apply, in writing, to the Commissioner to allow him to use a twelve months' period, other than normal tax year, as special tax year and the Commissioner may, subject to sub-section (5), by an order, allow him to use such special tax year.

(4) A person using a special tax year, under sub-section (2), may apply in writing, to the Commissioner to allow him to use normal tax year and the Commissioner may, subject to sub-section (5), by an order, allow him to use normal tax year.

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[1]Sub-section (2A) inserted by Finance Act, 2004, w.e.f. July 1, 2004.

(8) In this Ordinance, a reference to a particular financial year shall include a special year or a transitional year of a person commencing during the financial year.

(9) A person dissatisfied with a decision of the Commissioner under sub-section (2), (3) or (5) may challenge the decision only under the appeal procedure in Part III of Chapter X."

S. 74(2)–Specification of normal year for cases in 'special year' class.– Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"Sub-section (2) of section 74 of the Income Tax Ordinance, 2001 has protected the "special tax year" in case of a class of persons which were assigned by the CBR under the repealed Ordinance. Sub-section (3) and sub-section (4) of the said section empowers the Commissioner to assign a "special tax year" or a "normal tax year" on case to case basis on application, in writing, by the taxpayer. In order to resolve the problem of a class of persons, section 74 has been amended to empower the CBR to assign "normal tax year" or "special tax year" and vice versa in respect of a class of persons."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to authorize the Central Board of Revenue to change special tax year into normal tax year by a notification in official Gazette in the case of a class of person and vice-versa."

Income year, discontinuation of calendar year.– Following is an extract from CBR's Circular No. 4 of 1995 dated July 19, 1995, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Taxpayers deriving income from business or profession had the option to declare income earned in a financial year, special year or a calendar year. In order to bring uniformity in tax matters and facilitate information matching through computers, section 2(26)(b) has been omitted to fix financial year as the accounting period for all taxpayers except where special income year has been prescribed by C.B.R. The special years prescribed for different classes of assessees will, however, continue as in the past." [**Ref:** *95 ITC 4, p 3.*]

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(5) The Commissioner shall grant permission under sub-section (3) or (4) only if the person has shown a compelling need to use special tax year or normal tax year, as the case may be, and the permission shall be subject to such conditions, if any, as the Commissioner may impose.

(6) An order under sub-section (3) or (4) shall be made after providing to the applicant an opportunity of being heard and where his application is rejected the Commissioner shall record in the order the reasons for rejection.

(7) The Commissioner may, after providing to the person concerned an opportunity of being heard, by an order, withdraw the permission granted under sub-section (3) or (4).

(8) An order under sub-section (3) or (4) shall take effect from such date, being the first day of the special tax year or the normal tax year, as the case may be, as may be specified in the order.

(9) Where the tax year of a person changes as a result of an order under sub-section (3) or sub-section (4), the period between the end of the last tax year prior to change and the date on which the changed tax year commences shall be treated as a separate tax year, to be known as the "transitional tax year".

(10) In this Ordinance, a reference to a particular financial year shall, unless the context otherwise requires, include a special tax year or a transitional tax year commencing during the financial year.

(11) A person dissatisfied with an order under sub-section (3), (4) or (7) may file a review application to the Central Board of Revenue, and the decision by the Central Board of Revenue on such application shall be final.]

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Comments. The reason given by the CBR, for this drastic action, that uniformity in accounting periods would facilitate information matching through computers, appeared to be less thoughtful as the accounting years in case of a majority of the substantial businesses i.e. textiles, sugar, cotton ginning, rice, jute, oil, insurance and several multinationals etc., would remain different.

The change affected not only a large number of assessees but also in case of the hundreds of thousands of shareholders of quoted companies who recently held annual general meetings (mostly in June, 1995), one of the points being the position of payment of dividend.

Special tax years.– In respect of certain classes of assessees, the CBR has, u/s 2(26)(c) of the repealed Ordinance, 1979 and 2(11) of the repealed Act, 1922, specified the following 'special tax years', as modified by notifications issued u/s 74(2A) of the I.T.Ord., 2001:–

Classes of Assessees	**Special tax year**	**SRO No. and date.**
Companies manufacturing jute goods	1st July to 30th June	133(R)/68, July 31, 1968
Companies manufacturing sugar*	1st October to 30th September	*134(R)/68, July 31, 1968
All persons exporting rice	1st January to 31st December	367(I)/74, January 14, 1974
**All persons carrying on business of rice husking†	1st September to 31st August.	1153(I)/79, Dec. 10, 1979
All persons carrying on business of oil milling	1st September to 31st August.	89(I)/80, January 21, 1980
All persons carrying on business of manufacturing and dealings in shawls	1st April to 31st March	505(I)/80, May 13, 1980
All insurance companies	1st January to 31st December	878(I)/95 August 30, 1995

*ref. to "cotton textiles" omitted here in view of amendment of SRO 134(R)/68 by SRO 684(I)/2004, dated August 10, 2004.

**entry relating to business of cotton ginning (1st Sept. to 31st Aug.) omitted here in view of rescission of SRO 943(I)/79, dated Oct. 17, 1979, by SRO 683(I)/2004, dated August 10,2004.

†does not include rice dealers, ref. C. No. 1(35)IT-I/79, dated July 7, 1980.

Multiple sources of income, special years.– This has been clarified in Circular No. 7 of 1980, dated March 30, 1980 an extract wherefrom, explaining corresponding provisions of the repealed Ordinance, is as follows:–

"The assessees who have more than one source of income and the Board has fixed different special income years for these sources will close their accounts on the dates as mentioned above but will make up their returns of income on the basis of income year ending on a later date. For example, an assessee engaged in cotton ginning and manufacture of cotton textile will close account books on 31st August for cotton ginning and on 30th September for cotton textile and make up a combined return for the year ending 30th September each year."

8-142-15-07-19

PART III

ASSETS

75. Disposal and acquisition of assets.– (1) A person who holds an asset shall be treated as having made a disposal of the asset at the time the person parts with the ownership of the asset, including when the asset is–

(a) sold, exchanged, transferred or distributed; or

(b) cancelled, redeemed, relinquished, destroyed, lost, expired or surrendered.

(2) The transmission of an asset by succession or under a will shall be treated as a disposal of the asset by the deceased at the time asset is transmitted.

(3) The application of a business asset to personal use shall be treated as a disposal of the asset by the owner of the asset at the time the asset is so applied.

Allowing special years.– Following is an extract from Circular No. 10 of 1979, dated October 1, 1979, explaining corresponding provisions of the Income Tax Ordinance, 1979:–

"Representations have been received that restriction of closing of accounts to only two dates causes inconvenience to such trades which are seasonal in nature and to industries whose major raw material is agricultural produce. Although it is not advisable to revert to the provisions of the repealed Act, yet the Board would sympathetically consider representations by any trade or industry for fixing of special previous year convenient to such trade or industry."

Following is the text of CBR's Letter No. C. No. 1(35)ITI/95.Pt. dated September 27, 1995, explaining corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to refer to the subject noted above and to say that the following general criteria may be applied in this behalf:–

(i) In the cases of domestic companies and subsidiary companies incorporated in Pakistan, calendar year may not be allowed as a special year merely for the reason that books of accounts are closed on calendar year basis;

(ii) Cases of branches of foreign companies, if they are purely temporary (upto five years only) and they do not fall in presumptive tax regime, may be recommended alongwith the requisite information for obtaining Board's approval.

2. Letters of regrets may be sent to applicants falling in the category listed in para (i) above." [**Ref:** 95 ITL 35 p. 21]

Specification before first day of assessment year.– Following is an extract from Circular No. 13 of 1961, dated October 12, 1961, explaining corresponding provisions of the repealed Act, 1922:–

"The Supreme Court was, thus, of the view that the Board could not use the power given in Section 2(11)(b) of the Income-tax Act, after the 1st day of the assessment year in respect of which it was prescribing the previous year. The ruling specifically prohibits the retrospective utilisation of the power given in Section 2(11)(b) of the Income-tax Act. It does not debar the Board or the Commissioner of Income-tax to declare a period of more than 12 months as previous year for any assessment year, but it fixes the point of time when such orders can be passed in order to be operative."

8-184-10-07-2025

[1][(3A) Where a business asset is discarded or ceases to be used in business, it shall be treated to have been disposed of.]

(4) A disposal shall include the disposal of a part of an asset.

(5) A person shall be treated as having acquired an asset at the time the person begins to own the asset, including at the time the person is granted any right.

(6) The application of a personal asset to business use shall be treated as an acquisition of the asset by the owner at the time the asset is so applied.

(7) In this section,–

"business asset" means an asset held wholly or partly for use in a business, including stock-in-trade and a depreciable asset; and

"personal asset" means an asset held wholly for personal use.

[2][**75A. Purchase of assets through banking channel** [3][**or digital means**]**.-** (1) Notwithstanding anything contained in any other law, for the time being in force, no person shall purchase-

(a) immovable property having fair market value greater than five million Rupees; or

(b) any other asset having fair market value more than one million Rupees,

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[1]Sub-section (3A) inserted by Finance Act, 2003 dated June 17, 2003.
[2]S. 75A inserted by Finance Act, 2019 dated June 30, 2019.
[3]Words inserted by Finance Act, 2025 in force from July 1, 2025.

S. 75A.– Purchase of assets through banking channel.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"A new section 75A has been introduced in the Ordinance which requires that no person shall purchase immovable property having fair market value greater than RS.5,000,000 or any other asset having fair market value more than RS.1,000,000 otherwise than by a crossed cheque drawn on a bank or through crossed demand draft or crossed pay order or any other crossed banking instrument showing transfer of amount from one bank account to another bank account. Fair market value of immovable property shall be the value notified by the Board under sub-section (4) of section 68 or the value fixed by the provincial authority for the purpose of stamp duty, whichever is higher. In case the transaction is not through banking channel as specified above,-

(a) such persons cannot claim deductions mentioned in sections 22, 23, 24 & 25 on such assets. Hence, no deduction for depreciation, initial allowance, intangibles and pre-commencement expenditure shall be allowable for assets purchased otherwise than through banking channel as specified above;

(b) the amount of purchase through cash which was required to paid through banking channel as stated above, shall not be treated as cost as per section 76 for computation of any gain in sale of such asset.

Further, any person purchasing immovable property having fair market value greater than five million through cash or bearer cheque shall pay a penalty of 5% of the value of property determined by the Board under sub-section (4) of section 68 or the value determined by the provincial authority for the purposes of stamp duty, whichever is higher."

8-184-10-07-2025

otherwise than by a crossed cheque drawn on a bank or through crossed demand draft or crossed pay order or any other crossed banking instrument [1][or through digital means] showing transfer of amount from one bank account to another bank account.

(2) For the purposes of this section in case of immoveable property, fair market value means value notified by the Board under sub-section (4) of section 68 or value fixed by the provincial authority for the purposes of stamp duty, whichever is higher.

(3) In case the transaction is not undertaken in the manner specified in sub-section (1),-

(a) such asset shall not be eligible for any allowance under sections 22, 23, 24 and 25 of this Ordinance; and

(b) such amount shall not be treated as cost in terms of section 76 of this Ordinance for computation of any gain on sale of such asset.]

76. Cost.– (1) Except as otherwise provided in this Ordinance, this section shall establish the cost of an asset for the purposes of this Ordinance.

(2) Subject to sub-section (3), the cost of an asset purchased by a person shall be the sum of the following amounts, namely:–

(a) The total consideration given by the person for the asset, including the fair market value of any consideration in kind determined at the time the asset is acquired;

(b) any incidental expenditure incurred by the person in acquiring and disposing of the asset; and

(c) any expenditure incurred by the person to alter or improve the asset,

but shall not include any expenditure under clauses (b) and (c) that has been fully allowed as a deduction under this Ordinance.

(3) The cost of an asset treated as acquired under sub-section (6) of section 75 shall be the fair market value of the asset determined at the date it is applied to business use.

(4) The cost of an asset produced or constructed by a person shall be the total costs incurred by the person in producing or constructing the asset plus any expenditure referred to [2][in] clauses (b) and (c) of sub-section (2) incurred by the person.

(5) Where an asset has been acquired by a person with a loan denominated in a foreign currency and, before full and final repayment of the loan, there is an increase or decrease in the liability of the person under the loan as expressed in Rupees, the amount by which the liability is increased or reduced shall be added to or deducted from the cost of the asset, as the case may be.

8-191-15-09-2026

[1]Words inserted by Finance Act, 2025 in force from July 1, 2025.
[2]Word inserted by Finance Act, 2003, dated June 17, 2003. This corrects the error pointed out in this book earlier.

[1][*Explanation*.- Difference, if any, on account of foreign currency fluctuation, shall be taken into account in the year of occurrence for the purposes of depreciation.]

(6) In determining whether the liability of a person has increased or decreased for the purposes of sub-section (5), account shall be taken of the person's position under any hedging agreement relating to the loan.

(7) Where a part of an asset is disposed of by a person, the cost of the asset shall be apportioned between the part of the asset retained and the part disposed of in accordance with their respective fair market values determined at the time the person acquired the asset.

(8) Where the acquisition of an asset by a person is the derivation of an amount chargeable to tax, the cost of the asset shall be the amount so charged plus any amount paid by the person for the asset.

[2][(8A) Where an immovable property is acquired by an individual through inheritance, the cost of such property in the hands of that individual shall be the fair market value as defined under this Ordinance, of the property as provided under sub-section (5) of section 68 of this Ordinance, on transfer of such property to the beneficiary.]

(9) Where the acquisition of an asset by a person is the derivation of an amount exempt from tax, the cost of the asset shall be the exempt amount plus any amount paid by the person for the asset.

(10) The cost of an asset does not include the amount of any grant, subsidy, rebate, commission or any other assistance (other than a loan repayable with or without profit) received or receivable by a person in respect of the acquisition of the asset, except to the extent to which the amount is chargeable to tax under this Ordinance.

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[1]Explanation inserted by Finance Act, 2009 dated June 30, 2009.
[2]Sub-section (8A) inserted by Finance Act, 2026 dated June 26, 2026.

S. 76(5)-Adjustment in cost of assets acquired through foreign currency loan.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Sub-Section (5) of section 76 of the Ordinance provide for determination of cost of assets purchased through Foreign Currency Loan. It has been noticed that the tax payers take undue benefit of the devaluation of Pakistani currency and claim initial as well as normal depreciation by upward revising the Written Down Value (WDV) which also leads to litigation in the matter. In order to rectify this ambiguous situation an Explanation has been added to the said sub section providing that for the purposes of depreciation, the difference if any on account of Foreign Currency fluctuation is now to be taken into account only in year of occurrence of such fluctuation and WDV adopted in previous year will not be altered."

S. 76(8A).- Cost of Inherited Immovable Property and Transmission on Death [Sections 76(8A) and 79]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new sub-section (8A) has been added in section 76 to provide that where immovable property is acquired by an individual through inheritance, the cost of such property in the hands of that individual shall be its fair market value, as determined under sub-section (5) of section 68, on transfer of the property to the beneficiary. In section 79, an explanation has been inserted clarifying that the transmission of immovable property to a beneficiary on the death of a person shall also include the transmission of assets by reason of a family settlement among the family members consequent upon the death of the person."

8-191-15-09-2026

[3][(11) Notwithstanding anything contained in this section, the Board may prescribe rules for determination of cost for any asset.]

77. Consideration received.– (1) The consideration received by a person on disposal of an asset shall be the total amount received by the person for the asset [1][or the fair market value thereof, whichever is the higher], including the fair market value of any consideration received in kind determined at the time of disposal.

(2) Where an asset has been lost or destroyed by a person, the consideration received for the asset shall include any compensation, indemnity or damages received by the person under–

(a) an insurance policy, indemnity or other agreement;

(b) a settlement; or

(c) a judicial decision.

(3) The consideration received for an asset treated as disposed of under sub-section (3) [2][or (3A)] of section 75 shall be the fair market value of the asset determined at the time it is applied to personal use [3][or discarded or ceased to be used in business, as the case may be].

(4) The consideration received by a scheduled bank, financial institution, modaraba, or leasing company approved by the Commissioner (hereinafter referred to as a "leasing company") in respect of an asset leased by the company to another person shall be the residual value received by the leasing company on maturity of the lease agreement subject to the condition that the residual value plus the amount realised during the term of the lease towards the cost of the asset is not less than the original cost of the asset.

(5) Where two or more assets are disposed of by a person in a single transaction and the consideration received for each asset is not specified, the total consideration received by the person shall be apportioned among the assets disposed of in proportion to their respective fair market values determined at the time of the transaction.

[4][(6) Notwithstanding anything contained in this section, the Board may prescribe rules for determination of consideration received for any asset.]

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[3]Sub-section (11) inserted by Finance Act, 2012 dated June 26, 2012.
[1]Words and comma inserted by Finance Act, 2003 dated June 17, 2003.
[2]Inserted by Finance Act, 2003 dated June 17, 2003.
[3]Words and comma inserted by Finance Act, 2003 dated June 17, 2003.
[4]Sub-section (6) inserted by Finance Act, 2012 dated June 26, 2012.

8-191-15-09-2026

78. Non-arm's length transactions.– Where an asset is disposed of in a non-arm's length transaction–

(a) the person disposing of the asset shall be treated as having received consideration equal to the fair market value of the asset determined at the time the asset is disposed; and

(b) the person acquiring the asset shall be treated as having a cost equal to the amount determined under clause (a).

79. Non-recognition rules.– (1) For the purposes of this Ordinance and subject to sub-section (2), no gain or loss shall be taken to arise on the disposal of an asset–

(a) between spouses under an agreement to live apart;

(b) by reason of the transmission of the asset to an executor or beneficiary on the death of a person;

[1][***Explanation***: For the removal of doubt it is clarified that transmission of immovable property, to a beneficiary on the death of a person shall also include the transmission of assets by reason of family settlement amongst the family members consequent upon death of the person.]

(c) by reason of a gift of the asset [2][to a relative, as defined in sub-section (5) of section 85,];

(d) by reason of the compulsory acquisition of the asset under any law where the consideration received for the disposal is reinvested by the recipient in an asset of a like kind within one year of the disposal;

(e) by a company to its shareholders on liquidation of the company; or

(f) by an association of persons to its members on dissolution of the association where the assets are distributed to members in accordance with their interests in the capital of the association.

(2) Sub-section (1) shall not apply where the person acquiring the asset is a non-resident person at the time of the acquisition [3][in respect of disposal of an asset as mentioned in clauses (d), (e) and (f) of sub-section (1)].

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[1]Explanation inserted by Finance Act, 2026 dated June 26, 2026.
[2]Words inserted by Finance Act, 2018 dated May 23, 2018.
[3]Words inserted by Finance Act, 2021 dated June 30, 2021.

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(3) Where clause (a), (b), (c), (e) or (f) of sub-section (1) applies, the person acquiring the asset shall be treated as –

(a) acquiring an asset of the same character as the person disposing of the asset; and

(b) acquiring the asset for a cost equal to the cost of the asset for the person disposing of the asset at the time of the disposal.

(4) The person's cost of a replacement asset referred to in clause (d) of sub-section (1) shall be the cost of the asset disposed of plus the amount by which any consideration given by the person for the replacement asset exceeds the consideration received by the person for the asset disposed of.

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CHAPTER V
PROVISIONS GOVERNING PERSONS
PART I
CENTRAL CONCEPTS
Division I
Persons

80. Person.– (1) The following shall be treated as persons for the purposes of this Ordinance, namely:–

(a) An individual;

(b) a company or association of persons incorporated, formed, organised or established in Pakistan or elsewhere;

(c) the Federal Government, a foreign government, a political subdivision of a foreign government, or public international organisation.

(2) For the purposes of this Ordinance–

(a) "association of persons [1][, limited liability partnership]" includes a firm, a Hindu undivided family, any artificial juridical person and any body of persons formed under a foreign law, but does not include a company;

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[1]Words etc. inserted by Finance Act, 2026 dated June 26, 2026.

S. 80(2)–Rationalization Of Tax Rate On Income Of Cooperative Societies..–Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"A Cooperative Society is defined under section 80(2) of the Ordinance as "company". However, a separate rate of tax was provided in the paragraph (ii) of Division II of Part I of the First Schedule to the Ordinance, whereby income of a finance society, a cooperative society or any other society was chargeable to tax at the rates applicable to a company or an individual whichever was beneficial to the taxpayer.

8.2 The said paragraph (ii) of the aforesaid Division/Part of the said Schedule has been omitted. Now the cooperative society or any other society covered by the definition of a "company" shall be taxed at the same rate as is applicable to a company."

S. 80(2)(b)–Company.– Following is an extract from CBR's Circular No. 15 of 1980, dated June 26, 1980, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Previously a foreign association was treated as company if so declared by CBR. Now a foreign association incorporated by or under laws of a foreign country would be automatically treated as company. Other associations would, however, be treated as company if declared by CBR."

Enlargement of definition of company.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"An amendment has been made through Finance Act, 2013 to enlarge the scope of definition of a Company. Now as per Income Tax Ordinance, 2001 a company includes:

(i) a co-operative society, a finance society or any other society;

(ii) a non-profit organization;

(iii) a trust, an entity or a body or persons established or constituted by or under any law for the time being in force.

Now the provisions of the Income Tax Ordinance, 2001 applicable to companies shall also apply on the above mentioned classes."

S. 80(2)(b)(iii)–Modarabas.– See notes to section **28(1)(c).**

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(b) "company" means–

(i) a company as defined in the [1][Companies Act, 2017 (XIX of 2017)];

(ii) a body corporate formed by or under any law in force in Pakistan;

(iii) a modaraba;

(iv) a body incorporated by or under the law of a country outside Pakistan relating to incorporation of companies;

[2][(v) a co-operative society, a finance society or any other society;]

[3][(va) a non-profit organization;

(vb) a trust, an equity or a body of persons established or constituted by or under any law for the time being in force;]

(vi) a foreign association, whether incorporated or not, which the [4][Board] has, by general or special order, declared to be a company for the purposes of this Ordinance;

(vii) a Provincial Government; [5][ ]

(viii) a [6][Local Government] in Pakistan; [7][or]

[8][(ix) a Small Company as defined in section 2;]

(c) "firm" means the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all;

(d) "trust" means an obligation annexed to the ownership of property and arising out of the confidence reposed in and accepted by the owner, or declared and accepted by the owner for the benefit of another, or of another and the owner, and includes a unit trust; and

(e) "unit trust" means any trust under which beneficial interests are divided into units such that the entitlements of the beneficiaries to income or capital are determined by the number of units held.

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[1]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Fin. Act, 2021 dated June 30, 2021.
[2]Sub-clause (v) substituted by Finance Act, 2013 dated June 29, 2013.
[3]Sub-clauses (va) & (vb) inserted by Finance Act, 2013 dated June 29, 2013.
[4]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.
[5]Words "or" omitted by Finance Act, 2005, dated June 29, 2005.
[6]Substituted for "local authority" by Finance Act, 2008 dated June 27, 2008.
[7]Words inserted by Finance Act, 2005, dated June 29, 2005.
[8]Clause (ix) inserted by Finance Act, 2005, dated June 29, 2005.

S. 80(2)(b)(v)–Substitution.– Before substitution by F.A. 2013, it read as follows:-

(v) a trust, a co-operative society or a finance society [1][or any other society established or constituted by or under any law for the time being in force];

[1]Words inserted by Finance Ordinance, 2002 dated June 15, 2002.

8-190-15-07-2026

Division II

Resident and Non-Resident Persons

81. Resident and non-resident persons.– (1) A person shall be a resident person for a tax year if the person is–

(a) a resident individual, resident company or resident association of persons for the year; or

(b) the Federal Government.

(2) A person shall be a non-resident person for a tax year if the person is not a resident person for that year.

82. Resident individual.– An individual shall be a resident individual for a tax year if the individual–

(a) is present in Pakistan for a period of, or periods amounting in aggregate to, one hundred and [1][eighty-three] days or more in the tax year; [2][or]

[3][ ]

[1]Substituted for "eighty-two" by Finance Act, 2006 dated July 01, 2006.
[2]Word "or" inserted by Finance Act, 2022 dated June 30, 2022. Earlier it was omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2005, dated June 29, 2005.
[3]Clause (ab) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2019 dated June 30, 2019.

S. 81(ab)–Omission.– Before omission it read as follows:–

"(ab) is present in Pakistan for a period of, or periods amounting in aggregate to, one hundred and twenty days or more in the tax year and, in the four years preceding the tax year, has been in Pakistan for a period of, or periods amounting in aggregate to, three hundred and sixty-five days or more; or"

S. 81–Residential status.– In Circular No. 4 of 1979, dated August 23, 1979, explaining the relevant provision of the Income Tax Ordinance, 1979, it was claimed that:–

"There are now only two categories of assessees 'residents' and 'non-residents'. The third category of 'resident but not ordinarily resident' which enabled certain assessees to so arrange their stay in Pakistan that their entire foreign income escaped assessment. They, thus, derived the benefit normally available to a 'resident' as well as to a 'non-resident'."

Soon it was realised that the status 'resident but not ordinarily resident' was necessary, therefore through SRO 859(I)/79, dated September 24, 1979, an amendment u/s 14(2) [now 53(2)] was made whereby Clause (87) was added to the Second Schedule which restored the status "resident but not ordinarily resident". It was then admitted by the CBR in its Circular No. 10 of 1979, dated October 1, 1979 that:–

"The new provision relating to residential status abolishes the previous category of 'Resident but not Ordinarily Resident'. In order to save Pakistanis working abroad and foreigners staying in Pakistan for short periods from any hardship, a notification under Section 14(2) has been issued exempting the income of such persons as would have qualified as 'Residents but not Ordinarily Residents' under the repealed Act in respect of their foreign income except the income arising from the business controlled in Pakistan or a profession set up in Pakistan or unless it is brought into or received in Pakistan during such year. This notification restores the position available under the repealed Act in respect of the liability of the tax due to residential status."

Definition of resident individual.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"The provisions relating to the definition of resident individual have been modified. Now in order to become a resident, a person shall be required to be in Pakistan for a period in aggregate to 183 days or more in a tax year. The other conditions have been waived off by omitting clause (ab) of section 82 of the Ordinance."

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[1][ ]

(c) is an employee or official of the Federal Government or a Provincial Government posted abroad in the tax year [2][;]

[1]Clause (b) omitted by Finance Act, 2003 dated June 17, 2003.
[2]Semi-colon substituted for full stop by Finance Act, 2022 dated June 30, 2022.

S. 82(b)–Omission.– Before omission by Finance Act, 2003, clause (b) read as follows:–

"(b) is present in Pakistan for a period of, or periods amounting in aggregate to, ninety days or more in the tax year and who, in the four years preceding the tax year, has been in Pakistan for a period of, or periods amounting in aggregate to, three hundred and sixty-five days or more; or"

S. 82–Residential Status.– Following is an extract from 'Notes on Clauses of Finance Act, 2006':–

"Seeks to improve the definition of resident individuals."

S. 82–Definition of resident individual.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Prior to the Finance Act, 2019, an individual was treated as a "resident individual" for a tax year if the individual was present in Pakistan for a period, or for periods aggregating to 183 days or more in a tax year. Through the Finance Act, 2019, in addition to the existing definition, an individual shall also be treated as a resident individual if the individual is present in Pakistan for a period aggregating to 120 days or more in a tax year and who was also present in Pakistan for a period aggregating to 365 days or more in the four preceding tax years."

Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"The law provides a minimum period of 182 days to qualify as a resident. It has been opined that since a leap year consists of 366 days, an individual can be a resident of two countries at the same time which can create tax complications. For the removal of any distortion which may arise, the time period of 182 days has been changed to 183 days for the determination of residential status of an individual person."

Definition of resident individual.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"An individual was resident for a tax year if he was present in Pakistan for one hundred and eighty two days or more, in aggregate, in a tax year, or ninety days in a year and three hundred and sixty five days in aggregate in the four years preceding the tax year. For the purposes of determining the residential status of an individual, law has been simplified whereby the stay in Pakistan for one hundred and eighty days in aggregate only in the relevant tax year would be considered. Clause (b) of section 82 has therefore been omitted."

Residential status on basis of stay during the year.– The condition of stay for 90 days during the income year and 365 days during the preceding 4 years, has been done away with. Previously the criteria was 60 days as against 90 days. The change had been explained in Circular No. 7 of 1981, dated July 6, 1981, an extract wherefrom is as follows:–

"Under the existing provision of law an individual becomes a resident in Pakistan if his stay in the country exceeds 60 days in the relevant income year and 365 days in the four preceding years and he thus becomes liable to tax on the basis of the world income. Keeping in view the fact that a large number of Pakistanis working abroad visit their families and normally stay for two to three months the condition of 60 days has been changed to 90 days."

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[1][(d) being a citizen of Pakistan is not present in any other country for more than one hundred and eighty-two days during the tax year or who is not a resident taxpayer of any other country.]

83. Resident company.– A company shall be a resident company for a tax year if–

(a) it is incorporated or formed by or under any law in force in Pakistan;

(b) the control and management of the affairs of the company is situated wholly [2][ ] in Pakistan at any time in the year; or

(c) it is a Provincial Government or [3][Local Government] in Pakistan.

84. Resident association of persons.– An association of persons shall be a resident association of persons for a tax year if the control and management of the affairs of the association is situated wholly or partly in Pakistan at any time in the year.

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[1]Clause (d) inserted by Finance Act, 2022 dated June 30, 2022.
[2]Words "or almost wholly" omitted by Finance Act, 2003, dated June 17, 2003.
[3]Substituted for "local authority" by Finance Act, 2008 dated June 27, 2008.

S. 82(d)-Definition of Resident Individual.- Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"The scope of the definition of resident individual has been further expanded through insertion of clause (d) to section 82. Now a person being a citizen of Pakistan whose stay in any other country is not more than one hundred and eighty-two days during a tax year or who is not a resident taxpayer of any other country will also be treated as resident individual for the purpose of the Ordinance."

8-169-31-08-2022

Division III

Associates

85. Associates.– [1][(1) Subject to sub-section (2), two persons shall be associates where–

(i) the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person;

(ii) one person sufficiently influences, either alone or together with an associate or associates, the other person;

Explanation.- For the purpose of this section, two persons shall be treated as sufficiently influencing each other, where one or both persons, directly or indirectly, are economically and financially dependent on each other and, decisions are made in accordance with the directions, instructions or wishes of each other for common economic goal; or

(iii) one person enters into a transaction, directly or indirectly, with the other who is a resident of jurisdiction with zero taxation regime.]

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[1]Sub-section (1) substituted by Finance Act, 2023 dated June 26, 2023.

S. 85(1)-Substitution.- Before substitution it read as follows:-

"(1) Subject to sub-section (2), two persons shall be associates where the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person."

S. 85- Substitution of "Associates" explained.- Following is an extract from FBR's Circular No. 2 of 2023 dated July 26, 2023, explaining the amendment made by the F. Act, 2023:-

"Finance Act has amended section 85 of the Ordinance to enlarge the scope of "associate" as under:

Two persons shall be associates where-

(i) the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person;

(ii) one person sufficiently influences, either alone or together with an associate or associates, the other person; an explanation has been inserted for the purpose of the section to the effect that two persons shall be treated as sufficiently influencing each other, where one or both persons, directly or indirectly, are economically and financially dependent on each other and, decisions are made in accordance with the directions, instructions or wishes of each other for common economic goal; or

(iii) one person enters into a transaction, directly or indirectly, with the other who is a resident of a jurisdiction with zero taxation regime.

The above amendments in section 85 has enhanced and further elaborated the existing scope of law regarding associates for proper application of anti-avoidance measures and arm's length principles. The Board is empowered to prescribe rules for the purpose of section 85 elaborating resident of a jurisdiction with zero taxation regime."

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(2) Two persons shall not be associates solely by reason of the fact that one person is an employee of the other or both persons are employees of a third person.

(3) Without limiting the generality of sub-section (1) and subject to sub-section (4), the following shall be treated as associates–

(a) an individual and a relative of the individual;

(b) members of an association of persons;

(c) a member of an association of persons and the association, where the member, either alone or together with an associate or associates under another application of this section, controls fifty per cent or more of the rights to income or capital of the association;

(d) a trust and any person who benefits or may benefit under the trust;

(e) a shareholder in a company and the company, where the shareholder, either alone or together with an associate or associates under another application of this section, controls either directly or through one or more interposed persons –

(i) fifty per cent or more of the voting power in the company;

(ii) fifty per cent or more of the rights to dividends; or

(iii) fifty per cent or more of the rights to capital; and

(f) two companies, where a person, either alone or together with an associate or associates under another application of this section, controls either directly or through one or more interposed persons–

(i) fifty per cent or more of the voting power in both companies;

(ii) fifty per cent or more of the rights to dividends in both companies; or

(iii) fifty per cent or more of the rights to capital in both companies.

(4) Two persons shall not be associates under clause (a) or (b) of sub-section (3) where the Commissioner is satisfied that neither person may reasonably be expected to act in accordance with the intentions of the other.

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[1][(5) In this section,–

(i) "relative" in relation to an individual, means-

(a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or

(b) a spouse of the individual or of any person specified in clause (a);

(ii) jurisdiction with zero taxation regime means jurisdiction as may be prescribed.]

[1]Sub-section (5) substituted by Finance Act, 2023 dated June 26, 2023.

S. 85(5)-Substitution.- Before substitution it read as follows:-

"(5) In this section, "relative" in relation to an individual, means–

(a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or

(b) a spouse of the individual or of any person specified in clause (a)."

8-175-20-09-2023

PART II

INDIVIDUALS

Division I

Taxation of Individuals

86. Principle of taxation of individuals.– Subject to this Ordinance, the taxable income of each individual shall be determined separately.

87. Deceased individuals.– (1) The legal representative of a deceased individual shall be liable for–

(a) any tax that the individual would have become liable for if the individual had not died; and

(b) any tax payable in respect of the income of the deceased's estate.

(2) The liability of a legal representative under this section shall be limited to the extent to which the deceased's estate is capable of meeting the liability.

[1][(2A) The liability under this Ordinance shall be the first charge on the deceased's estate.]

(3) For the purpose of this Ordinance,–

(a) any proceeding taken under this Ordinance against the deceased before his or her death shall be treated as taken against the legal representative and may be continued against the legal representative from the stage at which the proceeding stood on the date of the deceased's death; and

(b) any proceeding which could have been taken under this Ordinance against the deceased if the deceased had survived may be taken against the legal representative of the deceased.

(4) In this section, "legal representative" means a person who in law represents the estate of a deceased person, and includes any person who intermeddles with the estate of the deceased and where a party sues or is sued in representative character the person on whom the estate devolves on the death of the party so suing or sued.

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[1]Sub-section (2A) inserted by Finance Act, 2010 dated June 30, 2010.

S. 87(2A)-First charge on estate of the deceased individual.- Following is an extract from FBR's Circular No. 13, dated July 16, 2010:-

"Through Finance Act, 2010, a new sub-section (2A) in section 87 of the Income Tax Ordinance, 2001, has been inserted whereby any liability under the Income Tax Ordinance, 2001, outstanding against a deceased person shall be the first charge on the estate of such deceased person, in preference to any other outstanding liability of the deceased."

8-175-20-09-2023

Division II

Provisions Relating to Averaging

88. An individual as a member of an association of persons.– If, for a tax year, an individual has taxable income and derives an amount or amounts exempt from tax under sub-section (1) of section 92, the amount of tax payable on the taxable income of the individual shall be computed in accordance with the following formula, namely:–

(A/B) x C

where–

A is the amount of tax that would be assessed to the individual for the year if the amount or amounts exempt from tax under sub-section (1) of section 92 were chargeable to tax;

B is the taxable income of the individual for the year if the amount or amounts exempt from tax under sub-section (1) of section 92 were chargeable to tax; and

C is the individual's actual taxable income for the year.

[1][ ]

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[1]Section 88A omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2003, dated June 17, 2003.

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*apparently intended word "of" is missing.

S. 88A–Omission.– Before omission by F. A. 2014, it read as follows:-

"**88A. Share *profits of company to be added to taxable income.–** (1) Notwithstanding the provisions of sub-section (1) of section 92, the share of profits derived by a company from an association of persons shall be added to the taxable income of the company.

(2) The company shall be allowed a tax credit in accordance with the following formula, namely:–

[1][(A/B) x C]

Where –

A is the amount of share of profits received by the company from the association;

B is the taxable income of the association; and

C is the amount of tax assessed on the association.

(3) The tax credit allowed under this section shall be applied in accordance with sub-section (3) of section 4."

[1]The brackets, figures and letter substituted for Finance Act, 2005, dated June 29 2005.

S. 88A–Share of AOP in company.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Where tax is paid by the AOPs wherein the company is a member, the share income is to be added to other income of the company. Since the AOP has already paid tax on its income, a credit for the tax indirectly paid by the company on its share in AOP should be admissible. Accordingly section 88A has been added in the Income Tax Ordinance 2001 laying down the formula for allowing tax credit to the company."

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89. Authors.– Where the time taken by an author of a literary or artistic work to complete the work exceeds twenty-four months, the author may elect to treat any lump sum amount received by the author in a tax year on account of royalties in respect of the work as having been received in that tax year and the preceding two tax years in equal proportions.

Division III

Income Splitting

90. Transfers of assets.– (1) For the purposes of this Ordinance and subject to sub-section (2), where there has been a revocable transfer of an asset, any income arising from the asset shall be treated as the income of the transferor and not of the transferee.

(2) Sub-section (1) shall not apply to any income derived by a person by virtue of a transfer that is not revocable during the lifetime of the person and the transferor derives no direct or indirect benefit from such income.

(3) For the purposes of this Ordinance, where there has been a transfer of an asset but the asset remains the property of the transferor, any income arising from the asset shall be treated as the income of the transferor.

(4) For the purposes of this Ordinance and subject to sub-section (5), any income arising from any asset transferred by a person directly or indirectly to–

(a) the person's spouse or minor child; or

(b) any other person for the benefit of a person or persons referred to in clause (a),

shall be treated as the income of the transferor.

(5) Sub-section (4) shall not apply to any transfer made –

(a) for adequate consideration; or

(b) in connection with an agreement to live apart.

S. 90(4)–Property transferred in lieu of 'Haq Mehr'.– Certain clarifications were made through Circular No. 6 of 1957, dated March 13, 1957 regarding transfer of property by a husband to his wife in lieu of 'Haq Mehr'. According to the Circular the provisions of this section are attracted if the value of property transferred exceeds the quantum of 'Haq Mehr'.

Income from assets transferred.– Following is an extract from CBR's Circular No. 14 of 1992 dated July 1, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Assets already transferred by way of gift and accepted by the department will not be taken into consideration for the purposes of section 83."

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(6) For the purposes of clause (a) of sub-section (5), a transfer shall not be treated as made for adequate consideration if the transferor has provided, by way of loan or otherwise, to the transferee, directly or indirectly, with the funds for the acquisition of the asset.

(7) Subsection (5) does not apply where the transferor fails to produce evidence of the transfer of the asset by way of its registration or mutation in the relevant record and the income arising from the asset shall be treated as the income of the transferor for the purposes of this Ordinance.

(8) For the purposes of this section,–

(a) a transfer of an asset shall be treated as revocable if–

(i) there is any provision for the re-transfer, directly or indirectly, of the whole or any part of the asset to the transferor; or

(ii) the transferor has, in any way, the right to resume power, directly or indirectly, over the whole or any part of the asset;

(b) "minor child" shall not include a married daughter; and

(c) "transfer" includes any disposition, settlement, trust, covenant, agreement or arrangement.

91. Income of a minor child.– (1) Any income of a minor child for a tax year chargeable under the head "Income from Business" shall be chargeable to tax as the income of the parent of the child with the highest taxable income for that year.

(2) Sub-section (1) shall not apply to the income of a minor child from a business acquired by the child through an inheritance.

S. 91–Business income of minor child.– Following is an extract from CBR's Circular No. 14 of 1992 dated July 1, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"If both parents of the minor child are assessees, it will be for the Income Tax Officer to determine which of the two would have benefited most from the business done in the name of the minor and such income will be clubbed with the income of that assessee."

8-108-30-06-14

PART III

ASSOCIATIONS OF PERSONS

92. Principles of taxation of associations of persons.– (1) [1][ ] an association of persons shall be liable to tax separately from the members of the association and [2][where the association of persons has paid tax the] amount received by a member of the association in the capacity as member out of the income of the association shall be exempt from tax [3][:]

[3][Provided that if at least one member of the association of persons is a company, the share of such company or companies shall be excluded for the purpose of computing the total income of the association of persons and the company or the companies shall be taxed separately, at the rate applicable to the companies, according to their share [4]*[:]*]

[5][Provided further that the share of a member of an association of persons having turnover of three hundred million rupees or above during the tax year or any of the preceding tax years shall not be exempt if financial statements duly audited by a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961), or a firm of Cost and Management Accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966) have not been filed along with return of income by the association of persons to whom he is a member:]

[6][ ]

[7][(4A) Where the income of a limited liability partnership is exempt from tax, any amount received by a member as share from profits earned by such limited liability partnership shall be included in the income of that member.]

[8][ ]

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[1]Words etc. "Subject to sub-section (2)," omitted by Finance Act, 2007 dated June 30, 2007.
[2]Substituted for "any" by Finance Act, 2003 dated June 17, 2003.
[3]Substituted for full stop and proviso inserted by Finance Act, 2014 dated June 26, 2014.
[4]Full stop substituted by Finance Act, 2024 w.e.f. 1 July, 2024.
[5]Proviso inserted by Finance Act, 2024 w.e.f. 1 July, 2024.
[6]Sub-sections (2), (3), (4) and (5) omitted by Finance Act, 2007 dated June 30, 2007. Earlier sub-section (2) was substituted by Finance Act, 2003 dated June 17, 2003.
[7]S. 92(4A) inserted by Finance Act, 2026 dated June 26, 2026.
[8]Explanation omitted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2022 dated June 30, 2022.

S.92-Explanation.- Before omission it read as follows:-

"Explanation.– For removal of doubt it is clarified that if the income of association of persons is exempt and no tax is payable under the Ordinance due to this exemption, the share received in the capacity as member out of the income of the association shall remain exempt."

8-191-15-09-2026

S. 92.- Limited Liability Partnership [Sections 80(2)(a) and 92]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Clause (a) of sub-section (2) of section 80 has been amended by inserting the words "limited liability partnership" to provide that the limited liability partnership shall also be an association of persons. In section 92, the explanation in sub-section (1) has been omitted and a new sub-section (4A) has been inserted providing that where the income of a limited liability partnership is exempt from tax, any amount received by a member of such partnership, as a share of the profits earned by such partnership, shall be included in the income of that member."

S.92.- Principles of Taxation of Associations of Persons. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Prior to the Finance Act, 2024, share of a member of an association of persons [AOP] was exempt from tax where the AOP has paid tax on its income. Through the Finance Act, 2024, a second proviso has been added in sub-section (1) of section 92, to provide that share of a member of an AOP shall not be exempt where the turnover of the AOP is three hundred million rupees or more and the AOP has not filed with the return, financial statements duly audited by a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 or audited by a firm of Cost and Management Accountants as defined under the Cost and Management Accountants Act, 1966."

Ss. 92 and 93-Association of persons.-Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Change In Assessment Regime for Professional Firms. [Sections 92 & 93]

An AOP is liable to tax separately from its members. Where AOP has paid tax, the amount received by a member of the association, in the capacity as member, out of the income of the association is exempt from tax. An AOP being a professional firm such as firm providing legal and advisory services through professional skills of the partners and which are prohibited from incorporation by any law or rules of the body regulating the profession, was however, not liable to tax. Partners of such firm instead individually pay tax on their respective share of income from the firm. In order to bring professional firms at par with other AOPs, sub-sections (2) to (5) of section 92 and section 93 have been omitted. Consequently, professional firms shall be liable to tax at par with other AOPs. This amendment will be applicable, where income of the professional firm is derived from July 01, 2007 onwards."

S.92- Exemption to Members in Case of Exempt Income of Association of Persons (AOP).- Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"Under present legal dispensation, income of an AOP is taxed and the share income received by the partners is exempt. Where the income of AOP is exempt, the share income of partners is also exempt. In order to remove any ambiguity, an explanation has been inserted in section 92 of the Ordinance to the effect that if income of AOP is exempt then the share income of its partners shall also be exempt."

S. 92-Association of persons, amendment of sub-section (1) and omission of sub-sections (2), (3), (4) and (5).-Following is an extract from 'Notes on clauses of Finance Bill 2007':-

"Seeks to make editorial amendments."

The omitted sub-sections read as follows:-

"(2) Sub-section (1) shall not apply to an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating the profession.

(3) An association of persons to which subsection (2) applies shall not be liable to tax and the income of the association shall be taxed to the members in accordance with section 93.

(4) An association of persons referred to in sub-section (3) shall furnish a return of total income for each tax year.

(5) Sections 114, 118 and 119 shall apply to a return of total income required to be furnished under sub-section (4)."

Sub-section (2) before substitution by Finance Act, 2003, read as follows:–

"(2) Sub-section (1) shall not apply to –

(a) an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating the profession; or

(b) an association of persons in which a company is a member."

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[1][ ]

[1]Section 93 omitted by Finance Act, 2007 dated June 30, 2007.

S. 93, omission.-The omitted section read as follows:-

"93. Taxation of members of an association of persons.– (1) Where sub-section (3) of section 92 applies, the income of a member of an association of persons chargeable under the head "Income from Business" for a tax year shall include –

(a) in the case of a resident member, the member's share in the total income of the association; or

(b) in the case of a non-resident member, the member's share in so much of the total income of the association as is attributable to Pakistani-source income.

(2) Where an association of persons to which sub-section (3) of section 92 applies sustains a loss that cannot be set off against any other income of the association in accordance with section 56, the amount of the loss shall be apportioned among the members of the association according to their interest in the association and the members shall be entitled to have their share of the loss set off and carried forward for set off under Part VIII of Chapter III in computing their taxable income under this Ordinance.

(3) The share of a loss referred to in sub-section (2) of a non-resident member shall be limited to the extent that the loss relates to the derivation of Pakistan-source income.

(4) The total income of an association of persons for the purposes of sub-section (1) and the loss of an association for the purposes of sub-section (2) shall be computed as if the association were a resident person.

(5) Income, expenditures and losses of an association of persons to which this section applies shall retain their character as to geographic source and type of income, expenditure or loss in the hands of the members of the association, and shall be treated as having passed through the association on a pro rata basis, unless the Commissioner permits otherwise by [1][order] in writing to the association.

(6) The share of a member in the total income of an association of persons shall be determined according to the member's interest in the association and shall include any profit on debt, brokerage, commission, salary or other remuneration received or due from the association."

[1]Substituted for "notice" by Finance Act, 2003, dated June 17, 2003.

Joint venture with foreign companies.– Following is the text of Circular No. 4 of 1964, dated December 11, 1964, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been brought to the notice of the Central Board of Revenue that Pakistani Companies entering into a 'Joint venture' arrangement with foreign companies are not quite clear about their liability to Pakistan Income-tax. The position is that in the case of a joint venture, each participant in such venture is liable to tax on its own share of profits and at the rates applicable to its total income. To avoid complications, when a Pakistani company desires to enter into a joint venture arrangement with a reputable and reliable foreign company, such arrangement may, if necessary, be got cleared before hand from the Central Board of Revenue."

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Following is the text of Circular No. 8 of 1986 dated February 9, 1986, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"With the objective of attracting foreign capital and technical know-how and for the benefit of local investors willing to join hands with foreign companies, to undertake projects involving large investments, the Board vide its Circular No. 4 of 1964, allowed Pakistani and Foreign Companies undertaking 'joint ventures' to be taxed on the share income of 'Joint venture' separately.

2. References have been received as to whether the concession given in the above circular is applicable to 'joint ventures' between Pakistani Companies also.

3. It is clarified that Circular No. 4 of 1964 is applicable to only such 'joint ventures' which are between foreign companies and Pakistani Companies. Joint ventures between Pakistani companies, as these do not serve the purpose stated above, are not eligible for the concession.

4. Joint ventures may be between:–

1. Government and a local enterprise.
2. Government and a foreign enterprise.
3. Two or more foreign enterprises.
4. At least one foreign enterprise and one or more local enterprises.
5. Local enterprises.

Whereas joint ventures at serial 2 and 4 above will qualify for the benefit from this concession, others will not. In other words, one of partners in the 'Joint venture' should be a foreign enterprise.

5. Clarification issued vide CBR No. 3(7)IT-I/75, dated 3 June, 1975, being no longer applicable in view of the provisions of Income Tax Ordinance, 1979, stands rescinded."

Assessment as AOP if members assessed for their shares.– Following is the text of Circular No. 20(447)-IT-3/65, dated April 20, 1972, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The facts of the case are that M/s. Narayanganj Company Private limited, and two other persons entered into an agreement for a joint-venture. The joint venture remained in force for a period of 9 months. Out of the profits earned by the enterprise one half was retained by M/s. Narayanganj Company and the other half was shared in equal parts by the two other associates. All the three members of the association showed their respective shares of profits in their returns filed with Income Tax Department in their respective circles. The profit of the joint venture was taken into account in their respective assessments by the ITOs having jurisdiction over their cases. The income of the association as such was, however, not separately charged to tax.

After completion of the assessment, the ITO having jurisdiction over the company issued notice under Section 34 of the Income-tax Act, addressed jointly to the company and the said two associates, that he had reason to believe that their income assessable to income tax had escaped assessment and that he proposed to assess the said escaped income. The company objected to the notice on the ground that income of the AOP had already suffered tax in the hands of the members and therefore no income had escaped assessment. It did not file any return, instead it filed a writ in the High Court who granted it by agreeing with the assessee's plea. It was held that once members of an AOP had been individually charged to tax, it is not open to the Income tax Authorities to again assess the same income as income of the association. If, therefore, the income of the AOP were assessed separately it would amount to double taxation of the same income.

This judgment was contested by the Department before the Supreme Court. Now the Supreme Court has been pleased to hold that there is no doubt that the AOP was a separate entity. But it is the Income-tax Officers who are to blame for the escapement of the separate entity of the AOP from assessment. It was held that:

"As soon as they (the ITOs) came to know in each individual case that some income was derived by the assessee from a venture carried out jointly with others they should have excluded that income from the account year and issued notice to each associate under Section 34 directing them to file a return of income for the year ending 30th June, 1959, derived from the joint venture. Having failed to do so on account of their negligence they

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PART IV

COMPANIES

94. Principles of taxation of companies.– (1) A company shall be liable to tax separately from its shareholders.

(2) A dividend paid by a [1][ ] company shall be taxable in accordance with Section 5.

[2][ ]

95. Disposal of business by individual to wholly-owned company.– (1) Where a resident individual (hereinafter referred to as the "transferor") disposes of all the assets of a business of the transferor to a resident company, no gain or loss shall be taken to arise on the disposal if the following conditions are satisfied, namely:–

(a) The consideration received by the transferor for the disposal is a share or shares in the company (other than redeemable shares);

(b) the transferor must beneficially own all the issued shares in the company immediately after the disposal;

(c) the company must undertake to discharge any liability in respect of the assets disposed of to the company;

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[1]Word "resident" omitted by Finance Act, 2015 dated June 30, 2015.
[2]S. 94(3) omitted by Finance Act, 2017 dated June 20, 2017.

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cannot be permitted to turn round and issue a fresh notice under Section 34 to the same assessees as members of an association in respect of the income which had already been charged to tax in their hands. It was also anomalous to maintain that an income which had already been taxed has 'escaped assessment' or has been taxed 'at too low a rate' etc. The position which emerges out therefore is that the income derived from the joint venture by the three associates having been charged to tax in their respective hands and no step taken for annulment of their assessment the same income could not be taxed again in their hands as income of a separate entity"."

Notice of demand to every partner.– Following is an extract from Circular No. 1 of 1958, dated February 24, 1958, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The Board has considered these conflicting reviews on this issue and is of the opinion that the Income-tax Officers would be well advised to issue a copy of the notice of demand to each of the partners of the firm and in case of an association of persons to all the members of the association. When assessment is made after the dissolution of the firm or the association a notice of demand may be served on all persons who were partners of the discontinued firm and on all persons who were members of the dissolved association."

S. 94(3)-Omission.- Before omission by F. Act, 2017 read as following:-

"(3) A dividend paid by a non-resident company to a resident person shall be chargeable to tax under the head "Income from Business" or "Income from Other Sources", as the case may be, unless the dividend is exempt from tax."

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(d) any liability in respect of the assets disposed of to the company must not exceed the transferor's cost of the assets at the time of the disposal;

(e) the fair market value of the share or shares received by the transferor for the disposal must be substantially the same as the

fair market value of the assets disposed of to the company, less any liability that the company has undertaken to discharge in respect of the assets; and

(f) the company must not be exempt from tax for the tax year in which the disposal takes place.

(2) Where sub-section (1) applies –

(a) each of the assets acquired by the company shall be treated as having the same character as it had in the hands of the transferor;

(b) the company's cost in respect of the acquisition of the assets shall be –

(i) in the case of a depreciable asset or amortised intangible, the written down value of the asset or intangible immediately before the disposal;

(ii) in the case of stock-in-trade valued for tax purposes under sub-section (4) of section 35 [1][ ], that value; or

(iii) in any other case, the transferor's cost at the time of the disposal;

(c) if, immediately before the disposal, the transferor has deductions allowed under sections 22, 23 and 24 in respect of the assets transferred which have not been set off against the transferor's income, the amount not set off shall be added to the deductions allowed under those sections to the company in the tax year in which the transfer is made; and

(d) the transferor's cost in respect of the share or shares received as consideration for the disposal shall be –

(i) in the case of a consideration of one share, the transferor's cost of the assets transferred as determined under clause (b), less the amount of any liability that the company has undertaken to discharge in respect of the assets; or

(ii) in the case of a consideration of more than one share, the amount determined under sub-clause (i) divided by the number of shares received.

8-48-10-07-07

[1]Words "at fair market value" omitted by Finance Act, 2007, dated June 30, 2007.

Ss. 95 to 97-Amendment in 2007 explained.-Following is an extract from 'Notes on clauses of Finance Bill 2007':-

"Seeks to make editorial amendments."

(3) In determining whether the transferor's deductions under sections 22, 23 or 24 have been set off against income for the purposes of clause (c) of sub-section (2), those deductions shall be taken into account last.

96. Disposal of business by association of persons to wholly-owned company.– (1) Where a resident association of persons disposes of all the assets of a business of the association to a resident company, no gain or loss shall be taken to arise on the disposal if the following conditions are satisfied, namely:–

(a) The consideration received by the association for the disposal is a share or shares in the company (other than redeemable shares);

(b) the association must own all the issued shares in the company immediately after the disposal;

(c) each member of the association must have an interest in the shares in the same proportion to the member's interest in the business assets immediately before the disposal;

(d) the company must undertake to discharge any liability in respect of the assets disposed of to the company;

(e) any liability in respect of the assets disposed of to the company must not exceed the association's cost of the asset at the time of the disposal;

(f) the fair market value of the share or shares received by the association for the disposal must be substantially the same as the fair market value of the assets disposed of to the company, as reduced by any liability that the company has undertaken to discharge in respect of the assets; and

(g) the company must not be exempt from tax for the tax year in which the disposal takes place.

(2) Where sub-section (1) applies–

(a) each of the assets acquired by the company shall be treated as having the same character as it had in the hands of the association;

(b) the company's cost in respect of the acquisition of the assets shall be–

(i) in the case of a depreciable asset or amortised intangible, the written down value of the asset or intangible immediately before the disposal;

(ii) in the case of stock-in-trade valued for tax purposes under sub-section (4) of section 35 [1][ ], that value; or

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[1]Words "at fair market value" omitted by Finance Act, 2007, dated June 30, 2007.

(iii) in any other case, the association's cost at the time of the disposal;

(c) if, immediately before the disposal, the association is subject to tax in accordance with sub-section (1) of section 92 and the association has deductions allowed under sections 22, 23 and 24 in respect of the assets transferred which have not been set off against the association's income, the amount not set off shall be added to the deductions allowed under those sections to the company in the tax year in which the transfer is made; and

(d) the association's cost in respect of the share or shares received as consideration for the disposal shall be –

(i) in the case of a consideration of one share, the association's cost of the assets transferred as determined under clause (b), as reduced by the amount of any liability that the company has undertaken to discharge in respect of the assets; or

(ii) in the case of a consideration of more than one share, the amount determined under sub-clause (i) divided by the number of shares received.

(3) In determining whether the association's deductions under Sections 22, 23 or 24 have been set off against income for the purposes of clause (c) of sub-section (2), those deductions are taken into account last.

97. Disposal of asset between wholly-owned companies.– (1) Where a resident company (hereinafter referred to as the "transferor") disposes of an asset to another resident company (hereinafter referred to as the "transferee"), no gain or loss shall be taken to arise on the disposal if the following conditions are satisfied, namely:–

(a) Both [1][resident] companies belong to a wholly-owned group of companies at the time of the disposal;

(b) the transferee must undertake to discharge any liability in respect of the asset acquired;

(c) any liability in respect of the asset must not exceed the transferor's cost of the asset at the time of the disposal; and

(d) the transferee must not be exempt from tax for the tax year in which the disposal takes place.

(2) Where sub-section (1) applies –

(a) the asset acquired by the transferee shall be treated as having the same character as it had in the hands of the transferor;

(b) the transferee's cost in respect of the acquisition of the asset shall be–

[1]Word inserted by Finance Act, 2003, dated June 17, 2003.

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(i) in the case of a depreciable asset or amortised intangible, the written down value of the asset or intangible immediately before the disposal;

(ii) in the case of stock-in-trade valued for tax purposes under sub-section (4) of section 35 [1][ ], that value; or

(iii) in any other case, the transferor's cost at the time of the disposal;

(c) if, immediately before the disposal, the transferor has deductions allowed under sections 22, 23 and 24 in respect of the asset transferred which have not been set off against the transferor's income, the amount not set off shall be added to the deductions allowed under those sections to the transferee in the tax year in which the transfer is made; and

(d) the transferor's cost in respect of any consideration in kind received for the asset shall be the transferor's cost of the asset transferred as determined under clause (b), as reduced by the amount of any liability that the transferee has undertaken to discharge in respect of the asset.

(3) In determining whether the transferor's deductions under sections 22, 23 or 24 in respect of the asset transferred have been set off against income for the purposes of clause (c) of sub-section (2), those deductions shall be taken into account last.

(4) The transferor and transferee companies belong to a wholly-owned group if–

(a) one company beneficially holds all the issued shares of the other company; or

(b) a third company beneficially holds all the issued shares in both companies.

[2][**97A. Disposal of asset under a scheme of arrangement and reconstruction**. – (1) No gain or loss shall be taken to arise on disposal of asset from one company (hereinafter referred to as the "transferor") to another company (hereinafter referred to as the "transferee") by virtue of operation of a Scheme of Arrangement and Reconstruction under sections *282L and 284 to 287 of the [3][Companies Act, 2017 (XIX of 2017)] or section 48 of the Banking Companies Ordinance, 1962 (LVII of 1962), if the following conditions are satisfied, namely:–

[1]Words "at fair market value" omitted by Finance Act, 2007 dated June 30, 2007.
[2]Section 97A inserted by Finance Act, 2007 dated June 30, 2007.
[3]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2020 dated June 30, 2020.

*Should have been substituted by ??? on enacted of Companies Act, 2007

S. 97A–Mergers and acquisitions.–Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"A new section 97A has been inserted which envisages that no gain or loss shall arise on disposal of assets by one company to another company under a Scheme of Arrangement

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(a) the transferee must undertake to discharge any liability in respect of the asset acquired;

(b) any liability in respect of the asset must not exceed the transferor's cost of the asset at the time of the disposal;

(c) the transferee must not be exempt from tax for the tax year in which the disposal takes place; and

(d) scheme is approved by the High Court, State Bank of Pakistan or Securities and Exchange Commission of Pakistan, as the case may be, on or after first day of July, 2007.

(2) No gain or loss shall be taken to arise on issue, cancellation, exchange or receipt of shares as a result of scheme of arrangement and reconstruction under sections *282L and 284 to 287 of the [1][Companies Act, 2017 (XIX of 2017)] or section 48 of the Banking Companies Ordinance, 1962 (LVII of 1962) and approved by:–

(a) the High Court;

(b) State Bank of Pakistan; or

(c) Securities and Exchange Commission of Pakistan, as the case may be, on or after first day of July, 2007.

(3) Where sub-section (1) applies–

(a) the asset acquired by the transferee shall be treated as having the same character as it had in the hands of the transferor;

(b) the transferee's cost in respect of acquisition of the asset shall be–

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[1]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2020 dated June 30, 2020.

*Should have been substituted by ??? on enacted of Companies Act, 2007

and Re-construction under sections 282L and 284 to 287 of the Companies Ordinance, 1984 or section 48 of the Banking Companies Ordinance, 1962.

The other salient features of the Scheme are as follows:

(i) No loss or gain shall be taken to arise on disposal of asset from one company to another company by virtue of Scheme of Arrangement and Reconstruction as approved by;

(a) the High Court;

(b) State Bank of Pakistan; or

(c) the Securities and Exchange Commission of Pakistan, as the case may be;

(ii) No loss or gain shall be taken to arise on issue, cancellation, exchange or receipt of shares as a result of Scheme of Arrangement and Reconstruction;

(iii) In case of disposal of shares issued and vested under Scheme of Arrangement and Reconstruction, the cost of the shares shall be the cost prior to the operation of the scheme; and

(iv) Scheme of Arrangement and Reconstruction, approved on or after 1st July 2007 is eligible for the benefits available under this section."

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(i) in the case of a depreciable asset or amortised intangible, the written down value of the asset or intangible immediately before the disposal;

(ii) in the case of stock-in-trade valued for tax purposes under sub-section (4) of section 35 that value; or

(iii) in any other case, the transferor's cost at the time of the disposal;

(c) if, immediately before the disposal, the transferor has deductions allowed under sections 22, 23 and 24 in respect of the asset transferred which have not been set off against the transferor's income, the amount not set off shall be added to the deduction allowed under those sections to the transferee in the tax year in which the transfer is made.

(4) In determining whether the transferor's deductions under sections 22, 23 or 24 in respect of the asset transferred have been set off against income for the purposes of clause (c) of sub-section (2), those deductions shall be taken into account last.

(5) Where sub-section (2) applies and the shares issued vested by virtue of the Scheme of Arrangement and Reconstruction under sections *282L and 284 to 287 of the [3][Companies Act, 2017 (XIX of 2017)] or section 48 of the Banking Companies Ordinance, 1962 (LVII of 1962) and approved by the Court or State Bank of Pakistan or Securities and Exchange Commission of Pakistan as the case may be, are disposed of, the cost of shares shall be the cost prior to the operation of the said scheme.]

PART V

COMMON PROVISIONS APPLICABLE TO ASSOCIATIONS OF PERSONS AND COMPANIES

98. Change in control of an entity.– (1) Where there is a change of fifty per cent or more in the underlying ownership of an entity, any loss incurred for a tax year before the change shall not be allowed as a deduction in a tax year after the change, unless the entity –

(a) continues to conduct the same business after the change as it conducted before the change until the loss has been fully set off; and

(b) does not, until the loss has been fully set off, engage in any new business or investment after the change where the principal purpose of the entity or the beneficial owners of the entity is to utilise the loss so as to reduce the income tax payable on the income arising from the new business or investment.

[1]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2020 dated June 30, 2020.

*Should have been substituted by ??? on enacted of Companies Act, 2007

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(2) In this section,–

"entity" means a company or association of persons to which sub-section (1) of section 92 applies;

"ownership interest" means a share in a company or the interest of a member in an association of persons; and

"underlying ownership" in relation to an entity, means an ownership interest in the entity held, directly or indirectly through an interposed entity or entities, by an individual or by a person not ultimately owned by individuals.

[1][PART VA

TAX LIABILITY IN CERTAIN CASES

98A. Change in the constitution of an association of persons.– Where, during the course of a tax year, a change occurs in the constitution of an association of persons, liability of filing the return on behalf of the association of persons for the tax year shall be on the association of persons as constituted at the time of filing such return but the income of the association of persons shall be apportioned among the members who were entitled to receive it and, where the tax assessed on a member cannot be recovered from him it shall be recovered from the association of persons as constituted at the time of filing the return.

98B. Discontinuance of business or dissolution of an association of persons.– (1) Subject to the provisions of section 117, where any business or profession carried on by an association of persons has been discontinued, or where an association of persons is dissolved, all the provisions of this Ordinance, shall, so far as may be, apply as if no such discontinuance or dissolution had taken place.

(2) Every person, who was, at the time of such discontinuance or dissolution, a member of such association of persons and the legal representative of any such person who is deceased, shall be jointly and severally liable for the amount of tax payable by the association of persons.

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[1]Part VA inserted by Finance Act, 2003, dated June 17, 2003.

S. 98A, 98B & 98C–Tax liability in cases of change in the constitution of AOPs and succession to business. – Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"Section* 98A, 98B, and 98C have been inserted in Part VA of Chapter V to provide for procedure to determine tax liability on change in constitution of an association of persons, discontinuation of business or dissolution of an association** persons and succession to business otherwise than on death."

*should have been "sections".

**apparently intended word "of" is missing.

8-180-10-09-2024

98C. Succession to business, otherwise than on death.– (1) Where a person carrying on any business or profession has been succeeded in any tax year by any other person (hereafter in this section referred to as the "predecessor" and "successor" respectively), otherwise than on the death of the predecessor, and the successor continues to carry on that business or profession,–

(a) the predecessor shall be liable to pay tax in respect of the income of the tax year in which the succession took place up to the date of succession and of the tax year or years preceding that year; and

(b) the successor shall be liable to pay tax in respect of the income of such tax year after the date of succession.

(2) Notwithstanding anything contained in sub-section (1), where the predecessor cannot be found, the tax liability in respect of the tax year in which the succession took place up to the date of succession and of the tax year or years preceding that year shall be that of the successor in like manner and to the same extent as it would have been that of the predecessor, and all the provisions of this Ordinance shall, so far as may be, apply accordingly.

(3) Where any tax payable under this section in respect of such business or profession cannot be recovered from the predecessor, it shall be recoverable from the successor, who shall be entitled to recover it from the predecessor.]

Tajir Dost (Special) Procedure, 2024.- Following is the text of SRO 457(I)/2024 dated March 30, 2024:-

"In exercise of the powers conferred by section 99B of the Income Tax Ordinance,200l (XLIX of 2001), read with sub-section (1) of section 237 thereof the Federal Board of Revenue with the approval of the Minister-in-charge is pleased to prescribe special procedure for small traders and shopkeepers the same having been previously published *vide* Notification S.R.O. No. 420(I)/2024, dated the 21st day of March, 2024, as required by sub-section (3) of section 237 of the said Ordinance, namely:-

"Part – I
Preliminary

1. Title and commencement.- (1) This instrument shall be called the Tajir Dost [1][Special] Procedure, 2024.

(2) It shall come into force on and from the 1st day of April, 2024 except Part-III thereof which shall come into force on and from the 1st day of July, 2024.

2. Scope.- (1) This special procedure shall apply to the traders and shopkeepers operating through a fixed place of business including a shop, store, warehouse, office or similar physical place (hereinafter referred to business premises) located within the territorial civil limits including cantonments in the cities as specified in the [2][Schedule-I] hereto for registration and payment of minimum advance tax.

(2) Sub-paragraph (1) shall not apply to a person:-

(a) being a company; or

(b) operating as a unit of national or international chain stores in more than one city; or

(c) a class of persons specifically excluded by the Board [3][, or]

[3][(d) who has already filed return of income for the tax year 2023 prior to the 30th day of March, 2024 and the advance tax liability paid by him under section 147 is more than the advance tax computed under this Special Procedure, for the tax year 2025 and onwards;

[1]Substituted for "(Special)" by SRO 1064(I)/2024 dated July 07, 2024.
[2]Substituted for "Schedule" by SRO 1064(I)/2024 dated July 07, 2024.
[3]Substituted for full stop and clauses (d) to (f) inserted by SRO 1064(I)/2024 dated July 07, 2024.

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(e) owning a shop of hundred square feet or less in a residential area; or

(f) in case the income of the person is exempt from tax under any provisions of the Ordinance;]

3. Provisions of the Ordinance to apply.- Without prejudice to the provisions of this special procedure, all provisions of the Ordinance shall apply to the persons specified under this special procedure in respect of-

(a) computation of income for a tax year and tax payable thereon;

(b) collection and deduction of tax as provided in the Ordinance;

[1][ ]

[2][(c)] sections 4C and 7E of the Ordinance if liable to pay such tax; and

[2][(d)] chapters IX, X, XI, XII, XIII of the Ordinance and the schedules thereto, if not specified in clauses (a), (b) [3][and (c)].

Part-II
[Registration]
[with effect from 1st April, 2024]

4. Registration [4][ ].- (1) Every trader and shopkeeper shall apply for registration under section 181 of the Ordinance or through [5][Tajir Dost module in] Tax Asaan App or on FBR's portal or through FBR's Tax Facilitation Centers by the 30th day of Aprll,2024.

(2) If a person, who is required to be registered under sub-paragraph (1), does not apply for the registration under [5][the said] sub-paragraph, the Commissioner Inland Revenue shall register the trader or the shopkeeper as the case may be.

(3) The provisions of [6][sections 182 and 191B of the Ordinance respectively for penalty and prosecution] shall mutatis mutandis apply to the trader or shopkeeper who has not applied for registration under sub paragraph (1).

Part-III
[Payment of Advance Tax]
[with effect from 1st July,2024)

5. Minimum monthly advance tax payable by a person.- (1) Every person shall be liable to pay [7][minimum] monthly advance tax in accordance with this paragraph.

[8][(2) The advance tax under sub-paragraph (1), payable on indicative income, shall be computed at the rates provided in Division I of Part I of the First Schedule to the Ordinance for the relevant tax year and as specified in Schedule – II:

Provided that the advance tax, payable under sub-paragraph (1) shall be reduced by twenty five percent of the whole or the balance, if-

(a) the person pays in advance, the installments due in succeeding months, in lump sum; or

(b) the person who has not filed income tax return, files income tax return for the tax year 2023 and pays tax on his income for the year equal to or more than the tax on indicative income computed in Schedule – II of this procedure.]

[8][(3) Notwithstanding anything contained in subparagraph (1), any person owning a shop of fifty square feet or less in a commercial area, or owning a makeshift shop, or 'khoka', or kiosk, or small shop measuring not more than 5 ×3 square feet, shall be liable for fixed advance tax of twelve hundred rupees per annum:

[1]Clause 3(c) omitted by SRO 1064(I)/2024 dated July 07, 2024. Before omission it read as follows:-
"(c) computation and payment of advance tax liability under section 147 of the Ordinance;"

[2]Clauses (d) & (e) renumbered as clauses (c) & (e) by SRO 1064(I)/2024 dated July 07, 2024.

[3]Substituted for ", (c) and (d)" by SRO 1064(I)/2024 dated July 07, 2024.

[4]Words "in the National Business Registry (Tajir Dost)" omitted by SRO 1064(I)/2024 dated July 07, 2024.

[5]Words inserted by SRO 1064(I)/2024 dated July 07, 2024.

[6]Substituted for "section 182 of the Ordinance" by SRO 1064(I)/2024 dated July 07, 2024.

[7]Words inserted by SRO 1064(I)/2024 dated July 07, 2024.

[8]Sub-paragraphs (2) & (3) substituted by SRO 1064(I)/2024 dated July 07, 2024. Before substitution these read as follows:-
"(2) The advance tax paid under sub paragraph (1) shall be the minimum tax in respect of income from the business covered under this special procedure."
"(3) The amount of monthly advance tax for a tax year shall be computed in the manner as may be prescribed."

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Provided that this sub-paragraph shall not apply to commercial areas as specified by the Board in the Schedule – III and the persons in such areas shall pay advance tax under subparagraph (1) as specified in Schedule – II.]

[1][(4) The provisions of the Ordinance shall apply to advance tax due under this paragraph as if the amount due was tax due under an assessment order.]

[2][(5) The amount of advance tax under this paragraph shall not be reduced by tax collected or deducted under any provisions of the Ordinance.

(6) The provisions of Income Tax Rules, 2002 contained in Chapter VIIA thereof, shall not apply to a person who pays minimum advance tax under this paragraph.

(7) The provisions of section 147 for advance tax shall not apply in respect of a person defined in paragraph 8 being a filer, if the amount of advance tax the person seeks to pay under section 147 is less than the amount of minimum advance tax computed under this procedure.

(8) The provisions for imposition of penalty under section 182 for sealing of the shop of a person shall apply, if the person fails to pay monthly advance tax under this paragraph for two months in a tax year.]

6. Mode and manner of payment of advance tax.- (1) The monthly advance tax payable under paragraph 5 shall be paid with effect from the 1st day of July, 2024 for the [3][tax year 2025 and onwards] and the first payment shall be due on the [4][31st day of July], 2024 and thereafter on the 15th day of every month.

(2) The tax payable under paragraph 5 for a tax year shall be paid through a separate Computerized Payment Receipt against the Payment Slip ID (PSID) generated by Tajir Dost module or through FBR's portal or through FBR's Tax Facilitation Centers.

7. The Board with the approval of Minister in Charge may amend the special procedure from time to time so as to add, alter, omit or modify any provision therein.

8. Definitions.- [5][(1) In this special procedure, unless there is anything repugnant in the subject or context,-

[1]Sub-paragraph (4) substituted by SRO 1064(I)/2024 dated July 07, 2024. Before substitution it read as follows:-

"(4) Where the advance tax computed under sub paragraph (3) is zero, the advance tax payable under sub-paragraph (1) shall be one thousand two hundred Rupees per annum:

Provided that where the income of the person is exempt from income tax under any provision of the Ordinance, sub-paragraph (1) shall not apply:

Provided further that the advance tax payable shall be reduced by twenty-five percent of the whole or the balance-

(a) if the person pays in lump sum the whole or the balance, as the case may be, of remaining advance tax for the relevant Tax Year on or before any of the due dates for payment of such tax under the said paragraph; or

(b) if the person who has not filed income tax return, files income tax return for Tax Year 2023 before the due date for payment of first monthly installment."

[2]Sub-paragraphs (5) to (8) inserted by SRO 1064(I)/2024 dated July 07, 2024.

[3]Substituted for "relevant tax year" by SRO 1064(I)/2024 dated July 07, 2024.

[4]Substituted for "15th day of July" by SRO 1064(I)/2024 dated July 07, 2024.

[5]Sub-paragraph 8(1) substituted by SRO 1064(I)/2024 dated July 07, 2024. Before substitution it read as follows:-

"(1) In this special procedure, unless there is anything repugnant in the subject or context,-

(a) "**annual rental value**" means ten percent of the fair market value of the business premises;

(b) "**business premises**" include all business places, store, warehouse, or any other place connected to business or an office or a home operating as a business place;

(c) "**indicative income**" means amount calculated on the basis of the annual rental value in accordance with the formula as may be prescribed;

(d) "**fair market value of business premises**" means the amount calculated as per the valuation of immoveable properties notified by the Board under section 68 of the Ordinance, or where such valuation has not been notified by the Board, the values fixed by the District Officer (Revenue), or Provincial or any other authority authorized to fix such values for the purposes of stamp duty;

(e) "**National Business Registry**" means a central repository database of traders and shopkeepers which is accessed through Tajir Dost module of Tax Asaan App, FBR's portal for the purpose of registration and payment of advance tax under this special procedure;

(f) "**Ordinance**" means the Income Tax Ordinance 2001, (XLIX of 2001);

(g) "**person**" means traders and shopkeepers falling under the scope of this special procedure.

(h) "**shopkeeper**" includes wholesaler, dealer, retailer, manufacturer-cum-retailer, importer-cum-retailer, or such person who combines the activity of retail and wholesale with any other business activity or other person in the supply chain of goods."

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(a) "**indicative income**" means income as specified in column (4) of the Table in the Schedule-II and determined by the Board on the basis of factors including but not limited to rental value of the property, its location and fair market value;

(b) "**Ordinance**" means the Income Tax Ordinance, 2001 (XLIX of 2001);

(c) "**person**" means traders and shopkeepers falling under the scope of this Special Procedure;

(d) "**physical place**" includes any place connected to business or an office or a home operating as a business place; and

(e) "**shopkeeper**" includes wholesaler, dealer, distributor, retailer, manufacturer-cum-retailer, importer-cum-retailer, or such person who combines the activity of retail and wholesale with any other business activity or other person in the supply chain of goods.]

(2) All other terms and expressions used but not defined in this special procedure shall have the same meanings as assigned thereto under the Ordinance.

[1][**9. Review**.- (1) Subject to paragraph 7, the Board may on its own motion, or on an application filed by a person to the Board, review the amount of indicative income and tax thereon.

(2) The application filed by a person shall be accompanied with the grounds for review and the documents in support thereof, for consideration by the Board.

(3) The Board shall examine the issue and, after conducting such inquiry as it may deem fit, may decide the application to review the amount of indicative income and tax thereon or otherwise, within thirty days of receipt of the application in the Board.

(4) The Board shall not reject the application unless an opportunity of being heard is provided to the applicant.

10. Jurisdiction of Income Tax Authority.- (1) The income tax authority, having jurisdiction over the persons defined in clause (c) of sub-paragraph (1) of paragraph 8, under sections 209 or 210 of the Ordinance for carrying out the purposes of the provisions of the Ordinance, shall also have jurisdiction over the said persons, for carrying out the purposes of this Special Procedure including but not limited to exercising the powers and performing the functions for imposition and collection of default surcharge under section 205, sealing of a shop under section 182 or prosecution proceedings under section 191B of the Ordinance.

(2) Without prejudice to exercising the powers and performing the functions under sub-paragraph (1), the said income tax authority may recover the advance tax due for a month under section 140 of the Ordinance without issuing any notice under any provisions of the Ordinance, after lapse of seven days from the due date of advance tax for the month.]

[2][**The Schedule-I**
[See paragraph 2]

S. No.	**Description**
(1)	(2)
1.	Karachi
upto 42.	

[2][**The Schedule-II**
[See paragraph 5]

Table

S. No.	City	Area	Indicative Income	Tax on Indicative Income	Monthly Advance Tax
1.	Abbottabad	Abbottabad Bazar	1,350,000	120,000	10,000
2.					
upto 25989					

[1]Paragraphs 9 & 10 inserted by SRO 1064(I)/2024 dated July 07, 2024.
[2]Schedule substituted by SRO 1064(I)/2024 dated July 07, 2024.

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[1][**The Schedule-III**
[See proviso to sub-paragraph (3) of paragraph 5]

Table

S. No.	Commercial Areas
(1)	(2)]

[1]Schedules II & III inserted by SRO 1064(I)/2024 dated July 07, 2024.

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CHAPTER VI

SPECIAL INDUSTRIES

PART I

INSURANCE BUSINESS

99. Special provisions relating to insurance business.– The profits and gains of any insurance business shall be computed in accordance with the rules in the Fourth Schedule.

[1][**99A. Special provisions relating to payment of tax through electricity connections**.- (1) Notwithstanding anything contained in the Ordinance, a tax shall be charged and collected from retailers other than Tier-I retailers as defined in the Sales Tax Act, 1990 (VII of 1990) and specified service providers on commercial electricity connections at the rates specified in the income tax general order issued in terms of sub-section (2).

(2) For the purposes of this section, the Federal Government or the Board with the approval of the Minister in-charge pursuant to the approval of the Economic Coordination Committee of the Cabinet may, issue an income tax general order to-

[1]S. 99A substituted by Tax Laws (Second Amendment) Ordinance, 2022 dated August 22, 2022. Earlier it was substituted by Finance Act, 2022 dated June 30, 2022 & was inserted by Income Tax (3rd Amendment) Act, 2016 dated January 29, 2016.

S. 99A–Substitution.– Before substitution by Tax Laws (2nd Amendment) Ordinance, 2022 it read as follows:-

"99A. Special provisions relating to payment of tax through electricity connections.– (1) Notwithstanding anything contained in the Ordinance, a tax shall be charged and collected from retailers other than Tier-I retailers as defined in Sales Tax Act, 1990 (VII of 1990) and specified service providers on commercial electricity connections at the rates provided in clause (2A) of Division IV, Part IV of the First Schedule.

(2) A retailer who has paid sales tax under sub-section (9) of section 3 of Sales Tax Act, 1990 (VII of 1990), shall not be required to pay tax under this section and the sales tax so paid shall constitute discharge of tax liability under this section.

(3) The tax collected or paid under this section shall be final tax on the income of persons covered under this section in respect of business being carried out from the premises where the electricity connection is installed.

(4) For the purposes of this section, Board with the approval of the Minister in-charge may issue an income tax general order to-

(a) provide the scope, time, payment, recovery, penalty, default surcharge, adjustment or refund of tax payable under this section in such manner and with such conditions as may be specified.

(b) provide record keeping, filing of return, statement and assessment in such manner and with such conditions as may be specified;

(c) provide mechanism of collection, deduction and payment of tax in respect of any person; or

(d) include or exempt any person or classes of persons, any income or classes of income from the application of this section, in such manner and with such conditions as may be specified."

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(a) provide the scope, time, payment, recovery, penalty, default surcharge, adjustment or refund of tax payable under this section in such manner and with such conditions as may be specified;

(b) provide the collection of tax on the amount of bill or on any basis of consumption, in addition to or in lieu of advance tax collectible under sub-section (1) of section 235, at such rates or amounts, from such date and with such conditions as may be specified;

(c) provide record keeping, filing of return, statement and assessment in such manner and with such conditions as may be specified;

(d) provide mechanism of collection, deduction and payment of tax in respect of any person;

(e) include or exempt any person or classes of persons, any income or classes of income from the application of this section, in such manner and with such conditions as may be specified; and

(f) provide that tax collected under this section shall in respect of such persons or classes of persons be adjustable, final or minimum, in respect of any income to such extent and' With such conditions as may be specified.

(3) The provisions of sub-section (1) of section 235 shall apply to the persons as specified therein unless specifically exempted under the income tax general order issued under sub-section (2).

S.99A-Payment of Tax Through Electricity Connections.- Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"In order to collect income tax from certain retailers and specified service providers a special fixed tax regime has been introduced though insertion of section 99A of the Ordinance. Now retailers, other than Tier-I retailers as defined in Sales Tax Act, 1990, and specified service providers will pay fixed income tax through their commercial electricity bills which has been provided in clause (3) of Division IV of Part IV of First Schedule to the Ordinance in the following manner:

Gross amount of monthly bill	Tax
Where the amount does not exceed Rs. 30,000	Rs.3,000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs.5,000
Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	Rs.10,000
Retailers and service providers as notified by the Board in the income tax general order	Up to Rs.200,000

This is final tax on the income of persons covered in this section in respect of business being carried out from the premises for which tax is collected under this section. Retailers from whom tax has been collected in terms of sub-section (9) of section 3 of Sales Tax Act, 1990 shall not be required to pay tax under section 99A of the Ordinance and the tax collected under the Sales Tax Act, 1990 is also a final discharge of income tax liability under section 99A of the Ordinance. The Board with the approval of Minister in-charge is empowered to determine the scope, mode, manner, record keeping, mechanism of collection and deduction etc and to include or exempt any person or class of person, any income or class of income though issuance of income tax general order for the purpose of this section.

Furthermore, enabling provision has been provided by inserting sub-section (1A) in section 235 of the Ordinance to collect tax through electricity bills from retailers other than Tier-I retailers as defined in Sales Tax Act, 1990 and specified service providers for the purpose of this section."

8-184-10-07-2025

(4) The provisions of section 100BA and rule 1 of the Tenth Schedule shall not apply to the tax collectible under this section unless specifically provided in respect of the person or class of persons mentioned in the income tax general order issued under sub-section (2).]

[1][**99B. Special procedure for small traders and shopkeepers**.- Notwithstanding anything contained in this Ordinance, the [2][Board with the approval of the Minister-in-charge] may, by notification in the official Gazette, prescribe special procedure for scope [3][, rate and payment of tax including fixed tax, filing of return, audit] and assessment in respect of such small traders and shopkeepers, in such cities or territories, as may be specified therein.]

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[1]Section 99B inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.
[2]Substituted for "Federal Government" by Finance Act, 2021 dated June 30, 2021.
[3]Substituted for "and payment of tax, filing of return" by Finance Act, 2026 dated June 26, 2026.

S. 99–Insurance Business.– See the Fourth Schedule and footnotes thereto.

S. 99A–Substitution.– Before substitution by F. Act, 2022 it read as follows:-

"**99A. Special provisions relating to traders.–** (1) Subject to sub-section (3), tax payable on the profits and gains of a trader as defined in sub-section (4) who upto thirty first day of December, 2015 has not filed a return for any of the preceding ten tax years shall be computed in accordance with the rules laid down in Part I of the Ninth Schedule.

(2) Subject to sub-section (3), tax payable on the profits and gains of any trader as defined in sub-section (4), who-

(a) is a filer; or

(b) is NTN holder and a non-filer but has filed return or returns in any of the last ten preceding tax years,

shall be computed in accordance with the rules laid down in Part II of the Ninth Schedule.*

(3) Sub-sections (1) and (2) shall apply, if-

(a) the return filed by the trader qualifies for acceptance in accordance with the rules laid down in the Ninth Schedule;

(b) return relates to tax years 2015 to 2018; and

(c) income from business consists of profits and gains from trading activity only.

(4) For the purpose of this section and the Ninth Schedule, 'trader' means an individual or an association of persons (AOP) buying goods or merchandise and selling the same without further processing and providing, business-related after sales, services by doing repair jobs.

Explanation 1.- For the removal of doubt it is clarified that any person engaged in-

(a) rendering of, or providing, services as defined in clause (ii) of sub-section (7) of section 153; or

(b) business of retailer falling under rule (5) of Chapter II of the Sales Tax Special Procedures Rules, 2007, shall not be treated as a trader for the purposes of this section.

Explanation 2.- It is also clarified that this section shall not apply to a person who is a Member of the Senate of Pakistan, the National Assembly of Pakistan or a Provincial Assembly."

*In the gazette this appears as part of clause (b) which is an apparent formatting error.

S. 99B.- Other Amendments.- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"In section 99B (special procedure for small traders and shopkeepers), the scope has been widened to include the "rate and payment of tax including fixed tax, filing of return and audit"."

8-191-15-09-2026

[1][**99C**. **Special procedure for certain persons.-** Notwithstanding anything contained in this Ordinance, the [2][Board with the approval of the Minister-in-charge] may, by notification in the official Gazette, prescribe special procedure for scope and payment of tax, record keeping, filing of return and assessment in respect of small businesses, construction businesses, medical practitioners, hospitals, educational institutions and any other sector specified by the Federal Government, in such cities or territories, as may be specified therein.]

[3][**99D**. **Additional tax on certain income, profits and gains**.– (1) Notwithstanding anything contained in this Ordinance or any other law for the time being in force, for any of the last three tax years preceding the tax year 2023 and onwards, in addition to any tax charged or chargeable, paid or payable under any of the provisions of this Ordinance, an additional tax shall be imposed on every person being a company who has any income, profit or gains that have arisen due to any economic factor or factors that resulted in windfall income, profits or gains.

(2) The Federal Government may, by notification in the official Gazette,-

(a) specify sector or sectors, for which this section applies;

(b) determine windfall income, profits or gains and economic factor or factors including but not limited to international price fluctuation having bearing on any commodity price in Pakistan or any sector of the economy or difference in income, profit or gains on account of foreign currency fluctuation;

(c) provide the rate not exceeding fifty percent of such income, profits or gains;

(d) provide for the scope, time and payment of tax payable under this section in such manner and with such conditions as may be specified in the notification; and

(e) exempt any person or classes of persons, any income or classes of income from the application of this section, subject to any conditions as may be specified in the notification.

(3) The Federal Government shall place before the National Assembly the notification issued under this section within ninety days of the issuance of such notification or by the 30th day of June of the financial year, whichever is earlier.]

[1]Section 99C inserted by Finance Act, 2019 dated June 30, 2019.
[2]Substituted for "Federal Government" by Finance Act, 2021 dated June 30, 2021.
[3]Section 99D inserted by Finance Act, 2023 dated June 26, 2023.

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S. 99D.- Additional Tax on Windfall Profits.- Following is an extract from FBR' Circular No. 2 of 2023 dated July 26, 2023, explaining the amendment made by the F. Act, 2023:-

"Finance Act, 2023 has introduced a new section 99D which will provide for imposition of additional tax on windfall income profits and gains of any person being a company. The Federal Government has been empowered under this section to prescribe any rate not exceeding fifty percent, specify any sector or sectors for which this section will apply, determine economic factor or factors including but not limited to international price fluctuation having bearing on any commodity price in Pakistan or any sector of the economy and or difference in income, profit or gains on account of foreign currency fluctuation, provide for the scope, time and payment of tax payable and include or exempt any person or classes of persons, any income or classes of income from the application of this section through a notification in the official gazette.

Corresponding amendments have also been incorporated in Fourth Schedule, Fifth Schedule and Seventh Schedule dealing with Insurance companies, Oil and Gas Exploration companies and Banking companies, respectively. This section will apply for last three preceding tax years commencing from tax year 2023 and onwards. All notifications issued by the Federal Government under this section will be presented before the National Assembly within 90 days of the issuance of the notification or by 30th June of the financial year whichever is earlier."

S. 99D.- Additional Tax on Windfall Profits.- Following is the text of SRO 1588(I)/2023 dated November 21, 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 Income$_{2021}$ − AM$_{2022}$]

Windfall Income, profits, and gains for TY 2023 (CY 2022) = [Fx Income$_{2022}$ − AM$_{2023}$]

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 $Income_{2015}$, Fx $Income_{2016}$, Fx $Income_{2017}$, Fx $Income_{2018}$, Fx $Income_{2019}$, Fx $Income_{2020}$, Fx $Income_{2021}$, Fx $Income_{2022}$ 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:

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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."

8-191-15-09-2026

PART II

OIL, NATURAL GAS AND OTHER MINERAL DEPOSITS

100. Special provisions relating to the production of oil and natural gas, and exploration and extraction of other mineral deposits.– (1) Subject to sub-section (2), the profits and gains from –

(a) the exploration and production of petroleum including natural gas and from refineries set up at the Dhodak and Bobi fields;

(b) the pipeline operations of exploration and production companies; or

(c) the manufacture and sale of liquified petroleum gas or compressed natural gas,

and the tax payable thereon shall be computed in accordance with the rules in Part I of the Fifth Schedule.

(2) Sub-section (1) shall not apply to the profits and gains attributable to the production of petroleum including natural gas discovered before the 24th day of September, 1954 [1][:]

[2][Provided that the for tax year 2017 and onward the provisions of this sub-section shall not apply on profit and gains derived from sui gas field.]

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[1]Substituted for full stop by Finance Act, 2017 dated June 20, 2017.
[2]Proviso inserted by Finance Act, 2017 dated June 20, 2017.

S. 100–Computation of petroleum profits.– Following is an extract from CBR's Circular No. 6 of 1994 dated July 10, 1994, explaining the corresponding provision of the Income Tax Ordinance, 1979:–

"In order to promote investment in petroleum exploration and production, income earned from refineries to be set-up at Dhodak and Bobi fields, income from pipe-line operations by exploration and production companies, income received by exploration and production companies from the manufacture and sale of liquified petroleum gas and compressed natural gas will also now be taxed on the basis similar to that applied in case of income earned from exploration and production of oil under the Fifth Schedule, Section 26 and Fifth Schedule have, accordingly, been amended to incorporate these activities in the special provisions of assessment." [**Ref:** *94 ITC 6 p. 13*]

Computation of profits of minerals extraction business.– Following is an extract from CBR's Circular No. 6 of 1987 dated July 5, 1987, explaining the corresponding provision of the Income Tax Ordinance, 1979:–

"Under clause (c) of Section 26, income from exploration and extraction of certain notified mineral deposits of a wasting nature (other than petroleum and natural gas) is computed in accordance with rules contained in Part II of the Fifth Schedule to the Ordinance. The said clause has been amended to provide that where the income of an assessee from the exploration or extraction of coal deposits ever enjoys exemption under clause (123A) of Part I of the Second Schedule to the Ordinance, his income from exploration and extraction of the aforesaid notified mineral deposits shall not be computed under Part II of the Fifth Schedule. In other words, once the assessee enjoys exemption under clause (123A) ibid, for any income year, his income from exploration and extraction of any of the mineral deposits (including coal), notified under Notification No. S.R.O. 170, dated 1st April, 1959, in respect of the said income year and any income year thereafter, shall be computed like ordinary business income and not in accordance with rules contained in Part II of the Fifth Schedule."

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(3) The profits and gains of any business which consists of, or includes, the exploration and extraction of such mineral deposits of a wasting nature (not being petroleum or natural gas) as may be specified in this behalf by the [1][Board with the approval of the Minister-in-charge] carried on by a person in Pakistan shall be computed in accordance with the rules in Part II of the Fifth Schedule.

[2][**100A. Special provisions relating to banking business**.– (1) Subject to sub-section (2), the income, profits and gains of any banking company as defined in clause (7) of section 2 and tax payable thereon shall be computed in accordance with the rules in the Seventh Schedule.

(2) Sub-section (1) shall apply to the profits and gains of the banking companies relevant to tax year 2009 and onwards.]

[3][(3) Notwithstanding anything contained in sub-section (1), income, profits and gains and tax payable thereon shall be computed subject to the limitations and provisions contained in Chapters VII and VIII.]

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[1]Substituted for "Federal Government" by Finance Act, 2021 dated June 30, 2021.
[2]Section 100A inserted by Finance Act, 2007 dated June 30, 2007.
[3]Section 100A(3) inserted by Finance Act, 2018 dated May 23, 2018.

S. 100A-Banking business, separate schedule.-Following is an extract from Circular No. 2 of 2008 dated February 28, 2008:-

"A new section 100A has been inserted in the Income Tax Ordinance, 2001 through Finance Act, 2007, which provides that income, profit and gains of a banking company and tax payable thereon shall be computed in accordance with the rules in Seventh Schedule which has also been provided through the said Act by substituting the earlier one.

2. It has clearly been provided under Rules 5(2) of the Seventh Schedule that provisions of withholding tax under the Ordinance shall not apply to a banking company as a recipient of the amount on which tax is deductible. However, it has come to the knowledge of the Board that withholding agents dealing with the banking companies do not comply with the provision of the said Rule and insist on production of a specific exemption certificate for making payment without deduction of tax.

3. It is clarified that provisions of the Seventh Schedule to the Ordinance are applicable from 1st January, 2008 (relevant to tax year 2009) and no tax is required to be deducted at the time of making payment to a banking company. Accordingly, the withholding agents are not required to ask for a specific exemption certificate from the banks."

Computation of profits of banking business.-Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"For computation of income of the banking companies, a separate schedule has been provided by substituting the Seventh Schedule to the Income Tax Ordinance, 2001 as "Rules for computation of the profits and gains of a banking company and tax payable thereon". The salient features of scheme as provided in the Seventh Schedule are as under:

(i) a banking company's income as disclosed in the annual accounts furnished to the State Bank of Pakistan, subject to specified adjustments, shall be taken as "Income from Business";

(ii) deductions for depreciation, initial allowance and amortization of intangibles shall be available in accordance with law [Sections 22, 23 and 24];

(iii) deductions shall be inadmissible if covered under section 21 of the Ordinance;

(iv) gain or loss on disposal of depreciable asset shall be computed in accordance with law [Section 22(8)];

(v) provisions of law relating to disposal and acquisition of asset shall be applied to make adjustments [Sections 68 to 79];

(vi) provision for classified advances and off balance sheet items shall be allowed as claimed in the accounts, provided a certificate from the external auditors is furnished by the banking company to the effect that such provisions are in line with the requirements of Prudential Regulations;

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[1][**100B Special provision relating to capital gain tax**.- (1) Capital gains on disposal of listed securities and tax thereon [2][including super tax under section 4C], subject to section 37A, shall be computed, determined, collected and deposited in accordance with the rules laid down in the Eighth Schedule.

(2) The provisions of sub-section (1) shall not apply to the following persons or class of persons, namely:-

(a) a mutual fund;

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[1]Section 100B inserted by Finance Act, 2012 dated June 26, 2012.
[2]Words inserted by Finance Act, 2023 dated June 26, 2023.

(vii) expense charged in the accounts in respect of a debt classified as 'substandard' under Prudential Regulations shall not be allowed as deduction. However, if such debt is re-classified as 'doubtful' or 'loss' subsequently, a deduction shall be allowed for the amount disallowed being 'substandard'. Further, reversal of provision in respect of a substandard debt, which was disallowed earlier, shall not be taken as income;

(viii) adjustments made in the accounts due to application of International Accounting Standards 39 and 40 and consequently any gain or loss arising, shall be excluded while computing the income of the banking companies;

(ix) liabilities, against which deduction was allowed, if remain unpaid for 3 years shall be added in the first tax year following the end of the 3 tax years. Payment of such liability shall however be allowed as deduction in the year of the payment;

(x) gain or loss on sale of shares of listed securities shall be dealt separately:

(a) loss on sale of shares of listed companies, disposed of within one year of the date of acquisition, shall be adjustable against business income of the tax year;

(b) where such loss is not fully set-off against business income during the tax year, it shall be carried forward to the following tax year and set-off against capital gain only; and

(c) no loss shall be carried forward for more than 6 years immediately succeeding the tax year for which the loss was first computed;

(xi) any special treatment for 'Shariah Compliant Banking' approved by the State Bank of Pakistan shall not be provided for any reduction or addition to income and tax liability. A statement, certified by the auditors of the banking company, shall be attached to the return of income to disclose the comparative position of transaction as per Islamic mode of financing and as per normal accounting principles. Adjustment shall be made to take into account treatment under normal accounting principles;

(xii) foreign banks shall be allowed deduction for head office expenditure in the ratio of gross receipts of permanent establishment to world gross receipts, provided that expenditure is:

(i) charged in the books of accounts of the permanent establishment; and

(ii) a certificate from the external auditors is provided to the effect that the claim of such expenditure:

(a) has been made in accordance with the provisions of this rule; and

(b) is reasonable in relation to the operation of permanent establishment in Pakistan.

(xiii) Federal Government has been empowered to amend, or modify or omit any entry in this schedule.

(xiv) special provisions relating to banking business (section 100A) shall apply to the profit and gains of the banking companies relevant to tax year 2009 and onwards."

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(b) a banking company, [1][ ] and an insurance company subject to tax under the Fourth Schedule; [2][and]

[3][ ]

(e) any other person or class of persons notified by the Board.]

[4][(3) NCCPL, in case of banking company, insurance company and mutual funds, shall compute and determine the capital gain as per the mechanism prescribed under section 37A; however, these entities shall continue to deposit tax on the amount of capital gain as per the applicable provisions of this Ordinance.]

[5][**100BA**. **Special provisions relating to persons not appearing in active taxpayers' list.-** (1) The collection or deduction of advance income tax, computation of income and tax payable thereon [6][in respect of a person not appearing on the active taxpayers' list] [7][or persons appearing on the active taxpayers' list who have not filed return by the due date specified in section 118 or by the due date as extended under section 119 or 214A] shall be determined in accordance with the rules in the Tenth Schedule.

(2) The provisions of the Tenth Schedule shall have effect notwithstanding anything to the contrary contained in this Ordinance.]

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[1]Words "a non-banking finance company" omitted by Finance Act, 2026 dated June 26, 2026.
[2]Word inserted by Finance Act, 2026 dated June 26, 2026.
[3]Clauses (c) & (d) omitted by Finance Act, 2026 dated June 26, 2026. Earlier clause (d) substituted by Finance Act, 2014 dated June 26, 2014.
[4]S. 100B(3) inserted by Finance Act, 2026 dated June 26, 2026.
[5]Section 100BA inserted by Finance Act, 2019 dated June 30, 2019.
[6]Words inserted by Finance Act, 2020 dated June 30, 2020.
[7]Words inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

S. 100B(2)(c)&(d)-Omission.-Before omission by F. A. 2026, it read as follows:-

"(c) a modaraba;

(d) a company, in respect of debt securities only; and"

S. 100B(2)(d)-Substitution.-Before substitution by F. A. 2014, it read as follows:-

"(d) a "foreign institutional investor" being a person registered with NCCPL as a foreign institutional investor; and"

S. 100B.- Capital Gains - Computation and Withholding [Sections 100B and 152(1DA)]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"In section 100B, the reference to "a non-banking finance company" in clause (b) of sub-section (2) has been omitted along with omission of clauses (c) and (d) of that sub-section to extend the application of special provisions namely section 37A read with rules contained in the Eighth Schedule in respect of capital gains arising from the disposal of securities by a non-banking finance company, a modaraba and to a company only in respect debt securities.

"New provision has been introduced in the form of addition of sub-section (3) in section 100B to provide that in the cases of a mutual fund, a banking company and an insurance company, the NCCPL shall compute and determine the capital gain as per the mechanism prescribed under section 37A, while such entities shall continue to deposit tax on the amount of capital gain as per the applicable provisions of the Ordinance."

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S. 100B.- Collection of super tax on Capital Gains.- Following is an extract from FBR's Circular No. 2 of 2023 dated July 26, 2023, explaining the amendment made by the F. Act, 2023:-

"Amendments have been made in section 4C, 100B and the Eighth Schedule to the effect that in addition to capital gains tax, NCCPL shall also compute and collect tax under section 4C at the rates specified in Division IIB of Part I of the First Schedule on the amount of capital gains computed under Eighth Schedule in the manner specified in the said Schedule and rules made thereunder."

S.100B-Capital Gains on Securities.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"A new sub-section has been inserted in section 37A that lays down the method of calculating the capital gain arising on the disposal of a security as under:-

A – B

Where-

'A' Consideration received on disposal of the security,

'B' Cost of acquisition of security.

Special provisions relating to Capital Gain arising from the disposal of securities of listed companies and tax thereon have also been enacted. It also stipulates that the rules for computing capital gain tax have been laid down in the Eight Schedule. These special provisions were introduced through insertion of section 100B and a new Eighth Schedule through Presidential Ordinance dated April 24, 2012. The Ordinance has now been incorporated in the Finance Act, 2012.

Under these new provisions, National Clearing Company of Pakistan Limited ('NCCPL'), licensed as "Clearing House" by the Securities and Exchange Commission of Pakistan, will be responsible to compute and collect the capital gains tax on disposal of securities on the basis of information collected from Central Depository Company.

Furthermore, enquiries shall not be made for the nature and source of the amount invested in companies listed on stock exchanges till June 30, 2014 subject to the conditions that amounts remain invested for 120 days, tax on capital gains has been duly discharged in the manner prescribed and a statement of investments is filed with the return of total income/ wealth Statement.

A mutual fund, banking company, non-banking finance company and insurance company subject to tax under the Fourth Schedule to the Ordinance, modaraba, foreign institutional investor being a person registered with NCCPL as a foreign institutional investor and any other person or class of persons notified by the FBR have been excluded from the ambit of these provisions.

Moreover, a person can opt out from payment of tax under Eighth Schedule by obtaining prior approval of Commissioner Inland Revenue and filing of an irrevocable option with NCCPL to this effect and the person shall be subject to scheme of taxation provided for in section 37A of the Ordinance."

S. 100BA.- Special provisions relating to persons not appearing in active taxpayers' list. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Prior to the Finance Act, 2024, section 100BA provided for higher rates of withholding taxes as specified in the Tenth Schedule for persons not appearing in the active taxpayers' list. Through the Finance Act, 2024, section 100BA has been amended and scope of the Tenth Schedule has been broadened by including persons who although are appearing in the active taxpayers' list but have filed return after the due date specified in section 118 or by the due date as extended under section 119 or 214A. After this amendment in section 100BA and insertion of rule 1A in the Tenth Schedule, there are now two categories of higher rates: one for persons not appearing in the ATL at the time of transaction and the other for persons appearing in the ATL at the time of transaction but who have not filed return within the due date. Tax rates for persons appearing in ATL but have filed return after the due date have been explained in paragraph 38 of this Circular."

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S. 100BA–Collection of tax, computation of income and tax payable of persons not appearing in the ATL.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Prior to the Finance Act. 2019, a concept of non-filer existed in the Ordinance whereby higher tax rates of withholding were prescribed for persons who were non-filers. Such non-filers could claim adjustment of the higher tax collected at the time of filing of income tax returns. The aim was to compel the non-filers to file their returns of income. However, it was observed that the non-filers, even though subjected to higher withholding rates, still had a propensity not to file their returns. This proved detrimental to the exercise of expansion or tax base. This was due to the absence of an explicit provision specifying a standard procedure for action against such persons. Through the Finance Act, 2019, the concept of "Non-Filers" has been done away with and a new concept regarding persons not appearing in the active taxpayers' list has been introduced. This concept is a major paradigm shift from the erstwhile non-filer higher tax regime in that it not only penalizes those persons not appearing in the ATL but also introduces an effective mechanism for enforcing returns from such persons. In this regard, a new section 100BA has been introduced which provides that collection or deduction of advance income tax, computation of income and tax payable thereon shall be determined in accordance with the rules in the newly introduced "The Tenth Schedule" which envisages the entire path to be adopted by the Inland Revenue Department to enforce returns from persons who make financial transactions yet choose not to file their returns of income. The salient features of this scheme are as under:-

i. Persons whose names are not appearing in the ATL will be subjected to hundred percent increased rate of tax.

ii. Where a withholding agent is of the opinion that hundred percent increased tax is not required to be collected on the basis that the person was not required to file return, the withholding agent shall furnish a notice to the Commissioner having jurisdiction over withholding agent setting out-

   a. the name, CNIC or NTN and address of the person not appearing in the ATL;

   b. the nature and amount of the transaction on which tax is required to be collected or deducted; and

   c. reason on the basis of which it is considered that the person was not required to file return or statement, as the case may be.

iii. The Commissioner shall accept or reject the contention on the basis of existing law within thirty days. In case the Commissioner fails to respond within thirty days, permission shall be deemed to be granted not to deduct tax at hundred percent increased rate. Withholding agent shall however be responsible for any inaccurate furnishing of such information and penal action may be undertaken against diligent withholding agents.

iv. Where the person's tax has been deducted or collected at hundred percent increased rate and the person fails to file return of income for the year for which tax was deducted, the Commissioner shall make a Provisional Assessment within sixty days of the due date for filing of return by imputing income so that tax on imputed income is equal to the hundred percent increased tax deducted or collected from such person and the imputed income shall be treated as concealed income. However, the imputable income so calculated or concealed income so determined shall not absolve the person so assessed, from requirement of filing of wealth statement under sub-section (1) of section 116, the nature and source of amounts subject to deduction or collection of tax under section 111 selection of audit under section 177 or 214C or subsequent amendment of assessment as provided in rule 8 and all the provisions of the Ordinance shall apply.

v. The provisional assessment shall abate if the person files its return within forty five days of completion of provisional assessment. Where the return is not filed within forty five days of provisional assessment, it shall be treated as final assessment and the Commissioner shall initiate penalty proceedings for concealment of income."

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[1][**100C**. **Tax credit for charitable organizations**.- (1) The persons mentioned in sub-section (2) shall be allowed a tax credit equal to one hundred percent of tax payable under any of the provisions of this Ordinance including minimum and final taxes in respect of incomes mentioned in sub-section (3) subject to the conditions and limitations laid down in subsection (4).

(2) The provisions of this section shall apply to the following persons, namely:-

(a) persons specified in [2][ ] clause (66) of Part I of the Second Schedule to this Ordinance;

(b) a trust administered under a scheme approved by the Federal Government and established in Pakistan exclusively for the purposes of carrying out such activities as are for the welfare of ex-employees and serving personnel of the Federal Government or a Provincial Government or armed forces including civilian employees of armed forces and their dependents where the said trust is administered by a committee nominated by the Federal Government or a Provincial Government;

(c) a trust;

(d) a welfare institution registered with Provincial or Islamabad Capital Territory (ICT) social welfare department;

(e) a not for profit company registered with the Securities and Exchange Commission of Pakistan under section 42 of the Companies Act, 2017;

(f) a welfare society registered under the provincial or Islamabad Capital Territory (ICT) laws related to registration of co-operative societies;

(g) a waqf registered under Mussalman Waqf Validating Act, 1913 (VI of 1913) or any other law for the time being in force or in the instrument relating to the trust or the institution;

(h) a university or education institutions being run by nonprofit organization existing solely for educational purposes and not for the purposes of profit;

(i) a religious or charitable institution for the benefit of public registered under any law for the time being in force; and

(j) international non-governmental organizations (INGOs) approved by the Federal Government.

8-184-10-07-2025

[1]Section 100C substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Finance Act, 2014 dated June 26, 2014.
[2]Words "Table II of" omitted by Finance Act, 2025 in force from July 1, 2025.

(3) The following income is eligible for tax credit, namely:-

(a) income from donations, voluntary contributions and subscriptions;

(b) income from house property;

(c) income from investments in the securities of the Federal Government;

(d) profit on debt from scheduled banks and microfinance banks;

(e) grant received from Federal, Provincial, Local or foreign Government;

(f) so much of the income chargeable under the head "income from business" as is expended in Pakistan for the purposes of carrying out welfare activities:

Provided that in the case of income under the head "income from business", only so much of such income shall be eligible for tax credit under this section that bears the same proportion as the said amount of business income bears to the aggregate of income from all sources; and

(g) any income of the persons mentioned in clauses (a), (b) and (h) of sub-section (2) of this section.

(4) Eligibility for tax credit shall be subject to the following conditions, namely:-

(a) return has been filed;

(b) tax required to be deducted or collected has been deducted or collected and paid;

(c) withholding tax statements for the relevant tax year have been filed;

(d) the administrative and management expenditure does not exceed 15% of the total receipts:

Provided that clause (d) shall not apply to a nonprofit organization, if-

(i) charitable and welfare activities of the non-profit organization have commenced for the first time within last three years; or

(ii) total receipts of the non-profit organization during the tax year are less than one hundred million Rupees;

(e) approval of Commissioner has been obtained as per requirement of clause (36) of section 2:

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Provided that the condition of approval in respect of persons mentioned in [1][ ] clause (66) of Part I of the Second Schedule to this Ordinance, shall take effect from the first day of July, [2][2023] and the requirements of clause (36) of section 2, shall not be applicable for earlier years;

(f) none of the assets of trusts or welfare institutions confers, or may confer, a private benefit to the donors or family, children or author of the trust or his descendants or the maker of the institution or to any other person:

Provided that where such private benefit is conferred, the amount of such benefit shall be added to the income of the donor; and

(g) a statement of voluntary contributions and donations received in the immediately preceding tax year has been filed in the prescribed form and manner.

(5) Notwithstanding anything contained in sub-section (1), surplus funds of organizations to which this section applies shall be taxed at a rate of ten percent.

(6) For the purpose of sub-section (5), surplus funds mean funds or monies-

(a) not spent on charitable and welfare activities during the tax year;

(b) received during the tax year as donations, voluntary contributions, subscriptions and other incomes;

(c) which are more than twenty-five percent of the total receipts of the non-profit organization received during the tax year; and

(d) are not part of restricted funds.

Explanation.- For the purpose of this clause, "restricted funds" mean any fund received by the organization but could not be spent and treated as revenue during the year due to any obligation placed by the donor or funds received in kind.]

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[1]Words "Table II of" omitted by Finance Act, 2025 in force from July 1, 2025.
[2]Substituted for "2022" by Finance Act, 2022 dated June 30, 2022.

8-184-10-07-2025

S. 100C–Substituted.- Before substitution it read as follows:-

"**100C. Tax credit for certain persons.-** (1) [2][The income of] Non-profit organizations, trusts or welfare institutions, as mentioned in sub-section (2) shall be allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, subject to the following conditions, namely:-

(a) return has been filed;

(b) tax required to be deducted or collected has been deducted or collected and paid; [3][ ]

(c) withholding tax statements for the immediately preceding tax year have been filed [4][;]

[5][(d) the administrative and management expenditure does not exceed 15% of the total receipts:

Provided that clause (d) shall not apply to a non-profit organization, if-

[6][(i)] charitable and welfare activities of the nonprofit organization have commenced for the first time within last three years; and

[6][(ii)] total receipts of the non-profit organization during the tax year are less than one hundred million Rupees [7]*[;]*]

[8][(e) approval of the Commissioner has been obtained as per the requirement of clause (36) of section 2:

Provided that this clause shall take effect from the first day of July, 2020; [9][ ]

(f) none of the assets of trusts or welfare institutions confers, or may confer, a private benefit to the donors or family, children or author of the trust or his descendents or the maker of the institution or to any other person:

Provided that where such private benefit is conferred, the amount of such benefit shall be added to the income of the donor; [10]*[ ]*]

[10][(g) a statement of voluntary contributions and donations received in the immediately preceding tax year which has been filed in the prescribed form and manner.]

[11][(1A) Notwithstanding anything contained in sub-section (1), surplus funds of non-profit [12][organizations, trusts or welfare institutions] shall be taxed at a rate of ten per cent.

(1B) For the purpose of sub-section (1A), surplus funds mean funds or monies:

(a) not spent on charitable and welfare activities during the tax year;

(b) received during the tax year as donations, voluntary contributions, subscriptions and other incomes;

(c) which are more than twenty-five per cent of the total receipts of the non-profit organization received during the tax year; and

(d) are not part of restricted funds.

Explanation.- For the purpose of this sub-section, "restricted funds" mean any fund received by the organization but could not be spent and treated as revenue during the year due to any obligation placed by the donor.]

(2) Persons [13][and incomes] eligible for tax credit under this section include-

(a) any income of a trust or welfare institution or non-profit organization from donations, voluntary contributions, subscriptions, house property, investments in the securities of the Federal Government and so much of the income chargeable under the head "income from business" as is expended in Pakistan for the purposes of carrying out welfare activities:

[2]Words inserted by Finance Act, 2015 dated June 30, 2015.
[3]Word "and" omitted by Finance Act, 2017 dated June 20, 2017.
[4]Inserted by Finance Act, 2017 dated June 20, 2017.
[5]Clause (d) inserted by Finance Act, 2017 dated June 20, 2017.
[6]Sub-clause (a) & (b) re-numbered as (i) & (ii) by Finance Act, 2020 dated June 30, 2020.
[7]Substituted for full stop by Finance Act, 2019 dated June 30, 2019.
[8]Clauses (e) & (f) inserted by Finance Act, 2019 dated June 30, 2019.
[9]Word "and" omitted by Finance Act, 2020 dated June 30, 2020.
[10]Substituted for colon and clause (g) inserted by Finance Act, 2020 dated June 30, 2020.
[11]Sub-sections (1A) & (1B) inserted by Finance Act, 2017 dated June 20, 2017.
[12]Substituted for "organization" by Finance Act, 2020 dated June 30, 2020.
[13]Words inserted by Finance Act, 2015 dated June 30, 2015.

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Provided that in the case of income under the head "income from business", the exemption in respect of income under the said head shall not exceed an amount which bears to the income, under the said head, the same proportion as the said amount bears to the aggregate of the incomes from the aforesaid sources of income.

(b) a trust administered under a scheme approved by the Federal Government in this behalf and established in Pakistan exclusively for the purposes of carrying out such activities as are for the benefit and welfare of-

(i) ex-servicemen and serving personnel, including civilian employees of the Armed Forces, and their dependents; or

(ii) ex-employees and serving personnel of the Federal Government or a Provincial Government and their dependents, where the said trust is administered by a committee nominated by the Federal Government or, as the case may be, a Provincial Government;

[1][ ]

(d) income of a university or other educational institution being run by a non-profit organization existing solely for educational purposes and not for purposes of profit;

(e) any income which is derived from investments in securities of the Federal Government**,** profit on debt from scheduled banks [2][and microfinance banks], grant received from Federal Government or Provincial Government or District Governments, foreign grants and house property held under trust or other legal obligations wholly, or in part only, for religious or charitable purposes and is actually applied or finally set apart for application thereto:

Provided that nothing in this clause shall apply to so much of the income as is not expended within Pakistan:

Provided further that if any sum out of the amount so set apart is expended outside Pakistan, it shall be included in the total income of the tax year in which it is so expended or of the year in which it was set apart, whichever is the greater, and the provisions of section 122 shall not apply to any assessment made or to be made in pursuance of this proviso.

Explanation.- Notwithstanding anything contained in the Mussalman Wakf Validating Act, 1913 (VI of 1913), or any other law for the time being in force or in the instrument relating to the trust or the institution, if any amount is set apart, expended or disbursed for the maintenance and support wholly or partially of the family, children or descendents of the author of the trust or the donor or, the maker of the institution or for his own maintenance and support during his life time or payment to himself or his family, children, relations or descendents or for the payment of his or their debts out of the income from house property dedicated, or if any expenditure is made other than for charitable purposes, in each case such expenditure, provision, setting apart, payment or disbursement shall not be deemed, for the purposes of this clause, to be for religious or charitable purposes; or

(f) any income of a religious or charitable institution derived from voluntary contributions applicable solely to religious or charitable purposes of the institution:

Provided that nothing contained in this clause shall apply to the income of a private religious trust which does not ensure for the benefit of the public."

[1]Sub-section (2)(c) omitted by Finance Act, 2019 dated June 30, 2019.

[2]Words inserted by Finance Act, 2018 dated May 23, 2018.

Clause (c)-Omission.-Before omission by F. A. 2019, it read as follows:-

"(c) a trust or welfare institution or non-profit organization approved by Chief Commissioner for the purposes of this [1][ ] clause;"

[1]Word and hyphen "sub-" omitted by Finance Act, 2015 dated June 30, 2015.

8-159-15-07-2021

[1][**100D. Special Provisions relating to builders and developers**.- (1) For tax year 2020 and onwards, the tax payable by a builder or a developer, as defined in sub-section (9), who opts to pay tax under this section shall be computed and paid in accordance with the rules in the Eleventh Schedule on a project by project basis on the income, profits and gains derived from the sale of buildings or sale of plots, as the case may be, from-

(a) a new project to be completed by the [2][30th day of September, 2023]; or

(b) an incomplete existing project to be completed by the [2][30th day of September, 2023]:

Provided that any income, profits and gains of a builder or developer of an incomplete existing project earned up to tax year 2019 [3][or tax year 2020, as the case may be] shall be subject to the provisions of this Ordinance as were in force prior to the commencement of the Tax Laws (Amendment) Ordinance, 2020 (Ordinance I of 2020):

Provided further that any income of a builder or developer other than income, profits and gains subject to this section shall be subject to tax as per the provisions of this Ordinance.

(2) Where sub-section (1) applies,-

(a) the income shall not be chargeable to tax under any head of income in computing the taxable income of the person;

(b) no deduction shall be allowed under this Ordinance for any expenditure incurred in deriving the income;

(c) the amount of the income shall not be reduced by-

(i) any deductible allowance under Part IX of Chapter III; or

(ii) the set off of any loss;

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[1]Section 100D inserted by Finance Act, 2020 dated June 30, 2020. Earlier the same was inserted by Tax Laws (Amendment) Ordinance No. 1 of 2020 dated April 17, 2020.

[2]Substituted for "30th day of September, 2022" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Income Tax (Amendment) Ordinance No. II of 2021 dated January 21, 2021, effective from 01.01.2021.

[3]Words inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Income Tax (Amendment) Ordinance No. II of 2021 dated January 21, 2021, effective from 01.01.2021.

Income of builders and developers in excess of 10 times tax paid.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Builders and developers have been provided fixed tax regime and immunity from probe for sources of investment subject to conditions and limitations provided in section 100D and Eleventh schedule of the Ordinance. They have been further allowed to incorporate profits from such projects equal to 10 times of the taxes paid under fixed tax regime. The income in excess of 10 times was chargeable to tax at the normal applicable rates. Now changes have been introduced in Eleventh schedule to the effect that the income of builders and developers from such project in excess of 10 times of tax paid shal1 be chargeable at reduced rate of 20%."

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(d) no tax credit shall be allowed against the tax payable under sub-section (1) except credit for tax under section 236A or 236K collected from the builder or developer after the commencement of the Tax Laws (Amendment) Ordinance, 2020 (I of 2020) on purchase of immoveable property utilized in a project;

(e) there shall be no refund of any tax collected or deducted under this Ordinance;

(f) if the tax payable has not been paid or short paid, the said amount of tax may be recovered and all the provisions of this Ordinance shall apply accordingly; and

(g) sections 113 and 113C shall not apply on the turnover, income, profits and gains of a builder or developer from a project.

(3) The provisions of section 111 shall not apply to capital investment made in a new project under clause (a) of sub-section (1) in the form of money or land, subject to the following conditions, namely:-

(a) if the investment is made by a builder or developer being an individual–

(i) in the form of money, such builder or developer shall open a new bank account and deposit such amount in it on or before the [1][30th day of June, 2021]; or

(ii) in the form of land, such builder or developer shall have the ownership title of the land at the time of commencement of the Tax Laws (Amendment) Ordinance, 2020 (I of 2020);

(b) if the investment is made by a person in a project through a company or an association of persons,–

(i) such company or association of person shall be a single object (builder or developer) company or association of persons registered under the Companies Act, 2017 (XIX of 2017), the Limited Liability Partnership Act, 2017 (XV of 2017) or the Partnership Act, 1932 (IX of 1932), as the case may be, after the date of commencement of the Tax Laws (Amendment) Ordinance, 2020 (I of 2020) and on or before the [1][30th day of June, 2021]; and

(ii) the person shall be a member or shareholder of such association of persons or company, as the case may be;

and if the capital investment is made,–

[1]Substituted for "31st day of December, 2020" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Income Tax (Amendment) Ordinance No. II of 2021 dated January 21, 2021, effective from 01.01.2021.

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(i) in the form of money, such amount shall be invested through a crossed banking instrument deposited in the bank account of such association of persons or company, as the case may be, on or before the [1][30th day of June, 2021]; or

(ii) in the form of land, such land shall be transferred to such association of persons or company, as the case may be, on or before the [1][30th day of June, 2021]:

Provided that the person shall have the ownership title of the land at the time of commencement of the Tax Laws (Amendment) Ordinance, 2020 (I of 2020);

(c) a person making an investment under clause (a) or (b) shall submit a prescribed form on Iris web portal [2][by 30th day of June, 2021];

(d) the money or land invested under clause (a) or (b) shall be wholly utilized in a project; and

(e) completion of the project shall be certified in the following manner, namely:-

(i) in case of a builder, the map approving authority or NESPAK shall certify that grey structure as per the approved map has been completed by the builder on or before the [3][30th day of September, 2023]; and

(ii) in case of a developer,–

(A) the map approving authority or NESPAK shall certify that landscaping has been completed on or before the [3][30th day of September, 2023];

(B) a firm of chartered accountants having an ICAP QCR rating of 'satisfactory' notified by the Board for this purpose, shall certify that at least 50% of the plots have been booked for sale and at least 40% of the sale proceeds have been received by the [3][30th day of September, 2023]; and

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[1]Substituted for "31st day of December, 2020" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Income Tax (Amendment) Ordinance No. II of 2021 dated January 21, 2021, effective from 01.01.2021.

[2]Words inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Income Tax (Amendment) Ordinance No. II of 2021 dated January 21, 2021, effective from 01.01.2021.

[3]Substituted for "30th day of September, 2022" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Income Tax (Amendment) Ordinance No. II of 2021 dated January 21, 2021, effective from 01.01.2021.

Chartered Accountants Firms of having satisfactory QCR rating.- Following is the text of SRO 399(I)/2024 dated March 14, 2024:-

"In exercise of powers conferred by sub-paragraph (B) of paragraph (ii) of clause (e) of sub-section (3) of section 100D of the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Board of Revenue is pleased to notify the firms of chartered accountants having a valid Institute of Chartered Accountants of Pakistan (ICAP) quality control review (QCR) rating of 'satisfactory' on the 30th September, 2023, or later as available on the website of the ICAP (www.icap.org.pk) for the purpose of certification as per provisions of the law."

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(C) at least 50% of the roads have been laid up to sub-grade level as certified by the approving authority or NESPAK.

(4) The provisions of section 111 shall also not apply to.–

(a) the first purchaser of a building or a unit of the building purchased from the builder in respect of purchase price of the building or unit of the building subject to the following conditions, namely:–

(i) full payment is made through a crossed banking instrument to the builder during a period starting from the date of registration of the project with the Board under this section and ending on the [1][31st day of March, 2023], in case the purchase is from a new project; and

(ii) full or balance amount of payment is made through a crossed banking instrument to the builder during a period starting from the date of registration of the project with the Board under this section and ending on the [1][31st day of March, 2023], in case the purchase is from an existing incomplete project; and

(b) the purchaser of a plot who intends to construct a building thereon, if-

(i) the purchase is made on or before the [2][30th day of June, 2021];

(ii) the full payment is made on or before the [2][30th day of June, 2021]; through a crossed banking instrument;

(iii) construction on such plot is commenced on or before the [3][31st day of December, 2021];

(iv) such construction is completed on or before the 30th day of September, 2022; and

(v) the person registers himself with the Board on the online Iris web portal.

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[1]Substituted for "30th day of September, 2022" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Income Tax (Amendment) Ordinance No. II of 2021 dated January 21, 2021, effective from 01.01.2021.
[2]Substituted for "31st day of December, 2020" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Income Tax (Amendment) Ordinance No. II of 2021 dated January 21, 2021, effective from 01.01.2021.
[3]Substituted for "31st day of December, 2020" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Income Tax (Amendment) Ordinance No. II of 2021 dated January 21, 2021, effective from 01.01.2021.

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(5) Where sub-section (3) or (4) apply, the value or price of land or building, as the case may be, shall be the higher of clause (a) or (b) below:–

(a) 130% of the fair market value as determined by the Board under sub-section (4) of section 68; or

(b) at the option of the person making investment, the lower of the values as determined by at least two independent valuers from the list of valuers approved by the State Bank of Pakistan.

(6) Sub-sections (3) and (4) shall not apply to–

(a) holder of any public office as defined in the Voluntary Declaration of Domestic Assets Act, 2018 or his benamidar as defined in the Benami Transactions (Prohibition) Act, 2017 (V of 2017) or his spouse or dependents;

(b) a public listed company, a real estate investment trust or a company whose income is exempt under any provision of this Ordinance; or

(c) any proceeds derived from the commission of a criminal offence including the crimes of money laundering, extortion or terror financing but excluding the offences under this Ordinance.

(7) Dividend income paid to a person by a builder or developer being a company out of the profits and gains derived from a project shall be exempt from tax.

(8) Notwithstanding anything contained in this section or the Eleventh Schedule, where a return or declaration has been made through misrepresentation or suppression of facts, such return or declaration shall be void and all the provisions of this Ordinance shall apply:

Provided that no action under this sub-section shall be taken if such misrepresentation has been made on account of a bona fide mistake:

Provided further that no action under this sub-section shall be taken without providing an opportunity of being heard and without prior approval of the Board.

(9) In this section,-

(a) “builder” means a person who is registered as a builder with the Board and is engaged in the construction and disposal of residential or commercial buildings;

(b) “capital investment” means investment as equity resources and does not include borrowed funds;

(c) “developer” means a person who is registered as a developer with the Board and is engaged in the development of land in the form of plots of any kind either for itself or otherwise;

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(d) "existing project" means a construction or development project, which–

(i) has commenced before the date of commencement of the Tax Laws (Amendment) Ordinance, 2020;

(ii) is incomplete;

(iii) is completed on or before the [1][30th day of September, 2023]; and

(iv) a declaration is provided in the registration form under Eleventh Schedule to the effect of percentage of the project completed up to the last day of the accounting period pertaining to tax year 2019 [2][or tax year 2020 at the option of the taxpayer];

(e) "first purchaser" means a person who purchases a building or a unit, as the case may be, directly from the builder and does not include a subsequent or a substituted purchaser;

(f) "new project" means a construction or development project which–

(i) is commenced during the period starting from the date of commencement of the Tax Laws (Amendment) Ordinance, 2020 and ending on the [3][31st day of December, 2021]; and

(ii) is completed on or before the [1][30th day of September, 2023];

(g) "project" means a project for construction of a building with the object of disposal, or a project for development of land into plots with the object of disposal or otherwise;

(h) "registered with the Board" means registered after submission of form on project-by-project basis on the online Iris web portal;

(10) The provisions of the Ordinance not specifically dealt with in this section or the rules made thereunder shall apply mutatis mutandis to builders and developers in so far as they are not inconsistent with this section or the rules made thereunder.]

[1]Substituted for "30th day of September, 2022" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Income Tax (Amendment) Ordinance No. II of 2021 dated January 21, 2021, effective from 01.01.2021.

[2]Words inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Income Tax (Amendment) Ordinance No. II of 2021 dated January 21, 2021, effective from 01.01.2021.

[3]Substituted for "31st day of December, 2020" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Income Tax (Amendment) Ordinance No. II of 2021 dated January 21, 2021, effective from 01.01.2021.

Legal Framework.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Enabling legal provision has been provided in section 100E and Fourteenth Schedule of the Ordinance. Board has been empowered to prescribe simplified return form for such SMEs."

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[1][**100E. Special provisions relating to small and medium enterprises**.- (1) For tax year 2021 and onwards, the tax payable by a small and medium enterprise as defined in clause (59A) of section 2 shall be computed and paid in accordance with rules made under the Fourteenth Schedule.

(2) The Board may prescribe a simplified return for a small and medium enterprise.]

[2][ ]

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[1]Section 100E inserted by Finance Act, 2021 dated June 30, 2021.

[2]Section 100F omitted by Finance Act, 2022 dated June 30, 2022 and shall be deemed to have been omitted with effect from 02nd March, 2022. Earlier it was inserted by Income Tax (Amendment) Ordinance, 2022 dated March 03, 2022.

S. 100F-Omission.- Before omission by F. Act, 2022 it read as follows:-

"**100F. Special provisions relating to investment for industrial promotion**.- (1) Any eligible person may file a statement by the 30th September, 2022, declaring therein the amount of funds (which have not been declared in any of the returns of income upto tax year 2021 filed by the 31st December, 2021) for investment in a new company formed for establishing and operating an industrial undertaking in accordance with this section:

Provided that the funds referred to in sub-section (1) shall be deposited in rupees in a dedicated bank account in Pakistan as equity of the newly formed company, incorporated under the Companies Act, 2017 (XIX of 2017), before the filing of the statement and such funds shall only be used for purchase or import of plant and machinery through letter of credit or for construction of building and structure for the industrial undertaking:

Provided further that the minimum amount which would qualify for the purposes of this section shall be fifty million rupees.

(2) The provisions of section 111 shall not apply to the funds declared under sub-section (1) subject to fulfilment of conditions as laid down in this section and payment of an amount equal to five percent thereof along with the statement filed under sub-section (1).

(3) The new industrial undertaking in which such investment is made shall commence commercial production by the 30th June, 2024 and a certificate to that effect, duly issued by Engineering Development Board, is submitted to the Commissioner along with the return filed for tax year 2024.

(4) Any amount of tax paid under this section shall not be refundable or adjustable against any other tax liability of the declarant.

(5) Where a declarant has paid tax under this section in respect of funds declared under sub-section (1), the declarant shall be entitled to incorporate the same in his wealth statement, financial statements or books of accounts, as the case may be.

(6) For the purposes of this section, eligible person means all persons, except-

(a) holders of' public office, their spouses and dependent children; a public company as defined in clause (47) of section 2 of this Ordinance;

(b) a person who has filed a declaration under the Voluntary Declaration of Domestic Assets Act, 2018, the Foreign Assets (Declaration and Repatriation) Act, 2018, or the Assets Declaration Act, 2019;

(c) a person that has been declared a bank loan defaulter by a bank or a financial institution within the last three years; or

(d) a director of a company who has been declared a bank loan de thither by a bank or a financial institution within the last three years.

(7) The provisions of this section shall not apply to-

(a) any proceeds of crime, corruption, money laundering and terror financing;

(b) any amount which is subject of any departmental or court proceedings;

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(c) the investments made in Following sectors, namely:-

(i) arms and ammunitions;

(ii) explosives;

(iii) sugar; cigarettes;

(iv) aerated beverages; flour mills;

(v) vegetable ghee; and

(vi) cooking oil manufacturing excluding extraction units.

(8) Notwithstanding the provisions of any other law for the time being in force including sub-section (3) of section 216 of this Ordinance excluding clauses (a) and (g) of sub-section (3) thereof, the National Accountability Ordinance, 1999 (XVIII of 1999), the Federal Investigation Agency Act, 1974 (VIII of 1975) and the Right of Access to Information Act, 2017 (XXXI V of 2017), particulars of any person making a statement under this section or any information received 1n any statement made under this section shall be confidential.

(9) The statement filed under sub-section (1) shall not be valid, if-

(a) the newly formed industrial undertaking company fails to prove commercial production in terms of sub-section (3);

(b) there is change in ownership of industrial undertaking company prior to the 30th June, 2026; or

(c) the newly formed industrial undertaking company disposes of any of its assets prior to the 30th June, 2026.

(10) Notwithstanding anything contained in this section, where the provisions of sub-section (7) or (9) apply, or where the statement tinder sub-section (1) has been made by misrepresentation or suppression of facts, such statement shall be void as if it had never been made and all the provisions of this Ordinance shall apply accordingly:

Provided that the Commissioner shall not take any action under this section without providing the declarant an opportunity of being heard.

(11) The statement filed under this section shall be made in the form and manner as specified by the Board through a notification in the official Gazette.

(12) The provisions of this section shall apply, *mutatis mutandis,* to an existing company being an industrial undertaking, for investment in expansion and modernization from amount of funds (which have not been declared in any of the returns of income upto tax year 2021 filed by the 3Im December, 2021):

Provided that such company opens a dedicated bank account to deposit the said funds before the filing of the statement and such funds shall only be used for expansion and modernization by way of purchase or import of plant and machinery including IT hardware through letter of credit, or software and IT services or for construction of building and structure for the manufacturing premises of the existing industrial undertaking:

Provided further that the expansion and modernization shall be completed by the 30th June, 2024, and a certificate w that effect, duly issued by the Engineering Development Board, is submitted to the Commissioner along with the return filed for tax year 2024.

(13) In this section, unless there is anything repugnant in the subject or context,-

(a) "declarant" means a person filing a statement under sub-section (1);

(b) "holder of public office" means a person as defined in the Voluntary Declaration of Domestic Assets Act, 2018;

(c) "industrial undertaking" means a company being a new industrial undertaking setup for the purpose or this section and is not established by the splitting up or reconstruction or reconstitution or an undertaking already in existence or by transfer or machinery or plant from an existing industrial undertaking established in Pakistan;

(d) "investment" means investment in equity and does not include borrowed funds and investment in land; and

(e) "modernization" includes acquisition or upgradation of IT hardware, software and IT services."

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CHAPTER X

PROCEDURE

PART I

RETURNS

114. Return of income.– (1) Subject to this Ordinance, the following persons are required to furnish a return of income for a tax year, namely:–

[1][(a) every company;

(ab) every person (other than a company) whose taxable income for the year exceeds the maximum amount that is not chargeable to tax under this Ordinance for the year; [2]*[*or*]*]

[3][(ac) any non-profit organization as defined in clause (36) of section 2; [4][ ]

[5][ ]

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[1]Clauses (a) and (ab) substituted for clause (a) by Finance Act, 2003 dated June 17, 2003.

[2]Word inserted by Finance Act, 2011 dated June 30, 2011.

[3]Clauses (ac) and (ad) inserted by Finance Act, 2006 dated July 01, 2006.

[4]Word "and" omitted by Finance Act, 2011 dated June 30, 2011.

[5]Clause (ad) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2006 dated July 01, 2006.

S. 114–Return of Income, substitution of clause (a) to sub-section (1).– Before substitution by Finance Act, 2003, read as follows:–

"(a) Every company and any other person whose taxable income for the year exceeds the maximum amount that is not chargeable to tax under this Ordinance for the year; and".

S. 114(1)–Omission of clause (ad).– Before omission by Finance Act, 2021, read as follows:–

"(ad) any welfare institution approved under clause (58) of Part I of the Second Schedule;"

Changes through F.A. 2013.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"The following charges have been made in section 114 through Finance Act, 2013:

(a) The threshold for filing of return has been curtailed to Rs. 500,000/- from Rs. one million, in the case of a person who is the holder of commercial or industrial connection of electricity.

(b) Now a person registered with any Chamber of Commerce and Industry or any trade or business association or any market committee or any professional body including Pakistan Engineering Council, Pakistan Medical and Dental Council, Pakistan Bar Council or any Provincial Bar Council, Institute of Chartered Accountants of Pakistan of Institute of Cost and Management Accountants of Pakistan has to file return of income.

(c) Keeping in view the basic threshold of rupees four hundred thousand, a technical correction has been made to provide that every individual whose income under the head 'Income from business' exceeds rupees three hundred thousand but does not exceed rupees four hundred thousand in a tax year is also required to furnish return of income for the tax year.

(d) Prior to Finance Act, 2013 any person who, having furnished a return, discovers any omission or wrong statement therein, may file the revised return subject to the conditions that it is accompanied by the revised accounts or revised audited accounts, and the reasons for revision of return, in writing, duly signed by the taxpayers. Now such taxpayers shall also have to obtain approval of the Commissioner in writing for revision of return."

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[1][(ae) every person whose income for the year is subject to final taxation under any provision of this Ordinance;]

[1]Clause (ae) inserted by Finance Act, 2020 dated June 30, 2020.

Return of income.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

a) The law provides for time limitation of 5 years for calling of return however, where taxpayer is a non-filer this limitation is 10 years. Now it has been provided that this time limitation shall not be applicable to a person who has foreign income or foreign assets. Necessary changes have been introduced by adding proviso to sub section sub section (5) of section 114 of the Ordinance.

b) Section 114 enumerates persons who are required to fi le return under law. Now the Board with the approval of the Minister in charge has been empowered to notify persons or classes of persons who are required to fi le the return of income."

Old Income Tax Return Forms.– Following is an extract from CBR's Circular Letter C. No. 4(4)IT-Jud/03, dated September 23, 2003:–

"Representations have been received raising queries regarding filing of returns, wealth statements and statements u/s 115(4), in the old forms, instead of those prescribed through SRO No. 861 dated 01.09.03.

2. The matter has been considered in the Board and following instructions are issued.

i) The returns already filed in the forms prescribed through SRO No. 437 prior to issuance of notification vide SRO No. 861 should be treated as valid.

ii) The wealth statements filed along with reconciliation on the format prescribed under rule 191 of the replealed Income Tax Rules, prior to the issuance of notification vide SRO No. 861 should be considered as valid."

Following is the text of CBR's Circular Letter C. No. 4(4)IT-Jud/Dept, dated June 28, 2002:–

"I am directed to refer to your letter No. MHS&C/Hyd/2001-02/207 dated 19.06.02 on the subject and to confirm that the existing return forms shall be used for the assessment year 2002-2003."

Compulsory Filing of Income Tax Returns by certain persons.– Following is an extract from CBR's Circular No. 6 of 1997, dated the 15th July, 1997, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"(1) A new clause (c) has been inserted in sub-section (1) of section 55 [through the Finance Supplementary (Amendment) Act, 1997 (Act IV of 1997)] requiring the following persons to file a compulsory return of income for assessment year 1997-98 (income year 1996-97), irrespective of the quantum of their incomes:

(i) Owner of immovable property with land area of 250 square yards or more, located within the areas falling in the limits of a Metropolitan/Municipal Corporation or a Cantonment Board or the Islamabad Capital Territory;

(ii) owner of any motor vehicle;

(iii) subscriber of a telephone; and

(iv) person who has undertaken foreign travel, other than for Hajj, Umrah or Ziarat, during the income year.

(2) The persons referred to at Sr. (i) and (iv) above, if they are non-resident Pakistani, are not required to file a compulsory return under the aforesaid clause (c) unless they are earning taxable incomes.

(3) Widows, orphans below the age of 25 years, pensioners and the disabled persons* falling in the above mentioned four categories are also not required to file compulsory return, if they do not earn taxable income.

(4) The exceptions mentioned in sub-paragraphs (1)(iv), (2) and (3), do not absolve such persons from filing returns of income, if they are earning taxable income." [**Ref:***97 ITC 6 p. 6*]

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[1][(b) any person not covered by clause [2][(a), (ab), (ac) or (ad)] who,–

(i) has been charged to tax in respect of any of the two preceding tax years;

(ii) claims a loss carried forward under this Ordinance for a tax year;

(iii) owns immovable property with a land area of [3][Five hundred] square yards or more or owns any flat located in areas falling within the municipal limits existing immediately before the commencement of Local Government laws in the provinces; or areas in a Cantonment; or the Islamabad Capital Territory [4][;]

[4][(iv) owns immoveable property with a land area of five hundred square yards or more located in a rating area;

(v) owns a flat having covered area of two thousand square feet or more located in a rating area;

(vi) owns a motor vehicle having engine capacity above 1000CC; [5][ ]

(vii) has obtained National Tax Number [6][; or].]

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[1]Clause (b) substituted by Finance Act, 2005 dated June 29, 2005.
[2]Substituted for "(a) or (ab)" by Finance Act, 2006 dated July 01, 2006.
[3]Substituted for "two hundred and fifty" by Finance Act, 2019 dated June 30, 2019.
[4]Semi-colon substituted for full stop and sub-clauses "(iv) to (vii)" inserted by Finance Act, 2009 dated June 30, 2009.
[5]Word "and" omitted by Finance Act, 2011 dated June 30, 2011.
[6]Substituted for full stop by Finance Act, 2011 dated June 30, 2011.

Substitution of clause (b) to sub-section (1).– Clause (b) before substitution by Finance Act, 2005, read as follows:–

"(b) any person not covered by clause (a) [1][or (ab)] who–

(i) has been charged to tax in respect of any of the four preceding tax years;
(ii) claims a loss carried forward under this Ordinance for a tax year;
(iii) owns immovable property, with a land area of two hundred and fifty square yards or more, located in areas falling in the limits of a Metropolitan/Municipal Corporation, a Cantonment Board, or the Islamabad Capital Territory or owns any flat;
(iv) owns a motor vehicle (other than a motor cycle) in Pakistan;
(v) subscribes for a telephone including a mobile phone in Pakistan;
(vi) has undertaken foreign travel in the tax year other than travel by a non-resident person or any travel for the purposes of the Haj, Umrah, or Ziarat; or
(vii) is member of a club where the monthly subscription exceeds five hundred rupees or the admission fee exceeds twenty-five thousand rupees."

[1]Inserted by Finance Act, 2003 dated June 17, 2003.

Welfare and NGOs.-Following is an extract from 'Notes on Clauses of Finance Bill, 2006':–

"Seeks to make it mandatory for a non-profit organization or a welfare institution to file return of income.

Seeks to make an editorial change."

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Mandatory returns, changes by F.A. 2009.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"In order to expand the tax base, following persons have been added to the already existing categories of taxpayer who are required to file the returns of income.

a) Who owns immoveable property with land area of 500 Square yards or more located in a rating area.

b) Who owns a flat having covered area of 2,000 square feet or more located in a rating area.

c) Who owns a motor vehicle having engine capacity above 1000CC.

d) Who has obtained a National Tax Number."

Relaxation from filing of returns.–Following is an extract from CBR's Circular No. 1 of 2005 dated July 5, 2005:-

"The conditions for mandatory filing of return under section 114(1)(b) have been relaxed and subscribers of telephone, car owners, members of clubs and persons undertaking foreign travel have been absolved from the obligation of mandatory filing. Besides, the number of years of chargeability to tax has also been reduced from four to two years."

Computerized National Identity Card (CNIC) and Filing of Income Tax Returns.– Following is the text of CBR Circular letter dated September 28, 2006:

"The Central Board of Revenue today clarified that mentioning of the new Computerized National Identity Card Number (CNIC) on all tax declarations as well as for making payment of tax is compulsory/mandatory and there has been no change in this regard.

The spokesperson emphasized that the reports appearing in a section of press that CBR has relaxed the mentioning of the CNIC Number on the tax declarations and tax payment deposit slip (challan) is not correct. The spokesperson further clarified mentioning of the CNIC on the tax declarations and filing of copy of CNIC with tax declarations are two different issues which have been mixed up in the press reports.

It was also clarified that filing copy of CNIC along with the tax declarations for the tax year 2006 was made obligatory to ensure the accuracy of the CNIC quoted in the relevant tax declarations and tax deposit slips.

Taxpayers, Bars and Chambers etc. approached CBR and highlighted the problems in filing copy of the CNIC with the tax declarations. In order to facilitate the taxpayers it has been decided that all returns without a copy of the CNIC will be accepted by all field offices and proper acknowledgment issued subject to mentioning of the CNIC Number on the tax declaration forms. Taxpayers are in their own interest advised to file the copy of the CNIC as early as possible, for proper identification of their declarations. To further facilitate the taxpayers the period of 3 days fixed earlier for filing of copy of CNIC has been extended to 15 days."

CBR Helpline Timings Extended.–Following is the text of CBR Press release dated September 16, 2006:–

"In order to maximize facilitation of taxpayers with special reference to assistance in filing of their Income Tax Returns, it has been decided that CBR Help line Center will remain open from 09.00 A.M. to 05.00 P.M. till 30th September, 2006.

Taxpayers can seek help and assistance during normal working days at CBR's Toll-Free Help line number 0800-00 227 and 051-111-227-227 for filing of their Income Tax Returns. CBR's website www.cbr.gov.pk can also be accessed for free downloading of computer software, spreadsheets and simplified income tax forms."

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[1][(viii) is the holder of commercial or industrial connection of electricity where the amount of annual bill exceeds rupees [2]/five hundred thousand/ [3]/[; /]]

[1]Sub-clause (viii) inserted by Finance Act, 2011 dated June 30, 2011.
[2]Substituted for "one million" by Finance Act, 2013 dated June 29, 2013.
[3]Word "or" omitted by Finance Act, 2018 dated May 23, 2018. Earlier it was omitted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018 and was substituted for full stop by Finance Act, 2013 dated June 29, 2013.

Press Release - Income Tax Offices Timings.–Following is the text of CBR Press Release date September 25, 2006:–

"That last date of filing of Income Tax returns and deposit of tax is 30th September, 2006. In order to facilitate the taxpayers in filing of tax returns, the Government of Pakistan has decided that Income Tax Offices will remain open upto 10.00 P.M. on 29th and till 12.00 P.M. on 30th September, 2006.

2. For convenience of the taxpayers, all the authorised branches of State Bank of Pakistan and National Bank of Pakistan will remain open upto 08.00 P.M. on Friday, the 29th September, 2006 and till 10.00 P.M. on Saturday, the 30th September, 2006 for accepting the deposits of Income tax.

3. Return forms are available at all the stations. Complaints, if any, regarding non-availability of return forms may be directed either to the CBR or the Regional Commissioner concerned for redressal.

4. These measures have been undertaken by the Central Board of Revenue as a part of its policy to extend all possible help and cooperation to the taxpayers in meeting their tax obligations."

S. 114-Return of Income.-Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"Through Finance Act, 2011, the following changes have been made in section 114 of the Income Tax Ordinance, 2001:-

(i) the scope for filing of return has been extended and now a person who is the holder of commercial or industrial connection of electricity where the amount of annual bill exceeds rupees one million is also required to furnish a return of income for a tax year,

(ii) evidence of payment of due tax, as per return of income, and wealth statement as required under section 116 of the Income Tax Ordinance, 2001 has to be accompanied with the return."

Filing of subsequent returns.– Following is an extract from CBR's Circular Letter No. IT. JI(42)/84, dated April 10, 1986, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to say that your assumption is correct in case of non-accrual of income after the end of period covered under the Returns filed under sections 72 and 81 during the income year.

In case, however, of accrual of income beyond the period covered under the Returns filed under Sections 72 and 81 during the income year, a combined Return is required to be filed under section 55 in supersession of the previous Returns."

Following is an extract from CBR's reply vide letter C. No. IT.JI-I(28)/85 dated December 10, 1987, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am declared to say that certificate as prescribed has to be filed in full, in the cases where the tax payer so opts, under the law."

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*the expression 'disabled person' means a person who, on account of injury, disease or congenital deformity, is handicapped for undertaking any gainful profession or employment in order to earn his livelihood, and includes a person who is blind, deaf, physically handicapped or mentally retarded.

[1][(ix) is [2][a resident person] registered with any chamber of commerce and industry or any trade or business association or any market committee or any professional body including Pakistan Engineering Council, Pakistan Medical and Dental Council, Pakistan Bar Council or any Provincial Bar Council, Institute of Chartered Accountants of Pakistan or Institute of Cost and Management Accountants of Pakistan [3]*[*; or*]*]

[4][(x) [5][is a] resident person being an individual required to file foreign income and assets statement under section 116A.]

[6][(c) persons or classes of persons notified by the Board with the approval of the Minister in-charge.]

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[1]Sub-clause (ix) inserted by Finance Act, 2013 dated June 29, 2013.
[2]Words inserted by Finance Act, 2014 dated June 26, 2014.
[3]Substituted for full stop by Finance Act, 2018 dated May 23, 2018. Earlier it was substituted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.
[4]Sub-clause (x) inserted by Finance Act, 2018 dated May 23, 2018. Earlier it was inserted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.
[5]Substituted for "every" by Finance Act, 2020 dated June 30, 2020.
[6]Clause (c) inserted by Finance Act, 2021 dated June 30, 2021.

New return forms, clarifications and amendments. Following is the text of CBR's letter C. No. 4(4-II)/IT-J/04, dated September 8, 2004:-

"I am directed to state that number of quarries have been received in the Board seeking various clarifications on the above subject in order to have a consistence policy these queries are being clarified as under: -

1. Employer's Certificate in lieu of return of Income:

(a) At serial number 16 the word "Return" means "Employer's Certificate" being a substitute of Returns of Total income under section 115.

(b) At serial number 16 the amount of tax paid under section 137 is to be filed and paid by the employee, if any, However, this does not mean that the employer is absolved of its liability for any short deduction of tax from the employee.

(c) At serial number 15 and 16 the amount of tax due and paid under section 137 need not be filled where the employee is filing the "Attachment to the employer's certificate in lieu of return of income".

2. Attachment to the employers' certificate in lieu of return of income:

(a) At serial number 1 the amount to be stated is the amount of chargeable salary as certified by the employer(s) at serial number 12 of the Employer's certificate in lieu of return of income.

(b) At serial number 18 and 19 the word "Return" means "Attachment to the Employer's Certificate" being a substitute of return of Total Income for salaried individuals.

3. Annex X – Tax Already Paid including Adjustment:

(a) Where ever necessary after line 6 a new line may be added as under: -

6A From salary____9405

(b) This insertion can be made manually on the forms already available.

4. It is desired that these clarification may be kept in view during meeting of officials with taxpayers while explaining the new forms."

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Proper filling-in of returns etc. Following is the text of CBR's Facilitation and Education Wing Circular Letter No. 11(1)-M(FATE), dated September 6, 2004:–

"The Central Board of Revenue appreciates your discharge of statutory and national obligation of filing the Return of Total Income, Employer' Certificate in lieu of return of total income or Statement of Final Taxation, for the Tax Year 2003.

Properly filled-in and supported with required documents return, certificate, or statement is the corner stone of the universal self assessment, one of the many benefits flowing from the introduction of the Income Tax Ordinance, 2001.

The returns, certificates, or statements for the tax year 2003 (last year) were generally lacking in many respects (neither properly filled-in nor supported with required documents). Such returns though invalid were accepted in view of the first year of universal self assessment and the Government's resolve to create a tax culture where taxpayers understand their rights and obligations and make voluntary compliance.

Income Tax Forms for the Tax Year 2004 have been simplified and made taxpayer friendly with minimum possible information and documentation to facilitate the taxpayers and remove all those irritants that were hurdle in making voluntary compliance.

It is expected that you will continue to discharge your statutory and national obligation; make voluntary compliance by making your own faithful assessments under the universal self assessment or the simplified scheme of final tax for retailers and in -particular ensure completeness of the returns, certificates and statements in all respects.

Your continued support will help us to create a modern, progressive, effective, and credible tax administration enhancing the capability of the tax system for optimizing revenue by collecting due taxes through application of modern techniques, providing quality service and taxpayer assistance and promoting voluntary compliance with tax laws."

Income exempt from tax, filing and processing of returns.– Following is the text of Circular No. 21 of 1988 dated October 24, 1988, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"References have been received in the Board seeking clarification regarding the requirements of filing of returns, determination of taxability of income and income itself in case where exemption from income tax is available under the Second Schedule to the Income Tax Ordinance, 1979.

2. It is clarified that a person enjoying income exclusively from sources exempt from taxation under the Income Tax Ordinance are not obliged to file a return of income. For example, a person deriving income solely from agriculture, dividend income from listed companies, etc. is not required to file the return of income. Legally, if such a person files the return declaring exempt income, such return cannot be considered as a return of total income. Hence, no proceedings under the law can be initiated in respect of such return. The income tax authority, receiving such a return may inform the person furnishing the return that the said return, being invalid, has been filed. However, where such return declares an income which, ex-facie, cannot be reasonably attributed to the exempt source declared, it is obviously a case where taxable income (from business etc.) is being declared as exempt income. In such a case, it is the duty of the assessing authority to pass an order determining a reasonable proportion of the declared income to the exempt source and taxing the remaining portion u/s 13.

3. Further, Part-II of IT-11, requires declaration of exempt income. This provision has been specifically made in the form of return to ensure that an assessee having income both from non-exempt sources discloses the income from both such sources. In such cases, the income tax authority can determine whether or not the exemption claimed is in accordance with law and if so the income declared is reasonable considering the facts of the case. In case, the income declared from exempt source is unreasonably high the excess can be attributed to income from undisclosed sources taxable u/s 13.

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4. The Income Tax Ordinance also provides for exemption of certain income contingent upon fulfillment of certain conditions. For example, claims of exemption under clauses (93) to (108) and (113) to (128) of Part I of the Second Schedule to the Income Tax Ordinance, 1979, are of the type where the issue is to be decided on yearly basis. In such cases, returns are to be called for u/s 56 if not filed voluntarily, and examined with reference to the conditions required to be fulfilled. An order must be passed in such cases.

Where the assessing authority is of the opinion that the income declared is in excess of what can be reasonably attributed to such exempt source, the excess should be taxed u/s 13 of the Income Tax Ordinance, 1979."

Seeking of information from new filers.– Following is the text of CBR's Letter C. No. 7(1S)S.Asstt/97, dated June 24, 1997, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to refer to Board's letter of even number dated 23-5-1997 on the above subject and to say that no official/officer of the department will contact the new assessees for collecting any sort of information as referred to in above mentioned letter.

2. Violation of these instruction will be seriously viewed and the defaulter will be proceeded against under Efficiency and Discipline Rules, 1973."

Requirements of return of income.– Following is an extract from CBR's Circular No. 7 of 2003 dated July 11, 2003:–

"An amendment in sub-section (2) of section 114 has been made to state that return is to be filed on prescribed form alongwith applicable prescribed statements/annexes and filling in all the relevant columns with declaration of maintenance of books of accounts. In case of complete returns only an assessment u/s 120 of the Income Tax Ordinance 2001 shall be taken to have been made. Where returns are not complete as provided in section 114(2), the taxpayers would be provided an opportunity through a notice by the Commissioner to remove the deficiencies specified in the notice. Non-compliance of the notice would render the return invalid, meaning thereby that a complete return shall be required to be filed. In case the requirements of the notice are met, the assessment in such return shall be taken to have been made on the date it was originally filed."

Notice for assessment years prior to 1979-80.– Following is the text of RCIT Central Region's Circular No. 178/JI/RC dated July 13, 1985, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to the above subject and to say that in a recent judgment of the Income Tax Appellate Tribunal reported as (1984) 49 Tax 34 (Trib), it has been held that assessments made in consequence of proceedings initiated u/s 56 of the Ordinance prior to assessment year 1979-80 are ab-initio void. This judgment of a single bench of the Tribunal is being followed by other benches of the Income Tax Appellate Tribunal as well as by the appellate authorities in the Department.

The said judgment has not comprehensively settled the legal issues involved as its application is questionable at least in the following circumstances:–

(i) The validity of notice issued u/s 56 cannot be questioned after the return in response to such notice has been filed as envisaged u/s 154(6) of Income Tax Ordinance.

(ii) Once the return has been filed, section 166(2)(b) would be operative and the assessment of such persons can be made in accordance with the procedure specified under the Income Tax Ordinance, 1979 (as has been held in the case reported as (1984) 50 Tax 55 (Trib).

In view of the above, you are requested to ensure that the appellate orders based on the said judgment of the Tribunal do not go un-challenged before the higher courts. The possibility of making a request to the Income Tax Appellate Tribunal to constitute a larger bench to consider this issue may also be examined and appropriate measures taken if necessary.

The letter may please be acknowledged."

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[1][(1A) Every individual whose income under the head 'Income from business' exceeds rupees three hundred thousand but does not exceed rupees [2][four hundred thousand] in a tax year is required to furnish return of income for the tax year.]

[3][(2) A return of income–

(a) shall be in the prescribed form and shall be accompanied by such annexures, statements or documents as may be prescribed [4][:]

[4][Provided that the Board may prescribe different returns for different classes of income or persons including persons subject to final taxation;]

(b) shall fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; [5][ ]

(c) shall be signed by the person, being an individual, or the person's representative where section 172 applies [6][;]

[7][(d) shall be accompanied with eveidence of payment of tax as per return of income; [8][ ]

(e) shall be accompanied with a wealth statement as required under section 116 [9][; and]]

[10][(f) shall be accompanied with a foreign income and assets statement as required under section 116A.]

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[1]Sub-section (1A) inserted by Finance Act, 2011 dated June 30, 2011.
[2]Substituted for "three hundred and fifty thousand" by Finance Act, 2013 dated June 29, 2013.
[3]Sub-section (2) substituted by Finance Act, 2003 dated June 17, 2003.
[4]Substituted for semi-colon and proviso inserted by Finance Act, 2020 dated June 30, 2020.
[5]Word "and" omitted by Finance Act, 2011 dated June 30, 2011. Earlier it was inserted by Finance Act, 2005 dated June 29, 2005 to make an editorial correction as per 'Notes on Clauses of Finance Bill 2005'.
[6]Substituted for full stop by Finance Act, 2011 dated June 30, 2011.
[7]Clauses (d) and (e) inserted by Finance Act, 2011 dated June 30, 2011.
[8]Word "and" omitted by Finance Act, 2018 dated May 23, 2018. Earlier it was omitted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.
[9]Substituted for full stop by Finance Act, 2018 dated May 23, 2018. Earlier it was substituted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.
[10]Clause (f) inserted by Finance Act, 2018 dated May 23, 2018. Earlier it was inserted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.

S. 114(2)–Substitution.– Before substitution by Finance Act, 2003, read as follows:–

"(2) A return of income–

(a) shall be in the prescribed form;

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[11][(2A) A return of income shall be filed electronically on IRIS as may be prescribed by the Board for the purpose of sub-section (1) and sub-section (1A) of this section and the Board may, by notification in the official Gazette, make rules for such filing and determine the process of verification, digital signatures and other matters relating to electronic filing of returns, statements or documents, etc.:

Provided that in case of companies for tax year 2026 and onwards the financial statements accompanying the return shall only be filed in electronically readable file format.]

(3) The Commissioner may, by notice in writing, require a person, or a person's representative, as the case may be, to furnish a return of income by the date specified in the notice for a period of less than twelve months, where –

(a) the person has died;

(b) the person has become bankrupt or gone into liquidation;

(c) the person is about to leave Pakistan permanently;

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[1]Sub-section (2A) substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2005 dated June 29, 2005.

S. 114(2A)–Substitution.– Before substitution by Finance Act, 2026, it read as follows:–

"(2A) A return of income filed electronically on the web or any magnetic media or any other computer readable media as may be specified by the Board shall also be deemed to be a return for the purpose of sub-section (1); and the Board may, by notification in the official Gazette, make rules for determining eligibility of the data of such returns and e-intermediaries who will digitize the data of such returns and transmit the same electronically to the Income Tax Department under their digital signatures [1]/and other matters relating to electronic filing of returns, statements or documents, etc./."

[1]Words etc. inserted by Finance Act, 2007 dated June 30, 2007.

S. 114(2A).- Electronic Filing of Returns and Financial Statements.- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Sub-section (2A) of section 114 has been substituted to require that a return of income be filed electronically on IRIS as prescribed by the Board, and to empower the Board to make rules for such filing, including the process of verification, digital signatures and other matters relating to the electronic filing of returns, statements or documents. A proviso further requires that, in the case of companies, for tax year 2026 and onwards, the financial statements accompanying the return be filed only in an electronically readable file format."

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[1][ ]

(e) the Commissioner otherwise considers it appropriate to require such a return to be furnished.

(4) Subject to sub-section (5), the Commissioner may, by notice in writing, require any person who, in the Commissioner's opinion, is required to file a return of income under this section for a tax year [2][or assessment year] but who has failed to do so to furnish a return of income for that year within thirty days from the date of service of such notice or such longer [3][or shorter] period as may be specified in such notice or as the Commissioner may allow.

(5) A notice under sub-section (4) may be issued [4][in respect of one or more [5][of the] last five completed tax years [6][or assessment years] [7][:]

[1]Clause (d) omitted by Finance Act, 2003 dated June 17, 2003. Earlier, Notification No. SRO 633(I)/2002 dated September 14, 2002 was issued u/s 240 to provide that "in making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002 the Ordinance shall have effect as if clause (d) were omitted". This Notification was later on rescinded by Notification No. SRO 608(I)/2003 dated June 24, 2003.

[2]Words inserted by Finance Act, 2003 dated June 17, 2003.

[3]Words inserted by Finance Act, 2013 dated June 29, 2013.

[4]Substituted for "only in respect of the" by Finance Act, 2003 dated June 17, 2003. Earlier, Notification No. SRO 633(I)/2002 dated September 14, 2002 was issued u/s 240 to provide that "in making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002 the Ordinance shall have effect as if for the words "only in respect of the" the words "in respect of one or more" were substituted". This Notification was later on rescinded by Notification No. SRO 608(I)/2002 dated June 24, 2004.

[5]Words inserted by Finance Act, 2005 dated June 29, 2005, to make an editorial correction as per 'Notes on Clauses of Finance Bill 2005'. Earlier this error was pointed out in this book.

[6]Words inserted by Finance Act, 2004, w.e.f. July 1, 2004. As per Notes on Clauses of Finance Bill, this: "Seeks to correct an editorial mistake."

[7]Substituted for full stop by Finance Act, 2016 dated June 24, 2016.

(b) shall state the information required by the form, including a declaration of the records kept by the taxpayer;

(c) in the case of a person carrying on a business, shall include an income statement, balance sheet, and any other document as may be prescribed for the tax year; and

(d) shall be signed by the person or the person's representative."

S.114(2A)-Electronic filing.-Following is an extract from 'Notes on Clauses of Finance Bill 2007':-

Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Section 114(2A) has been amended empowering the Board to make rules for the matters relating to electronic filing of returns and statements etc. Accordingly, corporate taxpayers will be required to file returns of income and withholding tax statements electronically from 1st July 2007 onwards."

Following is an extract from CBR's Circular No. 1 of 2005 dated July 5, 2005:-

"In section 114 a new sub-section (2A) has been inserted which provides that a return of income filed electronically on the web or any magnetic media or any other computer readable media, will be considered as valid income tax return for the tax year 2005 and onwards. This is in keeping with the international trends towards e-government."

S. 114(3)(d)–Omission.– Clause (d) before omission by Finance Act, 2003, read as follows:–

"(d) the person is otherwise about to cease carrying on business in Pakistan; or"

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[1][Provided that in case of a person who has not filed return for any of the last five completed tax years, notice under sub-section (4) may be issued in respect of one or more of the last ten completed tax years [2]*[:]*]

[2][Provided further that the time-limitation provided under this sub-section shall not apply if the Commissioner is satisfied on the basis of reasons to be recorded in writing that a person who failed to furnish his return has foreign income or owns foreign assets.]

[3][(6) Subject to sub-section (6A), any person who, having furnished a return, discovers any omission or wrong statement therein [4][or avails a settlement offered by an algorithmic settlement mechanism], may file revised return subject to the following conditions, namely:-

(a) it is accompanied by the revised accounts or revised audited accounts, as the case may be [5][:] [6][ ]

[5][Provided that Commissioner may waive this condition if the Commissioner is satisfied that filing of revised accounts or audited accounts is not necessary;]

(b) the reasons for revision of return, in writing, duly signed, by the taxpayers are filed with the return [7]*[;]*[8]*[ ]*]

[9][(ba) it is accompanied by approval of the Commissioner in writing for revision of return; and]

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[1]Proviso inserted by Finance Act, 2016 dated June 24, 2016.
[2]Substituted for full stop and proviso inserted by Finance Act, 2021 dated June 30, 2021. Earlier the same was inserted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.
[3]Sub-section (6) substituted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009. Prior to that it was substituted by Finance Act, 2009 dated June 30, 2009.
[4]Words inserted by Finance Act, 2026 dated June 26, 2026.
[5]Substituted for semi colon and proviso inserted by Finance Act, 2021 dated June 30, 2021.
[6]Word "and" omitted by Finance Act, 2012 dated June 26, 2012.
[7]Substituted for full stop by Finance Act, 2012 dated June 26, 2012.
[8]Word "and" omitted by Finance Act, 2013 dated June 29, 2013.
[9]Clause (ba) inserted by Finance Act, 2013 dated June 29, 2013.

S. 114(6)-Substitution.-Before substitition by F. A. 2010, it read as follows:-

"(6) Any person who, having furnished a return, discovers any omission or wrong statement therein, without prejudice to any other liability, which he may incur under this Ordinance, may furnish a revised return for that tax year at any time, within five years from the end of the financial year in which original return was filed, subject to the following, namely:-

(a) it is accompanied by the revised accounts or revised audited accounts, as the case may be;

(b) the reason of revision of return, in writing, duly signed, is filed therewith; and

(c) it is filed before the issuance of the notice for amendment of assessment."

S. 114(6A) & (6B).- Algorithmic Settlement Mechanism [Sections 2(1AA), 114(6) & (6B) and 134B]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Consequential amendments have been made in section 114: sub-section (6) now recognizes a revision of return where a taxpayer avails a settlement offered by the mechanism, and a new sub-section (6B) provides that in such a case the approval of the Commissioner shall not be required and no separate penalty or default surcharge shall be payable."

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[1][(c) taxable income declared is not less than and loss declared is not more than income or loss, as the case may be, determined by an order issued under sections 121, 122, 122A, [2][ ] 129, 132, 133 or 221:

Provided that if any of the above conditions is not fulfilled, the return furnished shall be treated as an invalid return as if it had not been furnished [3]*[:]*]

[4][Provided further that the condition specified in clause (ba) shall not apply if revised return is filed within sixty days of filing of return:

[5][Provided also that condition specified in clause (ba) shall not apply and the approval required thereunder shall be deemed to have been granted by the Commissioner, if-

(a) the Commissioner has not made an order of approval in writing, for revision of return, before the expiration of sixty days from the date when the revision of return was sought; or

(b) taxable income declared is more than or the loss declared is less than the income or loss, as the case may be, determined under section 120.]

[4][Provided further that the mode and manner for seeking the revision shall be as prescribed by the Board [6]*[:]*]

[6][Provided also that the Commissioner shall grant approval in case of a bonafide omission or wrong statement.]

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[1]Clause (c) inserted by Finance Act, 2012 dated June 26, 2012.

[2]Words etc. "122C," omitted by Finance Act, 2017 dated June 20, 2017.

[3]Substituted for full stop by Finance Act, 2015 dated June 30, 2015.

[4]Provisos inserted by Finance Act, 2015 dated June 30, 2015.

[5]Third proviso substituted by Finance Act, 2016 dated June 24, 2016. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.

[6]Substituted for full stop and proviso inserted by Finance Act, 2020 dated June 30, 2020.

Before substitition by Finance Act 2009, it read as follows:-

"(6) Any person who, having furnished a return, discovers any omission or wrong statement therein, may furnish a revised return within five years of the date that the original return was furnished."

S. 114(6)-3rd proviso substitution.-Before substitution, it read as follows:-

"Provided also that where the Commissioner has not made an order of approval in writing, for revision of return, before the expiration of sixty days from the date when the revision of return was sought, the approval required under clause (ba) shall be deemed to have been granted by the Commissioner, and condition specified in clause (ba) shall not apply:"

Cl (c), Revised Return of Income.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"An additional requirement for a revised return of income has been added and now revised return of a taxpayer declaring taxable income/loss which is less/more than income/loss, as the case may be, determined by an order issued under section 121, 122, 122A, 122C, 129, 132, 133 or 221, shall be treated as an invalid return."

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[1][(6A) If a taxpayer [2][files] a revised return voluntarily along with deposit of the amount of tax short paid or amount of tax sought to be evaded along with the default surcharge, whenever it comes to his notice, before receipt of notice under sections 177 or sub-section (9) of 122, no penalty shall be recovered from him:

Provided that in case the taxpayer [3][deposits] the amount of tax as pointed out by the Commissioner during the audit or before the issuance of notice under sub-section (9) of section 122, he shall deposit the amount of tax sought to be evaded, the default surcharge and twenty-five per cent of the penalties leviable under the Ordinance along with the revised return:

Provided further that in case the taxpayer [4][revises] the return after the issuance of a show cause notice under subsection (9) of section 122, he shall deposit the amount of tax sought to be evaded, default surcharge and fifty per cent of the leviable penalties under the Ordinance along with the revised return and thereafter, the show cause notice shall stand abated.]

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[1]Sub-section (6A) inserted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[2]Substituted for "wishes to file" by Finance Act, 2011 dated June 30, 2011.

[3]Substituted for "wishes to deposit" by Finance Act, 2011 dated June 30, 2011.

[4]Substituted for "wishes to revise" by Finance Act, 2011 dated June 30, 2011.

Conditional Revisioning of Return.- Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Before the insertion of this amendment, a taxpayer was allowed to file revised return under the provision of sub-section (6) of section 114, at any time within five years of the filing of original return. This facility was being misused by some taxpayer who filed revised return at the time when amendment of assessment proceedings were in hand and demanded the closure of proceedings on the ground that the revised return is to be deemed amended assessment as provided under the law. To bring clarity and avoid unnecessary litigation, the said sub-section has been substituted and now the revised return is allowed to be filed within five years from the end of the financial year in which original return was filed without prejudice to any other liability which the taxpayer may incur under the Ordinance and subject to the following conditions:

a) The revised return has to be accompanied by revised accounts or revised audited accounts as the case may be.

b) The reason for revision of return, in writing, duly signed, has to be filed therewith.

c) The revised return has to be filed before the issuance of the notice for amendment of assessment in respect of the relevant tax year.

Example-I---As per old provisions

Date(s) of filing of Return	31.12.2007	30.09.2008
Period of limitation of revision of return	31.12.2012	30.09.2013

Example-II---As per new provisions

Date(s) of filing of Return	31.12.2007	30.09.2008
Financial year ending in which return was filed	30.06.2008	30.09.2009
Five years from the aforesaid date	30.06.2013	30.06.2014
More time allowed as per amended provisions as compared with old provisions	6 months	9 months"

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[1][(6B) Notwithstanding anything contained in sub-sections (6) and (6A) of this section, if a taxpayer avails a settlement offered by the algorithmic settlement mechanism, he may file a revised return, and the-

(a) approval of the Commissioner shall not be required to file the revised return;

(b) taxpayer shall pay the amount of tax determined by the mechanism and no separate penalty or default surcharge shall be payable; and

(c) return so filed shall be accompanied by such documents as required under sub-section (6) and shall be treated as a revised return under this section.]

(7) Every return purporting to be made or signed by, or on behalf of a person shall be treated as having been duly made by the person or with the person's authority until the person proves the contrary.

[1]Sub-section (6B) inserted by Finance Act, 2026 dated June 26, 2026.

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[1][**114A. Business bank account**.- (1) Every taxpayer shall declare to the Commissioner the bank account utilized by the taxpayer for business transactions.

(2) Business bank account shall be declared through original or modified registration form prescribed under section 181.]

[2][**114B. Powers to enforce filing of returns**.- (1) Notwithstanding anything contained in any other law for the time being in force, the Board shall have the powers to issue income tax general order in respect of persons who are not appearing on active taxpayers' list but are liable to file return under the provisions of the Ordinance.

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[1]S. 114A substituted by Finance Act, 2021 dated June 30, 2021. Earlier it wa inserted by Finance Act, 2020 dated June 30, 2020.
[2]S. 114B inserted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.

S. 114A. Taxpayer's profile.- Before substitution it read as follows:-

"**114A. Taxpayer's profile**.- (1) Subject to this Ordinance, the following persons shall furnish a profile, namely:-

(a) every person applying for registration under section 181;
(b) every person deriving income chargeable to tax under the head "income from business";
(c) every person whose income is subject to final taxation;
(d) any non-profit organization as defined in clause (36) of section 2;
(e) any trust or welfare institution; or
(f) any other person prescribed by the Board.

(2) taxpayer's profile-

(a) shall be in the prescribed form and shall be accompanied by such annexures, statements or documents as may be prescribed;
(b) shall fully state, in the specified form and manner, the relevant particulars of-
  (i) bank accounts;
  (ii) utility connections;
  (iii) business premises including all manufacturing, storage or retail outlets operated or leased by the taxpayer;
  (iv) types of businesses; and
  (v) such other information as may be prescribed;
(c) shall be signed by the person being an individual, or the person's representative where section 172 applies; and
(d) shall be filed electronically on the web as prescribed by the Board.

(3) A taxpayer's profile shall be furnished,-

(a) on or before the 31st day of December, 2020 in case of a person registered under section 181 before the 30th day of September, 2020; and
(b) within ninety days registration in case of a person not registered under section 181 before the 30th day of September, 2020.

(4) A taxpayer's profile shall be updated within ninety days of change in any of the relevant particulars of information as mentioned in clause (b) of sub-section (2)."

Minimizing requirements for tax compliance.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Taxpayers are subject to multiple compliances. Currently they are required to update their profile periodically. This requirement costs time, energy and resources. In order to facilitate taxpayers in line with ease of doing business this requirement has been withdrawn through substitution of section 114A of the Ordinance."

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(2) The income tax general order issued under sub-section (1) may entail any or all of the following consequences for the persons mentioned therein, namely:–

(a) disabling of mobile phones or mobile phone SIMS;

(b) discontinuance of electricity connection; [2][ ]

(c) discontinuance of gas connection [3][; or]

[4][(d) restriction on foreign travel from the country for a citizen of Pakistan, excluding persons holding National Identity Card for Overseas Pakistanis (NICOP), minors, students, persons proceeding abroad for Hajj or Umrah and such other classes of persons as notified by the Board.]

(3) The Board or the Commissioner having jurisdiction over the person mentioned in the income tax general order may order restoration of mobile phones, mobile phone SIMS and connections of electricity and gas, in cases where he is satisfied that-

(a) the return has been filed; or

(b) person was not liable to file return under the provisions of the Ordinance.

(4) No person shall be included in the general order under sub-section (1) unless following conditions have been met with, namely:–

(a) notice under sub-section (4) of section 114 has been issued;

(b) date of compliance of the notice under sub-section (4) of section 114 has elapsed; and

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[2]Word "or" omitted by Finance Act, 2024 w.e.f. 1 July, 2024.

[3]Full stop substituted by Finance Act, 2024 w.e.f. 1 July, 2024.

[4]Clause (d) inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

S. 114B.- Powers to Enforce Filing of Returns. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Where a person fails to file return even in response to notice issued under sub-section (4) of section 114 for filing of return, the Board has the power to issue income tax general order in respect of such persons. Prior to the Finance Act, 2024, issuance of income tax general order against such persons entailed disabling of their mobile phones or mobile phone SIMS or discontinuation of electricity or gas connections. Through Finance Act, 2024, such persons whose names are included in the income tax general order i.e. persons, to whom notice for filing of return was issued and they still failed to file their return of income, will face restriction on foreign travel from Pakistan. This restriction shall apply to a citizen of Pakistan but shall not apply to a person holding National Identity Card for Overseas Pakistanis [NICOP], minors, students, persons proceeding abroad for Hajj or Umrah and such other classes of persons as notified by the Board."

S. 114B .- Advance tax rate in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"The rate of tax collection shall be 75% of the amount of bill or sale price of internet pre-paid card or prepaid telephone card or sale of units to any electronic medium or whatever form for persons who have failed to file return of income in response to notice to file return, and their names have consequently been included in the income tax general order issued under section 114B."

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(c) the person has not filed the return.

(5) The action under this section shall not preclude any other action provided under the provisions of the Ordinance.]

[1][**114C. Restriction on economic transactions by certain persons**.- (1) Notwithstanding anything contained in any law for the time being in force,-

(a) any application, by any ineligible person, for booking, purchase or registration of a motor vehicle of the value exceeding the threshold given in Fifteenth Schedule, shall not be accepted or processed by any manufacturer of a motor vehicle or vehicle registering authority of Excise and Taxation Department, as the case may be;

(b) any application or request by any ineligible person, to any authority responsible for registering, recording or attesting transfer of any immovable property, of the value exceeding the threshold given in Fifteenth Schedule, shall not be accepted or processed by such authority;

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[1]S. 114C inserted by Finance Act, 2025 in force from July 1, 2025.

S. 114B(2)(a) – Blocking of Mobile Sims of non-filers.-As part of a crackdown on those who have not filed their tax returns, the FBR has issued a General Order on 29 April 2024, ordering the Pakistan Telecommunication Authority (PTA) and the telecom companies to block the mobile sims of the non-filers as named in the list. Only the start and end paras of the Order are reproduced hereunder, i.e. not including the particulars of persons named in the list. The list of non-filers is spread over 8,737 pages and includes as many as 506,671 individuals.

Though S. 114B was introduced in the 2022 Budget, real action is now being taken, starting from blocking mobile sims. The provision empowers the FBR for:

(a) disabling of mobile phones or mobile phone SIMS;
(b) discontinuance of electricity connection;
(c) discontinuance of gas connection; or
(d) restriction on foreign travel subject to some exceptions.

The General Order reads as follows:

"C.No.6(30)S(IR-Operations)/2024 Islamabad, the 29th of April, 2024

Income Tax General Order No. 01 of 2024

Subject: Income Tax General Order to enforce filing of returns by the persons who are not appearing on active taxpayer list but are liable to file the Income Tax Return for Tax Year 2023 under the provisions of the Income Tax Ordinance, 2001

In exercise of the powers conferred under section 114B of the Income Tax Ordinance, 2001, Federal Board of Revenue (FBR) is pleased to issue this Income Tax General Order (ITGO) to disable the mobile phone SIMs in respect of following persons who are not appearing on active taxpayer list but are liable to file the Income Tax Return for Tax Year 2023 under the provisions of the Income Tax Ordinance, 2001:

Sr No.	Registration No.	Name	Status
1.	……..……	……..……	Non-filer
……..			
506671.	……..……	……..……	Non-filer

02. The mobile SIMs in respect of above-mentioned individuals will remain blocked until restored by FBR or the Commissioner Inland Revenue having jurisdiction of the person.

03. Pakistan Telecommunication Authority (PTA) and all Telecom operators are required to ensure the compliance of this ITGO with immediate effect. The compliance report in this regard is to be furnished to FBR on 15th of May, 2024 positively."

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(c) Any person authorized to open and maintain an account in respect of securities, units of mutual fund or similar investment, shall not open an account or maintain such account if the total investment by an ineligible person in any such account exceeds the threshold specified in Fifteenth Schedule; and

(d) a banking company shall not allow cash withdrawal from any of the bank account of any person, exceeding the threshold as specified in Fifteenth Schedule.

(2) The provisions of sub-section (1), shall not apply on transactions made by a non-resident person or a public company except that mentioned in clause (d) of sub-section (1).

(3) The sources of investment and expenditure statement filed by the person and sufficient resources mentioned in sub-section (5), shall not be construed as nature and source of income for the purposes of section 111.

S. 114C.-Restriction on Economic Transactions by Certain Persons.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [section 114C]

"Section 114C has been introduced through Finance Act, 2025. This provision introduces a concept of eligible and ineligible person based upon the financial capacity of a person to conduct an economic transaction in terms of cash or cash equivalent assets declared in the wealth statement filed for the latest tax year or an evidentiary source reflected in investment and expenditure statement filed as justification for availability of funding for conducting an economic transaction during the year.

To be qualified as an eligible person for carrying out specified economic transaction, sufficient resources must be available either in the wealth statement or in the financial statement for the tax year immediately preceding the year of transaction; or in a statement of source of investment and expenditure filed during the year of transaction showing sufficient resources.

Sufficient resources have been defined as one hundred and thirty percent of cash and cash equivalent assets comprising cash denominated in local or foreign currency, fair market value of gold, net realizable value of stocks, bonds, receivables; or any other cash equivalent asset as may be prescribed.

Moreover, an economic transaction involving exchange of already declared capital assets as consideration has been treated as part of cash and cash equivalent assets to the extent of the value mentioned in the transaction agreement.

In case of an individual, the term 'eligible person' includes his immediate family members i.e. parents, spouse and dependent children. Under this new regime, an ineligible person has been barred from:

a. purchase of motor vehicle with an invoice value exceeding seven million rupees,
b. acquisition or transfer of immoveable property having fair market value exceeding one hundred million rupees,
c. investment in securities, unit of mutual funds or similar investment having its cost of acquisition exceeding fifty million rupees subject to the condition that the investment up to fifty million rupees must be a new investment in any financial year excluding reinvestment out of liquidation or profit of already held investment.

It is highlighted that the sufficient resources declared in source of expenditure statement will not constitute as nature or sources of income for the purposes of section 111 of the Ordinance. Cash withdrawal from any of his bank account exceeding an amount one hundred million rupees is also prohibited under this section. The provision of this section will not apply on transactions made by a non-resident person or a public company except the transaction of withdrawal of cash. Moreover, the provisions of this section will come into force from such date as may be notified by the Federal Government through notification in the official Gazette."

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(4) For the purposes of this section,-

(a) "eligible person" shall mean a person who has filed-

(i) a return of income for the tax year immediately preceding the year of transaction mentioned in sub-section (1) and has sufficient resources in the wealth statement in case of an individual, or financial statement in case of a company or an association of persons, as the case may be, for such transaction; or

(ii) sources of investment and expenditure statement declaring sufficient resources and furnishing explanation thereof for a particular purchase or investment transaction covered in clauses (a), (b) and (c) of sub-section (1):

Provided that in case of an individual, the eligible person shall include his immediate family members.;

(b) "immediate family members" in respect of an individual, shall include his parents, spouse and dependent children;

(c) "ineligible person" shall mean a person who is not an eligible person as defined in clause (a) of this sub-section;

(d) "sources of investment and expenditure statement" shall mean a declaration by a person filed on the Board's web portal, specifying the sources of funds for making such transaction; and

(e) "sufficient resources" shall mean one hundred and thirty percent of the cash and equivalent assets comprising cash denominated in local or foreign currency, fair market value of gold, net realizable value of stocks, bonds, receivables or any other cash equivalent asset as may be prescribed, declared by a person either in his sources of investment and expenditure statement, or wealth statement filed for the latest tax year and in the case of a company or association of persons, cash and equivalent assets, declared in the financial statements attached with the income tax return for the latest tax year:

Provided that where an asset mentioned in sub-section (1), other than clause (d) of this sub-section, has been purchased by way of exchange of capital assets already declared in the wealth statement, or financial statement, or sources of investment and expenditure statement, the disposal of such capital assets shall be treated to be part of cash equivalent assets to the extent of the value mentioned in the agreement.

(5) All or any of the restrictions or limitations imposed on the ineligible person under this section shall come into force on such date as the Federal Government may, by notification in official Gazette, appoint with such reductions and enhancements in the thresholds specified in the Fifteenth Schedule as deemed appropriate.]

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115. Persons not required to furnish a return of income.–[1][ ]

[2][ ]

(3) The following persons shall not be required to furnish a return of income for a tax year solely by reason of [3][sub-clause (iii)[4]*[*, (iv), (v) and (vi)*]*] of clause (b) of sub-section (1) of section 114 –

(a) A widow;

(b) an orphan below the age of twenty-five years;

[1]Sub-section (1) & Proviso omitted by Finance Act, 2013 dated June 29, 2013. Earlier it was substituted by Finance Act, 2008 dated June 27, 2008.
[2]Sub-section (2) omitted by Finance Act, 2004, w.e.f. July 1, 2004.
[3]Substituted for "sub-clauses (iii) through (vii)" by Finance Act, 2008 dated June 27, 2008.
[4]Inserted by Finance Act, 2017 dated June 20, 2017.

S. 115-Salaried persons with income above 400,000 but below 500,000 also to file tax returns.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"Prior to Finance Act, 2013 a salaried individual deriving income under the head 'Salary' where the salary income was above rupees four hundred thousand but below rupees five hundred thousand was not required to file return of income as the Annual Statement of deduction of Income tax from Salary, filed by the employer was treated to be a return of income furnished by the taxpayer under Section 114. Through Finance Act, 2013 filing of income tax return has been made mandatory for such salaried individuals."

S. 115(1)-Omission.- Before omission by F.A. 2013, it read as follows:-

"(1) Where the entire income of a taxpayer in a tax year consists of income chargeable under the head "Salary", Annual Statement of Deduction of Income Tax From Salary, filed by the employer of such taxpayer, in prescribed form, the same shall, for the purposes of this Ordinance, be treated as a return of income furnished by the taxpayer under section 114:

[1][Provided that where salary income, for the tax year is five hundred thousand rupees or more, the taxpayer shall file return of income electronically in the prescribed form and it shall be accompanied by the proof of deduction or payment of tax and wealth statement as required under section 116.]"

[1]Proviso substituted by Finance Act, 2009 dated June 30, 2009.

S. 115(1)-Substitution.- Before substitition by F.A. 2008, it read as follows:-

"(1) Where the entire income of a taxpayer in a tax year consists of income chargeable under the head "Salary", the taxpayer may, instead of furnishing a return as required under section 114 furnish –

(a) a certificate from the person's employer in the prescribed form stating such particulars, and accompanied by such statements, and verified in such manner, as may be prescribed, and such certificate shall be, for the purposes of this Ordinance, treated as a return of income furnished under section 114 [1][:]

[1][Provided that a taxpayer shall not be required to furnish a certificate, if his employer has furnished for the same tax year, Annual Statement of Deduction of Income Tax From Salary as prescribed under the Income Tax Rules, 2002.]

(b) [2][ ] a wealth statement referred to [3][in] section 116."

2. In this regard, it is clarified that computer printed salary certificates are acceptable if they are in the prescribed form as notified vide SRO No. 754(I)/2000, dated 23.10.00 and are printed on legal-size paper.

3. Signatures of both employer and employee must be available on such salary certificate, and it should be exactly in the prescribed form containing all the columns."

[1]Colon substituted for "; and" and proviso inserted by Finance Act, 2005 dated June 29, 2005
[2]Words etc. "subject to sub-section (2)," omitted by Finance Act, 2004, w.e.f. July 1, 2004.
[3]Word inserted by Finance Ordinance, 2002 dated June 15, 2002.

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S. 115(1)-Proviso substitution.- Before substitition the proviso read as follows:-

"Provided that where salary income, for the tax year or the last tax year is five hundred thousand rupees or more, the taxpayer shall file wealth statement as required under section 116."

E-Filing of return and wealth statement by salaried persons..- Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"The proviso to sub section (1) of section 115 has been substituted to provide that where salary income for the tax year is Rs. 500,000/- or more, the taxpayer shall file return of income electronically in the prescribed form and it shall be accompanied by the proof of deduction or payment of tax as well as wealth statement as required u/s 116."

Following is an extract from 'Notes on Clauses of Finance Bill 2005':-

"Seeks to absolve a salaried taxpayer from the obligation of filing of return if his employer has filed the Annual Statement of Deduction of Income Tax from Salary."

Following is an extract from Circular No. 6 of 1987 dated July 5, 1987, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"AnamendmentinSub-Section(1)of Section 55 now permits a tax payer whose entire totalincomeconsistsofincomechargeabletotaxunder the head "Salary" to file a certificate fromhisemployer,intheprescribedform,accompaniedbyprescribedstatements,whichwill be treated as a return of income. The format of employer's certificate with accompanying statements has been prescribed in Form IT-11D which can be obtained from Income Tax Offices. It may, however, be clarified that a salaried tax payer has the option either to file the aforesaid certificate or the regular returns of income."

Employer's certificate in lieu of return of income u/s 115.–Following is an extract from CBR's Circular No. 1 of 2005 dated July 5, 2005:-

"Under section 115(1)(a), a taxpayer deriving only salary income is not obliged to furnish a return of income. Instead, he is required to file a prescribed certificate from the employer. Following the policy of simplification and facilitation for the taxpayers, Income Tax Rules have been reviewed and in this context, an Annual Statement of Deduction of Income Tax from Salary has been prescribed which shall be filed by the employer containing complete details of pay, allowances and tax deducted etc.

In case of taxpayers deriving income from salary only, the prescribed annual statement filed by the employer will be considered as sufficient discharge of liability to file return of income on the part of individual employees."

S. 115(4)-substitution.- Before substitition by F.A. 2013, it read as follows:-

"(4) Any person who is not obliged to furnish a return for a tax year because all the person's income is subject to final taxation under sections [1][ ] [2][5, 6, 7, [3][15,] [4]*[113A]*[*5][113B]*, 148, [6][]* of section 151, sections 152, [7][clauses (a), (c) and (d) of sub-section (3) of section 153]*, 154, 156 [4][*, 156A, sub-section (3) of section 233, [8][*]]* or sub-section (5) of section 234 [7][or sub-section (3) of section 234A]* shall furnish to the Commissioner a statement showing such particulars relating to the person's income for the tax year in such form and verified in such manner as may be prescribed."

[1]Figure and comma "148," omitted by Finance Act, 2003 dated June 17, 2003. It was pointed out in this book that the figure and comma "148," so appearing had become superfluous due to amendment by Finance Ordinance, 2002. The amendment now corrects this error.

[2]Substituted for "151(a)(b), 153, 154, 156, 157 or 234(5)" by Finance Ordinance, 2002 dated June 15, 2002.

[3]Figure and comma inserted by Finance Act, 2006 dated July 01, 2006.

[4]Inserted by Finance Act, 2004, w.e.f. July 1, 2004.

[5]Inserted by Finance Act, 2005 June 29, 2005.

[6]Words etc. "clauses (a), (b) and (d) of sub-section (1)" omitted by Finance Act, 2011 dated June 30, 2011. Earlier it was insertedby Finance Act, 2006 dated July 01, 2006.

[7]Substituted for "clauses (a) and (c) of sub-section (1) of section 153" by Finance Act, 2011 dated June 30, 2011. Earlier it was inserted by Finance Act, 2009 June 30, 2009.

[8]Words "clause (a) and clause (b) of sub-section (1) of section 233A" omitted by Finance Act, 2011 dated June 30, 2011.

*a comma should also have been inserted.

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(c) a disabled person; or

(d) in the case of ownership of immovable property, a non-resident person.

[1][ ]

[1]Sub-section (4) omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was substituted by Finance Act, 2013 June 29, 2013.

Filing of Salary Certificate – Intimation Regarding.– Following is the text of CBR's Circular No. 7 of 2001, dated September 8, 2001, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The Board has received complaints/queries regarding filing of salary certificates in lieu of returns of income, and the insistence of some offices asking taxpayers to file these on printed forms only.

Filing of copies of salary certificates by employers.– Following is an extract from CBR's Circular Letter C. No. 4(4)IT-Jud/03, dated September 23, 2003:–

"3. Rule 45 of the Income Tax Rules 2002 requires an employer to furnish to the Commissioner within two months after the end of the financial year a copy of each employer's certificate issued for the year. The Board has been apprised that the employers have already furnished such certificates to the employees as well as annual statements to the department. It is, therefore, argued that this requirement will be an extra burden on the employers, involving additional paper work.

The issue was considered and it has been decided that in such cases, filing of each employer's certificate shall not be insisted."

S. 115(2)–Omission.– Before omission by Finance Act, 2004, read as follows:–

"(2) Clause (b) of sub-section (1) shall not apply to a person whose declared income for the tax year, or whose last declared or assessed income, is less than two hundred thousand rupees."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to omit the provisions regarding filing of wealth statement by salaried taxpayers having income of Rs.200,000."

S. 115(4)–Omission.– Before omission by Finance Act, 2020, it read as follows:–

"(4) Any person who is not obliged to furnish a return for a tax year because all the person's income is subject to final taxation under sections 5, 6, 7, 148, 151 and 152, sub-section (3) of section 153, sections 154, 156 and 156A, sub-section (3) of section 233 or sub-section (3) of section 234A shall furnish to the Commissioner a statement showing such particulars relating to the person's income for the tax year in such form and verified in such manner as may be prescribed."

S. 115(4)- Statement of Final Taxation.-Following is an extract from FBR's Circular No. 03 or 2009 dated July 17, 2009:-

"By virtue of amendment made in sub-section (4) of section 115, persons deriving income from rendering or providing of services are subject to minimum tax u/s 153 and would now be required to file a return of income instead of simplified statement of final taxation."

Following is an extract from 'Notes on Clauses of Finance Bill 2005':-

"Seeks to provide for filing of an annual statement by retailers of textile made- up, leather articles, carpets, sports goods and surgical goods."

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[1][ ]

[2][ ]

[3][ ]

[1]Sub-section (4A) omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finance Act, 2009 June 30, 2009.

[2]Sub-section (4B) omitted by Finance Act, 2010 dated June 30, 2010. Earlier it was inserted by F.A. 2009.

[3]Sub-sections (5) & (6) omitted by Finance Act, 2020 dated June 30, 2020. Earlier these were inserted by Finance Act, 2007 dated June 30, 2007.

Property income etc.-Following is an extract from 'Notes on Clauses of Finance Bill, 2006':–

"Seeks to include persons deriving income from property in the category of persons who have to file a statement in the prescribed form instead of a return of income."

"Seeks to include certain categories of persons who should file a statement in the prescribed form instead of a return."

S. 115(4A)–Omission.– Before omission by F. Act, 2020, it read as follows:–

"(4A) Any person who, having furnished a statement, discovers any omission or wrong statement therein, he may, without prejudice to any other liability which he may incur under this Ordinance, furnish a revised statement for that tax year, at any time within five years from the end of the financial year in which the original statement was furnished."

S. 115(4A)-Revision of statement in case of Final Taxation.- Following is an extract from FBR's Circular No. 03 or 2009 dated July 17, 2009:-

"A new sub section (4A) has been inserted in section 115 of the Ordinance to allow a person who, having furnished statement, discovers any omission or wrong statement therein, to furnish revised statement at any time within five years from the end of the financial year in which such statement was furnished."

S. 115(4B)-omission.- Before omission by F.A. 2010 it read as follows:-

"(4B) Every person (other than a company) filing statement under sub-section (4), falling under final tax regime (FTR) and has paid tax amounting to twenty thousand rupees or more for the tax year, shall file a wealth statement alongwith reconciliation of wealth statement."

S. 115(4B)-Filing of wealth statement in final taxation regime (FTR) cases.-Following is an extract from FBR's Circular No. 03 or 2009 dated July 17, 2009:-

"A new sub-section (4B) has been inserted in section 115 of the Ordinance whereby every person (other than company) filing statement under sub-section (4) of section 115 of the Ordinance, covered by Final Taxation Regime (FTR), who has paid tax amounting to Rs. 20,000/- or more for the tax year, is required to file wealth statement alongwith a wealth reconciliation statement."

S. 115(5) & (6)–Omission.– Before omission by F. Act, 2020, it read as follows:–

"(5) Subject to sub-section (6), the Commissioner may, by notice in writing, require any person who, in his opinion, is required to file a prescribed statement under this section for a tax year but who has failed to do so, to furnish a prescribed statement for that year within thirty days from the date of service of such notice or such longer period as may be specified in such notice or as he may, allow."

"(6) A notice under sub-section (5) may be issued in respect of one or more of the last five completed tax years."

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116. Wealth statement.– (1) [1][The] Commissioner may, by notice in writing, require any person [2][being an individual] to furnish, on the date specified in the notice, a statement (hereinafter referred to as the "wealth statement") in the prescribed form and verified in the prescribed manner giving particulars of –

(a) the person's total [3][assets including foreign assets and liabilities including foreign liabilities] as on the date or dates specified in such notice;

(b) the total [3][assets including foreign assets and liabilities including foreign liabilities] of the person's spouse, minor children, and other dependents as on the date or dates specified in such notice;

[4][***Explanation***.- For removal of doubt, it is clarified that assets of spouse shall only be included in the wealth statement of the person if the spouse is dependent;]

(c) any assets [5][including foreign assets] transferred by the person to any other person during the period or periods specified in such notice and the consideration for the transfer; [6][ ]

(d) the total expenditures incurred by the person, and the person's spouse, minor children, and other dependents during the period or periods specified in the notice and the details of such expenditures [7][; and]

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[1]Substituted for "Subject to sub-section (2), the" by Finance Act, 2007 dated June 30, 2007.

[2]Words inserted by Finance Act, 2011 dated June 30, 2011.

[3]Substituted for "assets and liabilities" by Finance Act, 2024 w.e.f. 1 July, 2024.

[4]Explanation inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

[5]Words inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

[6]Word "and" omitted by Finance Act, 2009 dated June 30, 2009.

[7]Substituted for full stop by Finance Act, 2009 dated June 30, 2009.

S.116- Amendment on enforcement of Wealth Statement. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"As per sub-section (2) of section 116, every resident person, being an individual, filing a return of income for any tax year shall furnish a wealth statement and wealth reconciliation statement for that year along with such return.

As per clauses (a) and (b) of sub-section (1) of section 116, the Commissioner may, by a notice in writing, require any person being an individual to furnish a wealth statement in the prescribed form and verified in the prescribed manner giving particulars of the person's total assets and liabilities and the total assets and liabilities of the person's spouse, minor children and other dependents. Through the Finance Act, 2024, a person shall be required to furnish particulars of total assets including foreign assets and total liabilities including foreign liabilities. Further, an explanation has been inserted after clause (b) of sub-section (1) that assets of the spouse shall only be included in the wealth statement of the person if the spouse is dependent on the person."

S. 116-Wealth Statement.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"Through Finance Act, 2013 every resident person being an individual or member of an AOP filing of return of income, or statement under sub-section (4) of section 115 shall also file wealth statement along with reconciliation of wealth statement. This mandatory filing of Wealth statement has been made effective from the Tax Year 2013 onward. Moreover where a person having furnished a wealth statement, intends to furnish a revised wealth statement such person shall also file the revised wealth reconciliation and the reasons for filing revised wealth statement."

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[8][(e) the reconciliation statement of wealth.]

(2) Every resident taxpayer [1][, being an individual] filing a return of income for any tax year [2][ ] shall furnish a wealth statement [3][and wealth reconciliation statement] for that year along with such return [4][:]

[4][Provided that every member of an association of persons [5][ ] shall also furnish wealth statement and wealth reconciliation statement for the year along with return of income of the association.]

[6][ ]

[7][(3) Where a person, who has furnished a wealth statement, discovers any omission or wrong statement therein, he may, without prejudice to any liability incurred by him under any provision of this Ordinance, furnish a revised wealth statement [8][along with the revised wealth reconciliation and the reasons for filing revised wealth statement,] [9][under intimation to the Commissioner in the prescribed form and manner,] at any time before [10]*[*the receipt of notice under sub-section (9) of section 122, for the tax year to which it relates*]* [11]*[:]*]

[11][Provided that where the Commissioner is of the opinion that the revision under this sub-section is not for the purpose of correcting a bona fide omission or wrong statement, he may declare such revision as void through an order in writing after providing an opportunity of being heard.

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[8]Clause (e) inserted by Finance Act, 2009 dated June 30, 2009.

[1]Words inserted by Finance Act, 2011 dated June 30, 2011.

[2]Words "whose last declared or assessed income or the declared income for the year, is one million rupees or more" omitted by Finance Act, 2013 dated June 29, 2013, effective for the tax year 2013 and onwards. These were earlier inserted by Finance Act 2004 and amended by Finance Acts 2007 to insert "or the declared income for the year " and then by Finance Act 2011 to substitute "one million" for "five hundred thousand".

[3]Words inserted by Finance Act, 2009 dated June 30, 2009.

[4]Colon substituted for full stop and proviso inserted by Finance Act, 2011 dated June 30, 2011.

[5]Words "whose share from the income of such association of persons, before tax, for the year is one million rupees or more" omitted by Finance Act, 2013 dated June 29, 2013, effective for the tax year 2013 and onwards.

[6]Sub-section (2A) delelted by Finance Act, 2017 dated June 20, 2017. Earlier it was substituted by Finance Act, 2011 dated June 30, 2011, was inserted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[7]Sub-section (3) inserted by Finance Act, 2003 dated June 17, 2003.

[8]Words etc. inserted by Finance Act, 2013 dated June 29, 2013.

[9]Words inserted by Finance Act, 2020 dated June 30, 2020.

[10]Substituted for "an assessment, for the tax year to which it relates, is made under sub-section (1) or sub-section (4) of section 122" by Finance Act, 2017 dated June 20, 2017.

[11]Substituted for full stop and proviso & explanation inserted by Finance Act, 2020 dated June 30, 2020.

S. 116(2A)-Omission.- Before omission by F. Act, 2017 it read as follows:-

"(2A) Where a person, being an individual or an association of persons, files a return in response to a provisional assessment order under section 122C, such return shall be accompanied by wealth statement along with a wealth reconciliation statement and an explanation of source of acquisition of assets specified therein in the case of an individual and wealth statements of all members in the case of an association of persons and such wealth statements shall be accompanied by wealth reconciliation statements and explanation of source of acquisition of assets specified therein."

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Explanation.- For the removal of doubt it is clarified that wealth statement cannot be revised after the expiry of five years from the due date of filing of return of income for that tax year.]

[1][ ]

[1]Sub-section (4) omitted by Finance Act, 2020 dated June 30, 2020. Ear;oer it was inserted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.

Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Taxpayers who are covered by Presumptive Tax Regime are not obliged to file a return of income as required under section 114 of the Income Tax Ordinance, 2001. Such taxpayers are, however, required under section 115(4) to file prescribed statement showing particulars relating to the person's income for the tax year. New sub-sections (5) and (6) to section 115 have been added through the Finance Act 2007 empowering the Commissioner to issue notice for filing the prescribed statement where statement has not been filed voluntarily by the taxpayer. The provision will be applicable from the tax year 2007."

S. 116(4)–Omission.– Before omission by F. Act, 2020, it read as follows:–

"(4) Every person (other than a company [1][or an association of persons]) filing statement under sub-section (4) of section 115, falling under final tax regime (FTR) [2][ ] shall file a wealth statement alongwith reconciliation of wealth statement."

[1]Words etc. inserted by Finance Act, 2013 dated June 29, 2013.

[2]Words etc. "and has paid tax amounting to thirty-five thousand rupees or more for the tax year," omitted by Finance Act, 2013 dated June 29, 2013, effective for the tax year 2013 and onwards.

8-179-05-07-2024

[1][**116A. Foreign income and assets statement**.- (1) Every resident taxpayer being an individual having foreign income of not less than ten thousand United States dollars or having foreign assets with a value of not less than one hundred thousand United States dollars shall furnish a statement, hereinafter referred to as the foreign income and assets statement, in the prescribed form and verified in the prescribed manner giving particulars of-

(a) the person's total foreign assets and liabilities as on the last day of the tax year;

(b) any foreign assets transferred by the person to any other person during the tax year and the consideration for the said transfer; and

(c) complete particulars of foreign income, the expenditure derived during the tax year and the expenditure wholly and necessarily for the purposes of deriving the said income.

(2) The Commissioner may by a notice in writing require any person being an individual who, in the opinion of the Commissioner on the basis of reasons to be recorded in writing, was required to furnish a foreign income and assets statement under sub-section (1) but who has failed to do so to furnish the foreign income and assets statement on the date specified in the notice.]

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[1]Section 116A inserted by Finance Act, 2018 dated May 23, 2018. Earlier it was inserted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment made:–

"Seeks to provide filing of statement instead of return by individuals, AOPs, being retailers, opting for presumptive tax."

S. 116-Wealth Statement.-Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"The following amendments have been made in section 116 of the Income Tax Ordinance 2001:-

(i) It has been clarified that only an individual taxpayer is required to file a wealth statement.

(ii) Existing income threshold for the requirement of filing of wealth statement has been increased from rupees five hundred thousand to rupees one million.

(iii) I has been clarified that a member of an association of person whose share of income from such AOP, before tax, is rupees one million or more, is also required to file wealth statement and wealth reconciliation statement for the year along with the return of income of the AOP.

(iv) The existing sub-section (2A) has bee substituted whereby it has been clarified that in cases of individuals, wealth statement along with wealth reconciliation statement and explanation of the sources of acquisition of assets specified in the wealth statement is also required to be filed along with the return of income filed under provisional assessment (section 122C). Accordingly such requirements also apply to a member of an AOP."

8-134-10-06-18

S. 116(2A)-Substitution.-Before substitution it read as follows:-

"(2A) Where a person files a return in response to a provisional assessment under section 122C, he shall furnish a wealth statement for that year along with that return and such wealth statement shall be accompanied by a wealth reconciliation statement and an explanation of sources of acquisition of assets specified therein."

S. 116(1)-Mandatory Filing Of Wealth Reconciliation Statement.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"A new Clause (e) has been inserted in section 116 to provide that every individual taxpayer required to file wealth statement u/s 116 shall also furnish Wealth Reconciliation Statement."

S. 116(2A)- Wealth Statement.-Following is an extract from FBR's Circular No. 10, dated July 16, 2010:-

"A new sub-section (2A) has been introduced for the requirements of furnishing of Wealth statement, wealth reconciliation statement and explanation regarding sources of acquisition of assets appearing in the wealth statement, along with return of income filed in response to the provisional assessment.

Secondly, the requirements of filing of wealth statement and wealth reconciliation along with statement in cases of final tax regime (under sub- section (4) of section 115), has been added to this section. This provision existed earlier under section 115. However, threshold of amount of tax under FTR has been enhanced from rupees twenty five thousand to rupees thirty five thousand for furnishing of wealth statement in such cases."

(iv) The existing sub-section (2A) has bee substituted whereby it has been clarified that in cases of individuals, wealth statement along with wealth reconciliation statement and explanation of the sources of acquisition of assets specified in the wealth statement is also required to be filed along with the return of income filed under provisional assessment (section 122C). Accordingly such requirements also apply to a member of an AOP."

S. 116(2A)-Substitution.-Before substitution it read as follows:-

"(2A) Where a person files a return in response to a provisional assessment under section 122C, he shall furnish a wealth statement for that year along with that return and such wealth statement shall be accompanied by a wealth reconciliation statement and an explanation of sources of acquisition of assets specified therein."

S. 116(1)-Mandatory Filing Of Wealth Reconciliation Statement.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"A new Clause (e) has been inserted in section 116 to provide that every individual taxpayer required to file wealth statement u/s 116 shall also furnish Wealth Reconciliation Statement."

S. 116(2A)- Wealth Statement.-Following is an extract from FBR's Circular No. 10, dated July 16, 2010:-

"A new sub-section (2A) has been introduced for the requirements of furnishing of Wealth statement, wealth reconciliation statement and explanation regarding sources of acquisition of assets appearing in the wealth statement, along with return of income filed in response to the provisional assessment.

Secondly, the requirements of filing of wealth statement and wealth reconciliation along with statement in cases of final tax regime (under sub- section (4) of section 115), has been added to this section. This provision existed earlier under section 115. However, threshold of amount of tax under FTR has been enhanced from rupees twenty five thousand to rupees thirty five thousand for furnishing of wealth statement in such cases."

8-134-10-06-18

117. Notice of discontinued business.– (1) Any person discontinuing a business shall give the Commissioner a notice in writing to that effect within fifteen days of the discontinuance.

(2) The person discontinuing a business shall, under the provisions of this Ordinance or on being required by the Commissioner by notice, in writing, furnish a return of income for the period commencing on the first day of the tax year in which the discontinuance occurred and ending on the date of discontinuance and this period shall be treated as a separate tax year for the purposes of this Ordinance.

(3) Where no notice has been given under sub-section (1) but the Commissioner has reasonable grounds to believe that a business has discontinued or is likely to discontinue, the Commissioner may serve a notice on the person who has discontinued the business or is likely to discontinue the business to furnish to the Commissioner within the time specified in the notice a return of income for the period specified in the notice.

(4) A return furnished under this section shall be treated for all purposes of this Ordinance as a return of income, including the application of Section 120.

Statements where tax deduction is less than Rs. 1,000.– Following is an extract from CBR's Circular Letter C. No. 4(4)IT-Jud/03, dated September 23, 2003:–

"iii) Those taxpayers falling in the regime of presumptive tax where the amount of tax deduction is less than Rs. 1000/- should not be required to file statements u/s 115(4) if they are otherwise not liable to file return u/s 114."

Form of statement.– See rule 39 of Income Tax Rules 2001 for form of statement u/s 115.

S. 116–Notice for filing of wealth statement.– Following is an extract from Circular No. 4 of 1979 dated August 23, 1979, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The provisions of this section are same as in old Section 22(4A). However, there are two important changes:

(a) the assets and liabilities of dependents shall also have to be included in the statement alongwith those of the spouse and minor children.

(b) the particulars and consideration of the assets transferred during the period specified in the notice will also be shown in the statement."

For Form of wealth statement please see Income Tax Rules, 2002.

Changes in 2007 explained.-Following is an extract from 'Notes on Clauses of Finance Bill 2007':-

"Seeks to make an editorial correction to require a taxpayer to file a wealth statement where his declared income for the current year exceeds Rs. 500,000."

Following is an extract from CBR's Circular 2 of 2007 dated July 2, 2007:-

"Amendment has been made in section 116 through the Finance Act 2007 to authorize the commissioner to require any individual, to file wealth statement, irrespective of his quantum of income during the relevant tax year. Further, the mandatory requirement to file a wealth statement is extended to all those individuals whose declared income for the year exceeds Rs.500,000/-. This amendment will be applicable for the tax year 2007 and onward."

8-134-10-06-18

Calling for wealth statements for already finalised assessment years.– FollowingisanextractfromCBR'sCircularLetter No. 1(7)IT/JI/80, dated March 22, 1987, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to say that legally notices under section 58 can be issued for the years where assessments stand already finalised. However, in order to avoid causing inconvenience to the tax payers these are issued only in such cases where calling of the Wealth Statements for the past years is essential for completion of pending assessments for the preceding/succeeding years."

Disclosure of personal expenses.– Following is an extract from CBR's Circular No. 10 of 1996 dated 16th July, 1996, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Theprescribedformofwealthstatementcontainsacolumnforpersonalexpenses.The amendmentpurports to provide specific legal cover to it." [**Ref:***96 ITC 10 p. 25*]

S. 116(2)–Filing of wealth statements , limit raised to Rs. 500,000.– Following is an extract from CBR's Circular No. 17 of 2004 dated July 17, 2004:–

"Section 116 of the Income Tax Ordinance, 2001 has been amended to provide for mandatory filing of wealth statement alongwith return of income by all taxpayers whose last declared or assessed income is five hundred thousand rupees or more. The amendment shall be applicable, both to salaried and non-salaried taxpayers, for the tax year 2004 and onwards."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment: –

"Seeks to make it mandatory for individuals to file wealth statement whose declared or assessed income is rupees five hundred thousand or more."

S. 116(3)–Revision of wealth statement before assessment.– Following is an extract from CBR's Circular No. 7 of 2003 dated July 11, 2003:–

"A new sub-section (3) has been added to section 116 to provide for furnishing of a revised wealth statement by a taxpayer to rectify any omission or wrong statement contained in the original wealth statement but before an assessment under sub-section (1) or sub-section (4) of section 122 is made, and without prejudice to any liability incurred by him under any other provision of the Ordinance 2001."

Similar provision was made in repealed Ordinance by insertion of sub-section (2) in section 58 by Finance Ordinance, 2001 but in the Income Tax Ordinance, 2001, this had been ignored or overlooked.

Following is an extract from CBR's Circular No. 5 of 2001, dated July 4, 2001, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The facility of revision of wealth statement before assessment by tax-payers who have filed wealth statement under sub-section (1) of section 58 has been provided."

S. 117(2)–Furnishing of return in the case of discontinued business.–Following is an extract from Circular No. 15 of 1980, dated June 26, 1980, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"In case of discontinued business a notice alongwith return of income has to be filed within 15 days of the discontinuation of business. In view of the difficulty in filing of return within this short period of 15 days, the requirement of filing return has been dispensed with. A notice to the ITO within this period shall continue to be obligatory."

8-134-10-06-18

118. Method of furnishing returns and other documents.– (1) A return of income under section 114, [1][ ] [2][ ] a wealth statement under section 116 [3][or a foreign income and assets statement under 116A, if applicable] shall be furnished in the prescribed manner.

(2) A return of income [4][under section 114 [5][ ]] of a company shall be furnished –

(a) in the case of a company with a tax year ending any time between the first day of January and the thirtieth day of June, on or before the thirty-first day of December next following the end of the tax year to which the return relates; or

(b) in any other case, on or before the thirtieth day of September next following the end of the tax year to which the return relates.

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[1]Words etc. "an employer's certificate under section 115," omitted by Finance Act, 2013 dated June 29, 2013.
[2]Words etc "a statement required under sub-section (4) of section 115 [1][,]" omitted by Finance Act, 2020 dated June 30, 2020.
[1]Substituted for "or" by Finance Act, 2018 dated May 23, 2018. Earlier it was substituted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.
[3]Words etc. inserted by Finance Act, 2018 dated May 23, 2018. Earlier it was inserted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.
[4]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.
[5]Words etc "or a statement under sub-section (4) of section 115" omitted by Finance Act, 2020 dated June 30, 2020.

S. 118(1)–Method of furnishing of return of total income.–Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"The following changes have been made in section 118 through Finance Act, 2013. The changes are:

(a) The concept of treatment of an 'employer's certificate or an Annual Statement of deduction of income tax from salary filed by the employer as a return on behalf of the taxpayer has been abolished to make it compulsory for the salaried individuals deriving salary income above rupees four hundred thousand to file return of income along with wealth statement and wealth reconciliation statement.

(b) Where salary income for the tax year is five hundred thousand rupees or more, the taxpayer is required to file return of income electronically in the prescribed form accompanied by the proof of deduction or payment of tax and wealth statement as required under section 116 along with wealth reconciliation statement.

(c) The date of electronic filing of returns by salaried persons, and a statement required under sub-section (4) of section 115 by persons falling in PTR is 31st day of August next following the end of the tax year to which the statement or return relates."

Following is an extract from CBR's Circular No. 4 of 1995 dated July 9, 1995, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Section 55A envisages that return of income shall be furnished to an officer authorized by CBR for this purpose. This provision has been suitably amended to provide that the return is to be furnished to the:

i) officer holding jurisdiction over the case; or

ii) officer specified by the CIT for this purpose." *[***ref:** *95 ITC 4 p. 3]*

Comments. Only one date has been fixed for filing of returns by all non-corporate taxpayers, special arrangements have to be made to receive the returns, making the job difficult. The amendment made would legally enable the CITs to specify officers, other than of the concerned circles, to receive returns and issue acknowledgment receipts.

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[1][(2A) Where salary income for the tax year is five hundred thousand rupees or more, the taxpayer shall file return of income electronically in the prescribed form and it shall be accompanied by the proof of deduction or payment of tax and wealth statement as required under section 116 [2][or a foreign income and assets statement under 116A, if applicable] [3]*[:]*]

[4][Provided that the Board may amend the condition specified in this sub-section or direct that the said condition shall not apply for a tax year.]

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[1]Sub-section (2A) inserted by Finance Act, 2013 dated June 17, 2013.
[2]Words etc. inserted by Finance Act, 2018 dated May 23, 2018. Earlier it was inserted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.
[3]Substituted for full stop by Finance Act, 2015 dated June 30, 2015.
[4]Proviso inserted by Finance Act, 2015 dated June 30, 2015.

Following is an extract from Circular No. 20 of 1988, dated October 8, 1988, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"(i) Section 55A of the Ordinance has been substituted and now the said section prescribes the method of filing of return of total income. It provides that the return of total income shall be furnished by registered post with acknowledgement due, or delivered by hand, to such authorised officers....."

The provisions of the said original section 55A were explained in Circular No. 6 of 1987 dated July 5, 1987 an extract wherefrom is as follows:–

"A new Section 55A has been introduced which makes it obligatory for the Income Tax Officer to issue an acknowledgement receipt, in the prescribed form, to every tax payer on receipt of return of his total income filed under Section 55. The tax payers are advised to obtain the acknowledgement receipt forms (in duplicate) from the Income Tax Offices, and after filling up the relevant columns of the acknowledgement receipt present it alongwith the returns of income. After checking the entries made therein, one copy of the acknowledgement receipt duly signed by the Income Tax Officer with stamp of his office affixed thereon will be returned to the tax payer and the office copy retained by the Income Tax Office."

S. 118(2)–Dates for filing return of total income.– Following is an extract from CBR's Circular No. 4 of 1995 dated July 9, 1995, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The dates for filing of income tax returns were 31st July, 31st August, 30th September, and 31st December every year. The first two dates fell very early at the start of the year. It was felt that the time available for filing of returns will be very short in view of changes brought in the procedure of assessment, particularly the discontinuation of option to have calendar year as income year. The first two dates (i.e. 31 July and 31 August) have, therefore, been merged with the next date i.e. 30 September. Accordingly, the new dates of filing of return of income will be:

a) For companies with income year ending between 01 January to 30 June. = 31 December.

b) For other assessees. = 30 September.

The companies which have already closed their accounts on 31-12-1994 shall file returns for 12 months by 30-9-1995 subject to revision of returns for 18 months (upto 30-6-1995) to be filed by [*]1-12-1995. If audit has not been completed in such cases, provisional return can be filed. The return will not be treated as invalid on this account. Auditors' report can be furnished, on completion of audit, but not later than two months from the date of filing of return." *[***ref:** *95 ITC 4 p. 3]*

[*]Should have been "31-12-1995"

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[1][(3) A return of income for any person (other than a company), [2][ ] [3][ ] shall be furnished as per the following schedule, namely:-

[4][(a) in the case of [5][ ] a return required to be filed through e-portal in the case of a salaried individual, on or before the [6][30th day of September] next following the end of the tax year to which the statement or return relates; or]

(b) in the case of a return of income for any person (other than a company), as described under clause (a), on or before the 30th day of September next following the end of the tax year to which the return relates.]

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[1]Sub-section (3) substituted by Finance Act, 2010 dated June 30, 2010.
[2]Words etc. "an Annual Statement of deduction of income tax from salary, filed by the employer of an individual" omitted by Finance Act, 2013 dated June 29, 2013.
[3]Words etc. "or a statement required under sub-section (4) of section 115" omitted by Finance Act, 2020 dated June 30, 2020.
[4]Clause (a) substituted by Finance Act, 2013 dated June 29, 2013.
[5]Words etc. "a statement required under sub-section (4) of section 115 or" omitted by Finance Act, 2020 dated June 30, 2020.
[6]Substituted for "31st day of August" by Finance Act, 2019 dated June 30, 2019.

S. 118(3)–Substitution.– Before substitution by F.A. 2010 it read as follows:-

"(3) A return of income for any person (other than a company), an employer certificate of an individual or a statement required under sub-section (4) of section 115 shall be furnished on or before the thirtieth day of September next following the end of the tax year to which the return, certificate or statement relates."

S. 118(3)(a)–Substitution.– Before substitution by F.A. 2013 it read as follows:-

"(a) In the case of an Annual Statement of deduction of income tax from salary, filed by the employer of an individual, return of income through e-portal in the case of a salaried person or a statement required under sub-section (4) of section 115, on or before the 31st day of August next following the end of the tax year to which the return, Annual Statement of deduction of income tax from salary, filed by the employer or statement relates."

S. 118(3)-Change in ded for filing of annual statement by the employer.– Following is an extract from FBR's Circuarl No. 10, dated July 16, 2010:-

"Sub-section (3) of section 118 has been substituted to provide for change in deadline for furnishing of annual statement of deduction of income tax from salary to be filed by an employer of an individual, return of income trough e-portal in the case of a salaried person or a statement required under sub-section (4) of section 115 of the Income Tax Ordinance, 2001 from 30th day of September after the end of tax year to **31st day of August after the end of tax year.**

Last date for filing of income tax return in the case of individual and AOPs (30thSeptember) remains unchanged. Also the deadline for filing of income tax return in the cases of the companies remains unchanged."

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(4) A wealth statement shall be furnished by the due date specified in the notice requiring the person to furnish such statement or, where the person is required to furnish the wealth statement for a tax year under sub-section (2) of section 116, by the due date for furnishing the return of income for that year.

(5) A return required to be furnished by a notice issued under section 117 shall be furnished by the due date specified in the notice.

(6) Where a taxpayer is not borne on the National Tax Number Register and fails to file an application in the prescribed form and manner with the taxpayer's return of income [1][ ], such return [2][ ] shall not be treated as a return [2][ ] furnished under this section.

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[1]Words "or employer's certificate" omitted by Finance Act, 2013 dated June 17, 2013.
[2]Words "or certificate" omitted by Finance Act, 2013 dated June 17, 2013.

Comments. As per CBR, companies with December year end had to file returns for the 12 months of calendar year 1994 by 30th September, 1995, and the return had to be revised by 31st December, 1995 to include the results for the subsequent six months ended 30th June, 1995 to cover the total 18 months period. This explanation did not find support from the amendments made and more particularly that the erroneous explanation was in respect of only the corporate assessees while the non-corporate assessee's had to file the 18 months return once and finally by 31st December, 1995. Necessary clarifications were, therefore, lacking. The reason behind the anxiety to receive provisional returns from corporate sector was possibly an attempt to receive the tax payable with the returns earlier by 3 months.

Following is the text of letter from M/s. S. A. Salam & Co., CAs, Lahore, No. SG/30/772 dated July 15, 1995, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Please refer to amendment made in sub-section (2) of Section 55 of the Income Tax Ordinance, 1979 by Finance Act, 1995 whereby inter-alia the last date for filing of returns in all non-company cases has been fixed as 30th September. In this connection it is respectfully submitted that there has been a drafting error due to which an anomalous situation shall have to be faced in cases where the income year ends after 30th June but before 30th September. To elaborate, for instance the returns in cases of all ginners closing their accounts on 31st August, 1995 shall now have to file their returns 30th September 1995 i.e. within only one month and that too nine months before commencement of the relevant assessment year. Assessment year has been defined u/s 2(28) as "the period of twelve months beginning on the first day of July next the following the income year". As such for the assessment year 1996-97 the relevant income year would be the year ending on 31st August, 1995 and filing of returns for the said year ending 31 August, 1995 by 30th September, 1995 would be filing before the commencement of the related assessment year 1997-97. There is thus a definite anomaly in drafting of the provision. It is, therefore, requested that the matter may kindly be clarified at an early date."

Returns by ginners, rice huskers and oil millers. –Following is the text of CBR's Letter No. F.55(1)DTP-1/94 dated August 3, 1995, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to your letter No. SG/30/772 dated 15 July 1995 on the subject and to say that return for income year ending on 31st August, 1995 would be due by 30th September, 1996 and not 30th September, 1995."

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119. Extension of time for furnishing returns and other documents.– (1) A person required to furnish –

(a) a return of income under section 114 or 117;

[1][ ]

[2][ ]

(d) a wealth statement under section 116,

may apply, in writing, to the Commissioner for an extension of time to furnish the return, [3][ ] or statement, as the case may be.

(2) An application under sub-section (1) shall be made by the due date for furnishing the return of income, [4][ ] or [5][ ] statement to which the application relates.

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[1]Clause (b) omitted by Finance Act, 2013 dated June 29, 2013.
[2]Clause (c) omitted by Finance Act, 2020 dated June 30, 2020.
[3]Word and comma "certificate," omitted by Finance Act, 2013 dated June 29, 2013.
[4]Wordsand comma "employer's certificate," omitted by Finance Act, 2013 dated June 29, 2013.
[5]Word "wealth" omitted by Finance Ordinance, 2002 dated June 15, 2002.

S.119(b)-Omission.- Before omission by F.A. 2013 it read as follows:-

"(b) an employer's certificate under section 115;"

S.119(c)-Omission.- Before omission by F.A. 2020 it read as follows:-

"(c) a statement required under sub-section (4) of section 115; or"

Where last date falls on a closed day.– Section 10(1) of the General Clauses Act, 1897 is as follows, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"10.-(1) Where, by any Central Act or Regulation made after the commencement of this Act, any act or proceeding is directed or allowed to be done or taken in any court or office on a certain day or within a prescribed period, then, if the court or office is closed on that day or the last day of the prescribed period, the act or proceeding shall be considered as done or taken in due time if it is done or taken on the next day afterwards on which the court or office is open".

S. 119–Extension in time.– Following is an excerpt from a lecture delivered by Mr. S. A. Salam (late) on July 9, 1980 under the auspices of the Institute of Chartered Accountants of Pakistan:–

"Byvirtue of this new Sub-section i.e., Sub-section (3) of Section 55, the ITO has been empoweredtoextendthedate of filing of returns by 15 days on his own and after that with the approval of the IAC. This is no doubt a good provision, but I submit that it is an insufficient provision. Under the Income Tax Act, 1922, the ITO was authorised to grant extension in time upto three months. It did not mean that you just applied and he gave you the three months' extension but he had the power; you could plead with him that 'my assessee is sick or his accountant is sick or this and that is the trouble. But in the Income Tax Ordinance, 1979, surprisingly nobody had the power to grant even one day's extension. The CBR said that it will grant extensions. Nothing happened. Now they have been very kind to give you upto 15 days. But it may not mean that the ITO will give you 15 days at the first instance. First he will give you 5 days and then some more time and then the IAC's power is there that he can grant you further extension. In this respect you have your own experience and I have my own. There is a parallel provision in the American Law. I have not studied it in depth, but I was reading some Digest and there it was stated that in the United States of America, if you are out of the country, two months automatic extension is granted. Not that you are out of the country for 10 days and two months are given, if you are out of country for one month, one month's extension, so that you can settle your tax affairs in a better manner. But here in our Income Tax Law the provision is very meagre."

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(3) Where an application has been made under sub-section (1) and the Commissioner is satisfied that the applicant is unable to furnish the return of income, [1][ ] or [2][ ] statement to which the application relates by the due date because of –

(a) absence from Pakistan;

(b) sickness or other misadventure; or

(c) any other reasonable cause,

the Commissioner may, by [3][order], in writing, grant the applicant an extension of time for furnishing the return, [4][ ] or statement, as the case may be.

(4) An extension of time under sub-section (3) should not exceed fifteen days from the due date for furnishing the return of income, employer's certificate, or [5][ ] statement, as the case may be, unless there are exceptional circumstances justifying a longer extension of time[6][:]

[7][Provided that where the Commissioner has not granted extension for furnishing return under subsection (3) or sub-section (4), the Chief Commissioner may on an application made by the taxpayer for extension or further extension, as the case may be, grant extension or further extension for a period not exceeding fifteen days unless there are exceptional circumstances justifying a longer extension of time.]

[8][ ]

(6) An extension of time granted under sub-section (3) shall not [9][,for the purpose of charge of [10][default surcharge] under sub-section (1) of section 205,] change the due date for payment of income tax under section 137.

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[1]Words and comma "employer's certificate," omitted by Finance Act, 2013 dated June 29, 2013.

[2]Word "wealth" omitted by Finance Ordinance, 2002 dated June 15, 2002.

[3]Substituted for "notice" by Finance Ordinance, 2002 dated June 15, 2002.

[4]Word and comma "certificate," omitted by Finance Act, 2013 dated June 29, 2013.

[5]Word "wealth" omittedd by Finance Ordinance, 2002 dated June 15, 2002.

[6]Substituted for full stop by Finance Act, 2017 dated June 20, 2017.

[7]Proviso inserted by Finance Act, 2017 dated June 20, 2017.

[8]Sub-section (5) omitted by Finance Ordinance, 2002 dated June 15, 2002.

[9]Commas and words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.

[10]Substituted for "additional tax" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

S. 119(5)–Substitution.– Before omission by F. Ordinance, 2002 read as follows:–

(5) An applicant dissatisfied with a decision under sub-section (3) may challenge the decision only under the Part III of this Chapter.

8-149-15-07-2020

PART II

ASSESSMENTS

[1][**120. Assessments.–** (1) Where a taxpayer has furnished a complete return of income [2][other than a revised return under sub-section (6) of section 114] for a tax year ending on or after the 1st day of July, 2002,–

(a) the Commissioner shall be taken to have made an assessment of taxable income for that tax year, and the tax due thereon [3][equal to the respective amounts adjusted under sub-section (2A)]; and

(b) the return shall be taken for all purposes of this Ordinance to be an assessment order issued to the taxpayer by the Commissioner on the day the [4][adjustments were made under sub-section (2A)] [4a][return was furnished] [5][:]

[5][Provided that until the date specified under the fourth proviso to sub-section (2A) is notified, this subsection shall be in force as if sub-section (2A) is not in operation:

Provided further that once the date under the fourth proviso to sub-section (2A) is notified, clauses (a) and (b) shall only apply when the provisions of sub-section (2A), if invoked, are first complied with:

Provided further once compliance is made under the second proviso,-

(i) the adjusted amount under sub-section (2A) shall be construed to be the tax payable and due under clause (a); and

(ii) the date of the compliance under sub-section (2A) shall be the date for the purposes of clause (b).]

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[1]Section 120 substituted by Finance Act, 2003 dated June 17, 2003.

[2]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.

[3]Words inserted by Finance Act, 2025 in force from July 1, 2025. Earlier words ", equal to the respective amounts adjusted under sub-section (2A)" omitted by Finance Act, 2021 dated June 30, 2021. Earlier was omitted by Income Tax (Amendment) Ordinance, 2021 dated January 21, 2021, effective from 01-01-2021, was substittued for "those respective amounts specified in the return" by Finance Act, 2020 dated June 30, 2020.

[4]Words inserted by Finance Act, 2025 in force from July 1, 2025.

[4a]Substittued for "adjustments were made under sub-section (2A)" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Income Tax (Amendment) Ordinance, 2021 dated January 21, 2021, effective from 01-01-2021, was substittued for "return was furnished" by Finance Act, 2020 dated June 30, 2020.

[5]Full stop substittued and provisos inserted by Finance Act, 2021 dated June 30, 2021. Earlier inserted by Income Tax (Amendment) Ordinance, 2021 dated January 21, 2021, effective from 01-01-2021.

8-184-10-07-2025

[1][(1A) Notwithstanding the provisions of sub-section (1), the Commissioner may [2][conduct audit of the income tax affairs of a person] under section 177 and all the provisions of that section shall apply accordingly.]

(2) A return of income shall be taken to be complete if it is in accordance with the provisions of sub-section (2) of section 114.

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[1]Sub-section (1A) inserted by Finance Act, 2005 dated June 29, 2005.
[2]Substituted for "select a person for an audit of his income tax affairs" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.

Substitution.– Section 120 before substitution by Finance Act, 2003, read as follows:–

"120. Assessments.– Where a taxpayer has furnished a return of income (other than a revised return under sub-section (6) of section 114) for a tax year [1][ending on or after 1st day of July, 2002,]–

(a) the Commissioner shall be taken to have made an assessment of the taxable income of the taxpayer for the year and the tax due thereon, equal to those respective amounts specified in the return; and

(b) the taxpayer's return shall be taken for all purposes of this Ordinance to be an assessment order issued to the taxpayer by the Commissioner on the day the return was furnished."

[1]Words and commas inserted by Finance Ordinance, 2002 dated June 15, 2002.

S. 120(1A)-Selection For Audit.-Following is an extract from CBR's Circular No. 1 of 2005 dated July 5, 2005:–

"Law provides that where a taxpayer furnishes a complete return of income, it shall be taken for all purposes to be an assessment order issued by the Commissioner on the date the return was furnished.

In order to remove any doubts about the competence of the Commissioner to select a case for audit, sub-section (1A) has been inserted in section 120 which empowers the Commissioner in this regard. This provision shall take effect from tax year 2005."

S.120-Assessment.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"Time limitation within which Commissioner can issue notice for incomplete return of income filed by the taxpayer has been extended by 180 days. Previously, if a taxpayer filed an incomplete return on the last day of financial year no such notice could be issued, since no such notice can be issued after the end of the financial year in which the said return of income was filed by the taxpayer."

Default Surcharge.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"Prior to Finance Act, 2012, default surcharge under section 205 was payable at KIBOR plus 3 per cent per quarter. Through Finance Act, 2012, the same has been changed to 18 per cent per annum. Further no default surcharge shall be payable for the period the demand remained unpaid, beginning from the due date given in the demand notice issued at the time of giving appeal effect, if the taxpayer makes the payment in consequence to an appellate order passed by the Commissioner (Appeals) and does not file a further appeal to the Appellate Tribunal."

Following is an extract from 'Notes on Clauses of Finance Bill 2005':-

"Seeks to provide for selection of a case for audit, after deemed assessment under Universal Self Assessment Scheme."

Selection on basis issued after filing of return.– In a detailed judgement announced on 24th September 2003 by honourable Mr. Justice Nasim Sikandar of Lahore High Court while disposing Writ Petition No. 9979 of 2003 and 97 other similar writs, it was held that selection of cases of the petitioners for process under normal law on the basis of the guidelines issued after filing of the returns could not be approved on any legal, moral or ethical basis. The selection for total audit on the basis of guidelines was held to be improper. The judgement has been approved for reporting.

8-184-10-07-2025

[1][(2A) A return of income furnished under sub-section (2) of section 114 shall be processed through automated system to arrive at correct amounts of total income, taxable income and tax payable by making adjustments for-

(i) any arithmetical error in the return;

(ii) any incorrect claim, if such incorrect claim is apparent from any information in the return;

(iii) disallowance of any loss, deductible allowance or tax credit under Parts VIII, IX and X respectively of Chapter III; and

(iv) disallowance of carry forward of any loss under clause (b) of sub-section (1) of section 182A:

Provided that no such adjustments shall be made unless a system generated notice is given to the taxpayer specifying the adjustments intended to be made:

Provided further that the response received from the taxpayer, if any, shall be considered before making any adjustment, and in a case where no response is received within thirty days of the issue of such notice, adjustments shall be made.

Provided also that where no such adjustments have been made within six month of filing of return, the amounts specified in the return as declared by the taxpayer shall be deemed to have been taken as adjusted amounts on the day the return was filed and the taxpayer shall be intimated automatically through Iris [2]*[:]*]

[2]*[*Provided also that the provisions of this sub-section shall apply from the date notified by the Federal Board of Revenue in the official Gazette.*]*

(3) Where the return of income furnished is not complete, the Commissioner shall issue a notice to the taxpayer informing him of the deficiencies (other than incorrect amount of tax payable on taxable income, as specified in the return, or short payment of tax payable) and directing him to provide such information, particulars, statement or documents by such date specified in the notice.

(4) Where a taxpayer fails to fully comply, by the due date, with the requirements of the notice under sub-section (3), the return furnished shall be treated as an invalid return as if it had not been furnished.

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[1]Sub-section (2A) inserted by Finance Act, 2020 dated June 30, 2020.

[2]Full stop substittued and proviso inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Income Tax (Amendment) Ordinance, 2021 dated January 21, 2021, effective from 01-01-2021.

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Record keeping requirements.– Following is the text of CBR's letter No. 10(1)-M(TPE&F)/2002 dated July 1, 2003:–

"Income Tax Ordinance, 2001 shall come into force on July 01, 2002. The new income tax law is in plain simple language and is easy to understand. You can now prepare your income tax return and compute your tax liability without any difficulty.

2. The new income tax law will bring a complete change in the philosophy of income tax proceedings and it will make life easier. The salient features are:

- Henceforth, the assessing officer will not determine your income and compute your tax liability. Now you shall yourself declare your income and determine your tax liability.
- Your income tax return shall be accepted without any conditions. There will be no compulsory enhancement of tax liability over previous year to qualify for acceptance.
- Income tax return filed it-self will be an assessment order and your eligibility for refund will flow from your tax return.
- A certain percentage of returns filed shall be selected for tax audit on the basis of risk assessment to verify the accuracy and correctness of your income tax return.
- Tax audit shall not necessarily mean an amendment of the assessment originally made by you in your return of income.
- Your original assessment can only be amended on the basis of information acquired during tax audit or any other source.
- If selected for audit, there will be no pre-designated auditors to carry out audit. The officials making selection for audit will be different from those who do actual audit. In other words you will have no designated Income Tax Officer holding jurisdiction on you.

3. Thus universal self-assessment in its true sense will be available to all taxpayers irrespective of quantum, status, location or size. This is the first such experience in this part of the world.

4. The new law and the universal self-assessment system will take away the discretionary powers of the tax collectors and place great responsibility and obligation on you as a taxpayer and an honorable citizen.

5. The new Income Tax Ordinance, 2001 and its salient features, briefly explained above, cannot work without adequate records to support the items reported by you on the income tax return and allied statements.

6. The CBR is fully aware of your (small taxpayers) problems and difficulties in maintaining adequate records. Therefore only bare MINIMUM books of account; documents and records that you generally maintain to run your business have been prescribed. Details may be seen in the enclosed brochure. The benefits you will get from maintenance of records are much more than the effort to maintain these easy records.

7. Effective 1st July 2002 our teams in collaboration with the representatives of your trade association shall visit various groups of taxpayers and provide assistance and guidance that you may require for maintenance of adequate records. It is categorically stated that the purpose of the visit to individual taxpayers will be only to provide you assistance and guidance. No punitive action shall be taken in the initial phase.

8. The Government has discharged its obligation of providing a simple law based on genuine self-assessment concepts. Now it is your turn to respond positively by faithful recording of your business transactions, declaring your income and discharging your tax liabilities.

8-159-15-07-2021

(5) Where, in response to a notice under sub-section (3), the taxpayer has, by the due date, fully complied with the requirements of the notice, the return furnished shall be treated to be complete on the day it was furnished and the provisions of sub-section (1) shall apply accordingly.

(6) No notice under sub-section (3) shall be issued after the [1][expiry of one hundred and eighty days from the end of the financial year in which return was furnished], and the provisions of sub-section (1) shall apply accordingly.]

[2][(7) For the purposes of this section,-

(a) "arithmetical error" includes any wrong or incorrect calculation of tax payable including any minimum or final tax payable.

(b) "an incorrect claim apparent from any information in the return" shall mean a claim, on the basis of an entry, in the return,-

(i) of an item, which is inconsistent with another entry of the same or some other item in such return;

(ii) regarding any tax payment which is not verified from the collection system; or

(iii) in respect of a deduction, where such deduction exceeds specified statutory limit which may have been expressed as monetary amount or percentage or ratio or fraction.]

[1]Substituted for " end of the financial year in which return was furnished" by Finance Act, 2012 dated June 26, 2012.
[2]Sub-section (7) inserted by Finance Act, 2020 dated June 30, 2020.

9. Let us join hands to achieve our common goals, which are: -

- Simple tax laws
- Taxpayer friendly environment
- Honest and efficient tax administration
- Broadening of taxpayer base
- Reduction in appeals / disputes
- Increased voluntary compliance
- Greater taxpayer satisfaction

10. All our field offices and we at CBR shall be pleased to personally discuss and elaborate any apprehensions you may have in this regard."

Miscellaneous issues.– See footnotes after section 122 titled "Sections 120 to 122 – Misc."

Short notices and waste of time.– Following is an extract from Circular No. 13 ITP/1951, dated May 28, 1951, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

".....the time allowed, in notice for submission of accounts and evidence is often very short,sometimes,adayonly.Areasonabletime should be given in all cases and the Income Tax Officer should be able to judge what the reasonable time is in a particular cases."

8-155-20-03-2021

Following is the text of CBR's Letter C. No. 4(6)IT-3/88 dated February 17, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been brought to the notice of the Board that sometimes the time gap between the date of issuance of a notice by an Income Tax Authority and date of its compliance is unreasonably short. This period gets further curtailed by delay in service of such notice. Such a situation rightly gives a cause of grievance to the tax-payers.

2. I am directed to request that instructions may be issued to the assessing officers that they should always allow reasonable time for compliance of statutory notices issued by them."

Revision of income by 20% for acceptance of audit cases.– Following is the text of CBR's Letter C. No. 1(1)S.(ITAS)2004 dated July 28, 2004:–

"I am directed to refer to the subject. It is stated that in order to facilitate the non-corporate taxpayers selected for audit it has been decided to provide them an option of revising their income tax returns by paying 20% higher tax as compared to the tax payable on their original return provided there is no definite information against them.

2. In view of above it is requested that the subject taxpayers may be offered the above option and upon acceptance, audit in their cases may be closed."

Issue of cyclostyled letters and attendance notices.– Following is the text of Circular No. 10 of 1975 dated July 14, 1975, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Board has viewed with concern the growing tendency amongst the Assessing Officers to issue notices and cyclostyled letters calling for returns, statements and particulars without applying their mind to the requirements of each case. Recently aPakistani ambassador posted in a distant country was required to attend and produce certain documents within 12 days. In some wealth tax cases it was noticed that documents which had no bearing on the assessment were being requisitioned and senior officers of government were called to attend personally without any justification. In some other cases the time allowed u/s 34 of the Income Tax Act was curtailed to a week or ten days apparently without any reason. Complaints have also been received about the intemperate and threatening language used in letters to assessees, including ladies. The only inference from such instances is that the Assessing Officers blindly sign papers without realising the damage which may be caused tothe prestige of the Department, apart from other serious consequences that it may entail.

8-155-20-03-2021

2. Board desires that immediate instructions may be issued to the Assessing officers to:

(a) stop using cyclostyled letter forms unless the same have been approved by the Commissioner;

(b) study the case properly before calling for detailed particulars so that unnecessary or superfluous information is not demanded;

(c) abstain from calling ladies and salaried persons to office unless it is unavoidable for the purposes of assessment;

(d) allow 35 days' time to furnish the return of income and not curtail this time without prior approval of the Inspecting Assistant Commissioner;

(e) allow sufficient time for production of records and documents;

(f) ensure that letters addressed to assessees are invariably couched in polite language."

Also see Circular Letter C. No. 1(3)IT-IV/80, dated October 13, 1980.

Planning of assessment proceedings.– Following is the text of CBR's Letter C. No. 4(6)IT-3/88 dated February 17, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been brought to the notice of the Board that tax-payers have to wait for long durations outside the Income Tax Offices before they get a chance to represent their case. Besides unnecessary details are called for in a piecemeal manner which hinders the normal business routine of the tax-payers.

2. I am directed to say that whereas the Board appreciates that spacing of time for appearanceoftax-payersisnotalwayspossibleanddetailshavealsotobeobtainedincertain cases, it cannot also be denied that with proper planning and methodical handling of cases the delays and the repetitive notices can be avoided.

3. It is, therefore, expected that instead of issuing only a routine notice for hearing, the officer should also inform the tax-payers regarding the details/clarifications required by him at one go. The number of cases fixed should be such as can be easily attended to. The officers should properly space their work and should see to it that they attend to other routine work only when the hearing of cases is over and no tax payers are waiting for being heard.

4. These instructions may kindly be brought to the notice of all concerned."

Correct recording of designation and names on notices/orders.– Following is the text of Circular Letter C. No. 1(3)IT-9/82(3), dated April 6, 1983, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has come to the notice of the Board that some assessing officers do not record their correct designations or at times omit to mention their name while issuing notices, assessment orders or official correspondence.

I am directed to say that it may be brought to the notice of all assessing officers that they should record their designations correctly, i.e. 'Assistant Income Tax Officer' or 'Income Tax Officer' or 'Special Officer' whatever the case may be. Similarly name of the officer signing the document should also invariably be typed so that identity of the person signing the notice/order or any other official correspondence is known."

Procedure in account cases.– Following is an extract from CBR's Circular No. 11 of 1993 dated July 7, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A proviso has been added to sub-section (1) of section 62 to the effect that where the assessee produces books of account as evidence in support of the return, the assessing

officer shall, before discarding such accounts, give a notice to the assessee of the defects noted in the accounts to provide an opportunity to the assessee to explain his point of view and record such explanation and the basis of computation of total income of the assessee in the assessment order. This is in line with judicial decisions on the subject. With the introduction of this provision following such a procedure has become mandatory." [**Ref:***93 ITC 11 p. 38*]

Agreed assessments.– Following is the text of CBR's Circular No. 17 of 1990 dated December 20, 1990, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Generally the assessment of income by the Department, in case it is substantially higher than the income returned, is disputed by the taxpayers in appeal. Recovery of demand thus becomes difficult if not altogether impossible. Similarly, in some cases concealment is detected but it cannot be established in black and white for one reason or the other. Recovery of enhanced demand in such cases becomes possible only if the Department does not press the penal provisions.

2. In all such cases unnecessary disputes can be avoided and prompt collection of tax ensured through the system of "agreed assessment". It was because of these considerations that agreed assessments were permitted and instructions in this regard were issued vide Circular No. 17 of 1979 dated December 23, 1979.

3. Over a period of time however the assessing officers developed a tendency to resort to this procedure even in cases where proof of concealment of income was available on record. This circumventing of instructions on the subject led the board to discontinue the practice through Circular No. 15 of 1989.

4. Various representations have since been received, both from taxpayers and tax advisors that the system be reintroduced as it obviously leads to quicker decisions early collection and fewer disputed assessments. In view of the following, the Board has reviewed the situation and decided to allow making of "agreed assessments", subject to the following conditions:–

(i) In a case where there is evidence of clear and definite concealment, assessment should not be made on agreement basis;

(ii) Order should be approved by the IAC in cases of income upto Rs. 200,000/- (Rupees two lacs) and by Commissioner if it is more;

(iii) The entire payment of tax should be secured before the agreement;

(iv) The assessing officer should discuss the facts of the case and incorporate a comprehensive footnote to the assessment order showing the computation of income agreed upon;

(v) Brief facts and circumstances leading to the agreement should be typed on the order sheet and should be signed by assessee, ITO and IAC or in cases involving income exceeding Rs. 200,000/- by ITO, IAC, CIT and the assessee;

(vi) Before making agreed assessments internal and external sources of information should be utilized to the maximum possible extent."

Payment of tax before agreed assessment.– Following is the text of CBR's Letter No. 7(3)/DT-14/90 dated February 7, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to draw your attention to para 4(iii) of Circular No. 17 of 1990, issued vide Board's C. No. 7(3)/DT-14/90 dated 20th December, 1990, wherein it had been provided that in the case of agreed assessments the entire payment of tax should be secured before the agreement.

2. The issue was discussed in the Commissioners' Conference 1990, and, keeping in view the practical difficulties which may arise in the finalization of such cases, it was decided that:–

"The highest authority involved in the agreed assessment, if it so desires, may defer the payment of demand. In such cases it shall record reasons for so doing on the file."

3. This decision may be brought to the notice of all assessing authorities."

Following is an extract from CBR's Letter C. No. 7(3)/DT-14/90 dated February 19, 1991 which is with reference to para 4(iii) of Circular No. 17 of 1990, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"2. This is to clarify that "securing" means obtaining of a firm commitment for payment from the tax payers. It could be through an instrument such as a pay order or cheque or otherwise. Payment in cash, before the assessment is made, is not the condition as is obvious from the authorisation for deferring the payment even after the making of the assessment given by the Board vide letter of even number dated February 7, 1991."

Agreed assessment in concealment cases.– Following is an extract from CBR's Circular No. 17 of 1990 dated December 20, 1990, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In a case where there is evidence of clear and definite concealment, assessment should not be made on agreement basis".

Agreed assessments, capitalisation of intangible additions.– Following is the text of CBR's Letter C. No. ITA. 1(12)99(3) dated September 25, 1989, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to refer to your letter No. M/68 dated 24-6-1989 on the above subject and to say that the Board is of the view that additions made in the trading account in agreement with the assessee would not qualify to be incorporated in the books of account."

Following is an extract from Letter No. 337/89 dated November 18, 1989 from Lahore Tax Bar Association addressed to the Chairman CBR, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In reply to a query from one of the tax consultants, the CBR vide its letter C. No. ITA-1(2)/99(3) dated September 25, 1989 has expressed "the view that additions made in the trading account in agreement with the assessee would not qualify to be incorporated in the Books of Account." This view is erroneous and is an attempt to deprive the cooperative and compromising assessee from his legitimate right of getting benefit of intangible additions made in agreement. Even the Self Assessment Schemes for 1982-83 to 1987-88 contained provisions with respect to non-self assessment cases that "The trading account additions made in agreement with the assessee would qualify for incorporation in the books of accounts."

Sometimes for agreed additions the assessees revise their returns declaring revised higher profits/incomes, this aspect seems to have been ignored. Even otherwise the Courts have held intangible addition as real income for which the assessee is entitled to take credit in capital account (reference: (1987) 37 Taxation 204 (Karachi High Court), (1964) 51 ITR 755 (Indian High Court) and (1988) 58 Taxation 35 (Tribunal). Such benefit was even allowed in Martial Law Declarations for 1958 and 1969.

In view of the above it would be clear that the opinion expressed in CBR's letter is erroneous."

Following is the text of CBR's Letter No. 7(5) DT-14/1990 dated June 13, 1990, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The undersigned is directed to clarify that instructions given by the Board vide C. No. 1(12)99(3), dated 25th September, 1989 relate to incorporation of amounts represented by intangible addition on account of agreed assessment.

2. These instructions may not be applicable where the assessee exercises his legal right given under Section 57 of Income Tax Ordinance, 1979."

Following is the text of CBR's Letter C. No. 7(32)S.Asstt/92 dated January 29, 1995, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The undersigned is directed to invite your attention to Board's clarification C. No. ITA.1(12) 99(3), dated 25.09.1989 on the above subject and to state again that additions made in the trading account in agreement with the assessee would not qualify to be incorporated in the books of account." *[***ref:** *95 ITL 4 p. 2]*

Assessment in 2 hearings.– Following is the text of CBR's Letter C. No. 7(2)DT.14/94 dated July 3, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Reference is invited to Board's letter even number dated 01-02-1994. The undersigned is directed to say that it has been decided to restrict the number of hearings for completion of assessment to two instead of three. The second notice for hearing, therefore, would be clearly marked as "SECOND NOTICE, FINAL CALL". For issuance of third notice approval of the Inspecting Additional Commissioner concerned shall be required. However, other instructions on the subject, conveyed earlier vide above referred letter, shall also be followed accordingly in letter and spirit.

2. This decision may be brought to the notice of all the officers of your region. It may be noted that as per decision of the Cabinet the assessing officers would be held accountable for non-observance of these instructions and defiance thereof would be treated as "Misconduct" for which the defaulting officers will be proceeded against under the Efficiency and Discipline Rules, 1973." [**Ref:***94 ITL 39 p. 56*]

The earlier instructions vide letter of even number dated January 24, 1994 read as follows:–

"I am directed to say that it is generally alleged that inordinate delays occur in finalization of assessment proceedings which creates harassment amongst the tax payers. The matter has been considered in the Board. The following instructions are being issued for strict compliance by the field officers.

(a) The first notice under section 61 of the Income Tax Ordinance 1979 or Section 16(4) of the Wealth Tax Act 1963 may always be issued after scrutiny of the return and the notice may specifically indicate the details, documents and books of Accounts which the assessing officer wishes to examine while processing the case. The general practice of calling of information piecemeal and calling for "all books of accounts and details" in a stereotyped manner may be discontinued.

(b) Adjournments allowed or made in the proceedings may be recorded in writing and there may be no occasion to allow oral adjournments.

(c) Once the documentation and examination of books of account is complete, discrepancies, if any, and the proposed additions may be confronted to the assessee,inwriting,throughaformalnoticeundersection62 and the assessment proceedings be finalized in accordance with law. Under all circumstances such proceedings may be completed within 3 (three) hearings and not more.

2. The Inspecting Officers will report in their notes as to whether these instructions were followed by the assessing officers. Any violation of these instructions will be viewed seriously. These instructions may be circulated amongst all the officers and the tax Bar Associations."

Following is the text of CBR's Letter C. No. 7(2)DT-14/94 dated February 1, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In continuation of Board's instructions contained in its letter of even number dated 24-1-1994theundersignedisdirected to convey following further directions on the subject:–

i) It has been decided that the following procedure should be followed in assessment proceedings:–

a) The first notice of hearing should specify the details and information and the account books that are required to be produced by the assessee. A clear period of 15 days may be given for compliance. The notice may conspicuously indicate that this is FIRST call.

b) Only those details documents, books of account and information should be requisitioned which are necessary for making an assessment, unnecessary details which are generally examined or utilized in assessments may not be requisitioned.

c) Fifteen clear days period be allowed for compliance.

ii) If the requisitioned details, documents books are not complete, the order sheet entries should indicate the details produced and the time given for production of remaining details documents or books etc. It may be emphasised that the order sheet is intended to be a complete record of the proceedings, including discussions and conclusions, if any drawn so far.

iii) If the tax-payer does not appear on the given day or the details furnished are lacking in any respect, a second notice may be issued specifying the remaining details/documents still required. The notice should conspicuously indicate that it is SECOND NOTICE.

iv) If the second notice is not complied with, a third notice may be issued with the approval of IAC/CIT, and should be clearly marked "FINAL CALL".

v) Once the details have been furnished the assessee may not be called upon to appear more than twice and the case may be finalised accordingly.

2. These instructions may be brought to the notice of all the officers of your region. The assessing officers would be held accountable for non-observance of these instructions.

3. The taxpayers are also being advised through the Press to bring instances of inordinate delays in the decision of their cases, to designated officers." [**Ref:***94 ITL 10 p. 7*]

Quality of assessment orders.– Following is the text of CBR's Letter C. No. 7(2)DT.14/94 dated January 24, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to refer to the above and tosaythatithasbeenobservedthatquality of assessment orders is deteriorating very rapidly. Assessments are being made in a slipshod manner causing grave harassment and inconvenience to the tax payers. Resultantly, besides wastage of efforts and loss of revenue it brings a bad name to the department.

2. In order to overcome this, it has been decided to allot code numbers to the assessing officers for evaluating their performance in this regard. In future the performance of an assessing officer will also be judged from the fate of the assessment orders passed by him in appeal. If during one year, 50% of the assessment orders passed by any officer do not stand the test of appeal an adverse inference will be drawn regarding performance of such officer and proceedings may have to be initiated.

3. This may be brought to the notice of all concerned." [**Ref:***94 ITL 10 p. 7*]

Quality of assessments, common defects.– Following is the text of CBR's Letter C. No. 7(22)DTO-1/94 dated October 19, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been observed that a large number of assessment orders fail in appeal. An analysis recently carried out reveals certain common causes of these failures which are summarized below:–

i. Many of the cases which are about to get barred by limitation on 30th June are hastily decided exparte and adequate opportunity is not allowed to the assessees to explain their cases. Instances have been brought to the Board's notice that at times even the service is fictitious.

ii. The estimates of income are bald-there being no grounds to support them. The orders are generally not what can be said to be a speaking order.

iii. Assessing officers have on some occasion found to have made incorrect statements about dates of services as well as the fact of service of notices.

iv. Assessment orders are not passed and only demand notices are prepared and served. This has been observed even in cases where demand has been raised.

v. Cases which qualify for acceptance under the Self Assessment Scheme are many a times assessed exparte due to carelessness of the assessing officers.

vi. Some assessment orders finalized in the month of June were found to have been served after the lapse of more than six months.

vii. Even where appellate authorities issued specific directions these are not followed by the assessing officers.

2. I am directed to request you to please issue necessary instructions in this regard to the officers subordinate to you. The Inspecting Additional Commissioners be particularly instructed to keep in view the above observations while carrying out casual inspection." [**ref:***94 ITL 50 p. 63*]

Following is the text of CBR's Circular Letter C. No. 1(23)IT-I/77 dated January 1, 1977 as reported in the Third Edition (1988) of CBR's Income Tax Manual Part V, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Perusal of appellate orders has shown that a large number of appeals are lost before the Appellate Assistant Commissioners or the Tribunal.

(2) Assessing officer should, while framing assessments, take particular note of the following matters:–

(i) Where an assessment is made for default of service of a notice it has to be ensured whether the notice was properly served. Utmost case should be exercised in filing, issuance and service of notices. Before he signs notice, the Income Tax Officer should satisfy himself that there is no defect in the notice.

(ii) An order sheet should reflect a detailed and faithful record of the day to day proceedings mentioning the documents filed, books produced and examined, the books not produced, the queries made from assessee etc. If any omissions are observed, the relevant entry should be made by the Income Tax Officer over his signature. The entries should be explicit and meaningful. There should be no uncovered time gap between two entries.

(iii) An assessment order being a quasi-judicial order, the findings recorded therein should be precise and well-reasoned. In cases where accounts are rejected, the orders mustrecord in detail the reasons for rejecting the accounts. The defects in the accounts should be specified with instances or a signed admission regarding these defects be obtained from assessee/authorised representative. Before rejection of accounts, the explanation of the assessee be obtained and reasons for its being not acceptable should be recorded. If accounts are not to be accepted, the rejection must be stated in so many words. The responsibilities of the assessing officer do not end with rejection of accounts. He still has to estimate the sales, rate of profit or work out other appropriate additions to the trading results. These estimates and additions have to be fully justified. It may be remembered that the onus of justification of the adopted results or additions is on the assessing officer. The principles relating to disallowance or curtailment of an item of expenditure are same as those obtaining in rejection of accounts.

(iv) *Opportunity to explain.*– Before an adverse inference is drawn, the assessee should be afforded an opportunity to explain. Most of the appeals against the department succeed as no opportunity is afforded to the assessee. It can be done by a notice under section 62 or an entry on order sheet. If an assessee accepts a defect and the consequent adverse inference, an admission may by recorded on order sheet and got signed by assessee or his authorised representative and a reference be made in the order.

(v) *Reasons of rejection of explanation.*– If an explanation is not found to be acceptable, cogent reasons for its rejection have to be recorded. Without such reasons, the appellate authorities are likely to accept such explanations.

(vi) *Substantiation of allegations.*– If any defects are mentioned or any other allegations are made in the order like unvouchedness of purchases/sales or inflation in expenses, suppression of receipts etc. instances must be quoted or in the alternative signed admission of assessee/authorised representative be recorded. Similarly, non-maintenance of any books or records must be backed by such a signed admission by assessee. In a very large number of cases, the assessee do produce such record/books at the appeal stage, which the order says were not maintained.

(vii) *Past history.*– (a) In absence of any reasons to the contrary, the treatment meted outtoanassesseeoughttobeinlinewiththe past history of the case. If any departure is to bemade,therehavetobe very strong reasons for the same and material evidence has to be placed on file for the same. Results shown by another assessee or acceptance of a certain treatment by another tax-payer alone is no justification for departing from past history.

(b) The converse of this problem is that an expenditure is disallowed in one assessment year and while the appeal against this addition is still pending, the same expenditureisallowednextyearoraccountsarerejectedinoneyearandacceptedinthenext yearinthepresenceofsamedefects.Naturallywhenthe appeal against first order is heard, the assessee cites the subsequent assessment and gets the relief. Such inconsistencies should be avoided and Commissioners of Income Tax should take particular note of them.

(viii) *Parallel cases.*– Where any action is taken on the basis of a parallel case, the NTN of the case must be mentioned in the main body of the order and its full name and address in the "Note not for assessee". Secondly, before a parallel case is cited it should be ensured that it is "on all fours" with the case in question.

(ix) *Acceptance of over-ruled judgements.*– Very often, assessing officers accept an explanation of the assessee on the basis of a judgment cited by the assessee which has been over-ruled by still superior courts. Similarly, assessee's claims are allowed on the basis of judgements of ITAT or High Court against which the department is in appeal. No claim should be accepted on basis of a cited case without satisfying oneself that the judgment cited has not been over-ruled or has not been appealed against. In cases of doubt, higher authorities should be consulted.

(3) Iamalsodirectedtostatethat in future the emphasis of the department is going to be quality of assessments and non-observance of the instructions noted above shall be seriously viewed. The Commissioners of Income Tax/Inspecting Assistant Commissioners are also expected to ensure strict observance of these instructions."

Enquiries and spot visits.– Following is the text of CBR's Letter C. No. 7(35)DT.14/92 dated December 11, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Please refer to the above.

2. I am directed to say that the process of selection of cases for "Audit" for the assessment year 1993-94 would be completed soon. As already emphasized the contribution of officers in such cases would be closely watched. The officers, on the other hand are free to proceed to make such enquiries as the circumstances may warrant, including spot visits. It should, however, be ensured that the officers remain courteous,

patient and alert while visiting assessees premises. It should also be ensured that all enquiries and visits remain within the legal limits and no subordinate official is associated with such visits. All visits must be made with the prior approval of the Commissioner who may allow more than one officer to make the visit, if he considers it necessary. A comprehensive report of the visits describing *interalia*, the material discovered, verification conducted and books impounded etc., if any, must be submitted to the Regional Commissioner of Income Tax with in twenty four hours of such visits." [**Ref:***93 ITL 100 p. 69*]

Following is the text of CBR's letter C. No. 7(15)DT-14/94 dated June 19, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Please refer to Board's instructions contained in its C. No. 7(35)DT-14/93, dated 11-12-93. It has been brought to the notice of the Board that despite the instructions that the Inspectors/subordinate officials should not visit the assessees premises, the unwarranted visits have not abated.

2. It is once again requested that appropriate instructions be issued in this regard and it should be ensured that no subordinate official/inspector visits the assessee's premises except when he is accompanying his I.T.O. or Assistant Commissioner or Deputy Commissioner or other Senior Officer.

3. These instructions may please be brought to the notice of all concerned for strict compliance. It may please be clearly made known that violation of these instructions would be considered a 'misconduct' attracting 'major penalty' under the Efficiency and Discipline Rules, 1973.

4. Please acknowledge receipt." [**Ref:***94 ITL 27 p. 45*]

Undue harassment of tax payers.– Following is the text of RCIT, Central Region Lahore's letter No. 1600 dated September 28, 1989, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Recently the Prime Minister was pleased to preside over the Export Trophy Award organized by the Federation of Pakistan Chambers of Commerce and Industry. During the course of her presentation, the President of the Federation complained that as soon as the Export Awards are announced, the Tax officials start harassing the Prize Winners.

The Prime Minister was pleased to advise that harassment may be avoided in such cases.IwouldaccordinglyrequestyoutopleasedirectalltheOfficers in your Zone to refrain fromcausingharassmenttotheAwardWinnerswhomayhappentofallintheirjurisdiction."

No account cases, scrutiny of.– Following is the text of CBR's Circular Letter C. No. 1(49)-II-1/76 dated September 16, 1976 as reported in the Third Edition (1988) of CBR's Income Tax Manual Part V, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Thereseemstobea general tendency amongst the assessing officers to dispose of no-accountcaseswithoutanyseriousefforttogointothefacts.Itisgenerallypresumedbythem thatthesenо-accountcases fall in the lower income brackets and do not, therefore, deserve the time and attention given to the account cases. It has also been seen that a no accounts case continues to be assessed as such until a chance discovery of the books of accounts is made or some other piece of information indicating a sizeable business necessitating the maintenance of some sort of accounts reaches the Income Tax Officers. On the other hand experiencehasshownthatano-accountcaseisnotnecessarilyamarginallytaxablecaseand that a very sizeable number of quite well to do assessees earning income in the higher brackets are escaping taxation under the garb of being no-account cases.

(2) While the Board has no intention of causing any difficulties or harassment to all genuine cases of petty shopkeepers, professionals and the like who do not in fact maintain any accounts, the Income Tax Officers will nevertheless be well advised to make a re-

appraisement of the no-account cases assessed in their charges. In this connection the following broad guidelines may be kept in mind.

(3) Where the extent or nature of the trade or business is such that the maintenance of some sort of accounts is unavoidable, the Income tax Officers should normally issue notice under section 61 specifying quite clearly the books of account which should normally be maintained by the particular assessee whose case is in hand. For instance, a broker in cotton and cotton-seed and oil cakes acts for known parties and arranges forward contracts of delivery etc. In such cases, the conduct of business without accounts will not be believable. A surprise visit to the premises of the brokers will in most cases, result in the discovery of some record with the help of which the assessment of the case can reasonably proceed. Similarly, even the small transporters owning one or two vehicles cannot continue to be in business without requiring the running staff to render periodically some sort of accounts. If such assessees do not produce the accounts under section 61 they expose themselves to ex-parte assessment which the appellate authorities will not normally upset if some material is given in the order of the assessment that the maintenance of books of accounts was indispensable for the conduct of business.

(4) The next class of no-account cases to which attention is also to be paid are those of well-to-do retailers with premises in commercially important areas. In their case, a surprise visit of Inspector/Income Tax Officer would result in the discovery of books not only of the current year but of the preceding years also. It will, however, be better for the Income Tax Officer to undertake the surprise visits after an assessee has not complied with notice under section 61.

(5) In the rest of the cases, the Income Tax Officers will be the best judge as to whetherthenon-maintenanceofaccountsisgenuineandtheincomesofarassessed dos not needtobedisturbedinanysubstantialway.Hemust,however,eitherobtainaformalwealth statement under section 58 or record the assessee's statement specifically questioning him about the value of stocks, the properties, if any, standing in his name or in the name of his wife and dependents, the monthly expenses including rent, electricity and other expenses of similar nature and finally the fixed obligations like payments of insurance premium etc. Details of personal expenses may be obtained in the prescribed proforma.

(6) The Board's intention in issuing the foregoing instructions is that the Income Tax Officers will periodically test the position of the no-account cases in order to ensure that there is no abuse of the lenient treatment given by the assessing officers to the genuine-no-account cases. The Board considers that a periodical issue of section 58 notices in all such cases should be useful practice to follow."

Assessment of cotton ginners.– Following is an extract from RCIT Central Region's Letter No. J-30/89-90/7209/RC dated May 2, 1990, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The Central Board of Revenue advises that the method of estimating income on the basis of Net Profit rate per bale may be discarded. Secondly, where discrepancy is found between declared stock value as per books of account and the value estimated for purposes of pledge of stock with Banks, necessary inference according to the legal & factual position should be taken. Since this issue is pending before the I.T.A.T. it is not desirable to pre-empt the Judicial Process."

Assessment of foreign commission receipt.– Following is the text of CBR's Letter C. No. 80(4)/DTP-I/94(CC) dated July 6, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The undersigned is directed to say that the issue of assessment of foreign commission receipts was examined during the recent Budget exercise. It was observed that proper attention was generally lacking in this vital area of assessment. M(IT) has therefore shown concern over it, and has desired to ensure that proper assessments are

made in these cases, after careful scrutiny, particularly the indepth examination of expenses claimed." [**ref:** *94 ITL 33 p. 53*]

Assessment of textile mills.– Following is the text of CBR's Circular Letter C.No. 13(51)IT-1/76, dated April 27, 1977 as reported in the Third Edition (1988) of CBR's Income Tax Manual Part V, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been represented to the Board that:–

(i) theIncomeTaxOfficers determine the production capacity of the textile mills on the basis of standard production as laid down in the Textile Industry Capacity Committee Report, 1966 (Awan Committee) without going into the merits of individual cases;

(ii) the percentage of wastage is rejected arbitrarily; and

(iii) the hedge transaction losses are rejected without cogent reasons.

(2) Instructions regarding assessment of textile mills were issued in the past by the Director of Inspection (Taxes) vide his letter No. DIT-5(11)-MLR/70 dated 8th April, 1971 and 30th June, 1971. The intention of these letters was to provide guidelines to the assessing officers for proper assessments of textile mills. These letters do not contain any instructions that if the results shown by textile mills do not conform to production formulae mentioned in these instructions, the accounts should be rejected and income computed on the basis of said formulae.

(3) It is emphasised that each case is to be examined on its own merits and circumstances. Therefore, the accounts should be rejected only if patent defects in such accounts are discovered and the assessee's explanation for under-production is not found satisfactory. It is only in such cases that the basis provided in the Textile Industry Committee Report, 1968 (Awan Committee) may be considered as a guideline for determination of production. Similarly, the percentage of wastage shown by an assessee's explanation for claiming higher percentage of wastage is not found satisfactory. The quantum of additions on account of excessive wastage, lower production etc. should be based on the peculiar facts of the case, taking into account the quality of raw material, the type and age of machinery, history of the case, the results shown by parallel cases etc. These need not be in accordance with any standard formula. Regarding hedge transaction losses, the facts should be properly verified before rejecting such losses."

Disposal of loss cases.– Following is the text of Circular No. 2 of 1962, dated January 20, 1962, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has come to the notice of the Board that loss cases are being neglected by the Income Tax Officers and such cases are kept pending until the assessments are about to be time barred. As the losses of one year are to be carried forward for set off against the profits of the subsequent years, the assessee feel embarrassed for non-completion of earlier years assessments. This is very unhappy state of affairs. The importance of a case does not depend on the amount of profit declared in the return. It depends on the nature and magnitude of the business. The Income Tax Officers should give equal attention to loss cases and take them up for hearing and disposal regularly. In future the Income Tax Officers should keep record of cases in which returns showing losses are filed and dispose of these cases in the usual course."

Transfer of Assessing Officers.– Following is the text of Circular No. 4 of 1962, dated January 20, 1962, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been brought to the notice of the Board that the assessment proceedings, particularly in important cases, are very much delayed on account of transfer of officers, and that even though an officer has almost finally completed the examination and

investigation of a case he leaves the assessment uncompleted when he is transferred to another circle. As a result, his successor starts examination of the case afresh causing unnecessary inconvenience and harassment to the tax payers. The Income Tax Committee recently examined this complaint of the taxpayers and found it to be substantially correct. This is a highly unsatisfactory state of affairs. The Board directs that at the time of transfer of an Income Tax Officer assessments in all the part heard cases should be completed by him before he makes over charge. If for any special reason an assessment cannot be completed he should, with the approval of the IAC, leave a detailed note of his examination for his successor to start proceedings at the stage it is left by him. At the time of transfer of officer IACs should particularly ensure this."

Disposal of total audit cases.– Following is the text of RCIT Central Region's Circular No. 18 of 1988 dated March 2, 1988, explaining the corresponding provisions of the Income Tax Ordinance, 1979: –

"As a result of computerised random ballot, some cases in which assessment for the immediate preceding or the next preceding assessment has been completed after total audit are also picked up for total audit for the current assessment year. In such cases, it is unjust to subject the assessee to repeated appearances. Since the basis of assessment has once been determined after detailed examination, such cases should be finalised more expeditiously. The following instructions are issued for expeditious disposal of such cases:

1. In the case of individuals, who are not engaged in business, if there is no material change in Wealth Statement and the net wealth is reconciled with the earlier statement and the income declared is more or less the same as before, the case may be finalised immediately preferably in one hearing.

2. In case of individuals engaged in business, if–

(i) the conditions of para (1) above are satisfied, and

(ii) the results declared for the current assessment year are more or less the same as assessed for the preceding year after detailed scrutiny and the assessee agrees to be assessed on the same basis, the assessment may be finalised immediately in agreement with the assessee.

(iii) In case the assessee is in appeal against the last total audit assessment, in absence of any reasons to the contrary, the same treatment may be repeated after cursory examination.

3. In the case of other assessees engaged in business, the instructions at para 2(ii) and (iii) may be followed.

Instructions in this behalf may be issued to all IACs/ITOs."

Non-genuine commercial exporters, method of enquiry, etc.– Following is an extract from RCIT Central Region's letter No. 239, dated July 11, 1987, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"With the liberalisation of import policy lot of persons have got themselves registered as importers and are drawing licences which they sell in the open market. These licences are being utilised by existing importers who do not declare profits earned on such imports which are made in the name of the licence-holders. Likewise, the existing importers have also managed to get non-existing persons registered as importers and are utilising the licences issued in these fictitious names.

On the Income Tax side such "non-genuine" importers are filing returns under the Immunity clause and after paying a nominal amount of tax are obtaining huge refunds. Recently three such importers approached me through their common A.R complaining against non-issuance of refunds. When local enquiries were made it was found that they never existed at the addresses available on record. The* were obviously "ghost importers".

*apparently intended word is "They".

The modus operandi for this type of business is that these ghost licence-holders sell theirlicencestotheexistingimporters,whoutilisetheselicences.Noweveryimporter,which isissuedalicencehasadesignatedbankbranch through which he applies and receives the licencesfromtheCCI&E.Healsomakesthese imports ordinarily through the same branch. Butwhenhesellsalicenceto another party, the said party gets the licence transferred to a bank branch of his choice where a new account is opened in the importer's name and the goods are imported there.

This is necessary until the goods are received every transaction is to be done in the name of the seller of the licence, who is seldom trusted by the persons purchasing the licences.Thusallimportsmadethroughabankotherthanthe designated branch represent licences sold by the holders. In this behalf the following instructions must be carried out:–

(1) Inspectorsshouldbedeputedtovisitthebusinesspremisesavailableon record to ascertain whether the commercial importers, who received refunds last year or appliedforsuchrefundsdidactuallycarryonbusinessonthesaidpremises.Those who did not exist should be identified and information to be placed on their file. This exercise must be completed before 31.7.1987, when the returns are due.

(2) Even if the returns are filed under the immunity clause, the immunity should not be granted because these are ghost importers.

(3) Efforts should be made to ascertain the designated bank branch of such importers from the office of the Chief Controller of Imports & Exports.

(4) Bank branch may be asked to furnish information regarding the licences received and the licences transferred to other branches.

(5) Bank account of the assessee may be obtained from the said branch.

If the above enquiries are made it will be easy to establish that the importer did not actually import the goods but had sold his licences. From these enquiries it will also be possible to find out as to who was the actual importer.

Whatever be the result of the enquiry no refund shall be issued to commercial importers this year without obtaining a photo-copy of the identity card of the person obtaining the refund.

The receipt of this Circular may please be acknowledged."

Scrutiny of personal expenditure.– Following is the text of CBR's Circular No. 8 of 1973 dated August 1, 1973, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"While determining the income of an individual for purposes of income tax assessment, it is important to take note of his personal expenditure. If his expenditure, savings, investments and taxes in any year exceed his income of that year, he has to account for the excess. It is regrettable that so far such enquiries were either not made at all or only in a cursory manner. Board desires that in future enquiries into the personal expenditure of every individual assessed in the Companies Circles and Special Circles should be invariably made every year. In other circles such enquiries may be made in such cases as may be considered necessary. For this purpose the form appended to this circular should be used. All personal and household expenses are not listed in the form. The main purpose of the form is to obtain a broad idea of the standard of living of the tax payers and the Income Tax Officer should make such field enquiries in appropriate cases as he may consider desirable. After the return of income is received, the Income Tax Officer should send the assessee the form under a covering letter which may read somewhat as below:–

"Dear Sir,

Your return of income for the assessment year 19.....19.... has been received. I am enclosing herewith a form requiring particulars of personal expenditure

incurred by you during the year to which the return relates. It is requested that the form may be filled in and returned to the undersigned within 4 days of the receipt of this notice.

Yours faithfully

Income Tax Officer,
Circle.....".

(balance portion of Circular No. 8 of 1973 is not reproduced here)

Following is the text of CBR's Letter C. No.. 7(7)DT-14/90 dated 24th March, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

Reference is invited to Board's Circular No. 8 of 1973 on the subject whereby proforma for expenditure statement was circulated. Information regarding personal expenses, if obtained on that proforma, can be effectively utilized in making assessments.

2. I am, therefore, directed to request that all assessing officers may be asked to obtain annual expenditure statements on that proforma (a copy attached for ready reference) alongwith the wealth statement in all "Audit" cases of individuals.

3. The expenditure statement alongwith the statement under section 58 should be kept in a separate permanent folder. the forms of personal expenditure should be kept on the left hand side and the wealth statements on the right hand side of the folder. The inspecting officers should at the time of inspection note as to whether these statements were called for in all "Audit" cases of individuals, intelligently scrutinized and properly made use of by the Income Tax Officer, in completing the assessments.

ANNUAL EXPENDITURE STATEMENT

Name_____ N.T.N._____

For period_____ to_____

1. RESIDENCE (Please give complete address)._____
   a. If self occupied state amount of property tax paid annually
   b. If rented state amount of rent and name and address of owner of property. _____
   c. Expenditure on Electricity Sui Gas and Telephone at residence, please give consumer No./Meter No. _____
2. TRANSPORT EXPENSES.
   a. Please give make and model & Registration No. of Motor Cars/Scooters/other vehicles maintained by you and the annual expenditure thereof. This also includes transport owned by others but used by you. _____
   b. Inter city travel within Pakistan. Please state mode and frequency of expenses thereon. _____
3. EDUCATION OF CHILDREN.
   a. State No. of dependent receiving education _____
   b. Give name of the Institution _____
   c. State approximate annual expenses on fee and books. _____
4. CLUBS

   State annual expenditure and name of the Club. _____
5. Insurance policies for the family, state annual premium paid and policy No. _____
6. FOREIGN TRIPS INCLUDING HIMSELF AND OTHER FAMILY MEMBERS

   (Please state the No. & date of your passport even if you did not go abroad this year). _____

a. Countries Visited. _____
b. Duration of Visit. _____
c. Cost of Tickets. _____
d. Cost of Boarding/Lodging in case you stayed with family or friends. Please give their complete addresses). _____
e. Total approximate expenses including customs duty paid if any. _____

7. Please give details of foreign trips undertaken by your dependents. _____
8. Estimate of expenditure incurred on a marriage of any family member. _____
9. Estimate of annual medical expenditure including doctors fee and cost of medicine incurred in respect of your self and family dependents. _____
10. Number of servants employed, in case state salary paid. _____
11. Estimate of annual expenditure on food, clothing etc. _____
12. Estimate of expenditure on parties and functions.

"

Total

Following is the text of CBR's Circular Letter C. No. 13(68)-IT/76, dated November 17, 1976, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Reference is invited to Board's Circular No. 8 of 1973 on the above noted subject. The instructions contained in that circular should be kept in view while examining the personal expenditure of an assessee.

(2) Generally speaking personal expenditure of persons in the film industry is very high. Since their returns of income are usually unreliable, the assessing officer has to make recourse to provision of section 32 of the Ordinance for purposes of computing their income. The assessing officer's estimates of income would gain strength if these are backed by proper estimates of assessee's personal expenditure of the year."

Below taxable limit returns.– Following is the text of CBR's Letter C. No. 7(22)/DT-14/90 dated December 29, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Kindly refer to Board's letter C. No. 7(22)DT-14/90 dated 24-3-1991 on the above subject.

I am directed to say that instructions contained in the letter referred to above will also apply for the assessment year 1991-92."

Following is an extract from CBR's Letter No. 7(22)/DT-14/90 dated March 24, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"2. In the Conference of Commissioners of Income Tax the implications of the decisions had been discussed and it was agreed to focus attention on the assessment of important revenue yielding cases. Accordingly it has been decided that:–

(a) Normally all below taxable limit cases should be accepted as such, and

(b) Cases where last assessed income was more than Rs. 100,000 but income now declared is below taxable limit should be completed with the approval of Assistant Commissioner."

Following is the text of CBR's Letter No. 7(22)DT-14/90 dated November 1, 1990, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A random analysis of the return of income received this year shows that in a number of cases where income last assessed/declared was taxable, returns for assessment year 1990-91 have been filed at income less than the maximum amount which is not chargeable

to tax. This phenomenon calls for a closer examination. It has accordingly been decided that assessment in all such cases will be completed by the Income Tax Officer in consultation with the respective Inspecting Assistant Commissioner."

Proceedings filed cases.– Following is the text of CBR's Letter No. 248. IT-INF/91 dated April 15, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Proceedingsinalargenumber of cases are filed every year as the tax payers in these cases are either dead or are untraceable having discontinued their business/profession without leaving a clue as to their whereabouts. No returns are filed in these cases. The presence of such a large unproductive burden in a Circle greatly distorts the position of record the reporting system and the working of the Circle office, besides contributing to excessivepressureonworkingspace,cleanlinessandgeneralefficiencyoftheoffice.Inorder to improve the efficiency of Income Tax Circle office it is essential that this dead weight is removed from these units.

2. I am directed to say that, with the view of achieving the above stated objectives, the following action in respect of such cases, may please be taken.

Step One: Lists of all such cases, indicating name and address, where:

(a) no returns have been filed for the last five years,

(b) proceedings have been filed for the last five years, and

(c) There are no arrears outstanding

may be prepared by the ITOs and sent to the Commissioner by 1 June, 1991, The CIT will consolidate these lists into one list of their Zone and send a copy of this list in July, 1991 to DPC for statistical purposes.

Step Two: Commissioner should make arrangements by 30 June, 1991 for centralised keeping of the record in such cases till such time these are removed from NTN and destroyed.

Step Three: The ITOs should send records in such cases to the CIT by 31 July 1991. For all intents and purposes these cases then cease to exist on the records/registers or statements of the Income Tax Circle Office.

Step Four: Action may be taken by the ITOs for the recovery or write off of arrears in the remaining dead cases with them between July and December, 1991.

Step Five: In future the same steps may be followed for cases which satisfy the conditions (a) and (b) as stated in step one ante."

Denovo assessment of annulled assessments in appeals.– Following is an extract from CBR's Letter C. No. 1(3)DT-14/91, Pt. dated May 26, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Barring some cases, annulled assessment can also be taken up if not hit by limitation."

Assessment in case of Oversees Employment Promoters for the A.Y. 1992-93.– Please see CBR's letter C. No. 7(2)DT-14/92 dated August 13, 1992.

Cotton ginners, application of Section 80D.– Following is the text of CBR's Letter C. No. 2(4)WT/91 dated December 28, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to refer to your letter dated 13-12-1992 on the subject and to say that the agreement with Cotton Ginners Association referred to in your letter was subject to the provisions of section 80D of the Income Tax Ordinance, 1979 as is apparent from the said agreement. Your contention that tax under section 80D is liable only on the sales of cotton lint is not correct."

Assessment of Ginners for Assessment Year 1992-93.– Please see CIT Multan Zone's Letter No. 1522 dated September 8, 1992 and the Agreement dated August 16, 1992.

Assessment of yarn agents.– Please see CBR's Letter C. No. 7(32)D 14/92 dated July 24, 1994. [**ref:** *94 ITL 40 p. 56*]

Shopkeepers of flood affected areas.– Following is the text of CBR's Letter C. No. ITJI-1(21)/85 dated October 20, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The undersigned is directed to acknowledge the receipt of the copy of your letter dated 8-10-1992 addressed to the Prime Minister of Pakistan, which has been endorsed to the Board and to say that;

a) The genuine business losses sustained by the tax payers are duly taken care of under the Income Tax Ordinance, 1979 in the computation of incomes. The damage caused by the floods would be duly considered by the Income Tax Department in the relevant year of assessment.

b) The losses to property used for business purposes shall also be taken care of as provided for under the Income Tax Ordinance, 1979."

Windfall gains of Cement & LPG dealers.– Following is the text of CBR's Letter C. No 7(1)DT-14/93 dated April 10, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In continuation to Board's earlier letter of even number dated 4.01.1993, I am directed to say that during recent past a sudden upward trend in the prices of cement and Liquid Petroleum Gas has been observed. This increase might have resulted in abnormal profits to the cement dealers/Gas dealers. The assessing officers should therefore be directed to keep this fact in mind while making assessments in such cases."

First assessment by Survey Dept.– Following is the text of CBR's Letter C. No. 16(11)IT. INF/93 dated February 16, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Consequent upon jurisdiction order notified vide SRO 87(I)/93 dated 31 January, 1993 I am directed to state that:–

i. Each ITO working in CIT (Survey & Registration) may be assigned not more than 80 cases of persons other than companies and registered firms, discovered on the basis of internal survey and pertaining only to the station at which the officer is posted.

ii. The cases to be assigned to ITO (S&R) shall be transferred by RCsIT to respective Commissioners of Income Tax (Survey & Registration).

iii. The ITO (S&R) shall exercise jurisdiction on such cases upto decision of the first appeal. After decision of first appeal the concerned Regional Commissioner shall transfer the jurisdiction of such a case to the respective Zonal Commissioner of Income Tax.

iv. The same procedure shall be continued to be followed in future.

v. TheofficerintheSurvey&Registrationorganizationshallsubmitformalmonthly performance reports alongwith regular reports already being sent by them." [**Ref:***93 ITL 15 p. 9*]

Excise duty record, estimation of sales.– Following is the text of CBR's Letter C. No. 7(1)DT-14/93 dated January 4, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In a number of industries, the Central Excise department has fixed duty on the basis of capacity of plants. It has been generally observed that actual production is

invariably higher than that fixed by the Excise authorities for duty purposes. In these circumstances, the fixed capacity formula is not binding on the Income Tax Department. Directions may be issued to the assessing officers that while making assessment in such cases, total income may be calculated on the basis of actual production rather than the capacity formula fixed by the Excise authorities and for this purpose qualitative and quantitative analysis should invariably be analysed by the assessing officers for arriving at the real quantum of income of the tax-payer.

2. I am further directed to say that at times there is sudden fluctuation in the prices of certain items, raw material or expenses connected therewith which results into abnormal profits to the manufacturers/businessmen. The assessing officers should keep themselves abreast of such situations to ensure that these abnormal profits do not go untaxed." [**Ref:***93 ITL 1 p. 1*]

Audit procedure, guidance to assessing officers.– Following is the text of CBR's Circular letter C. No. 7(DT)-14/91 dated January 8, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Self Assessment Scheme pre-supposes the acceptance of returned income. The acceptance is not a licence for the taxpayer to do whatever they please. To ensure that the voluntary declarations are correct the Scheme has certain built in checks. One of these is the procedure of examination of a small number of returns filed under the Scheme. This examination has to be thorough and effective, and those found evading proper taxation, have to be brought to book if the check is to work satisfactorily.

2. Unfortunately our practice regarding this check, previously known as "detailed scrutiny" and now as "audit" has been to make only routine assessments in such cases by estimating sales and applying prevailing GP rates. The fear of being caught, and of accompanying punishments, has thus completely been eliminated. Assessments based merely on estimation of sales and application of GP rates cannot be termed 'audit' in any sense of the word. In international parlance audit implies examining of all accounts, supporting documents and vouchers accompanied by physical checking and verification of assets and stocks.

3. The Board desires that our audit may also confirm to those norms. In this connection the officers may not remain desk-bound and may not always insist on books of accounts, sales Inspectors, letter informing their Inspecting Assistant Commissioners may visit the business premises of the tax payers, get conversant with their system and style of operations sit in their accounting offices and examine and verify their accounts and documents there. This will facilitate the taxpayers as they will not be required to transport huge loads of accounting documents to multistoried Income Tax Buildings. It will also spare them the bother of sitting outside the income tax offices waiting for their turn for examination of their books of accounts, vouchers and allied documents.

4. I am, therefore, directed to request that the above instructions may kindly be brought to the notice of all assessing officers and some adequate arrangement may also be made to ensure that these are followed in their true spirit to have better results in the current financial year.

5. These instructions can be followed with equal efficiency in cases with income of Rs. 200,000 and above which do not qualify under Self Assessment Scheme."

FollowingisthetextofCBR'sCircularC. No. 7(41)DT-14/91 dated February 17, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"With reference to Board's Letter C. No. 7(41)DT-14/91 dated 8.1.92 on the above subject, I am directed to clarify that the purpose of the instructions issued is neither to create an atmosphere of harassment for the tax payers neither it is intended to be used indiscriminately. The only intention is to make fair and judicious assessments and to curb

the tendency amongst the assessing officers to complete assessment in a routine manner by sitting in their offices and estimating the sales, purchases, G.P. rates, production results even in those audit cases relating to such businesses or trades of which they have no practical knowledge and are not even conversant with their system of operations. In such cases not only that harsh assessments are made which lead to unnecessary appeals but sometimes cases involving substantial revenues do not get proper attention that they deserve, due to ignorance of various vital factors.

2. As already stressed in the circular adequate arrangements need to be made to ensureproperappraisementoffactsand circumstances prevailing in the nature of business conductedbythetaxpayersandeffortsshouldbemadetominimisetheelementofdiscretion and guess-work by the assessing officers so that judicious and fair assessments are made.

3. These instructions are to be followed in their true spirit as outlined above and without causing un-necessary concern in the business community. The visits need to be carried out only where considered necessary and no official may visit (as already instructed) without proper written permission of the concerned IAC or the Commissioner.

4. These clarification may also be brought to the notice of all assessing officers for strict compliance."

Following is an extract from CBR's Circular Letter No. 1(9)IT-1/80, dated March 13, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"3. Thepurposeofthiscircularistoprovidegeneralguidancetothe assessing officers intheconductofthisdetailedscrutiny.Althoughspecific trades/professions like contractors, real estate developers, doctors etc. have specific areas of investigation, in respect which instructions will be separately issued, the points which need special attention generally in all cases, irrespective of the nature of trade or profession are briefly discussed hereunder.

4. The income which is not reported to the Department is disposed of in either of the two ways.

(a) Appears in books or investment in property etc.

(b) Disappears-having been consumed or hidden away in cash/deposits/ valuables.

The black money which does appear may do so in any of the following forms:–

(i) Cash credits in fictitious names (including remittances from relatives abroad.)

(ii) Additions in capital (shown mostly as sale of jewellery),

(iii) gifts/inheritance received,

(iv) exempt income like income from agriculture, poultry farming, winnings of prize bonds.

(v) investment in property (the actual investment being far more than shown).

5. The money which disappears also leaves traces behind. The major areas to be probed in this behalf are personal and house hold expenses, marriages of children, travels abroad etc. The money going into undisclosed bank deposits is sometimes utilized as security against business loans.

6. Apart from total concealment of income the other broad category of evasion is diversion of income i.e. the income is recorded and declared but is done in the name of a person other than the real owner or beneficiary. This type of evasion is achieved by one of the following methods.

(a) Bogus firms.

(b) Business established or income yielding investments made in the name of family members, dependents or relatives (including where such persons are made benami partners in other firms).

(c) Creation of selling/purchasing agencies owned by relatives/dependents of the owner of main manufacturing concerns.

Detailed instructions in respect of examination of such cases are contained in separate annexures detailed as under:–

	Subject	Annexure
(a)	Cash credits.	I
(b)	Additions in capital account.	II
(c)	Exempt income.	III
(d)	Investment in property.	IV
(e)	Personal expenses.	V
(f)	Bogus firms.	VI
(g)	Benami Business.	VII
(h)	Wealth statement.	VIII

7. As stated above, these instructions are for general guidance and are only illustrative and not exhaustive. Apart from the areas of enquiry mentioned in the annexures, if any other useful information is available to the assessing officer from the records or otherwise it should also be utilized.

8. Detailed scrutiny/enquiry is a tedious process and in such circumstances, the assessees are bound to be evasive and non-cooperative. They are also likely to employ delaying tactics. It is, therefore, imperative that assessing officers should be avoided at all costs. Besides, it is easier to detect concealment than to establish in the assessment order in such a way that it is not upset in appeal. This requires collection of maximum evidence and affording the assessee maximum opportunity to explain his position. And last though not the least, is the importance of proper and systematic presentation of the case in assessment order. A good many cases of proven concealment have been lost in appeal because of poor drafting.

9. If, after completion of scrutiny, concealment is established, maximum penalties should be levied and prosecution filed (after approval by the Board.). In case concealment is not established but material defect in accounts are discovered warranting rejection of accounts, efforts should be made to make a lumpsum addition to the declared income keeping in view (a) past history of the case (b) capital employed in business (own and borrowed) and income shown as compared with capital employed and income assessed last year (c) any ad-hoc addition made in the return by the assessee voluntarily for self assessment etc. Such addition should be made as far as possible with the consent of the assessee. Estimate of sales and application of routine rate of profit should be avoided as far as possible.

Note: Ordinarily tax payers understate their turnover but show higher rate of profit to conform to the rate ordinarily applied in their trade. If an assessee declares correct (or at least higher) turnover but lower rate of profit then in such a case estimate of sales, based on higher turnover shown, and application of the usual rate of profit would cause hardship. Hence the insistence upon relating the lumpsum addition to the income declared and capital employed this year and income assessed in the earlier year. The anxiety is that if an assessee himself shows higher turnover or income for self-assessment, he should not be punished for it.

10. If as a result of the scrutiny, neither concealment is established nor any major defects are discovered, the accounts and income should be gracefully accepted and petty P & L account additions in such cases should be avoided as far as possible.

8-99-29-06-13

11. The undersigned is directed to state that in the cases selected for detailed scrutiny, the instructions contained in this Circular are to be complied with. The Directorate of Inspection has been directed to carry out inspection of such cases on their completion. Disciplinary action will be taken for violation of these instructions.

12. Similar instructions about specific trades and professions like contractors, forest contractors, real estate developers etc. medical practitioners and mine-operator shall be separately issued by the Directorate of inspection (Taxes)."

[1][ ]

[1]S. 120A omitted by Finance Act, 2013 dated June 29, 2013. Earlier it was inserted by Finance Act, 2008 dated June 27, 2008.

S. 120-Omission-Before omission by F.A. 2013 it read as follows:-

"**120A. Investment Tax on income.-** (1) Subject to this Ordinance, the Board may make a scheme of payment of investment tax in respect of undisclosed income, representing any amount or investment made in movable or immovable assets.

(2) Where any person declares undisclosed income under subsection (1) in accordance with the scheme and the rules, the tax on such income called investment tax shall be charged at such rate as may be prescribed.

(3) Where a person has paid tax on his undisclosed income in accordance with the scheme and the rules, he shall –

(a) be entitled to incorporate in his books of account such undisclosed income in tangible form; and

(b) not be liable to pay any tax, charge, levy, penalty or prosecution in respect of such income under this Ordinance.

(4) For the purposes of this section –

(i) "undisclosed income" means any income, including any investment to be deemed as income under section 111 or any other deemed income, for any year or years, which was chargeable to tax but was not so charged; and

(ii) "investment tax" means tax chargeable on the undisclosed income under the scheme under subsection (1) and shall have the same meaning as given in clause (63) of section 2 of the Income Tax Ordinance, 2001."

The elaborate **annexures** have not been reproduced here.

Complete particulars of taxation officers on statutory notices.– Following is the text of RCITs letter No. RCIT/G/instr/SO-IV/4837, dated April 8, 2003:–

"Please refer to the subject.

I am directed to request you to ensure that in future any communication of the Taxation Officer with the assessee must carry his following particulars:–

(i) Name of the Taxation Officer.

(ii) Designation.

(iii) Complete address of the Circle.

(iv) Telephone Number.

I am further directed to say that in order to facilitate the taxpayers, meetings with the officers be avoided between 9:00 a.m. to 1:00 p.m. so that the Taxation Officer could adequately concentrate on the assessment work as well as needs of the taxpayers."

Also see notes to section 32 for **rejection of books of accounts** and for **computation of income from construction contracts.**

Also see notes after section 122 under the heading **Sections120 to 122Misc.**

S. 120A-Introduction of Investment Tax.-Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"In order to encourage and promote investment in business and industry, a time bound scheme of investment tax has been introduced allowing any past and present investment made in the business, industry, moveable or immovable assets to be declared in accordance with the scheme and tax paid @ 2% on the fair market value of investment as declared under the scheme. The declarant shall not be liable to any pecuniary or penal action, in respect of such income/assets, under the Ordinance.

8-99-29-06-13

[1][**120B**. **Restriction of proceedings.-** (1) Where any person entitled to declare undisclosed assets, undisclosed expenditure and undisclosed sales under the Assets Declaration Act, 2019 declares such assets, expenditures or sales to pay tax, no proceedings shall be undertaken under this Ordinance in respect of such declaration.

(2) Notwithstanding anything contained in any other law, for the time being in force, sub-section (3) of section 216, except the provisions of clauses (a) and (g) of sub-section (3) of section 216, particulars of the persons making declaration under the Assets Declaration Act, 2019 or any information received in any declaration made under the said Act shall be confidential.]

[1]S. 120B inserted by Finance Act, 2019 dated June 30, 2019.

11.1 New taxpayers availing the scheme would be required to file returns of income for the tax year 2008, at least for three subsequent tax years. However, they would neither be asked to file return of income for the last five years nor sources of acquisition of assets during the said period of five years as declared under the scheme would be questioned. This scheme would prove to be instrumental in substantially improving the tax base. The scheme has been released by the Board vide Circular No.03 of 2008 dated July 1, 2008."

8-179-05-07-2024

[1][**121. Best judgement assessment**.– (1) Where a person fails to–

[2][ ]

[3][ ]

[4][(ab) furnish return of income in response to notice under sub- section (3) or sub-section (4) of section 114; or]

[1]Section 121 substituted by Finance Act, 2003 dated June 17, 2003.

[2]Clause (a) omitted by Finance Act, 2010 dated June 30, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[3]Clause (aa) omitted by by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finance Act, 2009 dated June 30, 2009.

[4]Clause (ab) inserted by Finance Act, 2017 dated June 20, 2017.

Cl. (a)-Omission.- Before omission by F.A. 2010 & Finance (Amendment) Ordinance, 2009, it read as follows:-

"(a) furnish a return of income as required by a notice under sub-section (3) or sub-section (4) of section 114; or"

Cl. (aa)-Omission.- Before omission by F.A. 2020, it read as follows:-

"(aa) furnish a statement as required by a notice under sub-section (5) of section 115; or"

S. 121– Best judgement assessment, substitution.– Section 121 before substitution by Finance Act, 2003, read as follows:–

"121. Assessment of persons who have not furnished a return.– (1) Where a person required [1]under this Ordinance [2][, or the repealed Ordinance,] to furnish a return of income for a tax year fails to do so by the due date, the Commissioner may, based on any available information and to the best of the Commissioner's judgement, make an assessment of the taxable income of the person and the tax due thereon for the year.

(2) As soon as possible after making an assessment under this section, the Commissioner shall issue, in writing, an assessment order to the taxpayer stating –

(a) the taxable income of the taxpayer for the year;

(b) the amount of tax due;

(c) the amount of tax paid, if any; and

(d) the time, place, and manner of appealing the assessment order.

[1]In making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002, the Ordinance shall have effect as if for the words and comma "under this Ordinance, or the repealed Ordinance" the words "by the Commissioner through a notice" were substituted, vide Notification No. SRO 633(I)/2002 dated September 14, 2002 issued u/s 240. This notification was later on rescinded by Notification No. SRO 608(I)/2003 dated June 24, 2003.

[2]Commas and words inserted by Finance Ordinance, 2002 dated June 15, 2002.

(3) An assessment order shall only be issued within five years after the end of the tax year [1][, or the income year,] to which it relates [2]and shall be an alternative to the application of sub-section (4) of section 114."

[1]Commas and words inserted by Finance Ordinance, 2002 dated June 15, 2002.

[2]In making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002, the Ordinance shall have effect as if the words etc. "and shall be an alternative to the application of sub-section (4) of section 114" were omitted, vide Notification No. SRO 633(I)/2002 dated September 14, 2002 issued u/s 240. This notification was later on rescinded by Notification No. SRO 608(I)/2003 dated June 24, 2003.

8-180-10-09-2024

[1][(ac) furnish return of income in response to notice under sub-section (3) of section 117; or]

(b) furnish a return as required under section 143 or section 144; or

(c) furnish the statement as required under section 116; or

(d) produce before the Commissioner, or [1a][a special audit panel appointed under sub-section (11) of section 177 or] any person employed by a firm of chartered accountants [2][or a firm of cost and management accountants] under section 177, accounts, documents and records required to be maintained under section 174, or any other relevant document or evidence that may be required by him for the purpose of making assessment of income and determination of tax due thereon [3][and the assessment, if any, treated to have been made on the basis of return or revised return filed by the taxpayer shall be of no legal effect],

the Commissioner may, based on any available information or material and to the best of his judgement, make an assessment of the taxable income [2][or income] of the person and the tax due thereon [3][and the assessment, if any, treated to have been made on the basis of return or revised return filed by the taxpayer shall be of no legal effect].

[4][(1A) For the purposes of making a best judgment assessment under sub-section (1), the Commissioner may determine taxable income on the basis of sectoral benchmark ratios prescribed by the Board.

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[1]Clause (ac) inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

[1a]Inserted by Finance Act, 2015 dated June 30, 2015. There is some typing error in the gazette stating this as a substitution for the word "or" appearing before the inserted words.

[2]Words inserted by Finance Act, 2010 dated June 30, 2010.

[3]Inserted by Finance Act, 2012 dated June 26, 2012.

[4]Sub-section (1A) inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

S. 121.- Best judgement assessment. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"As per sub-section (1) of section 117, a person discontinuing business shall give a notice in writing to the Commissioner to that effect within fifteen days of the discontinuance. Sub-section (3) of section 117 authorizes the Commissioner to call for return of income where no notice has been given by the person to the Commissioner under sub-section (1). In order to streamline the mechanism of assessment in cases where the person fails to file return in response to notice under sub-section (3) of section 117, a new clause (ac) has been inserted in sub-section (1) of section 121 enabling best judgment assessment in such cases.

A new sub section (1A) has been introduced in section 121 whereby the Commissioner may also make best judgment assessment on the basis of sectoral benchmark ratios. Through an explanation in this sub-section, sectoral benchmark ratios have been defined similar to the definition in the explanation in sub-section (2AA) of section 177."

Following is an extract from CBR's Circular No. 7 of 2003 dated July 11, 2003:–

"Section 121 has been substituted stipulating the reasons, procedure and limitation for making best judgment assessments."

8-180-10-09-2024

Explanation.- The expression "sectoral benchmark ratios" means standard business sector ratios notified by the Board on the basis of comparative cases and includes financial ratios, production ratios, gross profit ratio, net profit ratio, recovery ratio, wastage ratio and such other ratios in respect of such sectors as may be prescribed.]

(2) As soon as possible after making an assessment under this section, the Commissioner shall issue the assessment order to the taxpayer stating–

(a) the taxable income;

(b) the amount of tax due;

(c) the amount of tax paid, if any; and

(d) the time, place and manner of appealing the assessment order.

Ss. 121, 122, 122A, 122C, and 177.- Mandatory use of Compliance Risk Management (CRM) System for Initiation of Assessment Proceedings under the Income Tax Ordinance, 2001 with effect from 1st September, 2026.- Following is the text of FBR's Circular No. 01 of 2026-27 dated August 31, 2025:-

"In exercise of the powers conferred under the Income Tax Ordinance, 2001 (XLIX of 2001) and in order to bring transparency, uniformity, and objectivity in the selection of cases for assessment, the Federal Board of Revenue (FBR) hereby issues the following directions to all field formations of Inland Revenue.

2. With effect from 1st September 2026, it is hereby directed that no new amendment of assessment proceedings, including but not limited to proceedings under sections 121, 122, 122A, 122C, and 177 of the Income Tax Ordinance, 2001, shall be initiated or amended by any officer of Inland Revenue unless the case has been selected and assigned through the Compliance Risk Management (CRM) System. Any proceedings initiated in violation of this Circular shall be deemed unauthorized and may be rendered void ab initio by the competent authority.

3. Assessment proceedings already initiated and in-progress as of 31st August, 2026 may be concluded under the existing framework. However, any fresh amendment, reassessment, or new show-cause notice in relation to such cases issued on or after 1st September 2026 shall comply with the CRM-based selection process mandated under this Circular.

4. Any request for exemption from the CRM-based selection process shall be submitted in writing to the Member (Inland Revenue-Operations) with complete justification. No exemption shall be granted unless specifically approved in writing by the Member (IR-Operations) or an officer duly authorized by him.

5. All Chief Commissioners Inland Revenue (CCIRs) are directed to ensure strict compliance of this Circular within their respective jurisdiction.

6. The Directorate-General (Compliance Risk Management) is hereby directed to ensure uninterrupted operability of the CRM System and to provide necessary technical support, training, and guidance to field formations. Any system downtime or technical issue affecting the CRM System shall be reported to the Member (IR-Operations) within twenty-four (24) hours.

7. This Circular shall have overriding effect over any previous circulars, instructions, standard operating procedures, or administrative orders issued by FBR or its field formations that are inconsistent with the mandatory use of the CRM System for initiation of assessment proceedings. All such prior instructions are hereby superseded to the extent of inconsistency.

8. This Circular is issued in exercise of the powers vested in the Federal Board of Revenue under Section 214 of the Income Tax Ordinance, 2001, read with the rules and regulations framed thereunder, and in furtherance of the policy to digitize and automate tax administration."

8-191-15-09-2025

S. 121(1)(aa)-Best Judgement Assessment in FTR Cases.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"The powers of the Commissioner of Income Tax to make best judgment assessment u/s 121 of the Ordinance on the basis of available information and material have been extended to such cases where a person fails to furnish statement of final taxation under sub-section (5) of section 115 of the Ordinance."

Supreme Court's observations.– Following is the text of Circular No. 45(15)ITP/58, dated August 4, 1970, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Intheirjudgmentdated 22nd January, 1969 in the above noted case *their lordships of the Supreme Court of Pakistan have made certain observations regarding the nature of an assessment order made under Section 23(4) of the Income Tax Act. Relevant portion of the judgment is reproduced below for the guidance of the officers of the Department.

8-191-15-09-2025

(3) An assessment order under this section shall only be issued within [1][six] years after the end of the tax year or the income year to which it relates [2]*[:]*]

[2][Provided that where notice for furnishing a return of income under sub-section (4) of section 114 is issued in respect of one or more of the last ten completed tax years in pursuance of proviso to sub-section (5) of section 114 an assessment order under this section shall only be issued within two years from the end of tax year in which such notice is issued.]

122. Amendment of assessments.– (1) Subject to this section, the Commissioner may amend an assessment order treated as issued under section 120 or issued under section 121 [3][,[3]*[ ]*] [4][, or [5]*[]*,] by making such alterations or additions as the Commissioner considers necessary [6][ ].

[7][(2) No order under sub-section (1) shall be amended by the Commissioner after the expiry of five years from the end of the financial year in which the Commissioner has issued or treated to have issued the assessment order to the taxpayer.]

(3) Where a taxpayer furnishes a revised return under sub-section (6) [8][or (6A)] of section 114–

(a) the Commissioner shall be treated as having made an amended assessment of the taxable income and tax payable thereon as set out in the revised return; and

(b) the taxpayer's revised return shall be taken for all purposes of this Ordinance to be an amended assessment order issued to the taxpayer by the Commissioner on the day on which the revised return was furnished.

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[1]Substituted for "five" by Finance Act, 2022 dated June 30, 2022.
[2]Substituted for full stop and proviso inserted by Finance Act, 2018 dated May 23, 2018.
[3]Words etc "or issued under section 122C," omitted by Finance Act, 2017 dated June 20, 2017. Earlier inserted by Finance Act, 2012 dated June 26, 2012.
[4]Commas and words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.
[5]Words etc. "issued under section 59, 59A, 62, 63 or 65 of the repealed Ordinance" omitted by Finance Act, 2012 dated June 26, 2012.
[6]Words "to ensure that the taxpayer is liable for correct amount of tax for the tax year to which the assessment order relates" omitted by Finance Act, 2003 dated June 17, 2003.
[7]Sub-section (2) substituted by Finance Act, 2009 dated June 30, 2009.
[8]Inserted by Finance Act, 2010 dated June 30, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

"As to Abdul Ghafoor, he has withheld evidence and has allowed best judgment assessment to be made in terms of sub-section (4) of Section 23 of the Income-tax Act. Such an assessment must exhypothesi be made on inadequate materials, therefore, it is a judgment in the sense of being a well-considered conclusion not dishonest, vindictive or capricious. Attempts have been made to show that some of the expressions used and observations made in the orders are open to criticism. Such attempts are themselves unjustified, because whatever vagueness or uncertainty is found to exist in the orders is the result of the conduct of the assessees who withheld evidence. A best judgment assessment "must be to some extent arbitrary". See *C.I.T.* v. *Laxminarain Badridas*".

[*] *A. Ghafoor S/o Suleman* v. *The CIT Karachi*, Civil Appeal No. K-60 of 1964.

8-168-31-08-2022

S. 121(3)-Time Limitation in Case of Best Judgment Assessment.-Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"Currently time limit of 5 years has been prescribed for best judgment assessment. This limit has been enhanced to 6 years in line with other time limitations prescribed under law."

S. 121(3)–Limitation where a return is voluntarily filed for past years.– Following is an extract from CBR's Circular No. 8 of 1982, dated July 8, 1982, explaining the corresponding provisions of the repealed Ordinance:–

"A person can voluntarily file return of income for any of the past years. In the present law, however, there was no provision for making an assessment if such return was filed after the expiry of two years from the end of the year in which the income was first assessable.

In order to remove this lacuna section 64 has been re-drafted. Sub-sections (1) and (3) contain the old provisions, sub-section (2) lays down that assessment in cases where return is filed voluntarily after due date would be made within two years from the end of the financial year in which the said return is filed."

S. 122-Amendment of Assessment u/s 122.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"The power of the Commissioner to amend assessment of taxable income under section 122(1) has been extended to amend provisional assessment under section 122C. The revisional power of the Commissioner under section 122(5A) has also been extended to allow him to make or cause to make such enquiries as he may deem necessary."

S. 121(2)-Substitution.-Before substitution it read as follows:-

"(2) An assessment order shall only be amended under subsection (1) within five years after the Commissioner has issued or is treated as having issued the assessment order on the taxpayer."

S. 122(2)&(4)-Limitation for amendment of Assessment.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Sub-sections (2) and (4) of section 122 of the Ordinance have been amended to provide a uniform timeline of five years reckoned from the end of the financial year in which the Commissioner has issued or treated to have issued the assessment order to the taxpayer for amendment of assessment. Previously such limitation for finalization of assessment was to be worked out with reference to the date of filing of return which had created difficulties in ascertaining the limitation period in different cases where returns were filed on different dates during the tax year."

S. 122–Amendment of Assessments.– Following is an extract from Circular No. 10, dated July 16, 2010:–

"The following amendments have been made in section 122 of the Income Tax Ordinance, 2001:-

(i) Sub-section (4) of section 122 of the Income Tax Ordinance, 2001 has been amended. This sub-section provides for further amendment of assessments amended already under sub-section (1) and subsection (3) of section 122 of the Income Tax Ordinance, 2001. In certain situations assessments amended under sub-section (5A) are also allowed to be further amended now under sub-section (4) of section 122. These amendments are aimed at streamlining the functions of assessment for safeguarding revenues.

(ii) Through insertion of sub-section (5AA) the Commissioner has been empowered to amend an assessment order under sub-section (5A) and such coverage operates retrospectively, from 1st day of July, 2003."

S. 122–Additional assessment.– Following is an extract from Circular No. 10 of 1979, dated October 1, 1979, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Provisions of section 65 stipulate that the Income Tax Officer may issue a notice to assessee containing all or any of the requirements of a notice under Section 56 or Section 58. The reference to section 58 which relates to filing of wealth statement is likely to create unwanted complications and difficulties. The reference to Section 58 has been omitted from the provision by a notification issued under Section 167 of the Ordinance."

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(4) Where an assessment order (hereinafter referred to as the "original assessment") has been amended under sub-section (1) [1][,] (3) [2][or (5A)], the Commissioner may further amend [3][, as many times as may be necessary,] the original assessment within the later of–

(a) five years [4][from the end of the financial year in which] the Commissioner has issued or is treated as having issued the original assessment order to the taxpayer; or

(b) one year [4][from the end of the financial year in which] the Commissioner has issued or is treated as having issued the amended assessment order to the taxpayer.

[5][(4A) In respect of an assessment made under the repealed Ordinance,nothing contained in sub-section (2) or, as the case may be, sub-section (4) shall be so construed as to have extended or curtailed the time limit specified in section 65 of the aforesaid Ordinance in respect of an assessment order passed under that section and the time-limit specified in that section shall apply accordingly.]

[6][(5) An assessment order in respect of a tax year, or an assessment year, shall only be amended under sub-section (1) and an amended assessment for that year shall only be further amended under sub-section (4) where, on the basis of [7][audit or on the basis of definite information] the Commissioner is satisfied that–

(i) any income chargeable to tax has escaped assessment; or

(ii) total income has been under-assessed, or assessed at too low a rate, or has been the subject of excessive relief or refund; or

(iii) any amount under a head of income has been mis-classified.]

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[1]Substituted for "or" by Finance Act, 2010 dated June 30, 2010.

[2]Inserted by Finance Act, 2010 dated June 30, 2010 and this amendment shall have effect from July 1, 2003.

[3]Commas and words inserted by Finance Ordinance, 2002 dated June 15, 2002.

[4]Substituted for "after" by Finance Act, 2009 dated June 30, 2009.

[5]Sub-section (4A) inserted by Finance Act, 2003 dated June 17, 2003.Earlier, vide Notification No. SRO 633(I)/2002 dated September 14, 2002 issued u/s 240, it was provided that "in making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002, the Ordinance shall have effect as if after sub-section (4), sub-section (4A), as under, were inserted:–

"(4A) An amended assessment shall only be made within six years of the date of original assessment." "

This Notification was later rescinded by Notification No. SRO 608(I)/2003 dated June 24, 2003.

[6]Sub-section (5) substituted by Finance Act, 2003 dated June 17, 2003.

[7]Substituted for "definite information acquired from an audit or otherwise," by Finance Act, 2020 dated June 30, 2020.

The above referred Notification No. SRO 885(I)/79, dated October 1, 1979, and later on Finance Ordinance, 1980, omitted the words and figure "or section 58".

8-168-15-08-2022

S. 122(5)–Substitution.– Sub-section (5) before substitution by Finance Act, 2003, read as follows:–

"(5) An assessment order shall only be amended under sub-section (1) and an amended assessment shall only be amended under subsection (4) where the Commissioner–

(a) is of the view that this [1]Ordinance has been incorrectly applied in making the assessment (including the misclassification of an amount under a head of income [2][, incorrect payment of tax with the return of income, an incorrect claim for tax relief or rebate,],[*] an incorrect claim for exemption of any amount or an incorrect claim for a refund); or

(b) has definite information acquired from an audit or otherwise that the [3]assessment is incorrect."

[1]In making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002, the Ordinance shall have effect as if after the word "Ordinance" the words "or the repealed Ordinance" were inserted, vide Notification No. SRO 633(I)/2002 dated September 14, 2002 issued u/s 240. This Notification was later rescinded by Notification No. SRO 608(I)/2003 dated June 24, 2003.

[2]Substituted for "to claim tax relief" by Finance Ordinance, 2002 dated June 15, 2002.

[3]In making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002, the Ordinance shall have effect as if for the words "assessment is incorrect" the words "income has been concealed or inaccurate particulars of income have been furnished or the assessment is otherwise incorrect" were substituted, vide Notification No. SRO 633(I)/2002 dated September 14, 2002 issued u/s 240. This Notification was later rescinded by Notification No. SRO 608(I)/2003 dated June 24, 2003.

[*]after the amendment the comma had become superfluous.

Issues raised in audit to be confronted before making amended assessment.– Following is an extract from Circular No. 7 of 2003 dated July 11, 2003:–

"It has been made obligatory on the Commissioner to obtain taxpayer's explanation on all the issues raised in any audit before passing an order amending the assessment under section 122 of the Income Tax Ordinance, 2001."

Removal of ambiguity.– Following is an extract from CBR's Circular No. 14 of 1992 dated July 1, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Through a retrospective amendment in section 65 of the Ordinance, the Income Tax Officer has been empowered to re-assess the income assessed earlier under the self-assessment scheme or simplified procedure of assessment or deemed to have been so assessed under sub-section (1) of section 59 or 59A read with sections 80B, 80C and 80CC. This provision aims at providing a remedy against the possible loss of revenue on account of acceptance of declared incomes without scrutiny and verification."

Limitation for completion of additional assessment.– Sub-section (3) of the Income Tax Ordinance, 1979, was substituted and a new Sub-section (3A) was added by the Finance Ordinance, 1982. These amendments were explained in Circular No. 8 of 1982, dated July 8, 1982, an extract wherefrom is as follows:–

"Under section 65(3) additional assessment can be made upto ten years from the end of assessment year in which total income was first assessable. This gave little time for completion of assessment if proceedings were initiated in the 10th year. A new sub-section (3A) has been added to the effect that once a notice under section 65 is served, proceedings would be completed within one year from the end of the financial year in which it was served. This amendment will be applicable to the notices issued on or after 1-7-1982."

8-149-15-07-2020

Assessments completed under the repealed Ordinance.– Following is the text of CBR's letter No. F. 4(75)/ITP/2002 dated June 28, 2003:–

"The undersigned is directed to refer to your letter dated June 23, 2003 on the subject and to state that by virtue of an amendment in sectioin 122(1) through Finance Ordinance, 2002 the provisions of the said section may be invoked in assessments completed under section 59, 59A, 62, 63 or 65 of the repealed Ordinance. Through Finance Act, 2003, the limitation period as contained in section 65 of the repealed Ordinance has also been provided in section 122 through insertion of sub-section (4A).

2. As regard the provisions of rule for the purposes of section 111 it is stated that rule 228 of Income Tax Rules, 2002 contains the procedure of valuation of assets."

Re-opening, conditions.– Following is an extract from Circular No. 6 of 1987 dated July 5, 1987, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Certain amendments have been made in section 65. Until now an assessment could be re-opened if:–

(i) definite information had come into the possession of the Income Tax Officer, or

(ii) previous approval of the Inspecting Assistant Commissioner had been obtained.

Sub-section (2) of section 65 has been amended to provide that an assessment can be reopened only when definite information comes into possession of the Income Tax Officer and he has obtained previous approval of the Inspecting Assistant Commissioner.

An Explanation has also been added to sub-section (2) ibid, which clarifies that the term 'definite information' shall include any information:–

(i) in respect of sales and purchases, made by the assessee, of any goods,

(ii) regarding acquisition, possession or transfer, by the assessee, of any money, asset or valuable article;

(iii) in respect of any investment made by the assessee; and

(iv) in respect of any expenditure made by the assessee.

The period during which an assessment can be reopened has also been reduced from ten years to five years, through an amendment in sub-section (3) of section 65. After the 30th June, 1987, a notice under sub-section (1) of section 65, in respect of any income year, can be issued within five years from the end of the assessment year in which the total income of the said income year was first assessable. It is, however, clarified that the said amendment shall not affect any proceedings, in respect of any income year, taken in pursuance of a notice under sub-section (1) of section 65 issued on or before 30th June, 1987."

Following is an extract from Circular No. 3 IT of 1967, dated April, 1967, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to say that in the case known as Commissioner of Income Tax v. Ahmed Ali Bros., Karachi, the High Court of West Pakistan, Karachi Bench, Karachi, has held that the information that the Municipal Corporation has fixed Annual Letting Value higher than that fixed by the Income-tax Officer does not constitute "definite information...."

8-134-10-06-2018

The provision has been further explained by the CBR in its Circular letter C. No. 20(8)IT-1/84 dated February 7, 1985, the text of which is as follows:–

"In sub-section (3) of section 65 of the Income Tax Ordinance, 1979, as it stood originally, a period of limitation at ten years for completion of additional assessment had been provided. In 1982, through an amendment in the Ordinance, sub-section (3) was substitutedandanewsub-section(3A)wasinsertedwhichprovidedaperiodoflimitationfor additional assessment at one year from the end of financial year in which the notice under sub-section (1) of section 65 was served. This provision was intended to be effective from 1st of July, 1982 i.e. in those cases where assessments were reopened after 30th June, 1982 as was explained in Board's Circular No. 8 of 1982 describing provisions of Finance Ordinance, 1982 relating to Income Tax.

A division bench of the Lahore High Court, however, held in writ petition No. 3590 of 1982 that the re-assessment orders passed after 30th June, 1982 in all cases where assessments had been re-opened before 30th June, 1981 had become barred by time since the inserted sub-section (3A) was of procedural nature and applied retrospectively to all pending cases also. As a result of this order re-assessments completed after the 30th June, 1982 in all cases where notices under sub-section (1) of section 65 had been served prior to the 30th June, 1981 became void and of no legal effect.

Sub-section (3A) was again substituted retroactively with effect from the 14th June, 1982 through the Finance Ordinance, 1984 and the substituted sub-section (3A) has specifically been made applicable to only those cases where notices under sub-section (1) were or are issued on or after 1st July, 1982. Through this substitution of sub-section (3A), the period of limitation for additional assessment stands restored at ten years in cases where notices under sub-section (1) were issued before 1st day of July, 1982.

In the context of cases where the re-assessment proceedings completed after 30th June, 1982 were held to be void and of no legal effect by the order of the High Court in the above-mentioned writ, the following questions have been referred to the Board:–

(i) Whether proceedings under section 65 can again be initiated in such cases,

(ii) Whether proceedings under section 65 left incomplete after the judgment of the learned Lahore High Court can again be started from the stage at which these were left incomplete in respect of cases re-opened on or before the 30th June, 1981.

The issues have been examined and it is clarified that:–

(i) Proceedings under section 65 can again be initiated by issuing a fresh notice under sub-section (1) in cases where additional assessments were declared to be void and of no legal effect provided period of limitation of ten years, as provided in the original sub-section (3), is still available. However, in such cases period of limitation for completion of additional assessment in pursuance of a fresh notice under sub-section (1) shall be one year from the end of financial year in which such notice is served as provided in the sub-section (3A) after the 1984 amendments.

(ii) Proceedings, in cases which were left incomplete can again be started from the stageatwhichthesewereleftincompleteandthelimitationtocompleteadditional assessmentinsuchcaseswouldbetenyearsaswasbefore the 1982 amendment."

Following is an extract from CBR's Circular No. 4 of 1995 dated July 9, 1995:–

"Sub-Section (4) of Section 65 empowered CBR to specify cases or classes of cases for additional assessment proceedings. This power has been withdrawn by repealing sub-section (4). Thus, the additional assessment proceedings can be initiated only if:

a) assessing officer is in possession of definite information; and

b) previous approval of the IAC has been obtained." *[***ref:** *95 ITC 4 p. 3]*

8-73-20-07-10

Comments.– Sub-section (4) had in fact become redundant in view of the change in the system to process self-assessment cases. Under the Self-Assessment Scheme of 1980-81, all cases were firstly to be assessed u/s 59(1) and then on selection for detailed scrutiny, these were to be re-opened. For such re-opening section 65(4) provided that the condition of definite information or approval by IAC would not apply.

Following is an extract from Circular No. 15 of 1980, dated June 26, 1980:–

"Two important amendments have been made in this section:

(a) At present there is no time limit for reopening of an assessment made under self-assessment scheme. A limit of 10 years which obtains in the case of normal assessments has been prescribed for self-assessment cases also.

(b) The self-assessment scheme envisages that, out of the cases accepted under the scheme, a certain number of cases may be selected by C.B.R. for detailed scrutiny. The amendment dispenses with the condition of definite information or approval of IAC in such cases."

The above extract explains the effect of substitution of sub-section (4) by Finance Ordinance, 1980.

Re-opening with prior approval of IAC instead of CIT.– Following is the text of RCIT Central Region's letter No. RCIT/165/J87-88/1373, dated September 5, 1987, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"A case has come to the notice of the Board where the Income Tax Officer re-opened an income tax case on the directions of the CIT without obtaining prior approval of the IAC. On appeal the assessment framed was cancelled by the Income Tax Appellate Tribunal causing loss of public revenue. The Board therefore has desired that all the Officers in your jurisdiction may kindly be apprised of the requirements of law for re-opening an assessment. Particularly in cases where higher Officers have ordered reopening of the assessment, before starting proceedings the Assessing Officers must observe strictly all the formalities as required under the law.

I am therefore directed to request you to kindly bring the observations/instructions of the Board to the notice of each officer in your jurisdiction.

All assessing officers may please be accordingly informed."

Show cause notice without IAC's approval.– Following is the text of CBR's letter No. 7(29)/S.Asstt/01, dated January 7, 2002, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to enclose a copy of Federal Tax Ombudsman's (FTO) order in complaint No. C711/2001 dated 29.12.2001 whereby the Honourable FTO has observed that the practice, prevailing in the department of issuing Pre-Show Cause Notice u/s 65 of the Income Tax Ordinance, 1979 is completely illegal and unwarranted. It is stated that department may call it a pre-notice but, in fact, it amounts to initiations of proceedings u/s 65 of the said Ordinance. Such an action without obtaining prior approval, in writing of the Inspecting Additional Commission (IAC) is illegal, void and without any jurisdiction.

2. The matter has been examined in the light of the observations and recommendations of learned FTO and it has been decided that hence-forth Show Cause Notice prior to the issuance of notice u/s 65 of the Ordinance would not be issued. Any action, required u/s 65 of the Ordinance, must not be initiated without obtaining the prior written approval of the IAC. In view of above I am accordingly directed to request that all such pre-show cause notices issued earlier be withdrawn and cancelled and action if deemed necessary be taken u/s 65 after observing the legal requirements including approval of the IAC."

8-73-20-07-10

[1][(5A) Subject to sub-section (9), the Commissioner may [2][ ] amend, or further amend, an assessment order, if he considers that the assessment order is erroneous in so far it is prejudicial to the interest of revenue.

[3][(5AA) In respect of any subject matter which was not in dispute in an appeal the Commissioner shall have and shall be deemed always to have had the powers to amend or further amend an assessment order under sub-section (5A).]

[1][(5B) Any amended assessment order under sub-section (5A) may be passed within the time-limit specified in sub-section (2) or sub-section (4), as the case may be.]

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[1]Sub-sections (5A) and (5B) inserted by Finance Act, 2003 dated June 17, 2003.

[2]Words etc ", after making, or causing to be made, such enquiries as he deems necessary," omitted by Finance Act, 2021 dated June 30, 2021. Earlier inserted by Finance Act, 2012 dated June 26, 2012.

[3]Sub-section (5AA) inserted by Finance Act, 2010 dated June 30, 2010.

S. 122(5A)–Upward revision by CIT of assessment prejudicial to revenue or erroneous.– Following is an extract from CBR's Circular No. 7 of 2003 dated July 11, 2003:–

"Sub-section (5A) has been inserted to section 122. It empowers the Commissioner to amend an assessment order if the said order is erroneous in so far as it is prejudicial to the interest of the revenue. Such action, however, is to be completed within the time limit specified in sub-section (2) or sub-section (4) of section 122. However, where an assessment order was earlier passed under section 65 of the repealed Ordinance, the limitation contained in the section shall neither be curtailed nor extended by the provisions of sub-section (2) or sub-section (4) of section 122."

Invocation of the provisions.– Following is the text of CBR's Letter U.O. No. 316/96-Law, dated January 13, 1997, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Reference Central Board of Revenue's U.O. No. F.66(1) ITP/94, dated the 4th February, 1996, on the subject noted above.

2. I am directed to inform you that a person cannot be a judge of his own cause. On the same principle when an Inspecting Additional Commissioner acts as assessing officer, he cannot, in respect of such assessment, exercise the powers of revision under section 66A of the Income Tax Ordinance 1979. In that case, as provided under Section 5(1)(c) of the Ordinance, read with section 66A *ibid*, the revisional power shall be exerciseable by the Commissioner of Income Tax." [**Ref:***97 ITL 2 p. 1*]

Following is an extract from Circular No 9 of 1959 dated 15 April, 1959, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"This is a new provision of law. It gives Inspecting Assistant Commissioners power to review the order of Income-tax Officer. The powers so given to Inspecting Assistant Commissioner are very wide and in a way this new section vests in them all the powers of an Appellate Assistant Commissioner with the significant difference that an Appellate Assistant Commissioner can reduce or enhance an assessment or penalty only when appeal has been filed before him while an Inspecting Assistant Commissioner can pass an order under the new section of his own accord. It should, therefore, be obvious that while exercising such wide powers, the Inspecting Assistant Commissioners should exercise great care and caution. It is desirable that there should be no conflict of opinion between Appellate Assistant Commissioners and the Inspecting Assistant Commissioners. The Inspecting Assistant Commissioner should not take up any case for enhancement of the income where an appeal is pending before the Appellate Assistant Commissioner or the Tribunal. In such cases, the material on which the Inspecting Assistant Commissioner

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thinks that there is a case for enhancement of the income should be brought to the notice of the Appellate Tribunal or the Appellate Assistant Commissioner, through the Income tax Officers who should be directed to move these authorities to exercise their power to enhance the assessment. It is only in cases where no appeal proceedings are pending that the Inspecting Assistant Commissioner should take action under section 34A. Since this is a new section, the Board desires that every Inspecting Assistant Commissioners should get the approval of the Board of the first five of their orders under section 34A."

Revision of the assessment order.– Following is an extract from CBR's Circular No. 8 of 1991 dated June 30, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Section 66A provides that where an order passed by the Income Tax Officer is found to be erroneous in so far as it is prejudicial to the interest of revenue, the Inspecting Assistant Commissioner (IAC) may revise such order. However, no such order could be revised by the IAC against which an appeal was filed by the assessee. Resultantly, frivolous appeals were sometime filed in order to protect the erroneous orders against any future revision by the IAC.

Section 66A has now been amended as a result of which its provisions shall apply even if any appeal has been filed under sections 129, 134 and 137 or a reference has been made under section 136. Where an appeal or reference has been decided, the revision of erroneous order of Income Tax Officer will still be possible in respect of a point or issue which was not the subject matter of such appeal or reference."

Revision of orders passed without lawful jurisdiction.– Following is an extract from CBR's Circular No. 14 of 1992 dated July 1, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"This provision has been brought to safeguard the interest of revenue where, through collusive arrangement or otherwise, an assessment is made without there being lawful jurisdiction over the case."

Restrospectivity or otherwise.– Following is the text of Circular Letter C. No. 1(48) IT-1/79, dated February 17, 1981, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It would be recalled that Section 34A of the repealed Income Tax Act, 1922 provided that the Inspecting Assistant Commissioner of Income Tax could re-open an assessment made by the Income Tax Officer if it was erroneous so far as it was prejudicial to the interest of revenue. No order could, however, be made under the said section after expiry of four years from the date of order sought to be revised. A corresponding provision was not available in the Income Tax Ordinance, 1979 at the time of promulgation. However, Section 66A was inserted through Finance Ordinance, 1980 which corresponds to the provisions of Section 34A of the repealed Income Tax Act, 1922.

2. Certainquerieshavebeen made from the Board raising the following questions:–

(i) Whether the proceedings under Section 34A of the repealed Act pending on 1st July, 1979 have lapsed on repeal of the said Act;

(ii) Whether it is possible to revise assessments completed after the promulgation of Income Tax Ordinance, 1979 but before the insertion of Section 66A in 1980.

3. The undersigned is directed to say that principle applicable in such cases is given in Section 6 of the General Clauses Act, according to which the repeal does not affect the proceedings already commenced unless the repealing Act otherwise intends. The repeal does not revive anything not in force or existing at the time the repeal takes effect. Hence the proceedings which were pending under the repealed Act may continue under that Act. However, if proceedings under Section 34A had not been initiated when the old Act was repealed Act (Sic). Similarly Section 66A does not have retrospective application. The assessments finalised before 1st July, 1980 cannot be reopened under Section 66A of the Income Tax Ordinance, 1979.

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[1][ ]

(6) As soon as possible after making an amended assessment under [2][sub-section (1), sub-section (4) or sub-section (5A)], the Commissioner shall issue an amended assessment order to the taxpayer stating –

(a) the amended taxable income of the taxpayer;

(b) the amended amount of tax due;

(c) the amount of tax paid, if any; and

(d) the time, place, and manner of appealing the amended assessment.

(7) An amended assessment order shall be treated in all respects as an assessment order for the purposes of this Ordinance, other than for the purposes of sub-section (1).

(8) For the purposes of this section, "definite information" includes information on sales or purchases of any goods made by the taxpayer, [3][receipts of the taxpayer from services rendered or any other receipts that may be chargeable to tax under this Ordinance,] and on the acquisition, possession or disposal of any money, asset, valuable article or investment made or expenditure incurred by the taxpayer.

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[1]Earlier, vide Notification No. SRO 633(I)/2002 dated September 14, 2002 issued u/s 240, it was provided that in making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002, the Ordinance shall have effect as if after sub-section (5), sub-section (5A), as under, was inserted:–

"(5A) where a person does not produce accounts and records, or details of expenditure, assets and liabilities or any other information required for the purposes of audit under section 177, or does not file wealth statement under section 116, the Commissioner may, based on any available information and to the best of Commissioner's judgement, make an amended assessment."

This notification was later rescinded by Notification No. SRO 608(I)/2003 dated June 24, 2003. This provision has not been made part of section 122 by Finance Act, 2003 but has been incorporated in section 121 which is substituted by Finance Act, 2003. The sub-secton (5A) inserted by Finance Act, 2003 is different.

[2]Substituted for "sub-section (1) or (4)" by Finance Act, 2003 dated June 17, 2003.

[3]Words and comma inserted by Finance Ordinance, 2002 dated June 15, 2002.

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4. The undersigned is further directed to say that if there is any difficulty in applying this principle in a particular case, it may be referred to the Board for advice."

Judgement of Honourable Supreme Court of Pakistan on section 66A: In *Glaxo Laboratories* v *Inspecting Assistant Commissioner and others* [1992 SCC 910] the Honourable Supreme Court held that "the fact that in 1991 sub-section (1A) was added authorising IAC to initiate action u/s 66A even if appellate and revisional order has been passed, supports the contention that such a power did not exist earlier".

IAC's power, though involved in actual assessment work.– Following is an extract from a lecture delivered by Mr. S. A. Salam on July 9, 1980 under the auspices of the Institute of Chartered Accountants of Pakistan, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Now this 66A is nothing but 34A of the Income-tax Act, 1922. It was omitted when the Income Tax Ordinance, 1979, was promulgated. The authors thought that it was not required. Thus I.A.C. had no power to revise the order of the Income Tax Officer. When they (I.T.O. and I.A.C.) started making assessments last year we found that it was a wise decision. Because why should the I.A.C. revise the order of an I.T.O. when he himself is writing the order of the I.T.O. in many cases. Now

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[1][(9) No assessment shall be amended, or further amended, under this section unless the taxpayer has been provided with an opportunity of being heard [2][:]]

[3][Provided that order under this section shall be made within one year of issuance of show cause notice or within such extended period as the Commissioner may, for reasons to be recorded in writing, so however, such extended period shall in no case exceed ninety days. This proviso shall be applicable to a show cause notice issued on or after the first day of July, 2021:

Provided further that any period during which the proceedings are adjourned on account of a stay order or Alternative Dispute Resolution proceedings or agreed assessment proceedings under section 122D or the time taken through adjournment by the taxpayer not exceeding sixty days shall be excluded from the computation of the period specified in the first proviso.]

[1]Sub-section (9) inserted by Finance Ordinance, 2002 dated June 15, 2002.

[2]Substituted for full stop by Finance Act, 2021 dated June 30, 2021.

[3]Provisos substituted by Finance Act, 2025 in force from July 1, 2025. Earlier these were inserted by Finance Act, 2021 dated June 30, 2021.

almost in all big and even medium cases the I.A.C. (in some Zones even the C.I.T.) is involved in the actual assessment work. But inspite of that the power to revise has now been given to the I.A.C. Here my humble suggestion to the practitioners is that we should adopt the same 'practice' which we used previously that when an I.T.O. passes an order and even if it pleases you but there are certain additions, please file an appeal before the A.A.C. even if it is likely to be rejected, because this 66A will be excluded (see various rulings of the Tribunal)."

S.122(9)Provisos-Substitution.- Before substitution by F. Act, 2025, these read as follows:–

"Provided that order under this section shall be made within one hundred and [1][eighty] days of issuance of show cause notice or within such extended period as the Commissioner may, for reasons to be recorded in writing, so however, such extended period shall in no case exceed ninety days. This proviso shall be applicable to a show cause notice issued on or after the first day of July, 2021.

Provided further that any period during which the proceedings are adjourned on account of a stay order or Alternative Dispute Resolution proceedings or agreed assessment proceedings under section 122D or the time taken through adjournment by the taxpayer not exceeding sixty days shall be excluded from the computation of the period specified in the first proviso."

[1]Substituted for "twenty" by Finance Act, 2022 dated June 30, 2022.

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Sections 120 to 122–Misc.

Mobile phone subscribers.– Following is the text of CBR's Letter C. No. 7(5)/s.Asstt./95 dated April 2, 1995, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The undersigned is directed to refer to the correspondence resting with the Board's letter of even number dated 15-01-1995 on the above subject and to request that the assessing officers may be directed that while corresponding with the mobile phone subscribers to confirm their tax status/NTN, the source of the information i.e. Paktel etc. should not be mentioned in such correspondence." *[***ref:** *95 ITL 13 p. 6]*

Copy of 'order sheet' and inspection of record.– Following is the text of Circular No. 15 of 1958, dated October 8, 1958 explaining corresponding provisions of the repealed Act, 1922:–

"It has been represented to the Board that some Income-tax Officers do not grant to assesseecopiesoftheentriesmadeintheorder-sheets.The assessee's right to obtain a copy ofsuchentriesintheordersheetasarerelevanttohisassessmentorpenaltyproceedinghas alwaysbeenrecognizedbytheDepartment.TheBoard is of the view that in fairness and in law, this practice should continue and the Income-tax Officers should, on application from assessees grant copy of extracts of such entries in the order sheet as are relevant to the assessment or penalty proceedings; for example, entries relating to Incomes-tax Officers order directing issue of notices under Section 22(2) and Section 34 or those under Sections 22(4) and 23(2)are entriesrelevanttotheassessmentproceedings.Similarly,the entries,in theordersheetrelatingtotheissueof a notice under sub-section (3) of section 28, the entry relating to the submission of the record to the Inspecting Assistant Commissioner for the approval of the penalty and the entry relating to the Inspecting Assistant Commissioner's approval of the penalty are entries relevant to a penalty proceeding. Entries in the order sheet which are of a confidential nature and which are in respect of matters essentially betweentheIncome-taxOfficerandhissuperiorofficersorhissubordinatesorother Income tax Officers, should be treated as purely departmental record and a copy of the entries of this nature should not be given. In fact, such entries should be recorded in a separate file altogether. In this connection attention is invited to Board's Circular No. 51 of 1942 dated the 30th of October, 1942, which states *inter alia:*–

".....all correspondence and notices of discussions between the Income-tax Officer and his superior officers including the Board itself and the Excess Profit Tax Adviser (excepting such correspondence as may relate to the Inspecting Assistant Commissioner's statutory functions) should be kept in a separate confidential file which should in no case accompany the record either to the Appellate Assistant Commissioner or the Tribunal. So far, therefore, as the Appellate Authorities at the High Court are concerned, the assessment or other order appealed against would be the order of the Income-tax Officer".

It appears that these instructions are not being followed. The Board, therefore, directs that a separate file and a separate order-sheet should be maintained for entries of

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a confidential or departmental nature. Apart from saving the Income tax Officer's time, which he would have to spend otherwise in determining the entries in respect of which he can grant copies, this would also ensure secrecy of the contents of the entries which are of confidential nature.

2. Copy of the order sheet or of extracts therefrom is chargeable to court fee under Schedule I of Article 6 of the Court Fee Act. Such copy or copies should, therefore, be issued on payment of the proper court fee and copying fee.

3. Attention is also invited to the following instructions contained in the Board's Circular No. 32-C(2) IT-28, dated 23rd March, 1928:–

"The assessee cannot be held to have any right to inspect his assessment file either in person or through a representative. There may be cases in which it would be unreasonable to refuse the assessee or his representative access for the purpose of reference to original documents filed in the case, of which the assessee is entitled to have copies, specially if they are very bulky (e.g. balance sheets), or such that a copy would not serve the purpose completely".

These instructions are still in force and should be followed."

FollowingisthetextofCircularLetterNo.IT.JI-13(10)/83 dated September 30, 1985, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Taxpayersareentitledtoobtaincopiesofsuchdocumentsavailableintheirassessment records as are of an unconfidential nature on payment of prescribed fees. Once payment of the required fee has been made by the taxpayer concerned it is obligatory on the Income Tax Office to issue the requisite documents to the applicant within a reasonable time.

2. Instances have come to the notice of the Board where copies (in such cases) were not issued promptly forcing the taxpayers to seek the intervention of administrative/ appellate authorities for the purpose. Delay in the provision of copies of documents is not only improper but also amounts to denial of justice to the taxpayers.

3. It may, therefore, be brought home to all concerned that copies of documents may be issued within a reasonable time after the payment of requisite fees. Delay in issuance of copies may be avoided. Inspecting officers may keep a watch over this aspect of work and take appropriate corrective action wherever required."

Following is the text of CBR's Circular Letter C.No. 3(9)IT-IV/78, dated March 28, 1978 as reported in the Third Edition of CBR's Income Tax Manual Part V, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The undersigned is directed to say that it has come to the notice of the Board that some officers are not clear about an assessee's right to the inspection of the order sheet in his income tax file. It is accordingly clarified that an order sheet being a record of day to day proceedings in the case, is not, as such a privileged document and its inspection cannot be refused to the assessee or his counsel, if so applied for by them in the prescribed manner. The assessee is also entitled to take copies of the entries in the order sheet.

(2) Where, in consequence of any confidential information, an assessment already completed is reopened and it is not considered advisable to disclose to the assessee the confidential information, the Income Tax Officer should not bring such confidential information on the order sheet. He should, however, record on the order sheet the reason within the meaning of sub-section (1) of section 65 for initiating the proceeding. In this regard, all that the assessee is entitled to know is for which of the reasons mentioned in section 65(1) has the Income Tax Officer initiated the action."

Income tax proceedings, proper opportunity to assessees.– Following is the text of Circular No. 19 of 1957, dated August 17, 1957, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In course of a recent judgment Amin Ahmad (C.J.), of the Dacca High Court made the following observations:–

"We fail to understand why the assessee should be made to pay much higher than what was warranted by the accounts produced by him on the basis of confidential enquiry by the Income tax authority without giving him an opportunity to place his case or explanation. It is of course open to the authorities to assess on the basis of the records and other information and enquiry but in doing so the authorities cannot rely on material which are not disclosed or kept unknown to assessee without giving him hearing in respectofthesame".(In the matter of Mr. Gopi Mohan Saha-Reference case No. 1 of 1955).

This obvious principle of natural justice has been emphasized time and again by competent Courts. In Seth Gurmukh Singh vs. C.I.T., Punjab (1944-ITR-393), Din Mohammad (J), remarked; "but all the same as remarked by me in Ganga Ram Balmakund vs. C.I.T., he (I.T.O.) is required to proceed without bias and give sufficient opportunity to the assessee to place his case before him as well as to meet the case made out against him." "More emphatic is the language used by Kania (C.J) in the well known Bombay High Court's decision in Sarupchand Hukamchand's case (1945-ITR-249). The learned Chief Justice observed "in fairness and in law it is a duty of the authority entrusted with the task of recording its finding to give every opportunity to the other side to meet the case which the authority thought was in existence" (Page 256).

2. The Board has noticed with some disappointment that the principle of law which has so often been emphasized is sometimes ignored by Income-tax Officers. When assessment is made or some other order is passed in disregard to this principle, there is little chance of its success in appeal. Set aside of such assessment or order by the Appellate Authorities is almost inevitable. And set-aside of an order or an assessment can only mean waste of every body's time and delay in the collection of the tax. The Board, therefore, desires that the Commissioner and the Inspecting Assistant Commissioners should impress on the Income-tax Officers, the importance of observance of this rule.

3. A question has also been raised how far this principle can be given practical application when accounts are rejected and profits are estimated on the basis of comparable cases. In other words, should the Income-tax Officer, in these circumstances, disclose to the assesse all the details regarding the comparable cases, which have formed the basis of the estimate of the profits? The Board is of the view that in such cases the principle laid downby the Madras High Court in Gadiredy Peda Narasimhula Naidu & Sons vs. Commissioner of Income Tax, Madras (1952-21-ITR-70) should be followed i.e. only such details in respect of the comparable cases should be supplied to the assessee as can possibly be disclosed without infringing the provisions of section 54 of the Income Tax Act."

RCIT's approval to assessment.– Following is the text of RCIT, Central Region's Letter No. S-610/J/4888 dated January 19, 1988, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Recently various investigations were being conducted by various officers on directions of this office. In such cases valuable informations had been directly received by this office and the utilization of the said information is expected to generate substantial revenue. It is desired that in all cases where investigations/ inquiries are initiated on the directions of this office, the assessment order should be got approved from this office before being released. The instructions may please be brought to the notice of all officers in your charge."

Preparation of IT-30 Forms.– Following is the text of CBR's Letter No. 4(6)IT-3/88 dated February 18, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been brought to the notice of the Board that inspite of repeated instructions, issued from time to time, the assessing officers/staff are not exercising do care while preparing/signing IT-30 forms. Some of the common deficiencies noted are:–

(i) Casting errors mostly in favour of the department.

(ii) Omitting to allow credit for tax payments under section 53 and 54.

(iii) Omitting to allow statutory compensation under section 53(4).

(iv) Omitting to allow credit for tax deducted and paid at source under section 50.

(v) Allowingcreditfortax paid through deduction at source u/s 50 only to the extent of tax demand and leaving the balance amount unadjusted without any reason.

(vi) Omitting to determine refunds.

(vii) Omitting to fill in all relevant columns of IT-30 form.

(viii) Preparations of assessment forms and demand notices carelessly resulting into illegible copies.

2. I am directed to request that the assessing officer may kindly be instructed to exercise due care in the preparation of IT-30 forms. It may be ensured that supervisors duly check the IT-30 forms. They may be held responsible for deficiencies, if any, detected later through inspection or otherwise."

Service of orders.– Following is the text of CBR's Letter C. No. 4(6)IT-3/88 dated February 17, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been brought to the notice of the Board that officers are sometimes not vigilant about service of such orders as provide relief to the tax-payers or do not require payment of further tax demand. Legally proper service of all orders is essential.

2. I am directed to say that instructions may please be issued to all officers that they should strictly observe the law. Service of an order and demand notice should be ensured in each case irrespective of the fact whether it carries any tax demand or not.

3. The concerned Inspecting Assistant Commissioners should also take into consideration this aspect while making casual inspections."

Accountability of assessing officers.– Please see CBR's Circular No. 16 of 1994 dated July 26, 1994 [**ref:** *94 ITC 16 p. 39*] under footnote titled "Payment of 50% tax before appeal" given after section 134.

Following is the text of CBR's Letter C. No. 2(105)DTP-II/94 dated October 19, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Please refer to your letter No. S.O.II.50(3-A) 94-95/1238 dated 21-9-1994.

2. The undersigned is directed to refer to CBR's Circular No. 16/1994 (Income-tax) wherein it has been provided that the disciplinary proceedings shall be initiated against an assessing officer if five of his assessments are reversed by the appellate authorities for the reasons that the orders were passed in perfunctory manner without bringing any supportive material evidence on record. The intention behind the issuance of aforementioned circular was to eliminate the abuse of discretion by assessing officers and to ensure fair and judicious assessments. The intention is not to curb the legitimate initiative of the assessing officers in proper determination of income profits and gains in any case. It may be added that the circular equally emphasizes rewarding assessments that are framed with care and caution that yield additional revenues.

The basis on which the said five assessments are to be selected has been clearly spelled out in the circular. Such cases are to be identified by the respective Zonal Commissioner for disciplinary action."

Following is the text of CBR's Circular No. 4 of 1991 dated March 10, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to state that it is one of the most persistent complaints that assessing officers often make very harsh and arbitrary assessments. Although these are rectified in appeal yet such assessments and the consequent recovery proceedings create much suffering for the tax payers. However, no action is taken against the officers making such assessments.

2. The problems was discussed during the Commissioner's Conference and it has been decided that all Commissioners of Income Tax shall examine all those cases in which substantial relief is allowed in appeal. In case the relief allowed is considered justified, the case will be reported to the Regional Commissioner of Income Tax who may call upon the assessing officer to explain his position. Suitable action shall be taken if the explanation is unsatisfactory. The Commissioner of Income Tax (Appeals) may also taken note of unjust assessments in their orders."

Compulsory detection of concealment cases.– Following is the text of CBR's Circular Letter C. No. 11/91-S (DOT-II) dated January 7, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It is essential that the habit of paying correct taxes is inculcated in the taxpayers. Whereas this can be encouraged on the one hand by placing confidence in them, such as through the Self Assessment Scheme, on the other it can be done by building up a deterrence against incorrect reporting of income through the detection of cases of concealment of income and coming those to their logical conclusions.

2. The Board has viewed with serious concern that very little efforts in that direction are being made by the assessing officers. It has, therefore, been decided that every assessing officer shall be required to give a minimum of five concealment cases this year. These cases should be such in which prosecution proceedings can be initiated.

3. I am directed to say that all assessing officers may be informed in this regard. Their efforts in this behalf shall be duly recorded in their ACRs for 1991."

Approval of concealment cases from the RCIT.– Following is the text of RCIT Central Regions' Letter No. RCIT/J-52/89-90/2890 dated January 26, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to invite your kind attention to Board's letter C. No. 5(8)IT.Inf/90 dated 12.5.1990 on the subject whereby it has been required that in order to make assessments fit for launching prosecutions against tax dodgers, cases involving suspected concealment of Rs. 1.000 million or more may be decided by the assessing authority only with the prior approval of this authority.

I am further directed to clarify that the Board's above referred letter does not envisage approval of cases involving valuation u/s 13(2) of the Income Tax Ordinance, 1979. Such orders may be approved by the CITs or the IACs if so desired by a Zonal Commissioner. However, the Commissioner can seek guidance of this office on case to case basis, if they so desire."

Visits of inspectors.– Following is the text of an urdu pamphlet issued by the CBR's vide C. No. 7(5) UT-14/93 dated June 26, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

''انکم ٹیکس انسپکٹر/انکم ٹیکس آرڈی نینس کے تحت ایک مجاز اتھارٹی ہے جسے اپنے دائرہ کار میں انکم ٹیکس آفیسر کے احکامات کے تحت عمل کرنے کا اختیار ہے۔تاہم کسی بھی انکم ٹیکس انسپکٹر کو اپنے انکم ٹیکس آفیسر سے تحریری اجازت لئے بغیر کسی بھی ٹیکس گزار کے کارخانہ' گودام یا دکان میں داخل ہونے کا اختیار نہیں ہے۔سنٹرل بورڈ آف ریونیو کی یہ واضح ہدایت ہے کہ کوئی بھی انکم ٹیکس انسپکٹر مندرجہ ذیل اقسام کے ٹیکس دہندگان سے ذاتی طور پر ماسوائے تحریری احکامات کے نہ ملے اور نہ ان کے کارخانہ' گودام یا دکان میں سرکاری حیثیت میں داخل ہوں:

اول: ایسے اشخاص جو نیشنل ٹیکس نمبر کے حامل ہوں۔

دوم: ایسے اشخاص جنہوں نے خود تشخیصی سکیم کے تحت انکم ٹیکس کے گوشوارے جمع کروائے ہوں اور

سوم: ایسے اشخاص جنہوں نے مقررہ ٹیکس سکیم کے تحت پوسٹ آفس سے ٹوکن خریدے ہوں۔

حکومت پاکستان کی یہ واضہ پالیسی ہے کہ تمام ٹیکس دہندگان کے بطور ٹیکس گزار جائز مفادات کا مکمل تحفظ کیا جائے اور ان کی ہر قسم کی پریشانی اور مشکل دور کی جائے۔اس ضمن میں ٹیکس دہندگان کو یہ معلوم ہونا چاہیے کہ انکم ٹیکس انسپکٹر کو از روئے قانون کسی شخص پر:

۱۔ ٹیکس عائد کرنے ۲۔ عائد شدہ ٹیکس کو کم کرنے یا اس کی ادائیگی کو کرنے اور ۳۔ کسی کی ٹیکس کی کاروائی شروع کرنے

[1][**122A. Revision by the Commissioner.–** (1) The Commissioner may [2]*[, suo moto,]* call for the record of any proceeding under this Ordinance or under the repealed Ordinance in which an order has been passed by any [3][Officer of Inland Revenue] [4][ ]].

(2) Subject to sub-section (3), where, after making such inquiry as is necessary, Commissioner considers that the order requires revision, the Commissioner may make such revision to the order as the Commissioner deems fit.

(3) An order under sub-section (2) shall not be prejudicial to the person to whom the order relates.

(4) The Commissioner shall not revise any order under sub-section (2) if–

(a) an appeal against the order lies to the Commissioner (Appeals) or to the Appellate Tribunal, the time within which such appeal may be made has not expired; or

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[1]Section 122A inserted by Finance Act, 2003 dated June 17, 2003.

[2]Commas and words ",suo moto," substituted for "suo moto" by Finance Act, 2005 dated June 29, 2005 to make an editorial correction as per 'Notes on Clauses of Finance Bill 2005'. Earlier the words "suo moto" were inserted by Finance Act, 2004, w.e.f July 1, 2004. The place of insertion mentioned in Finance Act, 2004 was in section 122A after the words "Commissioner may" without mention of any sub-section, words "Commissioner may" also appears in sub-section (2).

[3]Substitued for "taxation officer" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[4]Words "other than the Commissioner (Appeals) [if the value of the assessment or, as the case may be, refund of the tax does not exceed twenty million rupees,]" omitted by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier words in brackets were inserted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024.

کا اختیار نہیں ہے۔

اس پمفلٹ کا مقصد ٹیکس دہندگان کو انکم ٹیکس انسپکٹر سے متعلقہ انکم ٹیکس قوانین سے روشناس کروانا ہے تا کہ وہ اپنے حقوق و فرائض سے بخوبی عہدہ برآ ہو سکیں۔ انکم ٹیکس سے متعلق کسی قسم کی بھی مزید معلومات کے لئے آپ اپنے قریبی انکم ٹیکس دفتر سے رجوع کریں۔''

S. 122A–Suo-moto revision of assessment order by the Commissioner.– Following is an extract from CBR's Circular No. 7 of 2003 dated July 11, 2003:–

"Section 122A has been inserted to empower the Commissioner to suo-moto call for assessment record of any proceedings under the Ordinance or the repealed Ordinance and revise an order passed by any taxation officers other than Commissioner (Appeal). The revision, however, shall not be prejudicial to the taxpayer."

Earlier, power of revision was available u/s 135 which was omitted by Finance Ordinance, 2002.

Correction of editorial mistake.– Following is an extract from 'Notes on Clauses of Finance Bill 2004':–

"Seeks to correct editorial mistake."

Revision against proceedings against a notice for additional assessment.– Following is an extract from CBR's Circular No. 2(4)DT-14/90 dated November 7, 1990, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"2. In this regard the undersigned is directed to clarify that a notice issued u/s 65 cannot be deemed to be an order in the terms in which it has been referred to in section 138 of the Income Tax Ordinance, 1979."

Revision petition in cases where assessment has been framed by IAC.– Following is an extract from CBR's Circular No. 8 of 1991 dated June 30, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"An amendment has been made in section 138 to the effect that where an IAC exercises the functions of an Income Tax Officer, revision petitions will lie before the Regional Commissioner of Income Tax instead of the Commissioner of Income Tax."

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(b) the order is pending in appeal before the Commissioner (Appeals) or has been made the subject of an appeal to the Appellate Tribunal.]

[1][(5) If any order is remanded back to any lower authority by the Commissioner for modification , alteration, implementation of directions or de novo proceedings,

the order giving effect to the directions of the Commissioner shall be issued within one hundred and twenty days.]

[2][**122B. Revision by the** [2][**Chief Commissioner**].–(1) The [2][Chief Commissioner] may, either of his own motion or on an application made by the taxpayer for revision, call for the record of any proceedings relating to issuance of an exemption or lower rate certificate with regard to collection or deduction of tax at source under this Ordinance, in which an order has been passed by any authority subordinate to him.

(2) Where, after making such inquiry as is necessary, [2][Chief Commissioner] considers that the order requires revision, the [2][Chief Commissioner] may, after providing reasonable opportunity of being heard to the taxpayer, make such order as he may deem fit in the circumstances of the case.]

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[1]Section 122A(5) inserted by Finance Act, 2021 dated June 30, 2021.

[2]Section 122B inserted by Finance Act, 2006 dated July 01, 2006.

[3]Substituted for "Regional Commissioner" by Finance Act, 2014 dated June 26, 2014.

Revision petitions against orders of the Appellate Assistant Commissioner.– Following is an extract from CBR's Circular No. 14 of 1992 dated July 1, 1992, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A new clause (e) has been added in sub-section (5) of section 138 of the Ordinance to empower CBR to hear revision petitions against orders passed on or after July 1, 1991 by an Appellate Assistant Commissioner to provide the forum of revision to assessees aggrieved by the orders of AACs. Previously assessees aggrieved against the orders of the Commissioners of Appeal had this remedy but no such forum against the orders of Appellate Assistant Commissioners was available."

S. 122B–Revision of order under WHT regime.–Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Under various provisions of law relevant to withholding tax, the Commissioner is empowered to issue exemption or lower rate deduction certificate to the taxpayers. However, no appeal can be filed if such certificate is refused. To take care of such like eventualities Regional Commissioner of Income Tax has been empowered to review the orders of the CIT."

Following is an extract from 'Salient Features of Budget 2006':–

"Regional Commissioner of Income Tax proposed to be authorized to revise an order of the Commissioner in matters relating to Withholding Tax regime."

Following is an extract from 'Notes on Clauses of Finance Bill, 2006':–

"Seeks to authorize the RCIT to review any matter related to issuance of an exemption certificate."

Power of tax authorities.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

a) Tax authorities can conduct inquiry under section 122(5A) in certain matters regarding amendment of assessment without se lection of case for audit under section 177 of the Ordinance. This power to conduct inquiry has been withdrawn.

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b) The law prescribes time limit of 5 years for amendment of assessment. Such proceedings were usually dragged for long periods after issuance of show cause notices. Now the time limit of 120 days has been prescribed to conclude these proceedings after issuance of show cause notice. Necessary changes have been made in section 122(9) of the Ordinance.

c) The power of the commissioner to reject advance tax estimates has also been withdrawn. Necessary changes have been made in section 147 of the Ordinance.

d) Law has not provided any time limitation to complete proceedings in pursuant to the orders of the commissioner under section 122A. Now proceedings shall be concluded within the time limit of 120 days."

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[1][ ]

[1]Section 122C omitted by Finance Act, 2017 dated June 20, 2017. Earlier it was inserted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

"122C. Provisional assessment.- (1) Where in response to a notice under sub-section (3) or sub-section (4) of section 114 a person fails to furnish return of income for any tax year, the Commissioner may, based on any available information or material and to the best of his judgment, make a provisional assessment of the taxable income or income of the person and issue a provisional assessment order specifying the taxable income or income assessed and the tax due thereon.

(2) Notwithstanding anything contained in this Ordinance, the provisional assessment order completed under sub-section (1) shall be treated as the final assessment order after the expiry of [1][forty-five] days from the date of service of order of provisional assessment and the provisions of this Ordinance shall apply accordingly:

[2][Provided that the provisions of this sub-section shall not apply, if-

(a) return of income along with wealth statement, wealth reconciliation statement and other documents required under sub-section (2A) of section 116 are filed by the person being an individual or an association of persons for the relevant tax year during the said period of forty-five days; and

(b) the individual or an association of persons presents accounts and documents for conducting audit of income tax affairs for that tax year:

Provided further that the provisions of sub-section (2) shall not apply-

(a) to a company, if return of income tax alongwith audited accounts or final accounts, as the case may be, for the relevant tax year are filed by the company electronically during the said period of forty-five days; and

(b) if the company presents accounts and documents for conducting audit of its income tax affairs for that tax year.]"

[1]Substituted for "sixty" by Finance Act, 2013 dated June 29, 2013.

[2]Provisos substituted by Finance Act, 2016 dated June 24, 2016. Earlier 2ndproviso was inserted by Finance Act, 2012 dated June 26, 2012.

S. 122C(2)–Provisos substitution.– Before substitution by F. Act, 2016, these read as follows:-

"Provided that the provisions of sub-section (2) shall not apply if return of income alongwith wealth statement, wealth reconciliation statement and other documents required under sub-section (2A) of section 116 are filed by the person [1][being an individual or an association of persons] for the relevant tax year during the said period of [2][forty-five] days [3][:]]

[3][Provided further that the provisions of sub-section (2) shall not apply to a company if return of income tax alongwith audited accounts or final accounts, as the case may be, for the relevant tax year are filed by the company electronically during the said period of [2][forty-five] days.]"

[1]Words inserted by Finance Act, 2012 dated June 26, 2012.

[2]Substituted for "sixty" by Finance Act, 2013 dated June 29, 2013.

[3]Substituted for full stop and Proviso inserted by Finance Act, 2012 dated June 26, 2012.

Concealed assets cases.– Following is an extract from CBR's Circular No. 14 of 1992 dated July 1, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"This provision of law has been introduced to safeguard the interest of revenue in cases where no other alternate action is readily possible and is to be invoked only in exceptional circumstances. Before granting permission to initiate proceedings under this section, the Commissioner of Income Tax will satisfy himself that the opinion of the Income Tax Officer is based on sound reasons and the facts and circumstances of the case justify such an action against the tax-dodger."

122C-Provisional Assessment.-Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"Time limit of sixty days for provisional assessment to attain finality as the final assessment order from the date of service of order of provisional assessment and the limitation of sixty days in the subsequent provisos to sub-section (2) of section 122C has been reduced to forty five days through Finance Act, 2013."

8-149-15-07-2020

[1][**122D. Agreed assessment in certain cases**.- (1) Where a taxpayer, in response to a notice under sub-section (9) of section 122, intends to settle his case, he may file offer of settlement in the prescribed form before the assessment oversight committee, hereinafter referred to as the Committee, in addition to filing reply to the Commissioner.

(2) The Committee after examining the aforesaid offer may call for the record of the case and after affording opportunity of being heard to the taxpayer, may decide to accept or modify the offer of the taxpayer through consensus and communicate its decision to the taxpayer.

(3) Where the taxpayer is satisfied with the decision of the Committee,-

(a) the taxpayer shall deposit the amount of tax payable including any amount of penalty and default surcharge as per decision of the Committee;

(b) the Commissioner shall amend assessment in accordance with the decision of the Committee after tax payable including any amount of penalty and default surcharge as per decision of the Committee has been paid;

(c) the taxpayer shall waive the right to prefer appeal against such amended assessment; and

(d) no further proceedings shall be undertaken under this Ordinance in respect of issues decided by the Committee unless the tax as per clause (c) has not been deposited by the taxpayer.

(4) Where the Committee has not been able to arrive at a consensus or where the taxpayer is not satisfied with the decision of the Committee, the case shall be referred back to the Commissioner for decision on the basis of reply of the taxpayer in response to notice under sub-section (9) of section 122 notwithstanding proceedings or decision, if any, of the Committee.

(5) The Committee shall comprise the following income tax authorities having jurisdiction over the taxpayer, namely:-

(a) the Chief Commissioner Inland Revenue;

(b) the Commissioner Inland Revenue; and

(c) the Additional Commissioner Inland Revenue.

(6) This section shall not apply in cases involving concealment of income or where interpretation of question of law is involved having effect on other cases.

(7) The Board may make rules regulating the procedure of the Committee and for any matter connected with, or incidental to the proceedings of the Committee.]

8-149-15-07-2020

[1]S. 122D inserted by Finance Act, 2020 dated June 30, 2020.

[1][**122E. Faceless audit and assessment**.- (1) Notwithstanding anything to the contrary contained in any other provision of this Ordinance, any audit under sections 177 or 214C, any order made under section 111, any assessment under this Part and rectification under section 221, with respect to the cases referred to in sub-section (2), may be made in a faceless manner as may be prescribed by the Board.

(2) The faceless assessment under sub-section (1) shall be made in respect of such persons or class of persons, or incomes or class of incomes, or cases or class of cases, as may be specified by the Board.

(3) The provisions of section 177 shall apply to the audit conducted in a faceless manner under this section:

Provided that where opportunity of being heard is to be provided to the taxpayer during the course of this audit or a statement under oath is required to be obtained from a taxpayer or any other person under section 176 of this Ordinance, the same shall be done through E-hearing under section 227E of this Ordinance:

Provided further that the identity of the officer, including facial and voice identity, conducting such E-hearing shall be kept confidential.]

[1]S. 122E inserted by Finance Act, 2026 dated June 26, 2026.

S. 122E.- Faceless Regime for Audit, Assessment, Appeals and Jurisdiction [Sections 2(5), 2(35)(1A), 122E, 129A, 209B and 227D**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new section l22E provides that any audit under section 177 or 214C, any order under section 111, any assessment under Part II of Chapter X and any rectification under section 221, in respect of persons or cases specified by the Board, may be conducted in a faceless manner. Where an opportunity of being heard is to be provided or a statement under oath is to be obtained, the same is to be done through E-hearing under section 227E, and the identity of the officer, including facial and voice identity, is to be kept confidential."

8-191-15-09-2026

123. Provisional assessment in certain cases.–(1) Where a concealed asset of any person is impounded by any department or agency of the Federal Government or a Provincial Government, the Commissioner may, at any time before issuing any assessment order under section 121 or any amended assessment order under section 122, issue to the person a provisional assessment order or provisional amended assessment order, as the case may be, for the last completed tax year of the person taking into account the concealed asset.

[1][(1A) Where an offshore asset of any person, not declared earlier, is discovered by the Commissioner or any department or agency of the Federal Government or a Provincial Government, the Commissioner may at any time before issuing any assessment order under sect on 121 or amended assessment order under section 122, issue to the person a provisional assessment order or provisional amended assessment order, as the case may be, for the last completed tax year of the person taking into account the offshore asset discovered.]

(2) The Commissioner shall finalise a provisional assessment order or a provisional amended assessment order as soon as practicable [2][ ].

(3) In this section, "concealed asset" means any property or asset which, in the opinion of the Commissioner, was acquired from any income subject to tax under this Ordinance.

124. Assessment giving effect to an order.– (1) Except where sub-section (2) applies, where, in consequence of, or to give effect to, any finding or direction in any order made under Part III of this Chapter by the Commissioner (Appeals), [3][if the value of the assessment or, as the case may be, refund of the tax does not exceed twenty million rupees,] Appellate Tribunal, High Court, or Supreme Court an assessment order or amended assessment order is to be issued to any person, the Commissioner shall issue the order within two years from the end of the financial year in which the order of the Commissioner (Appeals), [3][if the value of the assessment or, as the case may be, refund of the tax does not exceed twenty million rupees,] Appellate Tribunal, High Court or Supreme Court, as the case may be, was served on the Commissioner.

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[1]Sub-section (1A) inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.
[2]Words "after making it" omitted by Finance Act, 2003 dated June 17, 2003.
[3]Words inserted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024.

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(2) Where, by an order made under Part III of this Chapter by the [1][ ], Appellate Tribunal, High Court, or Supreme Court, an assessment order is set aside [2][wholly or partly,] and the Commissioner [3][or Commissioner (Appeals), as the case may be,] [4][if the value of the assessment or, as the case may be, refund of the tax does not exceed twenty million rupees,] is directed to [5][pass] a new assessment order, the Commissioner [3][or Commissioner (Appeals), as the case may be,] [4][if the value of the assessment or, as the case may be, refund of the tax does not exceed twenty million rupees,] shall [5][pass] the new order within [6][one year from the end of the financial year in which] the Commissioner [3][or Commissioner (Appeals), as the case may be,] [4][if the value of the assessment or, as the case may be, refund of the tax does not exceed twenty million rupees,] is served with the order [7][:]

[7][Provided that limitation under this sub-section shall not apply, if an appeal or reference has been preferred, against the order [8][ ] passed by [9][ ], Appellate Tribunal or a High Court.]

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[1]Words etc. "Commissioner (Appeals)" omitted by Finance Act, 2010 dated June 30, 2010.
[2]Words and comma inserted by Finance Act, 2003 dated June 17, 2003.
[3]Inserted by Finance Act, 2008 dated June 27, 2008.
[4]Words inserted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024.
[5]Substituted for "make" by Finance Act, 2010 dated June 30, 2010.
[6]Substituted for "six months from the date" by Finance Ordinance, 2002 dated June 15, 2002.
[7]Colon substituted for full stop and thereafter proviso inserted by Finance Act, 2005 dated June 29, 2005.
[8]Words etc. "setting aside the assessment," omitted by Finance Act, 2010 dated June 30, 2010.
[9]Words etc. "a Commissioner (Appeals)" omitted by Finance Act, 2010 dated June 30, 2010.

S. 123–Provisional assessment in certain cases.– Following is an extract from CBR's Circular No. 6 of 1997, dated the 15th July, 1997, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"An assessing officer could frame a provisional assessment where a concealed asset:–

i) is impounded by a government agency; or

ii) comes to the knowledge of the assessing officer.

With the amendment of section 60A(1) the assessing officer can now make a provisional assessment only in the event described at (i) above." [**Ref:***97 ITC 6 p. 6*]

S. 124(1)–Limitation of assessment in certain cases.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The provisions of this section are similar to those contained in section 34 of the repealed Act. However, a new provision has been made in respect of the assessments set aside in full or in part by the Appellate Assistant Commissioner or the Tribunal. Where no urther appeal has been filed against such order, the re-assessment shall be completed within one year from the end of the financial year in which such order is received by the Income Tax Officer. Previously, there was no time limit on completion of set aside assessments. The provision has been inserted to remove the genuine grievance of the assessees that set aside assessments were not finalised expeditiously."

S. 124(2)-Assessment giving effect to an order.– Following is an extract from Circular No. 10, dated July 16, 2010:-

"Since the Commissioner appeal is no more empowered to set-aside an assessment, therefore necessary amendment in sub-section (2) of section 124 of the Income Tax Ordinance, 2001 has been made to delete the reference pertaining to "setaside orders"."

Disposal of set aside cases.– Following is an extract from Circular No. 3 of 1962, dated January 20, 1962, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The Board therefore directs that all assessments set aside on appeal should be disposed of within six months from the date of the appellate order."

8-178-25-05-2024

(3) Where an assessment order has been set aside or modified, the proceedings may commence from the stage next preceding the stage at which such setting aside or modification took place and nothing contained in this Ordinance shall render necessary the re-issue of any notice which had already been issued or the re-furnishing or re-filing of any return, statement, or other particulars which had already been furnished or filed.

(4) Where direct relief is provided in an order under section 129 or 132, the Commissioner shall issue appeal effect orders within two months of the date the Commissioner is served with the order.

[1][(4A) Where the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court has confirmed the tax payable as determined in the order appealed against no appeal effect order will be required to be issued and the Commissioner shall proceed to effect recovery.

(4B) Subject to the provisions of sub-section (2) where the Appellate Tribunal, High Court or Supreme Court has partly set aside the order and confirmed or modified the order on some other issues that were subject matter of the appeal, the Commissioner shall issue an appeal effect order on the prescribed form determining the tax payable as a result of the confirmation or modification by the Appellate Tribunal, High Court or Supreme Court and excluding the tax payable on the matters that have been set aside or remanded and the tax payable on the basis of the issues that have been confirmed or modified shall be paid or recovered under the provisions of the Ordinance.]

[1]Sub-sections (4A) & (4B) inserted by Finance Act, 2025 in force from July 1, 2025.

S. 124(2)- Providing Limitation on Commissioner (Appeals) to make Order in Cases Set-Aside by ITAT.- Following is an extract from FBR's Circualr No. 5 of 2008 dated July 05, 2008:-

"No limitation for making a fresh order by Commissioner (Appeals) was provided in sub-section (2) of section 124 where an order has been set-aside by the Income Tax Appellate Tribunal for re-adjudication by CIT (A). Such cases were generally not decided by the Commissioner (Appeals) promptly, causing unnecessary hardship to the appellant taxpayers.

12.2 Limitation period as provided in sub-section (2) of section 124 of the Ordinance for making order consequent to directions of the Tribunal, would now be applicable to CIT (A) as well for making order remitted back to him by ITAT. This amendment would mitigate the grievance of the taxpayers."

Limitation in case of further appeal or reference against setting aside Following is an extract from CBR's Circular No. 1 of 2005 dated July 5, 2005:-

"Section 124 implied that even in cases where the Department or the taxpayer had gone into second appeal or reference against the order setting aside the original assessment (full or partly), the Commissioner would have to complete the reassessment within the limitation period of one year. This created unnecessary workload and hardship for taxpayers and at times led to multiplicity of appeals. A proviso after section 124(2) has been added which envisages that limitation provided under this sub-section shall not apply, if an appeal or reference has been preferred against the order by any authority, tribunal or court of setting aside the assessment."

S. 124(3)–Assessment after appellate decision.– Following is an extract from Circular No. 6 of 1987 dated July 5, 1987, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"A new section 62A has been introduced which provides that where an assessment or re-assessment or any order made under the Ordinance has been annulled, set aside, cancelled or modified, further proceedings may commence from the stage next preceding the stage at which such annulment, setting aside, cancellation or modification took place and it would not be necessary to issue any notice which had already been issued or require the tax payer to again furnish or file such return, statement or other particulars which had already been furnished or filed by him. In many cases, however, the situation may demand that the assessee be given a further opportunity before the finalisation of the post-appeal proceedings. In such cases the requisite notices may invariably be issued."

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(5) Where, by any order referred to in sub-section (1), any income is excluded –

(a) from the computation of the taxable income of a taxpayer for any year and held to be included in the computation of the taxable income of the taxpayer for another year; or

(b) from the computation of the taxable income of one taxpayer and held to be included in the computation of the taxable income of another taxpayer,

the assessment or amended assessment relating to that other tax year or other taxpayer, as the case may be, shall be treated as an assessment or amended assessment to be made in consequence of, or to give effect to, a finding or direction contained in such order.

(6) Nothing in this Part shall prevent the issuing of an assessment order or an amended assessment order to give effect to an order made under Part III of this Chapter by the Commissioner (Appeals), [1][if the value of the assessment or, as the case may be, refund of the tax does not exceed twenty million rupees,] Appellate Tribunal, High Court, or Supreme Court.

[2][(7) The provisions of this section shall in like manner apply to any order issued by any High Court or the Supreme Court in exercise of original or appellate jurisdiction.]

[3][**124A.Powers of tax authorities to modify orders, etc.**–(1) Where a question of law has been decided by a High Court or the Appellate Tribunal in the case of an assessee, on or after first day of July 2002, the Commissioner may, notwithstanding that he has preferred an appeal against the decision of the High Court or made an application for reference against the order of the Appellate Tribunal, as the case may be, follow the said decision in the case of the said assessee in so far as it applies to said question of law arising in any assessment pending before the Commissioner until the decision of the High Court or of the Appellate Tribunal is reversed or modified.

[1]Words inserted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024.
[2]Sub-section (7) inserted by Finance Act, 2003 dated June 17, 2003.
[3]Section 124A inserted by Finance Ordinance, 2002 dated June 15, 2002.

Comments:– In the Finance Act, 1987, a new section 62A was inserted giving the assessing officers power to start the case next preceding the stage at which any assessment or any order was annulled, set-aside, cancelled or modified. In Circular No. 6 of 1987 the CBR explained that opportunity already given to the assessee need not to given for finalising the post-appeal proceedings. The provision was made inapplicable by virtue of clause (7) Part IV of the Second Schedule after a number of representations were made that it violates the principles of natural justice. This provision has now been made live for reasons best known to the CBR. The main objection against this kind of post-appeal powers to the assessing officers is that it violates the principle of opportunity of being heard and observation of due procedure of law.

S. 124A–Powers of tax authorities to modify orders.– Following is an extract from CBR's Circular No. 13, 2002 dated August 9, 2002, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A new section 62BB has been added which provides that where a question of law, in the case of assessee, has been decided by the High Court or the Income Tax Appellate Tribunal, on or after July 1, 2002, the DCIT may follow the said decision on similar issues at the time of framing any pending assessment of such assessee notwithstanding the fact that a reference application against the order of ITAT or an appeal against the order of the High Court has been filed. In case, the decision followed by the DCIT is reversed or modified, the assessment framed on the basis of earlier decision of the High Court or Appellate Tribunal, can be modified accordingly within one year from the date of receipt of the final decision."

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(2) In case the decision of High Court or the Appellate Tribunal, referred to in sub-section (1), is reversed or modified, the Commissioner may, notwithstanding the expiry of period of limitation prescribed for making any assessment or order, within a period of one year from the date of receipt of decision, modify the assessment or order in which the said decision was applied so that it conforms to the final decision.]

125. Assessment in relation to disputed property.– Where the ownership of any property the income from which is chargeable to tax under this Ordinance is in dispute in any Civil Court in Pakistan, an assessment order or amended assessment order in respect of such income may be issued at any time within one year after the end of the financial year in which the decision of the Court is made.

126. Evidence of assessment.– (1) The production of an assessment order or a certified copy of an assessment order shall be conclusive evidence of the due making of the assessment and, except in proceedings under Part III of this Chapter relating to the assessment, that the amount and all particulars of the assessment are correct.

(2) Any [1][order] of assessment or other document purporting to be made, issued, or executed under this Ordinance may not be–

(a) quashed or deemed to be void or voidable for want of form; or

(b) affected by reason of any mistake, defect, or omission therein,

if it is, in substance and effect, in conformity with this Ordinance and the person assessed, or intended to be assessed or affected by the document, is designated in it according to common understanding.

[2][ ]

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[1]Substituted for "notice" by Finance Act, 2003 dated June 17, 2003.

[2]S. 126A omitted by Finance Act, 2025 in force from July 1, 2025. Earlier it was inserted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024.

S. 125–Disputed title of property.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"It is a new provision which provides for assessment of income from a property whose ownership is in dispute in a civil court. Usually such litigation is so prolonged that when the issue is ultimately decided the limitation for assessment has expired. This provision enables the Department to make an assessment on the rightful legal owner within one year of the financial year in which final decision of civil court is brought to its notice."

S. 126A–Omission.– Before omission by F. Act, 2025, it read as follows:-

"**126A. Pecuniary jurisdiction in appeals**.- (1) [1][Notwithstanding anything contained in any other provision of this Ordinance,-]

(a) an appeal to the Commissioner (Appeals) shall lie where the value of assessment of tax or, as the case may be, refund of tax does not exceed twenty million rupees; or

(b) an appeal to the Appellate Tribunal Inland Revenue shall lie where the value of assessment of tax or, as the case may be, refund of tax exceeds twenty million rupees.

[1]Substituted for "Subject to other provisions of this Act,-" by Finance Act, 2024 w.e.f. 1 July, 2024.

8-184-10-07-2025

[1][***Explanation***.- For the purposes of this section value of assessment of tax means the net increase in tax liability of a person as a result of order sought to be assailed and value of refund means net reduction in refund as a result of order sought to be assailed.]

(2) A person or, as the case may be, officer of Inland Revenue aggrieved by an order of the Commissioner (Appeals) in cases under clause (a) of sub-section (1) may file a reference before the High Court in accordance with section 133.

(3) A person or, as the case may be, officer of Inland Revenue aggrieved by an order of the Appellate Tribunal in cases under clause (b) of sub-section (1) may file a reference before the High Court in accordance with section 133.

(4) The cases pending before the Commissioner (Appeals) having the value of assessment of tax or, as the case may be, refund of tax exceeding twenty million rupees shall on [2][or before the 31st day of December], 2024 stand transferred to the Appellate Tribunal Inland Revenue.

(5) All cases transferred from the Commissioner (Appeals) to the Appellate Tribunal under sub-section (4) shall be decided by the Appellate Tribunal within the period provided for under section 132 which period shall commence from [3][the date of transfer under sub-section (4).]]

[1]Explanation inserted by Finance Act, 2024 w.e.f. 1 July, 2024.
[2]Substituted for "and from the 16th day of June" by Finance Act, 2024 w.e.f. 1 July, 2024 and shall be deemed to have taken effect on and from 16th day of June, 2024.
[3]Substituted for "the 16th day of June, 2024" by Finance Act, 2024 w.e.f. 1 July, 2024.

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PART III

APPEALS

127. Appeal to the Commissioner (Appeals).– [1][(1) [1a][Any person, other than State-Owned Enterprise (SOE)] dissatisfied with any order passed by a Commissioner or a [2][Officer Inland Revenue] under [3][sub-section (2A) of section 120,] section 121, 122, 143, 144, [4]*[*162,*]* 170, 182, [5]*[ ]* [6]*[*or 205*]*, or an order under sub-section (1) of section 161 holding a person to be personally liable to pay an amount of tax, or an order under clause (f) of sub-section (3) of section 172 [7]*[*declaring*]* a person to be the representative of a non-resident person [8]*[*,*[]*] [9]*[*or an order giving effect to any finding or directions in any order made under this Part by the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court*]*, or an order under section 221 refusing to rectify the mistake, either in full or in part, as claimed by the taxpayer or an order having the effect of enhancing the assessment or reducing a refund or otherwise increasing the liability of the person, may prefer an appeal to the Commissioner (Appeals) against the order [10]*[*:*]*]

[10][Provided that an aggrieved person under sub-section (1) may have the option to either file appeal before Commissioner Inland Revenue (Appeals) directly or may surrender his right of appeal before Commissioner Inland Revenue (Appeals) and avail the next statutory appellate forum by filing the appeal directly before the Appellate Tribunal Inland Revenue.]

[11][(2) No appeal under sub-section (1), shall be made by a taxpayer against an order of assessment unless the taxpayer has paid the amount of tax due under sub section (1) of section 137.]

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[1]Sub-section (1) substituted by Finance Ordinance, 2002 dated June 15, 2002.

[1a]Substituted for "Subject to section 126A, any person" by Finance Act, 2025 in force from July 1, 2025. Earlier it was substituted for "Any" by Finance Act, 2024 w.e.f. 1 July, 2024.

[2]Substituted for "taxation officer" by Finance Act, 2014 dated June 26, 2014. Earlier the words "taxation officer" were sought to be substituted for "Officer of Inland Revenue" by Finance (Amendment) Ordinance, 2009 dated October 28, 2009 but this Ordinance lapsed and the amendment was not been made by the Finance Act 2010.

[3]Words etc. inserted by Finance Act, 2020 dated June 30, 2020.

[4]Figure and comma inserted by Finance Act, 2004, w.e.f. July 1, 2004.

[5]Figures and commas "183, 184, 185, 186, 187, 188, 189" omitted by Finance Act, 2010 dated June 30, 2010.

[6]Substitued for "or 189" by Finance Act, 2009 dated June 30, 2009.

[7]Substituted for "treating" by Finance Act, 2003 dated June 17, 2003.

[8]Words etc. "except *[*an*]* assessment order under section 122C," omitted by Finance Act, 2017 dated June 20, 2017. Earlier was inserted by Finance Act, 2011 dated June 30, 2011 and word "an" substituted for "a provisional" by Finance Act, 2012 dated June 26, 2012.

[9]Inserted by Finance Act, 2009 dated June 30, 2009.

[10]Substituted for full stop and proviso inserted by Finance Act, 2025 in force from July 1, 2025.

[11]Sub-section (2) substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Finance Ordinance, 2002 dated June 15, 2002.

8-184-10-07-2025

S. 127(2)–substitution–Before substitution by Finance Act, 2021 read as follows:–

"(2) No appeal under sub-section (1) shall be made by a taxpayer against an order of assessment unless the taxpayer has paid,–

(a) the amount of tax due under sub-section (1) of section 137, and

*[1][/(b) No appeal under sub-section (1), shall be made by a taxpayer [2][/against] an order of assessment unless the taxpayer has paid the amount of tax due under sub-section (1) of section 137./]]"

*The apparently intended substitution is of entire sub-section (2) instead of only clause (b) of sub-section (2). Thus there is duplication of wording, i.e. the wording of opening sentence of sub-section (2) combined with that of clause (a) is identical to that of clause (b).

[1]Clause (b) substituted by Finance Act, 2004, w.e.f. July 1, 2004.

[2]Substituted for "again" by Finance Act, 2014 dated June 26, 2014.

S. 127–Substitution of sub-sections (1) & (2)–. Before substitution by Finance Ordinance, 2002 read as follows:–

"(1) Any person dissatisfied with any proceeding under this Ordinance in which an order has been issued by a Commissioner of Income Tax (other than the Commissioner (Appeals)) or a taxation officer may prefer an appeal to the Commissioner (Appeals) against the order."

"(2) No appeal may be made by a taxpayer against an assessment unless the amount of tax due under the assessment that is not in dispute and fifteen per cent of the disputed tax has been paid by the taxpayer."

Sub-section (2), Clause (b).– Before substitution by Finance Act, 2004, read as follows:–

"(b) an amount equal to–

(i) fifteen percent of the amount of tax assessed as is in excess of the tax due under sub-section (1) of section 137, or

(ii) twenty percent of the amount of tax assessed for the immediately preceding tax year, and where a person has not been assessed to tax for that tax year, thirty percent of the amount of tax mentioned in clause (a), whichever is less."

S. 127–Appeals to the Commissioner (Appeals).– Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:–

"The existing provisions of section 127 of the Income Tax Ordinance, 2001 do not specify the eligibility of a taxpayer to file an appeal before the Commissioner (Appeals) against a provisional assessment framed under section 122C. However, after the receipt of assessment order of a provisional assessment, taxpayers tend to abate provisional assessment by filing an appeal. Therefore, to strengthen the return filing requirement, through this express amendment, "provisional assessment" has been excluded from the purview of appellate jurisdiction of the Commissioner (Appeals)."

S. 127(1) & (4)-Filing Of Appeal Before The Commissioner Of Income Tax (Appeals).- Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Sub section (1) of section 127 has been amended providing that if an order giving effect to any findings or directions to any order is made under Part III of Chapter X by the Taxation Officer and the taxpayer is not satisfied with the order passed, the tax payer may again contest such order before the CIT (Appeals). It was a lacuna in law which has been removed. This amendment will help the taxpayer to contest the legal issues before the appellate for a, even if no tax liability is involved in the order passed by the Taxation Officer.

Further, previously a taxpayer was not allowed to file appeal against charge of additional tax u/s 205 of the Ordinance. Now after amendment in sub-section (1) of section 127 the taxpayer can file appeal against such order u/s 205. Sub-section (4) has also been amended to fix appeal fee at Rs. 1,000/- instead of determining the fee in relation to the tax assessed."

S. 127(2)–Relief from payment of disputed tax demand for filing appeal.– Following is an extract from CBR's Circular No. 17 of 2004 dated July 17, 2004:–

"The condition of payment of 15% of disputed tax demand or 20% of tax assessed for the last tax year etc. has been omitted. It would be applicable in respect of appeals filed before Commissioner (Appeals) on or after July 1, 2004 irrespective of the year of assessment."

Following is an extract from the Finance Minister's Budget Speech of June 12, 2004:–

"Elimination of mandatory payment in cases of disputes: Our Government is conscious of administering speedy justice and fast dispute resolution process. Mandatory payment of 15% of disputed tax demand for the filing of first appeal has been found to be bottleneck in this process. It is, therefore, proposed to remove the condition of mandatory payment of tax, which would facilitate dispensation of justice."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to remove the condition of mandatory payment of 15% of disputed tax or 20% of tax assessed for immediate proceeding tax year for filing of appeal to Commissioner (Appeals)."

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Appeal against recovery on non-collection or non-deduction.– Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to provide right of appeal to persons from whom tax was not collected or deducted and order for recovery is passed by the Commissioner."

Following is an extract from CBR's Circular No. 17 of 2004 dated July 17, 2004:–

"Section 162 of the Ordinance empowers the Commissioner to recover the amount not collected or deducted from the person from whom tax should have been collected or to whom the payment was made. Such person is not provided a remedy for redressal of his grievances, if any, by way of filing appeal against such order. Section 127 of the Ordinance has been amended to provide for filing of appeal by such person against Commissioner's order."

Sub-section (1)–Appealable orders.– Following is an extract from CBR's Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The provisions of the new section are similar to those of old Section 30. However, the following orders of the Income Tax Officers have also been made appealable:–

1. Refusal to allow refund under Section 98 or 99.
2. Levy of penalty on liquidator under Section 114.
3. Levy of penalty for obstruction under Section 115.

Electronic filing of appeal.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"The mechanism of online filing of appeals has been made available to taxpayers.

However, enabling legal provisions were lac king which have been introduced through section 127 in the Ordinance."

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4. Levy of penalty for failure to give evidence under Section 148.

5. Treating a resident as agent of a non-resident under Section 78.

6. An order under Section 156 rectifying the mistake apparent from record if the order enhances the tax or reduces the refund.

It may be pertinent to point out that orders involving provisions of Section 84 (Sections 44E and 44F of the repealed Act) are still appealable as these are part of order under Section 62 or 63 which is appealable."

Appeal by a person held in default under section 127(1).– Following is an extract from CBR's Circular No. 6 of 1987 dated July 5, 1989, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Under section 52, if a person fails to deduct or collect, or fails to pay, tax under section 50, he is deemed to be to an assessee in default in respect of such tax. Until now, such person was not provided with a right of appeal against an order passed under section 52 holding him to be an assessee in default. He has now been given a right of appeal through an amendment in section 129."

Appeal against add backs u/s 127.– Following is an extract from CBR's Circular No. 15 of 1980, dated June 26, 1980, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"While making an assessment under self-assessment scheme u/s 59 an Income Tax Officer, is authorised to make certain adjustments and add-backs. However, no appeal is provided against any un-warranted adjustments and add-backs. An appeal has now been provided for such an eventuality."

Appeal against penalty for obstruction.– Following is an extract from CBR's Circular No. 8 of 1982, dated July 8, 1982, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"By the Finance Ordinance, 1980 section 115 was amended to assign the power of imposing penalty for obstructing any income tax authority to the Commissioner. Reference to section 115 in section 129 has been omitted. However, relief against the order under section 115 can be sought in revisionary jurisdiction from the Regional Commissioner under section 138."

Appeal against refusal to rectify a mistake.– Following is an extract from CBR's Circular No. 10 of 1979, dated October 1, 1979, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Section156provides that where no action is taken on an application by the assessee by end of the financial year next following the year in which such application is made, the mistake sought to be rectified shall be deemed to be rectified. Difficulty arises where application of the assessee is unjustly rejected, as no remedy is provided in law against such eventuality. In order to remove this difficulty, Section 129 has been amended by a notification under Section 167 to provide appeal against such order of refusal to rectify."

Appeal against order u/s 7.– Following is an extract from Circular CBR's No. 16 of 1986 dated July 22, 1986, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"In the case of shipping and air transport business of non-residents, no right of appeal existed against the order passed by the Income Tax Officer under sections 80 and 80A. Section 129 has been amended and henceforth orders under sections 80 and 80A have been appealable."

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Sub-section (2)–Mandatory tax payment before appeal.– It has been held by a Division Bench of the Lahore High Court (Rawalpindi Bench) that the provision of section 129(2) of the Income Tax Ordinance, 1979, requiring deposit of 15% tax, as pre-condition for filing of an appeal, is unconstitutional and without lawful authority. (Ref: M/s. Medicinal Management (Pvt.) Ltd. W.P. No. 1882/2002, decided on October 24, 2003.

Following is the text of CBR's Circular No. 3 of 2001, dated May 25, 2001, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The Board has received queries seeking clarification of provisions of sub-section (2) of section 129 relating to payment of 15% tax on filing of appeals, which were introduced through the Finance Ordinance, 2000, apply to all appeals under section 129 on or after 1st July 2000 or only to the appeals relating to assessment year 2000-2001.

2. The matter has been examined by the Board. It is clarified that as laid down by the Lahore High Court in *Essential Industries* versus *Central Board of Revenue* 1969 PLD 24, the 15% tax payable under sub-section (2) of section 129 on filing of appeals under that section is payable in respect of appeals relating to assessment year 2000-2001 and onwards."

Following is the text of CBR's letter No. F. 129(1)DTP/94, dated 14th May, 1996, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to say that under sub-section (2) of section 129 of the Income Tax Ordinance payment of 15% of tax assessed is mandatory for admissibility of first appeal. Clarifications, in this regard, covering various situations were issued vide CBR's letter of even number dated 24th August, 1994.

2. Instances have been brought to the notice of the Board where creation of superfluous tax demand caused hardship to the taxpayers as 15% mandatory payment of such assessed tax, had to be made for filing of an appeal. In some such cases mistakes glaringly apparent from record could be rectified thereby reducing tax liability and, consequentially, the amount of 15% payment for appeal. Allowing rectification applications in such cases to remain pending for considerable periods adds to the problems of taxpayers unnecessarily.

3. In view of the foregoing, it is requested that suitable instructions may kindly be issued to the assessing officers to avoid creation of superfluous demand, and to process the rectification applications in such cases in accordance with law, as soon as possible.

4. It is essential that remedial action in such cases is taken promptly to provide relief, wherever due, to the taxpayers."

Following is an extract from CBR's Circular No. 10 of 1996 dated 16th July, 1996, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The requirement of mandatory payment of 15% and 50% of assessed tax for the admission of an appeal at first and second stages of appeals, respectively, has been discontinued. The amendment shall be effective from assessment year 1996-97." [**Ref:***96 ITC 10 p. 25*]

Following is the text of CBR's Circular No. 16 of 1994 dated July 26, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"1. Amendments have been made in section 129 and section 134 of the Income Tax Ordinance,1979,by virtueofwhich,paymentofacertain minimum amount has been made obligatory for admittance of appeals before the AAC/CIT (Appeals) and the Appellate Tribunal. Now onwards a tax-payer shall have to pay at least 15% and 50% of the amount of tax assessed, prior to filing of appeals before the two forums, respectively.

2. Whereas the new enactment is expected to curb the general tendency of filing frivolous appeals, it also places and added responsibility on the assessing officer to pass fair and judicious assessment orders. Creation of bogus tax demand would not only result in unnecessary hardships for the genuine tax payer but the revenue shall also stand to lose, as an additional amount @ 15% per annum shall also have to be paid alongwith the refund of excess tax paid, if the assessees appeal is accepted by the Appellate Tribunal.

3. Taking cognizance of this fact, it has been decided that whereas good assessments framed with care and caution which yield additional revenues to the Government, would be adequately rewarded, disciplinary proceedings shall be initiated against an assessing officer if five of his assessments are reversed by the Appellate

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Authorities for the reasons that the orders were passed in a perfunctory manner without bringing any supportive material evidence on record.

4. In thisviewofthematter,theassessingofficerswouldbewell advised to be mindful of the fact that this amendment should in no way be taken as a license to create harassment and every effort should be made to pass balanced orders, likely to stand the test of appeal.

5. Respective Zonal Commissioner shall closely monitor this aspect and cases of misuse of power be recorded in their Annual Confidential Reports and brought to the notice of the Board recommending disciplinary action for "misconduct" under the Efficiency and Discipline Rules. Pending such action the officer would also be shifted from the assessment charge."

Following is the text of CBR's Letter C. No. 129(1)DTP-1/94 dated September 28, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to your letter No. 6306/7-8/94 dated September 15, 1994 on the subject and to say that the newly introduced condition in section 129 regarding mandatory payment of tax applies to all orders being appealed against under section 129(1), which inter-alia include an order under section 52. The condition of mandatory payment will therefore, be applicable to impugned orders under section 52."

Following is the text of CBR's Letter C. No. 129(1)DTP-1/94-PL-i dated October 19, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to enclose copy of Income Tax (Fourth Amendment) Ordinance, 1994 promulgated by the President on October 16, 1994 adding the following proviso in sub-section (2) of section 129:

1. "Provided that the total amount payable under this sub-section shall not exceed by twenty per cent of the total tax assessed for the preceding year."
2. The upper limit for mandatory payment has been imposed in order to alleviate hardship in genuine cases. It carries the following implication:
   (i) Thestayofdemand under section 85 will continue to remain effective to the extent of 85% of the demand, in case appeal is filed under section 129; But
   (ii) thebalanceamount not covered by mandatory payment will by recoverable.
3. In supersession of earlier instructions on the subject, it is further clarified that the provisions relating to mandatory payment introduced through Finance Act, 1994 and Income Tax (Fourth Amendment) year 1994-95 and onwards."

Following is the text of CBR's Letter C. No. 129(1)DTP-1/94 Pt-I dated October 19, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to enclose copy of Income Tax (Fourth Amendment) Ordinance, 1994 promulgated by the President on October 16, 1994 adding the following proviso in sub-section (2) of section (129):

"Provided that the total amount payable under this sub-section shall not exceed by twenty per cent of the total tax assessed for the preceding year."

2. The upper limit for mandatory payment has been imposed in order to alleviate hardship in genuine cases. It carries the following implications:

(i) The stay of demand under section 85 will continue to remain effective to the extent of 85% of the demand, in case appeal is filed under section 129; But

(ii) the balance amount not covered by mandatory payment will be recoverable.

3. In supersession of earlier instructions on the subject it is further clarified that the provisions relating to mandatory payment introduced through Finance Act, 1994 and Income Tax (Fourth Amendment) Ordinance, 1994 are applicable to proceedings relating to assessment year 1994-95 and onwards."

Following is the text of CBR's Letter C. No. 129(1)DTP-1/94 dated November 10, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to your letter No. CLAR/FA/MISC-94, dated October 20, 1994 on the subject and to comment on various queries raised by you, as under:

(i) "Whether the tax u/s 129(2) is payable on additional tax levied in addition to liability u/s 54?"

"Tax" includes "additional tax" as defined in section 2(43).

(ii) "Whether tax deducted u/s 50, 53 or paid u/s 54 is in excess of admitted liability or a refund of previous year can be adjusted against tax u/s 129(2) and fee u/s 130(1)?"

The refund assessed for preceding years can be got adjusted against tax payable under impugned order but not against appeal fee.

(iii) "Whether payment of tax u/s 54 and fee u/s 130(1) entitles an assessee to file an

appeal u/s 129 foregoing his right of automatic stay u/s 85 due not/short payment of tax u/s 129(2)?"

"This query is vague and needs elaboration."

(iv) Whether in the case of an explicit computing error in preparation of I.T.-30/Demand Notice, such mistake shall be deemed to have been rectified for the purpose of payment of tax u/s 129(2) and fee u/s 130(1). For instance;

i) Agricultural Income is shown and entered but its credit (rebate) is not worked out.

ii) Adjustment of tax paid u/s 50, 53, or 54 is either less made or totally ignored.

iii) An excessive rebate or adjustment is allowed.

The amount appearing in I.T.30 form will be the basis of calculation of tax payable.

(v) "Whether the appellant shall be given sufficient opportunity to make up deficiency if the reply to above query under Sr. No.4 is in negative?"

The law does not provide for extension in time.

(vi) "Whether the replies given against the above queries shall also apply in appeal cases u/s 134 and 138?"

This is a query of general nature. Hence, precise reply cannot be offered."

Following is the text of CBR's Letter C. No. 129(1)DTP-1/94 dated December 4, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to your letter No. Nil dated October 31, 1994 on the subject and to clarify that:

(i) Tax payable compulsorily will be 15% of the tax exclusive of tax paid under Section 54 i.e. 15% of (100,000 - 1,000) 99,000 - 14,850/-

(ii) Tax compulsorily payable will be calculated @ 15% of total tax assessed through the impugned order, subject to the upper limit correlating the same with the tax of the last year."

Please also see footnotes to **section 137(4).**

Payment of tax u/s 113.– The I. T. Dept's view is that since the minimum tax liability is included in tax payable with return, the appeal does not lie unless tax liability u/s 80D of the ITO, 1979, is paid. Please see RCIT Central Region's letter dated January 19, 1994. [**ref:***94 ITL 4 p. 2*]

(3) An appeal under sub-section (1) shall–

(a) be in the prescribed form;

(b) be verified in the prescribed manner;

(c) state precisely the grounds upon which the appeal is made;

(d) be accompanied by the prescribed fee specified in sub-section (4); and

(e) be lodged with the Commissioner (Appeals) within the time set out in sub-section (5).

[1][(3A) The Board may prescribe mechanism for electronic filing of the appeals.]

(4) The prescribed fee [2][shall be]–

[3][(a) in the case of an appeal against an assessment–

(i) where the appellant is a company, five thousand rupees; or

(ii) where the appellant is not a company, two thousand and five hundred rupees; or]

(b) in any other case–

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[1]Inserted by Finance Act, 2021 dated June 30, 2021.

[2]Substituted for "is" by Finance Ordinance, 2002 dated June 15, 2002.

[3]Clause (a) substituted by Finance Act, 2020 dated June 30, 2020.

Cl. (a)-Substitution.- Before substitution by F. Act, 2020, it read as follows:-

"(a) in the case of an appeal against an assessment, [1][one thousand rupees];"

[1]Substituted for "the lesser of one thousand rupees or ten per cent of the tax assessed" by Finance Act, 2009 dated June 30, 2009. The Finance Act 2010 erroneously seeks to omit the words "or ten percent of the tax assessed" while these do not exist any more.

AAC under the administrative control of CBR, request for taking it to the Justice Ministry.– Following is an excerpt from a letter dated March 30, 1981 from Mr. S.A. Salam, then President Lahore Tax Bar Association, Lahore, addressed to the Secretary, Ministry of Justice, Islamabad:–

"The last point relating to the cadre of Appellate Assistant Commissioner is in the nature of let us say separation of judiciary from the executive. At present Appellate Assistant Commissioners are under the administrative control of Central Board of Revenue and are part and parcel of the Income Tax Department. This position might have been allowed to be continued for some more time but due to increasing interferences by the high authorities it is imperative that the matter may be taken up with the Federal Government for putting the Appellate Commissioners and Appellate Assistant Commissioners of Income tax under the administrative control of the Ministry of Law like the Income Tax Appellate Tribunal. The Members of the Tribunal may look after the day-to-day working of the A.A.Cs. This demand requires immediate attention in view of the recent developments in the Income Tax Department like asking the A.A.Cs for compilation of monthly lists of reliefs given by them to the assessees and deputing certain A.A.Cs to the duty of Departmental Representatives to represent the department before the Tribunal. It means that A.A.C. is both a judge and prosecutor. Such type of decisions, though administrative in character, shake the confidence of the assessees and a bar in the judicial discharge of functions of the Appellate Assistant Commissioners. Your Honour would agree that justice can only be dispensed with when the presiding officer is free from any fear in so far as the extent, volume and quantity of relief or disposal is concerned. The Bar will be grateful to you if steps are taken to give material shape to this suggestion."

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(i) where the appellant is a company, [1][five] thousand rupees; or

(ii) where the appellant is not a company, [1][one thousand] rupees.

[2][(5) An appeal shall be preferred to the Commissioner (Appeals) within thirty days of the following–

[1]Substituted for "one" and "two hundred" respectively by Finance Act, 2020 dated June 30, 2020.
[2]Sub-section (5) substituted by Finance Ordinance, 2002 dated June 15, 2002.

S. 127(3)(4)(5)–Rate of appeal fee.– Following is an extract from CBR's Circular No. 10 of 1996 dated July 16, 1996, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The rates of appeal fee have been reduced w.e.f. assessment year 1996-97 as under:–

RATES OF APPEAL FEES

STAGE	APPEAL FEE
Commissioner (Appeals)/Addl. Commissioner.	Rs. 1000 or 10% of the tax levied, whichever is the less. Where no tax is levied, appeal fee shall be Rs. 1000 for limited companies and Rs. 200 for others.
I.T. Tribunal.	Rs. 2,500 or 10% of the tax levied, whichever is less. Where no tax is levied, appeal fee shall be Rs. [1][2,000] for limited companies and Rs. 500 in other cases.
Commissioner/RCIT/CBR. (Revision).	Rs. 1000 or 10% of the tax levied, whichever is the less. Where no tax is levied revision fee shall be Rs. 1000 for limited companies and Rs. 200 for others." [**Ref:***96 ITC 10 p. 25*]

Following is the text of CBR's Letter No. F 134(1)DTP-I/94, dated January 8, 1997, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to clarify that in para 12 of Circular No. 10 of 1996 (Income Tax) dated 16th July, 1996, figure of appeal fee may be taken at "Rs. 2000" instead of Rs. 2500", in case of appeal beforeIncomeTaxAppellateTribunal,for companies, where no tax is levied."

[1]Figure "2,500" originally mentioned in Circular was later on corrected as "2,000" through CBR's letter No. F. 134(I)/DTP-I/94 dated January 8, 1997.

Increase in appeal fee.– Following is an extract from Circular No. 6 of 1994 dated July 10, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Fees for filing of income tax appeals before the Commissioner of Income Tax (Appeals) and revision petitions under section 138 were fixed at Rs. 25 in 1940. Similarly, appeal fee for filing of appeal before the Income Tax Appellate Tribunal was fixed at Rs. 100 in mid-sixties. Such low appeal fees have been an incentive for filing of appeals in most of the cases where the taxpayers intended to delay their tax payments. In order to discourage filing of infructuous appeals, the appeal fees have been increased by amending sections 130, 134, and 138 ……"

Following is the text of CBR's Letter C. No. 129(1)DTP-1/94 dated January 2, 1995, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to your letter No, Nil dated December 28, 1994 on the subject andtoclarifythattheappeal/revisionfeeasrevised through Finance Act, 1994 is applicable to the appeals filed on or after July 01, 1994 irrespective of the year of assessment."

The ITAT has held in a case reported as *PTCL 1995 CL 273* that the enhanced appeal fee for appeal to ITAT would be applicable for appeals for assessment year 1994-95 onwards. Please also see notes to section **131**.

S. 127(5)–Substitution.–Sub-section (5) before substitution by Finance Ordinance, 2002 read as follows:–

"(5) An appeal shall be lodged with the Commissioner (Appeals) –

(a) where the appeal relates to an assessment order, within thirty days of the date of service of the demand relating to the assessment; or

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(a) where the appeal relates to any assessment or penalty, the date of service of the notice of demand relating to the said assessment or penalty, as the case may be; and

(b) in any other case, the date on which the order to be appealed against is served.]

(6) The Commissioner (Appeals) may, upon application in writing by the appellant, admit an appeal after the expiration of the period specified in sub-section (5) if the Commissioner (Appeals) is satisfied that the appellant was prevented by sufficient cause from lodging the appeal within that period.

128. Procedure in appeal.– (1) The Commissioner (Appeals) shall give notice of the day fixed for the hearing of the appeal to the appellant and to the Commissioner against whose order the appeal has been made.

[1][(1A) Where in a particular case, the Commissioner (Appeals) is of the opinion that the recovery of tax levied under this Ordinance, shall cause undue hardship to the taxpayer, he, after affording opportunity of being heard to the Commissioner against whose order appeal has been made, may stay the recovery of such tax for a period not exceeding thirty days in aggregate.]

[2][(1AA) The Commissioner (Appeals), after affording opportunity of being heard to the Commissioner against whose order appeal has been made, may stay the recovery of such tax for a further period of thirty days, provided that the order on appeal shall be passed within the said period of thirty days.]

(2) The Commissioner (Appeals) may adjourn the hearing of the appeal from time to time.

(3) The Commissioner (Appeals) may, before the hearing of an appeal, allow an appellant to file any new ground of appeal not specified in the grounds of appeal already filed by the appellant where the Commissioner (Appeals) is satisfied that the omission of the ground from the form of the appeal was not wilful or unreasonable.

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[1]Sub-section (1A) inserted by Finance Act, 2012 dated June 26, 2012.
[2]Sub-section (1AA) inserted by Finance Act, 2015 dated June 30, 2015.

(b) in any other case, within thirty days of the date of service of the notice of the decision or determination appealed against."

S.128(1A)-Stay of Demand by Commissioner (Appeals).- Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"Commissioner (Appeals), previously, did not have any power to stay recovery of demand in an order under appeal. By inserting a new sub-section (1A) in section 128, CIR (A) has been empowered to grant stay against recovery for a period or periods not exceeding 30 days in aggregate."

(4) The Commissioner (Appeals) may, before disposing of an appeal, call for such particulars as the Commissioner (Appeals) may require respecting the matters arising in the appeal or cause further enquiry to be made by the Commissioner.

(5) The Commissioner (Appeals) shall not admit any documentary material or evidence which was not produced before the Commissioner unless the Commissioner (Appeals) is satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the Commissioner.

S. 128–Procedure, hearing by officer involved in assessment.– Following is the text of CBR's Letter C. No. 3(22)M(IT Jud)/90 dated March 27, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Kindly refer to the above subject.

2. I am directed to state that occasionally cases come up for hearing before the appellate authorities wherein they have approved the assessment in their capacity as assessing officers, Inspecting Additional Commissioners or Commissioners of Income Tax. These should not be heard at all. Hence it may be ensured that such cases are referred to the Central Board of Revenue by name, so that their jurisdiction is changed immediately.

3. The responsibility of pointing out such cases lies both on the departmental authorities as well as on the assessees. However we should not wait for the assessee to point it out."

S.129-Disposal of Appeal by Commissioner (Appeals).-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"After insertion of a proviso in sub-section (4) of section 129, through Finance Act 2009, two separate time limitations for disposal of appeals by CIR(A) were available in the statute. One under the aforesaid proviso and second under sub-sections (5), (6) and (7). To remove this anomaly, sub-sections (5), (6) and (7) have been omitted."

S. 129–Decision in Appeal, substitution of 1(a).–Clause (a) before substitution by Finance, Act 2005 read as follows:–

"(a) in the case of an appeal against an assessment order –

(i) make an order to set aside the assessment order and direct the Commissioner to make a new assessment order in accordance with any directions or recommendations of the Commissioner (Appeals); or

(ii) make an order to confirm, modify or annul the assessment order; or"

Power to set aside.-Following is an extract from 'Notes on Clauses of Finance Bill 2005':–

"Seeks to divest the Commissioner (Appeals) of the power to set-aside an assessment."

Following is an extract from CBR's Circular No. 1 of 2005 dated July 5, 2005:–

"Clause (a) of sub-section (1) of section 129 has been substituted and Commissioner (Appeals) has been divested of the option to set-aside an assessment. After amendment Commissioner (Appeals) would be able only to modify, confirm or annul the assessment after making (or getting conducted) enquiries or examining the books of accounts etc. as he deems fit. This will bring relief to the taxpayers and also stop unnecessary deferment of revenue. The provision of said clause will be applicable in case of appeals filed on July 1, 2005 and onwards."

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129. Decision in appeal.– (1) In disposing of an appeal lodged under section 127, the Commissioner (Appeals) may –

[1][(a) make an order to confirm, modify or annul the assessment order, after examining such evidence as required by him respecting the matters arising in appeal or causing such further enquiries to be made as he deems fit; or]

(b) in any other case, make such order as the Commissioner (Appeals) thinks fit.

(2) The Commissioner (Appeals) shall not increase the amount of any assessment order or decrease the amount of any refund unless the appellant has been given a reasonable opportunity of showing cause against such increase or decrease, as the case may be.

[1]Clause (a) substituted by Finance Act, 2005 dated June 29, 2005.

S. 129–Disposal of appeals.– Following is an extract from Circular No. 17 of 1957, dated August 12, 1957, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

".....ordinarily it should be possible for the Appellate Assistant Commissioner to pass an order under Section 31 within one week of the date of the hearing of the appeal and also despatch the order to the appellant within three days of the date of passing of the order. Under no circumstances, anappeal should remain undisposed of for more than fifteen days from the date of its final hearing. If, however, there is a change in jurisdiction of A.A.C., all appeals which have been finally heard must be disposed of before the transfer of the charge or jurisdiction."

Following is the text of Chairman CBR's letter No. 1549-PS/CH/86, dated April 24, 1986 addressed to all RCs, CITs, CITs (Appeals) and AACs, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"It has been brought to my notice that some of the appellate/revisional authorities are reluctant to pass firm orders of their own in matters coming up before them for adjudication: instead they remand cases back to lower formations even after stating in detail the two sides of the case and even their own opinion in respect thereof; but without passing the final order.

2. In this connection, a copy of a case reported as 1983 (48-Tax-6) (Trib) is enclosed. The portion marked 'A' is of special interest.

3. This communication is not meant to interfere in any way with the judicial discretion of the appellate or revisional authorities but is only meant to suggest that, as a rule, appellate/revisional authorities should desist from remanding cases unnecessarily to lower formations, and should try to pass firm orders of their own."

The portion from the case, referred above is as follows:–

"The learned Commissioner of Income Tax (Appeals) should have taken pains to consider and decide the issues on merits instead of leaving the appellant's fate in the hands of the assessing officer. It is also patent from the record that the assessing officer has drawn inferences against the appellant without carefully taking into consideration or rebutting the explanations given at the assessment stage, which prima facie, appear to have resulted in harsh assessments. In any case, when the matter was carried before the learned Commissioner of Income Tax (Appeals) he failed to exercise his powers properly in as much as instead of redressing the grievance of the appellant by disposing of the appeals on merits, he simply set-aside the orders and remitted the matter to the assessing officer with the directions to re-examine the position and pass fresh orders on merits and without any prejudice or favour. Keeping in view the facts and circumstances under which the assessments were made, we feel compelled to vacate the order of the learned Commissioner of Income Tax (Appeals) and proceed to dispose of the appeals on merits on the basis available on record and the submissions made by the parties."

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(3) Where, as the result of an appeal, any change is made in the assessment of an association of persons or a new assessment of an association of persons is ordered to be made, the Commissioner (Appeals) may authorise the Commissioner to amend accordingly any assessment order made on a member of the association and the time limit in sub-section (2) of section 122 shall not apply to the making such amended assessment.

(4) As soon as practicable after deciding an appeal, the Commissioner (Appeals) shall [1][specify in the order the amount of tax upheld and] serve [2][ ] his order on the appellant and the Commissioner [3][:]

[3][Provided that such order shall be passed not later than one hundred and twenty days from the date of filing of appeal or within an extended period of sixty days, for reasons to be recorded in writing by the Commissioner (Appeals):

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[1]Words inserted by Finance Act, 2020 dated June 30, 2020.
[2]Word "notice of" omitted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Colon substituted for full stop and provisos inserted by Finance Act, 2009 dated June 30, 2009.

Annulment/cancellation of orders.– Following is the text of RCIT Central Region's letter No. 588/PS/4100 dated December 19, 1987, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"While disposing of an appeal against an assessment order, an appellate authority is competent to (a) confirm (b) reduce (c) enhance, (d) set-aside or (e) annul the assessment.

An assessment is set aside where an assessee is not afforded a proper opportunity of being heard or presenting his case or where facts are not properly ascertained. A set aside assessment has to be completed within one year from the end of the financial year in which the appellate order is received by the ITO (as stipulated by Section 66(1)(c) of the Ordinance). However, where an appeal or a reference is filed either by the Department or the assessee, there is no limit on the completion of re-assessment.

An assessment is annulled where:–

(a) the notice u/s 56 or 65 has been issued without jurisdiction (by a wrong officer),

(b) the notice has not been properly served,

(c) a wrong notice has been issued e.g. a notice u/s 56 instead of 65 or vice-versa),

(d) assessment has been framed on the wrong person,

(e) assessment has been made in the wrong assessment year,

(f) assessment has been made in respect of an income which is not income or such income is exempt from tax etc.,

(g) assessment was framed when it was barred by time.

There is a common misconception prevailing that once an assessment is annulled, no re-assessment can be made. This situation obtains only in the cases mentioned at (f) and (g) above i.e. where a proper notice is served on the correct person by a correct officer for the correct assessment year but the income was either not income or is held to be otherwise exempt or was made when it was already barred by time. In all other cases re-assessment can be made by issue of a proper notice by the proper officer, served on the proper person for the proper assessment year (as the case may be). The only limitation is the one imposed by Section 65. Since the assessment proceedings finalized are nullified *ab-initio*, the situation for re-assessment would be exactly the same as if no assessment had earlier been made and an assessment is being made for the first time. If the period of limitation has not expired, fresh notices can be issued.

Sometimes, the appellate order, instead of annulling the assessment, cancels it. Although the term used is inappropriate, yet effect is exactly the same as if it is annulled.

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Provided further that any period during which the hearing of an appeal is adjourned at the request of the appellant or is postponed due to any appeal or proceedings or stay order, remand or alternative dispute resolution proceedings or for any other reason, shall be excluded in the computation of the aforementioned periods.]

[1][ ]

[1]Sub-sections (5) to (7) omitted by Finance Act, 2012 dated June 26, 2012.

In certain cases, the appellate order proceeds towards setting aside the assessment yet in the operative part of the judgment, the assessment is annulled (often inadvertently). In such cases an application under section 156 may be moved. In case it is rejected (or delayed) further appeal or reference may be filed.

One of the very common appellate decisions relates to additions made u/s 13 where statutory approvals have not been obtained from the IAC. Such additions are straight away omitted and not set aside. In most of the cases, the Department does not file any appeal nor is any effort made to re-assess the same. In such cases, the Department has the option either to go in appeal or to re-start the proceedings to assess the amount after fulfilling the statutory requirements.

In case re-assessment proceedings are barred by time., an appeal may be filed to the ITAT on the ground that the assessment should have been set aside on this issue instead of deleting the addition. Seeking of IAC's approval for an addition u/s 13 is as much a statutory obligation of an ITO as issue of a notice u/s 61 before making an assessment u/s 62. In the case of Sant Baba Mohan Singh V. CIT 1973) 90 ITR 197, the Allahabad High Court held that a proceeding is nullity when the authority taking it has no power to have seisin over the case. The omission of the ITO to issue a notice u/s 61, (which is his statutory obligation), does not affect the ab-initio jurisdiction enjoyed by him in respect of the proceedings. In the case of such a failure, the AAC could only set aside the order. The same ratio applies to the case of failure to obtain the approval of the IAC.

In case action u/s 65 is not barred by time, notice u/s 65 may be issued to re-asses the amount omitted and the re-assessment be completed after meeting the statutory objection. Deletion of the addition u/s 13 would constitute escapement of income for the purposes of Section 65.

Where for any year, there is no income other than income deemed u/s 13, the assessment is most probably annulled, which means that the assessment order does not exist ab-initio. In such cases, proceedings can be re-started by issue of a notice u/s 61, if return is available or notice u/s 65 has been served.

Similarly, in the case of a penalty under Chapter XI imposed without approval of IAC, the orders are being cancelled by the appellate authorities. In such case proceeding may be re-started by issuing a notice under Section 116 and final order may be passed after approval of the IAC.

Theofficersmaybedirectedtoexaminethecasesfallingin the above categories where appellate orders have been received and to initiate appropriate action. They may also be directedtokeeptheaboveinstructionsinmindwhilescrutinisingappellateordersinfuture."

S. 129(4)–Written final appellate orders.– Following is the text of Chairman CBR's Circular letter No. 6461-CH/CBR/85, dated September 16, 1985, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"It has come to my notice that in a number of cases, written final orders passed by Appellate/Revision authorities whether on the Custom side or the Central Excise side or Income Tax side or Sales Tax side or Wealth Tax side are not made available to the parties concerned immediately after the final hearing or oral announcement of the final order. This is to advise that written orders should be made available to the parties by the Appellate/Revision authorities immediately after the final hearing or the oral announcement of the final order. Time lag between final hearing or the oral announcement of the judgment on the one hand and the physical availability of the final order to the petitioner, is fraught with dangerous possibilities and must be avoided under all circumstances. Further, no case (Appeal/Revision) should be shown as disposed of, unless a copy of the finally announced order becomes available to the parties concerned."

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[1][**129A. Faceless appeals**.- (1) Notwithstanding anything contained in this Ordinance, any appeal filed under section 127 may be processed through the National faceless center as may be prescribed by the Board.

(2) The provisions of sections 127, 128 and 129 of this Ordinance shall apply to faceless appeals accordingly.]

[1]Section 129A inserted by Finance Act, 2026 dated June 26, 2026.

S. 129A.- Faceless Regime for Audit, Assessment, Appeals and Jurisdiction [Sections 2(5), 2(35)(1A), 122E, 129A, 209B and 227D**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new section 129A provides that any appeal filed under section 127 may be processed through the National faceless centre, and the provisions of sections 127, 128 and 129 shall apply accordingly."

S. 129(4)-Fixing of maximum time limit to pass an order by the Commissioner (Appeals).-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"A new proviso has been added to sub-section (4) of section 129 of the Ordinance by virtue of which the Commissioner (Appeals) is now required to pass an order not later than 120 days from the date of filing of appeal or within an extended period of 60 days for reasons to be recorded in writing by him. The period during which the hearing of an appeal is adjourned at the request of the appellant or is postponed due to any appeal or proceedings or stay order, remand or alternative dispute resolution proceedings or for any other reason, shall be excluded in the computation of the aforementioned period."

S. 129(5) to (7)-Omission.– Before omission by F. Act, 2012, these read as follows:–

"(5) Where the Commissioner (Appeals) has not made an order on an appeal before the expiration of [1][four] months from the end of the month in which the appeal was lodged, the relief sought by the appellant in the appeal shall be treated as having been given and all the provisions of this Ordinance shall have effect accordingly.

(6) For the purposes of sub-section (5), any period during which the hearing of an appeal is adjourned on the request of the appellant shall be excluded in the computation of the period of [1][four] months referred to in that sub-section.

(7) The provisions of sub-section (5) shall not apply unless a notice by the appellant stating that no order under sub-section (1) has been made is personally served by the appellant on the Commissioner (Appeals) not less than thirty days before the expiration of the period of [1][four] months."

[1]Substituted for "three" by Finance Act, 2008 dated June 27, 2008.

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[1][**130. Appellate Tribunal**.– (1) There shall be established an Appellate Tribunal Inland Revenue hereinafter called as the Appellate Tribunal to exercise jurisdiction, conferred on it under this Ordinance:

Provided that the existing members including Chairman of the Appellate Tribunal shall continue to hold office, on the same terms and conditions as applicable to them prior to the commencement of the Tax Laws (Amendment) Act, 2024 (_____ of 2024), till the completion of their term of office unless resigned or removed earlier on the grounds provided in the proviso to sub-section (5).

(2) The Appellate Tribunal shall consist of members who shall be appointed by the Federal Government in such numbers, in accordance with such procedure and on such terms and conditions as the Federal Government may prescribe by rules, which shall be made and take effect notwithstanding anything contained in section 237 of this Ordinance or the Federal Public Service Commission Ordinance, 1977 (XLV of 1977) or any other law or rules, for the time being in force.

[1]S. 130 substituted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024. Earlier it was substituted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was substituted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

S. 130-Substitution.– Before substitution by Tax Laws (Amendment) Act, 2024, it read as follows:–

"**130. Appellate Tribunal**.- (1) There shall be established an Appellate Tribunal to be called the Appellate Tribunal Inland Revenue to exercise the powers and perform the functions conferred on the Appellate Tribunal Inland Revenue by this Ordinance.

(2) The Appellate Tribunal Inland Revenue shall consist of a chairman and such other judicial and accountant members who shall be appointed in such numbers and in such manner as the Prime Minister may prescribe by rules, which may be made and shall take effect notwithstanding anything contained in section 237 or any other law or rules for the time being in force.

(3) No person shall be appointed as judicial member of an Appellate Tribunal Inland Revenue, unless he-

(a) has been a Judge of a High Court;

(b) is or has been a District Judge; or

(c) is an advocate of a High Court with a standing of not less than ten years; or

(d) possesses such other qualification as may be prescribed under sub-section (2) of this section.

(4) No person shall be appointed as an accountant member of an Appellate Tribunal Inland Revenue, unless he-

(a) is an officer of the Inland Revenue Service equivalent in rank to that of [1][Chief Commissioner Inland Revenue];

(b) is a Commissioner Inland Revenue or Commissioner Inland Revenue (Appeals) having not less than three years experience as Commissioner [2][ ];

(c) has for a period of not less than ten years practiced professionally as a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961); or

(d) has for a period of not less than ten years practiced professionally as a cost and management accountant within the meaning of the Cost and Management Accountants Act, 1966 (XIV of 1966).

(5) The constitution, functioning of benches and procedure of the Appellate Tribunal Inland Revenue shall be regulated by rules which the Prime Minister may prescribe.

(6) The rules in respect of the matters covered under this section made prior to commencement of Tax Laws amended or repealed."

[1]Substituted for "Regional Commissioner" by Finance Act, 2021 dated June 30, 2021.

[2]Words "or Collector" omitted by Finance Act, 2021 dated June 30, 2021.

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(3) A person shall be eligible to be appointed as a member of the Appellate Tribunal, if he–

(a) is an advocate of a High Court for not less than fifteen years and possesses such other qualifications as may be prescribed by rules under this section;

[1][(b) has, for an aggregate period of not less than ten years, been-

(i) in practice as a chartered accountant, either individually or in a firm of the chartered accountants, within the meaning of Chartered Accountants Ordinance, 1961 (X of 1961); or

(ii) a chartered accountant, within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), and has been in employment of a chartered accountant in practice as specified in sub-clause (i) above at least for a period of ten years;]

(c) has for a period of not less than ten years practiced professionally as a cost and management accountant within the meaning of the Cost and Management Accountants Act, 1966 (XIV of 1966);

(d) is an officer of the Inland Revenue in BS-21 or above; or

(e) is an officer of the Inland Revenue in BS-20, having served in such grade for three years or more.

(4) The Federal Government shall appoint any member possessing qualifications provided in clauses (a), (b) and (c) of sub-section (3) as Chairman of the Appellate Tribunal. The Chairman shall hold office for a period of three years provided that the Federal Government may reappoint the Chairman for such further term or terms as it may deem appropriate.

(5) The members including the Chairman shall cease to hold office on attaining the age of sixty-two years provided that the members falling under clauses (c) and (d) of sub-section (3) shall cease to hold office on attaining the age of superannuation, under the law regulating their service:

Provided that a member including the Chairman may resign or may be removed by the Federal Government, on the recommendation of performance review committee, to be constituted by the rules made under sub-section (2), at any time before the expiry of his term or attaining the age of superannuation, as the case may be, on grounds, interalia, of inefficiency or misconduct, as prescribed by the rules made under sub-section (2).

[1]Clause (b) substituted by Finance Act, 2025 in force from July 1, 2025.

S. 130(b)-Substitution.– Before substitution by Finance Act, 2025, it read as follows:–

"(b) has for a period of not less than ten years practiced professionally as a chartered accountant within the meaning of the Chartered Accountants' Ordinance, 1961 (X of 1961);"

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(6) The procedure of the Appellate Tribunal Inland Revenue including constitution of benches, case management system, distribution of cases and other matters ancillary or incidental thereto shall be regulated by the rules made under sub-section (2).]

S. 130-Substitution.– Before substitution by Tax Laws (Amendment) Act, 2020, it read as follows:–

"130. Appointment of the Appellate Tribunal.– [1][(1) There shall be established an Appellate Tribunal to be called the Appellate Tribunal Inland Revenue to exercise the powers and perform the functions conferred on the Appellate Inland Revenue tribunal by this Ordinance,

(2) The Inland Revenue Appellate Tribunal shall consist of a chairman and such other judicial and accountant members as are appointed in such numbers and in the manner as the Prime Minister may prescribe by the rules.]

(3) A person may be appointed as a judicial member of the Appellate Tribunal if the person–

(a) has exercised the powers of a District Judge and is qualified to be a Judge of a High Court; [2][or]

(b) is or has been an advocate of a High Court and is qualified to be a Judge of the High Court [3][.]

[4][ ]

[5][(4) A person may be appointed as an accountant member of the Appellate Tribunal if.-

(a) he is an officer of Inland Revenue [6][Service] equivalent in rank of Regional Commissioner; [7][ ]

(b) a Commissioner of Inland Revenue or Commissioner of Inland Revenue (Appeals) having at least [8][three] years experience as Commissioner or Collector [9]*[;*[10]*[ ]]*]

[11][(c) a person who has, for a period of not less than ten years, practiced professionally as a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961)[12]*[;]*]

[1][(d) a person who has, for a period of not less than ten years, practiced professionally as a cost and management accountant within the meaning of Cost and Management Accountants Act, 1966 (XIV of 1966).]

(5) The Federal Government shall appoint a member of the Appellate Tribunal as Chairperson of the Tribunal [2][and, except in special circumstances, the person appointed should be a judicial member].

(6) The powers and functions of the Appellate Tribunal shall be exercised and discharged by Benches constituted from members of the Tribunal by the Chairperson of the Tribunal.

[1]Sub-sections (1) & (2) substituted by Finance Act, 2019 dated June 30, 2019.

[2]Word "or" inserted by Finance Act, 2017 dated June 20, 2017. Earlier it was omitted by Finance Act, 2013 dated June 29, 2013.

[3]Substituted for "; or" by Finance Act, 2017 dated June 20, 2017. Earlier it was substituted for full stop by Finance Act, 2013 dated June 29, 2013.

[4]Clause (c) omitted by Finance Act, 2017 dated June 20, 2017. Earlier it was inserted by Finance Act, 2013 dated June 29, 2013.

[5]Sub-section (4) substituted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. Earlier it was substituted by Finance Act, 2007 dated June 30, 2007.

[6]Word inserted by Finance Act, 2012 dated June 26, 2012.

[7]Word "or" omitted by Finance Act, 2013 dated June 29, 2013.

[8]Substituted for "five" by Finance Act, 2012 dated June 26, 2012.

[9]Substituted for full stop by Finance Act, 2013 dated June 29, 2013.

[10]Word "or" omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was substituted for full stop by Finance Act, 2013 dated June 29, 2013.

[11]Clause (c) inserted by Finance Act, 2013 dated June 29, 2013.

[12]Substituted for full stop by Finance Act, 2014 dated June 26, 2014.

[1]Clause (d) inserted by Finance Act, 2014 dated June 26, 2014.

[2]Words etcinstead by Finance Act, 2013 dated June 29, 2013. Earlier these were omitted by Finance Act, 2012 dated June 26, 2012.

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(7) Subject to sub-section (8), a Bench shall consist of not less than two members of the Appellate Tribunal and shall be constituted so as to contain an equal number of judicial and accountant members, or so that the number of members of one class does not exceed the number of members of the other class by more than one.

(8) The Federal Government may direct that all or any of the powers of the Appellate Tribunal shall be exercised by–

(a) any one member; or

(b) more members than one, jointly or severally.

[3][(8A) Notwithstanding anything contained in sub-sections (7) and (8), the [4][Chairperson] may constitute as many benches consisting of a single member as he may deem necessary to hear such cases or class of cases as the Federal Government may by order in writing, specify.

(8AA) The [4][Chairperson] or other member of the Appellate Tribunal authorized, in this behalf by the Chairman may, sitting singly, dispose of any case where the amount of tax or penalty involved does not exceed [5][one] million rupees.]

(9) Subject to sub-section (10), if the members of a Bench differ in opinion on any point, the point shall be decided according to the opinion of the majority.

(10) If the members of a [6][Bench] are equally divided on a point, they shall state the point on which they differ and the case shall be referred by the Chairperson forhearing on that point by one or more other members of the Appellate Tribunal, and the point shall be decided according to the opinion of the majority of the members of the Tribunal who have heard the case including those who first heard it.

(11) If there are an equal number of members of the Appellate Tribunal, the Federal Government may appoint an additional member for the purpose of deciding the case on which there is a difference of opinion.

(12) Subject to this Ordinance, the Appellate Tribunal shall have the power to regulate its own procedure, and the procedure of Benches of the Tribunal in all matters arising out of the discharge of its functions including the places at which the Benches shall hold their sittings.

[3]Sub-sections (8A) and (8AA) inserted by Finance Act, 2009 dated June 30, 2009.

[4]Substituted for "Chairman" by Finance Act, 2011 dated June 30, 2011.

[5]Substituted for "five" by Finance Act, 2011 dated June 30, 2011.

[6]Substituted for "majority" by Finance Ordinance, 2002 dated June 15, 2002.

S. 130(1) & (2)-Substitution.– Before substitution by F. Act, 2019, these read as follows:–

"(1) There shall be established an Appellate Tribunal to exercise the functions conferred on the Tribunal by this Ordinance.

(2) The Appellate Tribunal shall consist of a chairperson and such other judicial and accountant members as are appointed by the Federal Government having regard to the needs of the Tribunal."

S. 130(3)(c)-Omission.– Before omission by F. Act, 2017, it read as follows:–

"(c) is an officer of Inland Revenue Service in BS-20 or above and is a law graduate."

S. 130–Appeal to the Appellate Tribunal.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979:-

"The provisions are similar to those of the old Section 33. However, the new provision empowers the Tribunal to stay demand in any case under appeal before it."

S. 130(4)-Substitution-Before substitution by F.A. 2010 read as follows:-

"(4) A person may be appointed as an accountant member of the Appellate Tribunal if the person is [1][an officer of Inland Revenue] Group equivalent in rank to that of a Regional Commissioner and the [1][Commissioner Inland Revenue] or[1][Commissioner Inland Revenue (Appeals)] having at least five years experience as Commissioner shall also be eligible for appointment."

[1]Substitued for "an officer of Income Tax", "Commissioner of Income Tax" and "Commissioner of Income Tax (Appeals)" respectively by Finance (Amendment) Ordinance, 2009 dated October 28, 2009

Before substitution by Finance Act, 2007, sub-section (4) read as follows:-

"(4) A person may be appointed as an accountant member of the Appellate Tribunal if the person is an officer of the Income Tax Group equivalent in rank to that of a Regional Commissioner [1][ ]."

[1]Words "of Income Tax" omitted by Finance Ordinance, 2002 dated June 15, 2002.

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[1][**131. Appeal to the Appellate Tribunal**.– [2][(1) Where the taxpayer, or the Commissioner objects to an order passed by the Commissioner (Appeals), the taxpayer or Commissioner may appeal to the Appellate Tribunal against such order within thirty days of the receipt of such order:

Provided that the taxpayer may directly appeal against the order of the Officer Inland Revenue or the Commissioner as the case may be to the Appellate Tribunal by exercising the option as provided in sub-section (1) of section 127.]

[1]S. 131 substituted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024.
[2]S. 131(1) substituted by Finance Act, 2025 in force from July 1, 2025.

As per 'Notes on Clauses of Finance Bill 2007', the substitution "Seeks to make Commissioners and CsIT (Appeals) eligible for appointment as an accountant member of ITAT." Similarly as per CBR's Circular No. 1 of 2007 dated July 2, 2007:

"Section 130(4) has been substituted through Finance Act, 2007, in pursuant to which Commissioners and Commissioners of Income Tax (Appeals), having at least 5 years experience as Commissioner, are also eligible for appointment as accountant member of the Income Tax Appellate Tribunal."

S. 130(8A) & (8AA)-Constitution of benches by the Chairman Appellate Tribunal.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:- "A new sub-section (8A) has been inserted in section 130 of the Ordinance empowering the Chairman Appellate Tribunal to constitute as many Benches consisting of a single member as he may deem necessary to hear such cases or class of cases as the Federal Government may by order in writing specify.

Besides, a new sub-section (8AA) has also been inserted in section 130 of the Ordinance to provide that the Chairman Appellate Tribunal or any other Member of the Appellate Tribunal authorized in this behalf by the Chairman may sitting singly dispose of any case where the amount of tax or penalty involved does not exceed Rs. 5 million."

S.130-Appointment of the Appellate Tribunal.-Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"Under the existing provisions of section 130 of the Income Tax Ordinance, 2001, a member of the Inland Revenue Appellate Tribunal, sitting singly is empowered to hear the cases where the amount of tax or penalty involved does not exceeds rupees five million. In order to ensure that cases involving high revenues get better attention by a division bench, this limit of rupees five million is changed to rupees on million."

Exercise of powers.– Following is the text of Notification No. SRO 63(KE)/95 dated February 6, 1995, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"In exercise of the powers conferred by sub-section (6) of Section 133 of the Income Tax Ordinance, 1979 (XXXI of 1979), the Federal Government is pleased to direct that all the powers and functions of the Appellate Tribunal shall be exercised, severally and singly, by theChairman-*cum*-member, accountant members and judicial members of the said Tribunal in respect of appeals against orders passed by the Appellate Additional Commissioners under Section111, Section 132, sub-section(2) of Section 148 or Section 156 of the said Ordinance, where such appeals pertain to assessees whose total income as computed by the Deputy Commissioners of Income Tax does not exceed three hundred thousand rupees."

The limit of income was fixed at Rs. 75,000 vide notification No. F. 31(2)/80-AII, dated July 28, 1980 and was enhanced to Rs. 100,000 by Notification of even number dated June 3, 1987 and now stands raised at Rs. 300,000/–.

S. 131(1)-Substitution.– Before substitution by F. Act, 2025, these read as follows:–

"(1) Subject to section 126A, any person, other than an SOE, aggrieved by any order passed by an officer of Inland Revenue or Commissioner or Chief Commissioner or the Board [1][ ] under this Ordinance or the rules made thereunder may, within thirty days of the receipt of such order, prefer an appeal to the Appellate Tribunal or, as the case may be, a reference to the High Court:

Provided that where sub-section (11) of section 134A apply, an SOE may prefer an appeal under this sub-section." [1]Words "or Commissioner (Appeals)" omitted by Finance Act, 2024 w.e.f. 1 July, 2024.

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(2) An appeal under sub-section (1) shall be–

(a) in the prescribed form;

(b) verified in the prescribed manner;

S. 131-Substitution-Before substitution by Tax Laws (Amendment) Act, 2024 read as follows:-

"131. Appeal to the Appellate Tribunal.– (1) Where the [1][taxpayer] or Commissioner objects to an order passed by the Commissioner (Appeals), the [1][taxpayer] or Commissioner may appeal to the Appellate Tribunal against such order.

(2) An appeal under sub-section (1) shall be–

(a) in the prescribed form;

(b) verified in the prescribed manner;

(c) accompanied [2][, except in case of an appeal preferred by the Commissioner,] by the prescribed fee specified in sub-section (3); and

[3][(d) preferred to the Appellate Tribunal within sixty days of the date of service of order of the Commissioner (Appeals) on the taxpayer or the Commissioner, as the case may be.]

[4][(3) The prescribed fee shall be five thousand rupees in case of a company and two thousand and five hundred rupees in case other than a company.]

(4) The Appellate Tribunal may, upon application in writing, admit an appeal after the expiration of the period specified in clause (d) of sub-section (2) if it is satisfied that the person appealing was prevented by sufficient cause from filing the appeal within that period.

[5][(5) Notwithstanding that an appeal has been filed under this section, tax shall, unless recovery thereof has been stayed by the Appellate Tribunal, be payable in accordance with the assessment made in the case:

[1]Substituted for "appellant" by Finance Ordinance, 2002 dated June 15, 2002.

[2]Commas and words inserted by Finance Ordinance, 2002 dated June 15, 2002.

[3]Clause (d) substituted by Finance Ordinance, 2002 dated June 15, 2002.

[4]Sub-section (3) substituted by Finance Act, 2020 dated June 30, 2020. Earlier it was substituted by Finance Act, 2009 dated June 30, 2009.

[5]Sub-section (5) inserted by Finance Act, 2003 dated June 17, 2003.

S. 131(2)(d)–Substitution.– Before substitution by Finance Ordinance, 2002 read as follows:–

"(d) filed with the Appellate Tribunal within sixty days of the date of service of notice of the Commissioner (Appeals)'s decision to the appellant or Commissioner, as the case may be."

S. 131(3)–Substitution.– Before substitution by Finance Act, 2020, it read as follows:–

"(3) The prescribed fee shall be 'two' thousand rupees."

S. 131(3)–Substitution.– Before substitution by F. Act, 2009 read as follows:-

"(3) The prescribed fee shall be–

(a) in the case of an appeal in relation to an assessment order, the lesser of two thousand five hundred rupees or ten percent of the tax assessed; or

(b) in any other case –

(i) where the appellant is a company, two thousand rupees; or

(ii) where the appellant is not a company, five hundred rupees."

S.131(5)-Provisos-Substitution.- Before substitution by F.A. 2012, these read as follows:-

"Provided that where recovery of tax has been stayed by the Appellate Tribunal by an order, such order shall cease to have effect on the expiration of a period of three months following the date on which it is made, unless the appeal is decided, or such order be withdrawn by the Appellate Tribunal earlier:

Provided further that the Appellate Tribunal shall not make an order which has the effect of staying the recovery of tax beyond the period of six months in aggregate.

[1][Provided further that the Appellate Tribunal may stay the recovery of the tax on filing the appeal which order will remain operative for thirty days and during which period a notice shall be issued to the respondent and after hearing the parties, order may be confirmed or varied as the Tribunal deems fit but stay order shall in no case remain operative for more than one hundred and eighty days.]"

[1]Proviso inserted by Finance Act, 2009 dated June 30, 2009.

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S. 131 and 133.-Appeal to the Appellate Tribunal [Section 131] and Reference to the Honourable High Court. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"After introduction of section 126A and substitution of section 133 through the Tax Laws (Amendment) Act, 2024, appeals against those orders could be filed with the Commissioner (Appeals) where the value of assessment or as the case may be, refund of tax does not exceed twenty million rupees. Sub-section (1) of section 133 stipulated that within thirty days of the communication of the order of the Appellate Tribunal or, as the case may be, the Commissioner (Appeals), the aggrieved person or the Commissioner may file a reference before the High Court. Hence, appeal against the order of the Commissioner (Appeal) would lie before the High Court. However, the existence of the words, "Commissioner (Appeals)" in sub-section (1) of section 131, indicated that appeal against the order of the Commissioner (Appeals) could also lie before the Appellate Tribunal.

In order to remove this anomaly, the expression "or Commissioner (Appeals)" has been omitted from sub-section (1) of section 131 which made it clear that all appeals decided by the Commissioner (Appeals) or the Appellate Tribunal shall lie before the High Court. There cannot be a situation where second appeal against the decision of the Commissioner (Appeals) is filed before the Appellate Tribunal.

Regarding cases which were pending with the Commissioner (Appeals) at the time of commencement of the Tax Laws (Amendment) Act, 2024 and which were subsequently decided by the Commissioner (Appeals), the issue requiring attention was what would be the appellate authority where the impugned order of the Commissioner (Appeals) is contested in case where such order was communicated after the date of commencement of the Tax Laws (Amendment) Act, 2024. In this regard, an explanation has been added in sub-section (1) of section 133 to clarify that references against order of the Commissioner (Appeals) communicated after the commencement of the Tax Laws (Amendment) Act, 2024, will lie before the High Court, even if proceedings were pending before the Commissioner (Appeals) prior to the commencement of the Tax Laws (Amendment) Act, 2024.

A new sub-section (18) has been inserted in section 239 which states that for decisions, received prior to the commencement of the Tax Laws (Amendment) Act, 2024, the period of limitation for filing of appeals before the Appellate Tribunal or the High Court shall be the same as it existed prior to the commencement of the said Act."

S. 133.-Rationalization of Appeal Filing before Appellate Forum.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [section 133]

"In order to lessen the extra burden and references on questions of facts in High Courts resulting from amendments of 2024, the criteria of monetary threshold for filing appeal either before CIR (Appeals) or ATIR have been withdrawn. Now the taxpayer can exercise its discretion to file appeal to the CIR (Appeals) or directly before the ATIR.

Some corrective provisions have also been incorporated in section 133 of the Ordinance:

i) Now a taxpayer can file an appeal before High Court within sixty days of the receipt of judgement of ATIR

ii) only question relevant to law arising out of the judgment of ATIR can be filed before the High Court."

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(c) accompanied, by the prescribed fee specified in sub-section (3); and

(d) preferred to the Appellate Tribunal within thirty days of the date of service of order on the taxpayer.

(3) The prescribed fee shall be twenty thousand rupees in case of a company and five thousand rupees in case other than a company.

(4) The Appellate Tribunal may, upon application in writing, admit an appeal after the expiration of the period specified in clause (d) of sub-section (2) if it is satisfied that the person preferring appeal was prevented by sufficient cause from filing the appeal within that period.

(5) Notwithstanding that an appeal has been filed under this section, tax shall, unless recovery thereof has been stayed by the Appellate Tribunal, be payable in accordance with the assessment made in the case:

Provided that on filing of application in a particular case, the Appellate Tribunal may after affording an opportunity of being heard to the Commissioner having jurisdiction, for reasons to be recorded, stay the recovery of tax for ninety days:

Provided further that the stay order shall cease to have effect, and the Commissioner shall be entitled to recover tax, if the taxpayer does not adhere to the hearing schedule for the appeal, as determined by the Appellate Tribunal in accordance with the rules made under sub-section (2) of section 130:

Provided also that where an appeal is not decided within the statutory period by the Appellate Tribunal, the stay order under the second proviso shall not cease to have effect till finalization of the appeal by the Appellate Tribunal.]

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[1][Provided that if on filing of application in a particular case, the Appellate Tribunal is of the opinion that the recovery of tax levied under this Ordinance and upheld by the Commissioner (Appeals), shall cause undue hardship to the taxpayer, the Tribunal, after affording opportunity of being heard to the Commissioner, may stay the recovery of such tax for a period not exceeding one hundred and eighty days in aggregate [2][:]

[2][Provided further that where recovery of tax has been stayed under this section, such stay order shall cease to have effect on expiration of the said period of one hundred and eighty days following the date on which the stay order was made and the Commissioner shall proceed to recover the said tax:]

[3][Provided further that in computing the aforesaid period of one hundred and eighty days, the period, if any, for which the recovery of tax was stayed by a High Court, shall be excluded.]"

[1]Two new provisos subsituted for existing three provisos by Finance Act, 2012 dated June 26, 2012.
[2]Substituted for ":-" by Finance Act, 2018 dated May 23, 2018.
[3]Proviso inserted by Finance Act, 2018 dated May 23, 2018.

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S. 131–Appeal against set aside order u/s 131(1).– Following is an extract from CBR's Circular No. 6 of 1994 dated July 10, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The order passed by an Additional Commissioner of Income Tax under section 66A, setting-aside income tax assessment made by an Assessing Officer for denovo proceedings, was not appealable. This appeared to be a drafting omission. Section 134 has, therefore, been amended in a manner that all orders passed by an Additional Commissioner of Income Tax u/s 66A have now become appealable." [**Ref:***94 ITC 5 p. 5*]

Appointment of ITAT's Members – S.R.O. 5(I)/98, Islamabad, the 5th January, 1998.– In pursuance of sub-rule (2) of the Civil Servants (Appointment, Promotion and Transfer) Rules, 1973, the Federal Government has notified the method of appointment, qualifications, experience, age limits and other conditions for appointment to the posts in the Income Tax Appellate Tribunal working under the Ministry of Law, Justice and Human Rights and Parliamentary Affairs, Islamabad. [for full text **see:***98 ITM 10 p 4*]

S.131(5)-Stay of Demand by Appellate Tribunal-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"The provisions regarding grant of stay by Appellate Tribunal have been substituted to remove ambiguities and bring clarity. Tribunal can now grant stay for a period not exceeding one hundred and eighty days after providing an opportunity of being heard to the relevant Commissioner. However, while computing the above period of 180 days the period for which the recovery was stayed by the High Court shall be excluded."

Filing of departmental appeals, CBR's instructions.– Following is the text of CBR's Circular Letter C. No. 1(114)/IT-J/91, dated August 24, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979: –

"I am directed to say that all officers may please be asked not to file appeals against the orders of the appellate authorities in the following types of cases:–

(i) Where relief allowed by appellate authorities in tax demand does not exceed Rs. 1000/–;

(ii) Where orders of annulment in respect of exparte assessments made in the month of June, 1991 have been passed and where no basis for such exparte orders is apparent from record; and

(iii) Where, on some basis available for fresh assessments, exparte orders have been set-aside by appellate authorities for denovo proceedings."

Policy for Departmental appeals.– See footnotes u/s 134.

Departmental appeals filing only in fit cases.– Following is the text of Circular letter No. IT. Jud.II. I(180)/85, dated November 11, 1985, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"It has been noticed that proper care and caution is not being observed while filing second appeals before the Tribunal. Sometimes cases set aside at the first appeal stage and involving verification of facts for re-assessment are taken to the Tribunal without much justification

2. In order to eliminate unnecessary litigation, it is desired that before filing appeal in the Tribunal, the Zonal Commissioners should carefully examine themselves whether a particular case is fit for a second appeal or not.

3. The Zonal Commissioners may please be advised accordingly."

Fee for filing of Appeal before Appellate Tribunal.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Upon recommendations of the committee on harmonization of different tax laws, amendment has been made in sub-section (3) of section 131 to fix the appeal fee at Rs. 2,000/- instead of determining the fee in relation to the tax assessed."

Enhanced appeal fee, applicability.– The ITAT has held in a case reported as *PTCL 1995 CL 273* that the enhanced appeal fee for appeal to ITAT, as envisaged through Finance Act, 1994, would be applicable for appeals for assessment year 1994-95 onwards.

Withdrawal of petty appeals.– Following is the text of CBR's Letter D.O.No.1(26)IT-I/94 dated June 27, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

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"You are aware that quite a large number of appeals are pending with the Income Tax Appellate Tribunal for adjudication. In a number of appeals though the revenue involved is quite insignificant, yet the Department has filed appeals. There is an urgent need to bring down the pendency before the ITAT.

2. I would, therefore, suggest that the withdrawal of appeals involving revenues of upto Rs. 2000/– may be given serious consideration. All such cases where the appeals have been filed by the Department may please be reviewed by a committee consisting of the concerned Zonal CIT and the CIT (Appeals) and if no legal issue is involved, these may be recommended for withdrawal from the ITAT. Relevant particulars of such cases may be maintained in the office of RCIT, as well." *[***ref:** *94 ITL 35 p. 54]*

Destruction of second appeals filed by the Department.– Following is the text of RCIT Central Region's letter No. RCIT/SI/(411), dated December 22, 1987, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"With reference to the subject notice above, I am directed to say that it has been brought in the knowledge of worthy Regional Commissioner of Income Tax, Central Region, Lahore that second appeal papers filed by the Department are being tampered with by certain elements. The result of this exercise on part of these elements would be that Departmental appeals may never come up for hearing at the loss of revenue and with ultimate benefit to the tax-payers. It may be difficult to keep the track of all such second appeals. One way to counter-check the loss of appeals in this way would be the maintenance of proper record of all second appeals in every circle and the CIT's office and to have periodic cross verification with the Tribunal's records.

In view of the above, necessary instructions may please be given to all the assessing Officers in this regard."

Departmental appeals, intimation to the assessees.– Following is an extract from CBR's Letter C. No. 3(16)M(IT. Jud)/93 dated July 6, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979: –

"2. The Department and the assessee can both go into second appeal before the Income Tax Appellate Tribunal which holds appellate jurisdiction against the orders of the Commissioner of Income Tax/Wealth Tax (Appeals) or Appellate Additional Commissioner of Income Tax. The assessee however has an option, that of filing an application for revision under section 138 before the member (Judicial – Income Tax), who holds revisional jurisdiction. It often happens that the assessee is unaware of the Department's second appeal, and avails of his option. On the other hand, the provisions of clause (c) of sub-section (2) of section 138 of the Income Tax Ordinance, 1979 debars a hearing for revision in-cases where the order has been made the subject matter of an appeal to the Income Tax Appellate Tribunal. In fact, if for some inadvertent reason, a conflict arises, the "appellate jurisdiction" would prevail over the "revisional" jurisdiction".

3. As such, applications for revisions under section 138 in cases where the department is in second appeal, are not being entertained by this office. The applicants/ assessees are being informed accordingly.

4. This is being brought to your notice so that necessary measures are adopted for timely intimation to the assessees regarding filing of second appeal by the department, who would otherwise be faced with the problems of limitation." *[***ref:** *94 ITL 36 p. 54]*

S. 131(5)-Stay of Demand by the Appellate Tribunal.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"A new proviso has been inserted in section 131 providing that the Appellate Tribunal may stay the recovery of tax on filing appeal which order will remain operative for 30 days during which period a notice shall be issued to the respondent and after hearing the parties order may be confirmed or altered as the Tribunal deems fit. However, stay order shall in no case remain operative for more than 180 days."

Following is an extract from CBR's Circular No. 7 of 2003 dated July 11, 2003:–

"The Appellate Tribunal has been empowered to grant stay of recovery of tax demand for a period of three moths. However, stay of demand shall not exceed a period of six months in aggregate. Accordingly, sub-section (5) in section 131 has been added for this purpose."

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[1][**132. Decision of appeals by the Appellate Tribunal**.– (1) The Appellate Tribunal shall decide the appeal within ninety days of its filing:

Provided that appeals pending before the Appellate Tribunal on the date of commencement of the Tax Laws (Amendment) Act, 2024 (___ of 2024), shall be decided within one hundred and eighty days:

Provided further that where an appeal is not decided within the aforesaid period, the Appellate Tribunal shall seek condonation from the Minister of Law and Justice and such condonation shall not extend beyond ninety days.

[1]S. 132 substituted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024.

S. 132-Substitution.– Before substitution by Tax Laws (Amendment) Act, 2024, it read as follows:–

"132. Disposal of appeals by the Appellate Tribunal.– (1) The Appellate Tribunal may, before disposing of an appeal, call for such particulars as it may require in respect of the matters arising on the appeal or cause further enquiry to be made by the Commissioner.

[1][(2) The Appellate Tribunal shall afford an opportunity of being heard to the parties to the appeal and, in case of default by any of the party on the date of hearing, the Tribunal [2][ ] may proceed *ex parte* to decide the appeal on the basis of the available record.]

[3][(2A) The Appellate Tribunal shall decide the appeal within six months of its filing;]

(3) Where the appeal relates to an assessment order, the Appellate Tribunal may [4][, without prejudice to the powers specified in sub-section (2),] make an order to –

(a) affirm, modify or annul the assessment order; or

[5][ ]

[6][(c) remand the case to the Commissioner or the Commissioner (Appeals) for making such enquiry or taking such action as the Tribunal may direct.]

(4) The Appellate Tribunal shall not increase the amount of any assessment [7][or penalty] or decrease the amount of any refund unless the taxpayer has been given a reasonable opportunity of showing cause against such increase or decrease, as the case may be.

(5) Where, as the result of an appeal, any change is made in the assessment of an association of persons or a new assessment of an association of persons is ordered to be made, the Appellate Tribunal may authorise the Commissioner to amend accordingly any assessment order made on a member of the association and the time limit in sub-section (2) of section 122 shall not apply to the making of such amended assessment.

(6) Where the appeal relates to a decision other than in respect of an assessment, the Appellate Tribunal may make an order to affirm, vary or annul the decision, and issue such consequential directions as the case may require.

[1][(7) The Appellate Tribunal shall communicate its order to the taxpayer and the Commissioner.]

[2][ ]

(10) Save as provided in section 133, the decision of the Appellate Tribunal on an appeal shall be final."

[1]Sub-section (2) substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Words "may if it deems fit, dismiss the appeal in default, or" omitted by Finance Act, 2011 dated June 30, 2011.
[3]Sub-section (2A) inseted by Finance Act, 2005 dated June 29 2005.
[4]Commas and words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.
[5]Clause (b) omitted by Finance Act, 2007 dated June 30, 2007.
[6]Clause (c) inserted by Finance Ordinance, 2002 dated June 15, 2002.
[7]Words inserted by Finance Act, 2003 dated June 17, 2003.
[1]Sub-section (7) substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Sub-sections (8) and (9) omitted by Finance Ordinance, 2002 dated June 15, 2002.

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(2) At the first hearing of appeal, the Appellate Tribunal shall-

(a) bring to the notice of the taxpayer, the provisions relating to alternative dispute resolution under section 134A of this Ordinance; and

(b) if the taxpayer declines the option of alternative dispute resolution and wishes to continue with the appeal, fix date or dates for hearing and decision of the appeal in consultation with the taxpayer and Commissioner and in accordance with the rules.

(3) The Appellate Tribunal shall ensure strict adherence by the taxpayer and the Commissioner, to the hearing schedule as prescribed, and shall hear and decide the appeal on the date or dates fixed, and no adjournment shall be granted, except-

(a) where there are compelling reasons for adjournment, to be recorded by the Appellate Tribunal; and

(b) on mandatory payment of such cost as the Appellate Tribunal may deem fit, which shall not be less than fifty thousand rupees.

(4) Where the appeal relates to an assessment order, the Appellate Tribunal may, without prejudice to the powers specified in sub-section (3), make an order to–

(a) affirm, modify or annul the assessment order;

(b) remand the case to the Commissioner for making such enquiry or taking such action as the Tribunal may direct; or

(c) make such order as the Appellate Tribunal may deem fit.

(5) The Appellate Tribunal shall not increase the amount of any assessment or penalty or decrease the amount of any refund unless the taxpayer has been given a reasonable opportunity of showing cause against such increase or decrease, as the case may be.

(6) Where, as the result of an appeal, any change is made in the assessment of an association of persons or a new assessment of an association of persons is ordered to be made, the Appellate Tribunal may authorize the Commissioner to amend accordingly any assessment order made on a member of the association and the time limit in sub-section (2) of section 122 shall not apply to the making of such amended assessment.

(7) Where the appeal relates to a decision other than in respect of an assessment, the Appellate Tribunal may make an order to affirm, vary or annul the decision, and issue such consequential directions as the case may require.

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(8) The Appellate Tribunal shall communicate its order to the taxpayer and the Commissioner.

(9) Save as provided in section 133, the decision of the Appellate Tribunal on an appeal shall be final.]

Following is an extract from Circular No. 7 of 1984, dated July 23, 1984 is as follows, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"By inserting provisos to sub-section (6) of section 134, a time limit of three months in the aggregate has been imposed on the operation of stays granted by the Income Tax Appellate Tribunal unless the appeal is decided or the stay is withdrawn earlier. Thus no subsequent stays after the decision of an appeal or the expiry of three months from an earlier stay, would be operative. While stays granted after the commencement of the Finance Ordinance, 1984, would lapse on the expiry of three months from the date of issuance of such orders, those granted before the fourteenth day of June, 1984, would expire after the thirteenth day of September, 1984 in accordance with the provisions of sub-section (3) of section 6 of the Ordinance."

S. 132- Disposal of Appeals by the Appellate Tribunal.-Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:–

"This amendment is aimed at rationalizing the powers available to the Appellate Tribunal. Powers to dismiss an appeal in default has been withdrawn and now the Appellate Tribunal, after affording an opportunity of being heard to the parties to the appeal, in case of default by any of the party on the date of hearing, may proceed ex-parte to decide the appeal on the basis of the available record."

S. 132–Disposal of appeals by ITAT, substitution of sub-section (2).– Sub-section (2) before substitution by Finance Ordinance, 2002, read as follows:–

"(2) The Appellate Tribunal shall give both parties to the appeal an opportunity of being heard either in person or through an authorised representative."

S. 132(3)-Setting aside, omission of clause (b).-Before omission by Finance Act, 2007, clause (b) read as follows:-

"(b) set aside the assessment order and direct the Commissioner to make a new assessment order in accordance with the directions or recommendations of the Tribunal [1][; or]"

[1]Substituted for full stop by Finance Ordinance, 2002 dated June 15, 2002.

S. 132(2A)-Time limit for decision.-Following is an extract from CBR's Circular No. 1 of 2005 dated July 5, 2005:–

"A new sub-section (2A) has been added in section 132, fixing a time limit of six months for the disposal of appeals by the ITAT. This amendment shall be effective for appeals filed on or after July 01, 2005 and shall be applicable to appeals filed by the taxpayers as well as by the Department."

S. 132(7)–Substitution.– Sub-section (7) before substitution by Finance Ordinance, 2002 read as follows:–

"(7) The Appellate Tribunal shall serve a notice of its order on the appellant and the Commissioner."

S. 132(8) & (9)–Substitution.– Sub-sections (8) and (9), before omission by Finance Ordinance, 2002 read as follows:–

"(8) Where the Appellate Tribunal has not made an order in respect of an appeal before the expiration of six months from the end of the month in which the appeal was filed, the relief sought by the appellant in the appeal shall be treated as having been given and all the provisions of this Ordinance shall have effect accordingly.

(9) For the purposes of sub-section (8), any period during which the hearing of an appeal is adjourned on the request of the appellant shall be excluded in the computation of the period of six months referred to in that sub-section."

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[1][**133. Reference to High Court**.– (1) [2][Within sixty] days of the communication of the order of the Appellate Tribunal [3][ ], the aggrieved person or the Commissioner may file a reference, in the prescribed form along with a statement of the case, before the High Court, stating any question of law [3][ ] arising out of such order:

Provided that the applicant shall also file complete record of the Appellate Tribunal [4][ ] within fifteen days of preferring an application under this section.

[5][ ]

(2) The statement to the High Court referred to in sub-section (1), shall set out the facts, the determination of the Appellate Tribunal [4][ ] and the question of law [3][ ] which arises out of its order.

(3) Where, on an application made under sub-section (1), the High Court is satisfied that a question of law [3][ ] arises out of such order referred to in sub-section (1), it may proceed to hear the case.

(4) A reference to the High Court under this section shall be heard by Special Bench or the Special Benches, as the case may be, to be constituted by the Chief Justice, as deemed necessary for hearing cases under this section, comprising of not less than two judges of the High Court and, in respect of the reference, the provisions of section 98 of the Code of Civil Procedure, 1908 (Act V of 1908), shall apply, so far as may be, notwithstanding anything contained in any other law for the time being in force.

(5) The Special Bench shall decide a reference within six months from the date of its filing.

(6) The High Court shall establish a case management system to ensure that sufficient number of Special Benches are constituted, so as to ensure that a reference filed under this section is decided within the stipulated six months.

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[1]Section 133 substituted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024. Earlier it was substitutied by Finance Act, 2005 dated June 29, 2005.

[2]Substituted for "Subject to section 126A, within thirty" by Finance Act, 2025 in force from July 1, 2025. Earlier it was substituted for "Within" by Finance Act, 2024 w.e.f. 1 July, 2024.

[3]Words "or, as the case may be, the Commissioner (Appeals)" & "or a mixed question of law and facts" omitted respectively by Finance Act, 2025 in force from July 1, 2025.

[4]Words "or, as the case may be, the Commissioner (Appeals)" omitted by Finance Act, 2025 in force from July 1, 2025. Earlier these were inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

[5]Explanation omitted by Finance Act, 2025 in force from July 1, 2025. Earlier it was inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

S. 133(1)Explanation–Omission.– Before omission by Finance Act, 2025, it read as follows:–

"Explanation.- For the removal of doubt it is clarified that reference against order of the Commissioner (Appeals), communicated after the date of commencement of the Tax Laws (Amendment) Act, 2024 (V of 2024), shall lie before the High Court notwithstanding the proceedings pending prior to the date of commencement of the said Act."

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(7) The High Court upon hearing a reference under this section shall decide the question of law [1][ ] raised by the reference and pass judgment thereon specifying the grounds on which such judgment is based and the Appellate Tribunal's order [1][ ] shall stand modified accordingly.

(8) The High Court shall send a copy of the judgment under the seal of the High Court to the Appellate Tribunal [2][ ].

(9) Notwithstanding that a reference has been made to the High Court, the tax shall be payable in accordance with the order of the Appellate Tribunal [2][ ]:

Provided that the tax recovery shall not be made by the Commissioner for thirty days from the date of communication of the order of the Appellate Tribunal [2][ ]:

Provided further that, if the amount of tax is reduced as a result of the judgment in the reference by the High Court and some amount of tax is found to be refundable, the High Court may, on application by the Commissioner within thirty days of the receipt of the judgment of the High Court that he wants to prefer petition for leave to appeal to the Supreme Court, make an order authorizing the Commissioner to postpone the refund until the disposal of the appeal by the Supreme Court.

(10) On an application filed in a particular reference and after affording an opportunity of being heard to the Commissioner, the High Court may stay recovery of tax, subject to deposit with the assessing authority of not less than thirty percent of the tax determined by the Appellate Tribunal [2][ ]. Where recovery of tax has been stayed by the High Court by an order, such order shall cease to have effect on the expiration of a period of six months following the day on which it was made unless the reference is decided or such order is withdrawn by the High Court earlier.

(11) Section 5 of the Limitation Act, 1908 (IX of 1908), shall apply to an application made to the High Court under sub-section (1).

(12) An application under sub-section (1) [1][, by the aggrieved person other than the Commissioner,] shall be accompanied by a fee of fifty thousand rupees.

(13) No application filed by the Commissioner under sub-section (1) shall be entertained unless it is accompanied by a written authorization by the relevant Chief Commissioner.]

[1]Words "or a mixed question of law and facts" & "or, as the case may be, the Commissioner (Appeals)'s order" omitted respectively by Finance Act, 2025 in force from July 1, 2025. Earlier these were inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

[2]Words "or, as the case may be, the Commissioner (Appeals)" omitted by Finance Act, 2025 in force from July 1, 2025. Earlier these were inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

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S. 133-Substitution.– Before substitution by Tax Laws (Amendment) Act, 2024, it read as follows:–

"**133. Reference to High Court.**– (1) Within ninety days of the communication of the order of the Appellate Tribunal under sub-section (7) of section 132, the aggrieved person or the Commissioner may prefer an application, in the prescribed form along with a statement of the case, to the High Court, stating any question of law arising out of such order.

(2) The statement to the High Court referred to in sub-section (1), shall set out the facts, the determination of the Appellate Tribunal and the question of law which arises out of its order.

(3) Where, on an application made under sub-section (1), the High Court is satisfied that a question of law arises out of the order referred to in sub-section (1), it may proceed to hear the case.

(4) A reference to the High Court under this section shall be heard by a Bench of not less than two judges of the High Court and, in respect of the reference, the provisions of section 98 of the Code of Civil Procedure, 1908 (Act V of 1908), shall apply, so far as may be, notwithstanding anything contained in any other law for the time being in force.

(5) The High Court upon hearing a reference under this section shall decide the question of law raised by the reference and pass judgment thereon specifying the grounds on which such judgment is based and the Tribunal's order shall stand modified accordingly. The Court shall send a copy of the judgment under the seal of the Court to the Appellate Tribunal.

(6) Notwithstanding that a reference has been made to the High Court, the tax shall be payable in accordance with the order of the Appellate Tribunal:

Provided that, if the amount of tax is reduced as a result of the judgment in the reference by the High Court and the amount of tax found refundable, the High Court may, on application by the Commissioner within thirty days of the receipt of the judgment of the High Court that he wants to prefer petition for leave to appeal to the Supreme Court, make an order authorizing the Commissioner to postpone the refund until the disposal of the appeal by the Supreme Court.

(7) Where recovery of tax has been stayed by the High Court by an order, such order shall cease to have effect on the expiration of a period of six months following the day on which it was made unless the appeal is decided or such order is withdrawn by the High Court earlier.

(8) Section 5 of the Limitation Act, 1908 (IX of 1908), shall apply to an application made to the High Court under sub-section (1).

(9) An application under sub-section (1) by a person other than the Commissioner shall be accompanied by a fee of one hundred rupees."

S. 133–Substitution.–S. 133 before substitution by Finance Act, 2005, read as follows:–

"(1) Where the Appellate Tribunal has made an order on an appeal under section 132, the [1][taxpayer] or Commissioner may, by application in such form and accompanied by such documents as may be prescribed, require the Appellate Tribunal to refer any question of law arising out of such order to the High Court.

(2) An application under sub-section (1) shall be made within ninety days of the date on which the [1][taxpayer] or Commissioner, as the case may be, was served with [2][ ] the Appellate Tribunal's order.

(3) Where, on an application under sub-section (1), the Appellate Tribunal is satisfied that a question of law arises out of its order, it shall, within ninety days of receipt of the application, draw up a statement of the case and refer it to the High Court.

(4) Where, on an application under sub-section (1), the Appellate Tribunal refuses to state the case on the ground that no question of law arises, the [1][taxpayer] or the Commissioner, as the case may be, may apply to the High Court and the High Court may, if it is not satisfied with the correctness of the decision of the Appellate Tribunal, frame a question of law for its consideration.

(5) An application under sub-section (4) shall be made within one-hundred and twenty days from the date on which the [1][taxpayer] or Commissioner, as the case may be, was served with [2][order] of the refusal.

(6) Sub-sections (10) through (14) shall apply to a question of law framed by the High Court in the same manner as they apply to a reference made under sub-section (1).

[1]Substituted for "appellant" by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "notice" by Finance Act, 2003 dated June 17, 2003.

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(7) If, on an application under sub-section (1), the Appellate Tribunal rejects the application on the ground that it is time-barred, the [1][taxpayer] or Commissioner may apply to the High Court and, if the High Court is not satisfied with the correctness of the Appellate Tribunal's decision, the Court may require the Appellate Tribunal to treat the application as made within the time allowed under sub-section [3][(2)].

(8) An application under sub-section (7) shall be made within [4][ninety days] from the date on which the appellant or Commissioner, as the case may be, was served with [2][order] of the rejection.

(9) If the High Court is not satisfied that the statement in a case referred under sub-section (3) is sufficient to enable it to determine the question raised thereby, the Court may refer the case back to the Appellate Tribunal to make such modification therein as the Court may direct.

(10) A reference to the High Court under this section shall be heard by a Bench of not less than two Judges of the High Court and, in respect of the reference, the provisions of section 98 of the Code of Civil Procedure, 1908 (V of 1908) shall apply, so far as may be, notwithstanding anything contained in any other law for the time being in force.

(11) The High Court upon hearing a reference under this section shall decide the questions of law raised by the reference and deliver judgment thereon containing the grounds on which such decision is founded.

(12) A copy of the judgment of the High Court shall be sent under the seal of the Court and the signature of the Registrar to the Appellate Tribunal which shall pass such orders as are necessary to dispose of the case conformably to such judgment.

(13) The costs of a reference to the High Court under this section shall be at the discretion of the Court.

(14) Where a reference relates to an assessment, the tax due under the assessment shall be payable in accordance with the assessment, unless recovery of the tax has been stayed by the High Court.

(15) Section 5 of the Limitation Act, 1908 (IX of 1908) shall apply to an application under sub-section (1).

(16) An application under sub-section (1) by a person other than the Commissioner shall be accompanied by a fee of one hundred rupees."

[3]Substituted for "(1)" by Finance Act, 2003 dated June 17, 2003. The brackets and figure "(1)" appeared twice but the relevant clause of the Finance Act, 2003 does not specify which is to be substituted, anyhow the apparently intended one, i.e. occurring for the second time has been substituted.

[4]Substituted for "three months" by Finance Ordinance, 2002 dated June 15, 2002.

S. 133-Direct reference to High Court.-Following is an extract from CBR's Circular No. 1 of 2005 dated July 5, 2005:–

"Section 133 has been substituted to provide for a direct reference to the High Court, which shall decide whether a question of law arises and then shall proceed to hear the case. A further provision has been made whereby, the High Court can authorize the Commissioner to postpone the payment of refund arising as a result of an order by the High Court, till the disposal of appeal by the Supreme Court.

Amendment has also been made to the effect that a stay of recovery granted by the High Court shall be automatically vacated at the expiry of the period of six months, unless the order for stay is withdrawn or the reference is decided at an earlier date."

Following is an extract from 'Notes on Clauses of Finance Bill 2005':–

"Seeks to provide for a direct reference to High Court instead of taking the route through the Appellate Tribunal."

Direct reference to high court – date of applicability.– Following is an extract from CBR's Circular No. 6 of 2005 dated the 19th August, 2005:–

"Section 133 of the Income Tax Ordinance, 2001 has been substituted through Finance Act, 2005 and (inter-alia) provides for a direct reference to the High Court. Queries have been raised with regard to the date of applicability of the new provisions. It is accordingly clarified that the new procedure shall be applicable to all applications preferred to the High Court from July 1, 2005 onwards."

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[1][**133A. Independent case scrutiny committee**.- (1) A reference under section 133 of this Ordinance before the High Court or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan shall only be filed by the Commissioner Inland Revenue after the same has been approved by an independent case scrutiny committee as constituted by the Board.

(2) The Board may constitute one or more such committees and assign them cases or classes of cases decided by the Appellate Tribunal Inland Revenue or the High Court, as the case may be.

(3) The Committee shall comprise of the following Members as nominated by the Board-

(a) a retired judge of the Supreme Court of Pakistan, the Federal Constitutional Court, or any of the High Courts of Pakistan who shall also act as Chairman of the Committee;

(b) an Advocate having not less than fifteen years of experience in tax and commercial litigation before the High Court or Supreme Court of Pakistan, to be nominated from a panel notified by the Board from time to time; and

(c) a senior serving or retired officer of the FBR (BS 20 or above):

Provided that the committee may co-opt a chartered accountant as a non-voting member, whenever required.

(4) The powers, functions and procedure of the committee along with remuneration of its Members shall be governed as may be prescribed by the Board.

(5) Recommendations of the committee shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case.

(6) Notwithstanding anything contained in any other law for the time being in force, no suit, prosecution or other legal proceedings shall lie against the Members of the committee and the Commissioner Inland Revenue having jurisdiction over the case, in relation to the decisions made under this section.

(7) The Committee constituted under this sub-section shall exercise its powers and functions with effect from the date of its constitution as notified by the Board.

[1]Section 133A inserted by Finance Act, 2026 dated June 26, 2026.

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(8) Notwithstanding anything contained in this Ordinance or the Limitation Act, 1908 (IX of 1908), for purposes of determining whether a matter referred to in sub-section (1) has been filed within time, the period from the date from which time begins to run to the date on which the committee gives it approval, which period shall in each case be certified by the chairman, shall stand excluded:

Provided that in cases where time has already begun to run when this section comes into force the period as aforesaid shall commence from the date on which the Finance Act, 2026 comes into force.]

S. 133A.- Independent Case Scrutiny Committee.- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new section 133A has been inserted whereby a reference under section 133 before the High Court, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, may only be filed by the Commissioner Inland Revenue after the same has been approved by an independent case scrutiny committee constituted by the Board. The committee comprises a retired judge of the superior courts (as Chairman), an advocate having not less than fifteen years' experience in tax and commercial litigation, and a senior serving or retired FBR officer (BS-20 or above), with the option to co-opt a chartered accountant as a non-voting member.

The recommendations of the committee are binding upon the Commissioner having jurisdiction over the case, immunity from legal proceedings has been provided to the members and the Commissioner, and the period consumed in obtaining the committee's approval stands excluded for the purpose of computing limitation for filing the matter."

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[1][ ]

[1]S. 134 titled "Appeal to Supreme Court" omitted by Finance Act 2005 dated June 29, 2005.

S. 133–Reference to High Court.– Following is an extract from CBR's Circular No. 6 of 1997, dated the 15th July, 1997, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"ITAT is the highest appellate forum on question of fact. The questions of law could earlier on be referred to the High Court by the Tribunal on an application made by the assessee or the department inviting a cumbersome procedure. By amending section 136, both taxpayers as well as the Department can now file an appeal directly to the High Court on questions of law." [**Ref:***97 ITC 6 p. 6*]

Following is an extract from CBR's Circular No. 10 of 1985 dated August 18, 1985:–

"According to sub-section (1) of section 136 the assessee or the Commissioner on receipt of an order of the Appellate Tribunal under section 135 may, within ninety days of such receipt, require the Tribunal to refer to the High Court any question of law arising out of the order. In sub-section (1) of section 66 of the repealed Income Tax Act, 1922, the period for filing such a reference application before the Tribunal was sixty days. An explanation has now been added to sub-section (1) of section 136 which clarifies the intention of the law that the limitation of ninety days in the sub-section would apply to any reference application filed before the Tribunal on or after the 1st July, 1979, irrespective of the assessment year to which the application relates.

A new sub-section (2A) has also been inserted in section 136 which allows the assessee or the Commissioner to apply to the High Court in case of the rejection of a reference application by the Tribunal on the ground that it is time-barred. The application to the High Court is to be made within three months of the service of the rejection by the Tribunal and if the High Court is not satisfied with the Tribunal's decision it may require the Tribunal to treat the application as within time."

Undertakings by legal advisors.– Following is the text of CBR's Letter C. No. 2(160)IT-J/93 dated December 14, 1993, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to say that instances have come to the notice of the Board that Legal Advisers/Counsels representing the Department before various courts do not consult the Department or seek instructions in matters relating to stay of recovery of demand or issuance of exemption certificates. Often they give undertakings for not taking any action for recovery of the impugned demand. This frustrates the time limit prescribed in Article 199(4A) of the Constitution and, in fact, results in an indefinite stay of recovery proceedings. Continuation and issuance of certificates on the other hand usually involves substantial revenues by way of withholding taxes that may become difficult to recover later. Besides it amounts to conceding the grant the very relief the Department is opposing in the proceedings.

2. The counsels appearing for the Department should, therefore, be instructed to oppose the stay application and requests for grant of instalments by the courts and the issuance of certificates of exemption during the pendency of proceedings before the courts; if the counsel feels otherwise, be must seek instructions before making any commitment before the court."

S. 134–Appeal to Supreme Court, omission.–S. 134 before omission by F.A. 2005, read as follows:-

"Appeal to Supreme Court.-(1) An appeal shall lie to the Supreme Court from any judgment of the High Court delivered on a reference made or question of law framed under section 133 in any case which the High Court certifies to be a fit one for appeal to the Supreme Court.

(2) The provisions of the Code of Civil Procedure, 1908 (V of 1908), relating to appeals to the Supreme Court shall apply, so far as may be, in the case of an appeal under this section in like manner as they apply in the case of an appeal from decrees of a High Court.

(3) Where the judgment of the High Court is varied or [1][reversed] in appeal under this section, effect shall be given to the order of the Supreme Court in the manner provided in sub-section [2][(12)] of section 133 in the case of a judgment of the High Court.

(4) The provisions of sub-sections (11), (12) and (13) of section 133 shall apply in the case of an appeal to the Supreme Court made under this section as they apply to an appeal to the High Court under section 133."

[1]Substituted for "reserved" by Finance Act, 2003 dated June 17, 2003.
[2]Substituted for "(10)" by Finance Act, 2003 dated June 17, 2003.

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Report of proceedings before H.C.s and S.C.– Following is the text of CBR's Letter C. No. 9(8)IT.J/93 dated September 26, 1993:–

"It has been observed that important cases are frequently fixed before the High Court and Supreme Court but report on the proceedings is not submitted to the Board and presumably not to the department either. All legal advisors on departments panel be requested to invariably send a report of the proceedings on each date in all cases in which they represent the department to the concerned Commissioner and the Central Board of Revenue. The cases in which standing counsel and/or Deputy Attorney General appear on behalf of the Department/Central Board of Revenue, a similar request may be made in such cases.

2. A report on the present position of constitutional petitions involving section 80C, 80CC and 80D may please be sent to the Board latest by 5th October, 1993."

Policy for departmental appeals etc.– See footnotes u/s 134.

S. 134–Appeal to Supreme Court, policy for Departmental appeals and references.– Following is the text of CBR's Letter No. 1(14)ITJ/93 dated February 11, 1993, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"It has been noticed that Commissioners are not adopting uniform policy regarding references to the Income Tax Appellate Tribunal and High Courts or appeals to the Supreme Court. Due to this position, odd situations have arisen in numerous cases where even adverse decisions against the department were not contested in the higher courts due to misconceptions.

2. In order to avoid such eventualities, it has been decided that henceforth:

(a) Upon receipt of ITAT's order in appeal or the decision of the High Court, the Commissioner will always inform RCIT as to whether any question of law arises or not out of the ITAT's order, or this is a fit case for appeal to Supreme Court.

(b) In case a question of law arises and the same or similar question of law has already been referred to ITAT or a Court in the same case or in another case, the RCIT will accord approval to move reference under the Income Tax Ordinance, 1979 or the Wealth-tax Act, 1963, as the case may be.

(c) In case a question of law is said to arise which has never before been referred to ITAT or a High Court, or Supreme Court, approval to move such a reference to the Tribunal or appeal to the Supreme Court will be sought from the Board.

(d) In case there is difference of opinion between RCIT and CIT, the matter for second opinion will be referred to the Board.

(e) Whenever approval of the Board is required, the documents will be forwarded to the Board at least 15 days before the expiry of limitation.

(f) When action has been completed by the Commissioner regarding filing of reference or appeal, as the case may be, copies of all the relevant documents will be forwarded by the Commissioner to the Second Secretary (Judicial) of the Board for circulation of the question of law and facts of the case to all RCsIT for future reference.

(g) Copies of the judgments of the High Court and the Supreme Court will invariably be sent to the Board and the RCIT by the concerned Commissioner.

3. These instructions may please be circulated among all the Commissioners."

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[1][**134A. Alternative Dispute Resolution**.- (1) Notwithstanding anything contained in this Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to-

(a) the liability of tax of fifty million rupees or above or admissibility of refund, as the case may be;

(b) the extent of waiver of default surcharge and penalty; or

(c) other specific relief required to resolve the dispute, may apply, except where criminal proceedings have been initiated, to the Board for the appointment of an alternative dispute resolution committee "Committee" under this section for the resolution of any dispute:

Provided that where the aggrieved person is a state-owned enterprise "SOE", the limit of tax liability mentioned in clause (a) of sub-section (1) shall not apply and it shall be mandatory for such aggrieved SOE to apply to the Board for the appointment of a Committee for the resolution of any dispute under this section:

Provided further that no suit, prosecution, or other legal proceedings shall lie against the SOE or the Committee in relation to the dispute resolved under this section.

Explanation.—State-owned enterprise shall have the same meaning as assigned thereto in the State-Owned Enterprises (Governance and Operations) Act, 2023 (VII of 2023).

(2) The application for alternative dispute resolution under sub-section (1) shall be accompanied by–

(a) initial proposition for resolution of the dispute; and

(b) an undertaking that if the applicant accepts the decision of the Committee, it shall be binding on him in all respects and shall on receipt of the decision within fifteen days withdraw any and all pending cases of any kind in respect of the dispute, mentioning details thereof:

Provided that in case of SOE which is, directly or indirectly, wholly owned by the Federal Government, the decision of the Committee shall be final and binding on the Commissioner and the SOE.

[1]S. 134A substituted by Income Tax (Amendment) Act, 2026 dated January 26, 2026. Earlier it was substituted by Finance Act, 2023 dated June 26, 2023, was substituted by Finance Act, 2022 dated June 30, 2022, was substituted by Finance Act, 2020 dated June 30, 2020, was substituted by Finance Act, 2018 dated May 23, 2018 and was inserted by Finance Act, 2004, w.e.f. July 1, 2004.

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(3) The Chairman of the Board, after examination of the application of an aggrieved person, appoint a committee, within fifteen days of receipt of such application by the Board, comprising,–

(a) a retired judge of a High Court, the Federal Constitutional Court or the Supreme Court having adequate experience in dealing with tax or commercial matters, who shall also be the Chairperson of the Committee, to be nominated by the Chairman of the Board from a panel of three names proposed by the nominee of the taxpayer under clause (c) of this sub-section. In case the Chairman disagrees with the names proposed by the persons nominated by the taxpayer in terms of clause (c), the Chairman of the Board shall require the nominees appointed under clause (b) and (c) to propose one name each of a retired judge of a High Court, the Federal Constitutional Court or the Supreme Court having adequate experience in dealing with tax or commercial matters, whereupon the Chairman shall forward such names to the Federal Minister for Law and Justice for nomination of one of such person as Chairperson of the Committee;

(b) an officer of the Inland Revenue not below BS 21, other than, the Chief Commissioner Inland Revenue having jurisdiction over the case; and

(c) a person to be nominated by the taxpayer from amongst–

(i) accountants within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961); or

(ii) cost and management accountants within the meaning of the Cost and Management Accountant Act, 1966 (Act No. XIV of 1966); or

(iii) advocates having a minimum of fifteen years' experience in the field of taxation or commercial matters; or

(iv) officers of the Inland Revenue who retired in BS 21 or above; or

(v) businessmen from a list notified by the Board as recommended by the Federation of Pakistan Chamber of Commerce and Industry:

Provided that the taxpayer shall not nominate a chartered accountant or an advocate if the said chartered accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer.

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(4) The Chairman of the Board shall communicate the order of appointment of Committee to the aggrieved person, court of law or Appellate Tribunal or tax authority where dispute is pending and to the Commissioner concerned.

(5) The Committee appointed under sub-section (3) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within ninety days of its appointment.

(6) The decision by the Committee under sub-section (5) shall not be cited or taken as a precedent in any other case or in the same case for a different tax year

(7) The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed under sub-section (3) shall be deemed to have been stayed on the constitution of Committee till the final decision or dissolution of the Committee, whichever is earlier.

(8) The decision of the Committee under sub-section (5) shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before the court of law or Appellate Tribunal or tax authority in respect of dispute as mentioned in sub-section (1) and has communicated the order of withdrawal to the Commissioner:

Provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the Committee upon the aggrieved person, the decision of the Committee shall not be binding on the Commissioner.

(9) Subject to sub-section (10), the Commissioner shall also withdraw the appeal, if any, pending before any court of law or Appellate Tribunal or tax authority in respect of dispute as mentioned in sub-section (1) within thirty days of the communication of the order of withdrawal by the aggrieved person to the Commissioner.

(10) The aggrieved person shall make the payment of income tax and other taxes and within such time as decided by the Committee under sub-section (5) and all decisions and orders made or passed shall stand modified to that extent.

[1][(10A) Notwithstanding the dissolution of the committee, the committee may, by an order in writing, rectify any mistake apparent from the record on its own motion or any mistake brought to its notice by the taxpayer or the Commissioner, within thirty days of the receipt of the decision of the committee by the taxpayer or the Commissioner, as the case may be.]

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[1]Section 134A(10A) inserted by Finance Act, 2026 dated June 26, 2026.

(11) If the Committee fails to decide within the period of ninety days under sub-section (5), the Chairman of the Board shall dissolve the Committee by an order in writing and the matter shall be decided by the court of law or Appellate Tribunal or tax authority, as the case may be:

Provided that in case of SOE, except an SOE, which is, directly or indirectly, wholly owned by the Federal Government, either party may prefer an appeal to the Federal Constitutional Court or the Supreme Court, as the case may be, within a period of sixty days against a decision of the Committee or where no decision is made, upon receiving order of dissolution of the Committee [1][:]

[1][Provided further that where, at any stage of the proceedings, any member of the committee becomes unavailable or is unable to perform his functions for any reason whatsoever, the Chairman of the Board shall, within fifteen days of the occurrence of such vacancy, appoint another person in accordance with the provisions of sub-section (3) of this section to fill such vacancy, and the committee so reconstituted shall continue to function subject to the same terms, conditions and limitations as were applicable to the original committee:

Provided also that upon such reconstitution, the committee shall be allowed a further period of sixty days to conclude the proceedings and perform its functions under this section:

Provided also that the total period available to the committee, including the period already consumed prior to such reconstitution, shall in no case be less than ninety days from the date of its original constitution.]

(12) All petitions filed by the SOEs, directly or indirectly, wholly owned by the Federal Government, against the decision of the Committee made prior to commencement of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026) and pending before the Federal Constitutional Court, the Supreme Court or a High Court shall, upon commencement of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026), abate.

(13) Notwithstanding anything contained in sub-section (12), petitions filed by SOEs, which are not wholly owned by the Federal Government, against the decision of the Committee made prior to commencement of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026) and pending before a High Court, shall upon commencement of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026) abate:

Provided that such SOEs may prefer an appeal to the Federal Constitutional Court or the Supreme Court, as the case may be, against the decision of the Committee, within a period of sixty days from commencement of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026).

[1]Substituted for full stop and provisos inserted by Finance Act, 2026 dated June 26, 2026.

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(14) The Chairman of the Board shall communicate the order of dissolution of the Committee to the aggrieved person, the Commissioner concerned and the court of law or Appellate Tribunal or tax authority, where the case was previously pending.

(15) On receipt of the order of dissolution, the court of law or Appellate Tribunal or tax authority, as the case may be, shall decide the case within ninety days of the communication of the said order.

(16) The Board may, from time to time, prescribe the amount to be paid as remuneration to the Chairperson of the Committee, which remuneration shall be paid by the Board and the taxpayer equally within a period of fifteen days from the constitution of the Committee under sub-section (3).

(17) The taxpayer shall be responsible for remuneration of a nominee under clause (c) of sub-section (3).

(18) Notwithstanding anything contained in this section:-

(a) the Federal Constitutional Court, the Supreme Court or a High Court, on its own motion or on the application of either party, may refer the dispute pending before it to the Board for resolution by the Committee to be appointed under sub-section (3):

Provided that where both parties agree to refer the dispute for resolution by the Committee, the court of law or Appellate Tribunal or tax authority seized of the dispute shall record the consent of both the parties and shall refer the dispute to the Board for appointment of the Committee under sub-section (3):

Provided further that all disputes of SOEs pending before any court of law or Appellate Tribunal or tax authority shall stand transferred to the Board for resolution by the Committee to be appointed under sub-section (3) upon commencement of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026); and

(b) whenever any dispute is referred or transferred under clause (a) for resolution by the Committee, the Board shall within fifteen days from the date of such order or transfer, appoint the Committee under sub-section (3).

(19) The provisions of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026) shall be subject to the provisions of section 6 of the General Clauses Act, 1897 (X of 1897) provided that the applicant including a SOE may make a fresh application for reconstitution of the Committee in accordance with the provisions of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026), if the Committee has not rendered its decision prior to its enactment.

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(20) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.]

S. 134A-Substitution.– Before substitution by Income Tax (Amendment) Act, 2026, it read as follows:–

"**134A. Alternative Dispute Resolution**.- [1][(1) Notwithstanding any other provision of this Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to-

(a) the liability of tax of fifty million rupees or above against the aggrieved person or admissibility of refund, as the case may be;

(b) the extent of waiver of default surcharge and penalty; or

(c) any other specific relief required to resolve the dispute,

may apply, except where criminal proceedings have been initiated, to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application:

Provided that where the aggrieved person is a state-owned enterprise (SOE), the limit of tax liability of fifty million rupees or above mentioned in clause (a) of sub-section (1) shall not apply and it shall be mandatory for such aggrieved SOE to apply to the Board for the appointment of a committee for the resolution of any dispute under this section:

Provided further that no suit, prosecution, or other legal proceedings shall lie against the SOE or the committee in relation to the dispute resolved under this section.

Explanation.– State-owned enterprise shall have the same meaning as assigned thereto in the State-Owned Enterprises (Governance and Operations) Act, 2023 (VII of 2023).

(2) The application for dispute resolution under sub-section (1) shall be accompanied by-

(a) an initial proposition for resolution of the dispute, including an offer of tax payment; and

(b) an undertaking that the applicant shall accept the decision of the Committee which shall be binding on him in all respects and shall on receipt of the decision immediately withdraw any and all pending litigation or cases of any kind in respect of the dispute, mentioning details thereof:

Provided that if the applicant is an SOE, it shall withdraw any and all such pending litigation and cases immediately and mention the details thereof in the undertaking:

Provided further that the SOE may file an appeal to the Appellate Tribunal or a reference to the High Court or a petition for leave to appeal the Supreme Court, as the case may be, where sub-section (11) is applicable.]

(3) The Board may, after examination of the application of an aggrieved person, appoint a committee, within fifteen days of receipt of such application in the Board, comprising,–

(i) a retired judge not below the rank of a judge of a High Court, who shall also be the Chairperson of the Committee, to be nominated by the Board from a panel notified by the Law and Justice Division for such purpose;

(ii) the Chief Commissioner Inland Revenue having jurisdiction over the case; and

[1]S. 134A(1) & (2) substituted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024.

S. 134A(1), (2)-Substitution.– Before substitution by Tax Laws (Amendment) Act, 2024, these read as follows:–

"(1) Notwithstanding any other provision of this Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to–

(a) the liability of tax of one hundred million rupees or above against the aggrieved person or admissibility of refund, as the case may be;

(b) the extent of waiver of default surcharge and penalty; or

(c) any other specific relief required to resolve the dispute, may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an appellate authority, except where criminal proceedings have been initiated.

(2) The application for dispute resolution under sub-section (1) shall be accompanied by an initial proposition for resolution of the dispute, including an offer of tax payment."

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(iii) a person to be nominated by the taxpayer from a panel notified by the Board comprising–

(a) chartered accountants, cost and management accountants and advocates having a minimum of ten years' experience in the field of taxation;

(b) officers of the Inland Revenue Service who stood retired in BS 21 or above; or

(c) reputable businessmen as nominated by the Chambers of Commerce and Industry:

Provided that the taxpayer shall not nominate a chartered accountant or an advocate if the said chartered accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer

(4) The Board shall communicate the order of appointment of Committee to the aggrieved person, court of law or the appellate authority where the dispute is pending and to the concerned Commissioner.

(5) The Committee appointed under sub-section (3) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within forty-five days of its appointment extendable by another fifteen days for the reasons to be recorded in writing.

(6) The decision by the Committee under sub-section (5) shall not be cited or taken as a precedent in any other case or in the same case for a different tax year.

(7) The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed under sub-section (3) shall be deemed to have been stayed on the constitution of Committee till the final decision or dissolution of the Committee, whichever is earlier.

(8) The decision of the Committee under sub-section (5) shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before the court of law or any appellate authority in respect of dispute as mentioned in sub-section (1) and has communicated the order of withdrawal to the Commissioner:

Provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the Committee upon the aggrieved person, the decision of the Committee shall not be binding on the Commissioner.

(9) Subject to sub-section (10), the Commissioner shall also withdraw the appeal, if any, pending before any court of law or an appellate authority in respect of dispute as mentioned in sub-section (1) within thirty days of the communication of the order of withdrawal by the aggrieved person to the Commissioner.

(10) The aggrieved person shall make the payment of income tax and other taxes and within such time as decided by the Committee under sub-section (5) and all decisions and orders made or passed shall stand modified to that extent.

(11) [1][Subject to sub-section (11A), if] the Committee fails to decide within the period of sixty days under sub-section (5), the Board shall dissolve the Committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending under litigation.

[2][(11A) In the case of a state-owned enterprise, if the Committee fails to decide within a period of sixty days, the Board shall reappoint a Committee under sub-section (3), that shall decide the dispute in accordance with sub-section (5) of this section.

(11B) Sub-section (11) shall apply, in case of a state-owned enterprise, if the reappointed Committee fails to decide the matter within a further period of sixty days.]

(12) The Board shall communicate the order of dissolution to the aggrieved person, court of law or the appellate authority and to the Commissioner.

[1]Substituted for "If" by Finance Act, 2025 in force from July 1, 2025.

[2]S. 134(11A) & (11B) inserted by Finance Act, 2025 in force from July 1, 2025.

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[1][(13) On receipt of the order of dissolution, the court of law or the Appellate Tribunal shall decide the appeal within ninety days of the communication of the said order.]

(14) The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (ii) of sub-section (3).

(15) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section."

[1]S. 134A(13) substituted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024.

S. 134A(13)-Substitution.– Before substitution by Tax Laws (Amendment) Act, 2024, it read as follows:–

"(13) On receipt of the order of dissolution, the court of law or the appellate authority shall decide the appeal within six months of the communication of the said order."

S. 134A.- Amendments in Alternative Dispute Resolution.- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Section 134A has been amended by inserting a new sub-section (10A) which enables the committee, notwithstanding its dissolution, to rectify any mistake apparent from the record - on its own motion or as brought to its notice by the taxpayer or the Commissioner within thirty days of the receipt of its decision. Further provisos have been added providing for reconstitution of the committee where a member becomes unavailable (the Chairman of the Board to appoint a replacement within fifteen days), a further period of sixty days to conclude the proceedings upon reconstitution, and a minimum total period of ninety days from the date of the committee's original constitution."

S. 134A.- Revamping of Alternate Dispute Resolution Mechanism.- Following is an extract from FBR's Circular No. 2 of 2023 dated July 26, 2023, explaining the amendment made by the F. Act, 2023:-

"Through the Finance Act, 2023, the mechanism of alternate dispute resolution has been revamped. Major highlights and departure points from previous regime are highlighted as under:

(a) Previously, the initial proposition for resolution of the dispute including an offer of tax payment required to be filed with application for dispute resolution could not be retracted by a taxpayer. Through Finance Act, 2023, now a taxpayer is only required to offer an initial proposition for resolution of the dispute including an offer of tax payment;

(b) The Board will appoint the committee within 15 days of receipt of application for dispute resolution instead of previous 45 days;

(c) The third member of the dispute resolution committee which previously was appointed through consensus between the Chief Commissioner and taxpayer nominated member from the panel has been replaced with a retired judge not below the rank of a judge of a High Court, who will also be the Chairperson of the dispute resolution committee, to be nominated by the Board from a panel notified by the Law and Justice Division;

(d) Previously, both taxpayer and Commissioner were required to withdraw pending appeals before appellate fora in respect of the dispute. Now no such requirement of withdrawal of appeal is binding on both taxpayer and the Commissioner for the resolution of the dispute. The Board will only communicate the order of appointment of Committee to the aggrieved person, court of law or the appellate authority where the dispute is pending and to the concerned Commissioner;

(e) Dispute resolution committee will decide the dispute within 45 days extendable by 15 days for reason to be recorded in writing. Previously, the dispute resolution committee was bound to decide the dispute within 120 days;

(f) Recovery of tax payable by the taxpayer in connection with the dispute will be deemed to be stayed from the constitution of the committee till decision or dissolution of committee. Previously, the deemed stay was applicable from withdrawal of appeal from appellate fora till decision or dissolution of committee;

(g) The decision of the committee will be binding on commissioner after the aggrieved person has withdrawn his appeal and communicate the same to Commissioner within 60 days of such decision instead of previous binding nature of decision to both Commissioner and aggrieved person;

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(h) The Commissioner will withdraw the appeal pending before any court of law or an appellate authority within thirty days of the communication of the order of withdrawal of appeal by the aggrieved person to the Commissioner subject to payment of income tax and other taxes within such time as decided by the Committee."

S.134A-Substitution.- Before substitution by F. Act, 2023 it read as follows:-

"**134A. Alternative Dispute Resolution**.- (1) Notwithstanding any other provision of the Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to-

(a) the liability of tax of one hundred million and above against the aggrieved person or admissibility of refund, as the case may be;

(b) the extent of waiver of default surcharge and penalty; or

(c) any other specific relief required to resolve the dispute;

may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated.

(2) The application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, including an offer of tax payment, from which, the applicant would not be entitled to retract.

(3) The Board may, after examination of the application of an aggrieved person, appoint a committee, within forty five days of receipt of such application in the Board, comprising,-

(i) Chief Commissioner Inland Revenue having jurisdiction over the case;

(ii) person to be nominated by the taxpayer from a panel notified by the Board comprising–

(a) chartered accountants, cost and management accountants and advocates having a minimum of ten years' experience in the field of taxation;

(b) officers of the Inland Revenue Service who have retired in BS 21 or above; or

(c) reputable businessmen as nominated by Chambers of Commerce and Industry:

Provided that the taxpayer shall not nominate a Chartered Accountant or an advocate if the said Chartered Accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer; and

(d) person to be nominated through consensus by the members appointed under (i) and (ii) above, from the panel as notified by the Board in clause (ii) above:

Provided that where the member under this clause cannot be appointed through consensus, the Board may nominate a member proposed by the taxpayer eligible to be nominated as per clause (ii).

(4) The aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority, after constitution of the committee by the Board under sub-section (3), in respect of dispute as mentioned in sub-section (1).

(5) The committee shall not commence the proceedings under sub-section (6) unless the order of withdrawal by the court of law or the Appellate Authority is communicated to the Board:

Provided that if the order of withdrawal is not communicated within seventy five days of the appointment of the committee, the said committee shall be dissolved and provisions of this section shall not apply.

(6) The Committee appointed under sub-section (3) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:

Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (5) shall be excluded.

(7) The decision by the Committee under sub-section (6) shall not be cited or taken as a precedent in any other case or in the same case for a different tax year.

(8) The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed under sub-section (3) shall be deemed to have been stayed on withdrawal of appeal up to the date of decision by the Committee or the dissolution of the Committee whichever is earlier.

(9) The decision of the committee under sub-section (6) shall be binding on the Commissioner and the aggrieved person.

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(10) If the Committee fails to decide within the period of one hundred and twenty days under sub-section (6), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the Appellate Authority which issued the order of withdrawal under sub-section (5) and the appeal shall be treated to be pending before such court of law or the Appellate Authority as if the appeal had never been withdrawn.

(11) The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.

(12) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the Appellate Authority, which shall decide the appeal within six months of the communication of said order.

(13) The aggrieved person may make the payment of income tax and other taxes as decided by the committee under sub-section (6) and all decisions, orders and judgments made or passed shall stand modified to that extent.

(14) The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (i) of sub-section (3).

(15) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section."

Strengthening Alternate Dispute Resolution Mechanism.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"In order to reduce litigation and disputes, the mechanism of ADRC has been strengthened. Necessary changes have been made in section 134A of the Ordinance to the effect:

a) Time limit to constitute committee has been curtailed to 30 days from 60 days.

b) Time limit to decide cases has been curtailed to 60 days from 120 days by committee.

c) In case of failure to decide, powers to constitute second committee have been provided.

d) The committee can be constituted even if criminal proceedings have been initiated in a case or mixed question of fact and law is involved."

S.134A-Revamping of Alternate Dispute Resolution Mechanism.-Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"Through the Finance Act, 2022, the mechanism of alternate dispute resolution has been revamped. Major departure points from previous regime are highlighted as under:

a) Disputes involving tax liability of one hundred million or above only can now be brought for settlement. Previously, there was no such bar for filing of application under this mechanism.

b) Disputes involving question of fact and law both can now be brought by a taxpayer for settlement by the committee subject to the condition that decision by the committee will not be cited or taken as a precedent in any other case or in the same case for a different tax year. Previously, disputes involving interpretation of question of law having effect on other cases were specifically excluded from the purview of dispute resolution committee.

c) The scope of initial proposition has been expanded which now includes proposal from the taxpayer to settle the matter, including an offer for payment of tax which cannot be withdrawn.

d) The choice available to a taxpayer to appoint a member of dispute resolution committee has been enhanced. Now a taxpayer can nominate a member from a panel notified by the Board in this regard or an Officer of Inland Revenue Service who has retired in B S21 or above or a reputable business person as nominated by a Chamber of Commerce and Industry. The third member of the committee will be selected through consensus by Chief Commissioner Inland Revenue (being other member of the committee) having jurisdiction over the case and taxpayer's nominee member jointly from the panel notified by the Board in this regard.

e) Taxpayer and the Chief Commissioner Inland Revenue having jurisdiction over the case either individually or both as the case may be, will withdraw their appeal pending before a court of law or appellate authority after the constitution of committee but before commencement of proceeding by the committee. Previously, there was no requirement of withdrawal of appeal and the taxpayer could choose to pursue his appeals in case he did not accept the committee's decision.

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f) The committee members will decide the dispute pending before the committee through majority. Earlier, consensus decision by committee members was required for dispute resolution.

g) The decision by committee will be binding on both the taxpayer and Chief Commissioner Inland Revenue having jurisdiction over the case. Previously, it was binding on Chief Commissioner only after it had been accepted by the taxpayer though withdrawal of appeal.

The changed procedure of dispute resolution will ensure that it is focused on high revenue yielding cases and does not result in wastage of time and resources for the taxpayer as well as field formations by being an effective alternative and not a parallel mechanism to the appeal process."

S.134A-Substitution.- Before substitution by F. Act, 2022 it read as follows:-

"**134A. Alternative dispute resolution**.- (1) Notwithstanding any other provision of this Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pending before a court of law or an appellate authority pertaining to-

(a) the liability of tax against the aggrieved person, or admissibility of refunds, as the case may be;

(b) the extent of waiver of default surcharge and penalty; or

(c) any other specific relief required to resolve the dispute, may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an appellate authority, except [2][ ] where interpretation of question of law having effect on identical cases is involved having effect on other cases [3][:]

[3][Provided that if the issue involves a mixed question of fact and law, the Board, while taking into consideration all relevant facts and circumstances, shall decide whether or not ADRC may be constituted.]

[4][(1A) The application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, from which, the taxpayer would not be entitled to retract.]

(2) The Board may, after examination of the application of an aggrieved person, appoint a committee, within [5][thirty] days of receipt of such application in the Board, comprising,-

(i) Chief Commissioner Inland Revenue having jurisdiction over the case;

(ii) two persons from a panel notified by the Board comprising of chartered accountants, cost and management accountants, advocates, having minimum of ten years' experience in the field of taxation and reputable businessmen.

[2]Words "where criminal proceedings have been initiated or" omitted by Finance Act, 2021 dated June 30, 2021.
[3]Substituted for full stop and proviso inserted by Finance Act, 2021 dated June 30, 2021.
[4]Sub-section (1A) inserted by Finance Act, 2021 dated June 30, 2021.
[5]Substituted for "sixty" by Finance Act, 2021 dated June 30, 2021.

(3) The Board shall communicate the order of appointment of committee to the court of law or the appellate authority where the dispute is pending and the Commissioner.

(4) The Committee appointed under sub-section (2) shall examine the issue and may, if it deemed necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute through consensus, within [1][sixty days of its appointment extendable by another thirty days for the reasons to be recorded in writing].

[2][(5) The recovery of tax shall be stayed on the constitution of committee till the final decision or dissolution of the committee, whichever is earlier.]

(6) The decision of the committee under sub-section (4) shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before the court of law or any appellate authority and has communicated the order of withdrawal to the Commissioner:

Provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the committee upon the aggrieved person, the decision of the committee shall not be binding on the Commissioner.

[1]Substituted for "one hundred and twenty days of its appointment" by Finance Act, 2021 dated June 30, 2021.
[2]Sub-section (5) substituted by Finance Act, 2021 dated June 30, 2021.

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[3][(6A) If the committee fails to decide within the period mentioned in sub section (4), the Board shall dissolve the committee by an order in writing and may reconstitute another committee and the provisions of subsections (2), (3), (4), (5) and (6) shall apply *mutatis mutandis* to the second committee.]

(7) If [4][the Second Committee fails to decide within time limit prescribed] under sub-section (4), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending.

(8) The Board shall communicate the order of dissolution to the court of law or the appellate authority and the Commissioner.

(9) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the appellate authority, where the dispute is pending.

(10) The aggrieved person may make the payment of income tax and other taxes as decided by the committee under sub-section (4) and all decisions and orders made or passed shall stand modified to that extent.

(11) The Board may prescribe the amount to be paid as remuneration for the services of the members of the committee, other than the member appointed under clause (i) of sub-section (2).

(12) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section."

[3]Sub-section (6A) inserted by Finance Act, 2021 dated June 30, 2021.

[4]Substituted for "the Committee fails to decide within the period of one hundred and twenty days" by Finance Act, 2021 dated June 30, 2021.

S.134A(5)-Substitution.- Before substitution by F. Act, 2021 it read as follows:-

"(5) The Committee may, in case of hardship, stay recovery of tax payable in respect of dispute pending before it for a period not exceeding one hundred and twenty days in aggregate or till the decision of the committee or its dissolution, whichever is earlier."

S.134A-Substitution.- Before substitution by F. Act, 2020 it read as follows:-

"**134A. Alternative Dispute Resolution**.- (1) Notwithstanding any other provision of this Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to-

(a) the liability of tax against the aggrieved person, or admissibility of refunds, as the case may be;

(b) the extent of waiver of default surcharge and penalty; or

(c) any other specific relief required to resolve the dispute,

may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated or where interpretation of question of law is involved having effect on other cases.

(2) The Board may, after examination of the application of an aggrieved person, appoint a committee, within sixty days of receipt of such application in the Board, comprising,-

(i) an officer of Inland Revenue not below the rank of aCommissioner;

(ii) person to be nominated by the taxpayer from a panelnotified by the Board comprising,-

(a) [1][ ] chartered accountants [2][, cost and management accountants] and [1][ ] advocates having [2][minimum ten years] experience in the field oftaxation; and

(b) reputable businessmen as nominated byChambers of Commerce and Industry:

Provided that the taxpayer shall not nominate a Chartered Accountant [2][, cost and management accountants] or an advocate if the said Chartered Accountant [2][, cost and management accountants] or the advocate is or has been an auditor or an authorized representative of the taxpayer; and

(iii) a retired Judge not below the rank of District and Sessions Judge, to be nominated through consensus by the members appointed under clauses (i) and (ii).

(3) The aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority, after constitution of the committee by the Board under sub-section (2).

[1]Word "senior" omitted by Finance Act, 2019 dated June 30, 2019.

[2]Words inserted by Finance Act, 2019 dated June 30, 2019.

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(4) The committee shall not commence the proceedings under sub-section (5) unless the order of withdrawal by the court of law or the Appellate Authority is communicated to the Board:

Provided that if the order of withdrawal is not communicated within seventy five days of the appointment of the committee, the said committee shall be dissolved and provisions of this section shall not apply.

(5) The Committee appointed under sub-section (2) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:

Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (4) shall be excluded.

(6) The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed under subsection (2) shall be deemed to have been stayed on withdrawal of appeal up to the date of decision by the Committee.

(7) The decision of the committee under sub-section (5) shall bebinding on the Commissioner and the aggrieved person.

(8) If the Committee fails to decide within the period of onehundred and twenty days under sub-section (5), the Board shalldissolve the committee by an order in writing and the matter shallbe decided by the court of law or the Appellate Authority whichissued the order of withdrawal under sub-section (4) and the appealshall be treated to be pending before such court of law or theAppellate Authority as if the appeal had never been withdrawn.

(9) The Board shall communicate the order of dissolution to thecourt of law or the Appellate Authority and the Commissioner.

(10) The aggrieved person, on receipt of the order of dissolution,shall communicate it to the court of law or the Appellate Authority, which shall decide the appeal within six months of the communication of said order.

(11) The aggrieved person may make the payment of income tax and other taxes as decided by the committee under sub-section (5) and all decisions, orders and judgments made or passed shall stand modified to that extent.

(12) The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (i) of sub-section (2).

(13) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section."

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S.134A-Substitution.- Before substitution by F. Act, 2018 it read as follows:-

"[**134A.** [2]**/Alternative/ Dispute Resolution.–** [3]*/*(1) Notwithstanding any other provision of this Ordinance or the rules made thereunder an aggrieved person, in connection with any matter pending before an Appellate Authority, may apply to Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application [4]*/*except where prosecution proceedings have been initiated or where interpretation of question of law having effect on identical other cases*/.]*

(2) The [5][Board] after examination of the application of an aggrieved person, shall [4][within sixty days of receipt of such application in the Board] appoint a committee consisting of an officer of [6][Inland Revenue] [7][not below the rank of Commissioner] and two persons from a [8][panel comprising] of Chartered or Cost Accountants, Advocates, Income Tax Practitioners or reputable taxpayers for the resolution of the hardship or dispute.

[9][(3) The Committee constituted under sub-section (2) shall examine the issue and may if it deem fit necessary conduct inquiry seek expert opinion, direct any officer of the [6]*/*Inland Revenue*/*or any other person to conduct an audit and shall make recommendations within ninety days of its constitution in respect of the resolution of the dispute. If the committee fails to make recommendations within the said period the Board shall dissolve the committee and constitute a new committee which shall decide the matter within a further period of ninety days. If after the expiry of that period the dispute is not resolved the matter shall be taken up by the appropriate forum for decision.]

(4) The [10][Board] may, on the recommendation of the committee, pass such order, as it may deem appropriate [11][within [12][ninety] days of the receipt of recommendations of the Committee] [13][:]

[13][Provided that if such order is not passed within the aforesaid period, recommendations of the committee shall be treated to be an order passed by the Board under this sub-section.]

[14][(4A) Notwithstanding anything contained in sub-section (4), the Chairman Federal Board of Revenue may, on the application of an aggrieved person, for reasons to be recorded in writing, and on being satisfied that there is an error in order or decision, pass such order as may be deemed just and equitable.]

(5) The aggrieved person may make the payment of income tax and other taxes as determined by the [5][Board] in its order under sub-section (4) and all decisions, orders and judgments made or passed shall stand modified to that extent and all proceedings under this Ordinance or the rules made thereunder by any authority shall abate:

Provided that [15][ ] an [16][order passed by] the Board in the light of recommendations of the committee shall be submitted before that authority* tribunal or the court [17][where the matter is *subjudice*] for consideration and orders as deemed appropriate [18][:]

[19][Provided further that if the taxpayer is not satisfied with the said order, he may continue to pursue his remedy before the relevant authority, tribunal or court as if no such order had been made by the Board.]

[20][ ]

(7) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.]"

[2]Substituted for "Alternate" by Finance Act, 2006 dated July 01, 2006.
[3]Sub-section (1) substituted by Finance Act, 2006 dated July 01, 2006.
[4]Inserted by Finance Act, 2009 dated June 30, 2009.
[5]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.
[6]Substituted for "Income Tax" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.
[7]Words inserted by Finance Act, 2016 dated June 24, 2016.
[8]Substituted for "notified panel" by Finance Act, 2005 dated June 29, 2005.
[9]Sub-section (3) substituted by Finance Act, 2009 dated June 30, 2009.
[10]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.
[11]Inserted by Finance Act, 2009 dated June 30, 2009.
[12]Substituted for "forty five" by Finance Act, 2016 dated June 24, 2016.
[13]Colon substituted for full stop and proviso inserted by Finance Act, 2016 dated June 24, 2016.
[14]Sub-section (4A) inserted by Finance Act, 2008 dated June 27, 2008.
[15]Words etc. ", in case the matter is already sub-judice before any authority or tribunal or the court," omitted by Finance Act, 2006 dated July 01, 2006.
[16]Substituted for "agreement made between the aggrieved person and" by Finance Act, 2005 dated June 29, 2005.
[17]Words inserted by Finance Act, 2006 dated July 01, 2006.
[18]Colon substituted for full stop and thereafter proviso inseted by Finance Act, 2005 dated June 29, 2005.
[19]Proviso inseted by Finance Act, 2005 dated June 29, 2005.
*there should have been a comma after the word "authority".
[20]Sub-section (6) omitted by Finance Act, 2005 dated June 29, 2005.

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S. 134A(1)-Substitution:– Sub-section (1) before substitution read as follows:–

"(1) Notwithstanding any other provision of this Ordinance, or the rules made thereunder, any aggrieved person in connection with any matter of income tax pertaining to liability of income tax, admissibility of refund, waiver or fixation of penalty or fine, relaxation of any time period or procedural and technical condition may apply to the Central Board of Revenue for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application."

S. 134A(3)-Substitution-Before substitution it read as follows:-

"(3) The committee constituted under sub-section (2) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of Income Tax or any other person to conduct an audit and make recommendations in respect of the resolution of dispute as it may deem fit."

S. 134A-Alternative Dispute Resolution.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Through an amendment in section 134A(1) of the Ordinance, following conditions have been inserted which would make the section inapplicable.

a) Where prosecution proceedings have been initiated.

b) Applications which require interpretation of various question of law having effect on identical other cases.

Further sub-section (3) has been substituted to provide that ADRC shall submit its recommendations within 90 days of its constitution. The Committee shall be dissolved by the FBR in case it fails to submit its recommendations within the stipulated period. In such cases the Board shall then constitute another committee and the reconstituted committee will be required to submit its recommendations in 90 days. If there is no decision the taxpayer may revert back to the appellate forum where the case is pending.

Previously no time limit was specified for FBR to pass order on the recommendations made by the ADRC. Now FBR is required to pass an order as it deem appropriate within 45 days of the receipt of recommendations of ADRC."

Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Under the existing scheme, a taxpayer can apply to the Central Board of Revenue for resolution of any hardship relating to income tax. Amendment has been made to specifically restrict the jurisdiction of such Committees to pending issues only meaning thereby that closed matters fall outside the ambit of ADRCs."

Following are extracts from 'Notes on Clauses of Finance Bill, 2006':–

"Seeks to make an editorial correction."

"Seeks to clarify the scope of Alternative Dispute Resolution (ADR)."

"Seeks to remove an ambiguity in the provision with regard to ADR."

New provisions forAlternate dispute resolution.– Following is an extract from CBR's Circular No. 17 of 2004 dated July 17, 2004:–

"To provide the taxpayers an easy and efficient dispute resolution mechanism and to liquidate arrears of tax, an alternate dispute resolution forum has been introduced in the Income Tax Ordinance, 2001 by inserting section 134A.The taxpayers shall have the choice to refer any dispute, relating to levy and payment of tax, arising out of an assessment order passed by a taxation officer or an order pending decision before any authority or Income Tax Appellate Tribunal or Court to Dispute Resolution Committees to be constituted for this purpose."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to provide alternate dispute resolution mechanism for quick settlement of tax issues."

Following is an extract from Finance Minister's Budget Speech of June 12, 2004:–

"Providing alternative dispute resolution: To provide an easy and efficient dispute resolution mechanism and to liquidate arrears of tax, an alternate dispute resolution forum is proposed by establishing Alternate Dispute Resolution Committee. These committees shall be represented by professionals from the private sector and senior tax officials from the income tax department. This mechanism will work without affecting taxpayers' right of appeal to settle as many pending matters as possible."

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S. 134A(2), (5) and (6)-Rationalization of provisions.-Following is an extract from CBR's Circular No. 1 of 2005 dated July 5, 2005:–

"The purpose of introduction of Alternate Dispute Resolution mechanism was to provide a separate stream for dispute resolution apart from the normal appeal process. An apprehension was expressed by stakeholders that the language of sub-section (6) was ambiguous and not in consonance with the intent of the law.

To clarify the ambiguity, sub-section (6) has been omitted and a proviso to sub-section (5) has been added which provides that if a taxpayer is not satisfied with the order of the Board, he may continue to pursue his remedy before the relevant authority, tribunal or court as if no order under this section had been made by the Board."

S.134A(6)-Omission.–Sub-section (6) before omission by Finance Act, 2005 read as follows:–

"(6) In case the aggrieved person is not satisfied with the orders of the Central Board of Revenue, he may file an appeal or reference with the appropriate authority, tribunal or court under the relevant provisions of this Ordinance within a period of sixty days of the order passed by the Board under this section has been communicated to the aggrieved person."

Following are extracts from 'Notes on Clauses of Finance Bill 2005':–

"(a) Seeks to provide for constitution of a panel rather than notification of panel for the purpose of Alternate Dispute Resolution;"

(b) Seeks to clarify that the taxpayer who is aggrieved with the order of the Central Board of Revenue with regard to "Alternate Dispute Resolution" may continue to pursue his remedy before the Appellate Forum;

(c) Seeks to omit a provision which conveyed an incorrect impression vis-a-viz a person's right to pursue remedy in appeal even if he is in ADR.

Procedure for alternate dispute resolution.– See rule 231C of the Income Tax Rules, 2002.

Formation of Committees.– Following is an extract of CBR's Circular No. 20 of 2004 dated September 4, 2004:–

"A new section 134A has been inserted in the Income Tax Ordinance, 2001 through the Finance Act, 2004 which provides an option to the taxpayer to avail the facility of administrative means for resolving disputes/ hardship through mediation outside the ambit of conventional appeal system. This system will ensure speedy and amicable settlement of disputes.

2. The Committees constituted (annex) for different cities as provided in the provisions of sub-section (2) of section 134A of the Income Tax Ordinance, 2001, are notified with immediate effect.

3. The working and procedure of the Committees will be adhered to by the members as provided in section 134A of Income Tax Ordinance, 2001 as well as rule 231C of the Income Tax Rules, 2002.

Alternate Dispute Resolution Committees

Lahore

Committee No. I

1.	Kh. Habibullah 83/1 Raze-View Jail Road Opp. Services Hospital, Lahore Ph.042-7586447	Chairman
2.	Mr. Ahmad Rauf, Advocate M/s. Ahmad Rauf & Associates 24/BS, Gulberg-II, Lahore	Member
3.	CIT Special Zone Lahore	Member
	[1][CIT Companies Zone-I, Lahore	Alternate Member]

Committee No. II

1.	Dr. Pervaiz Hassan Hassan & Hassan Advocates PAAF Building, 7-D Kashmir Agerton Road, Lahore (Ph No. 042-8360800-4)	Chairman
2.	Mr. Muhammad Aslam Khan, CA M/s. Aslam Khan & Co 11-Happy Home, 38-A, Main Gulberg, Lahore (Ph No 042-5716691-93)	Member
3.	CIT Companies Zone-I, Lahore	Member
	[1][CIT Special Zone Lahore	Alternate Member]

[1]Added as a result of partial modification of Circular No. 20 of 2004 by Circular No. 21 of 2004 dated November 19, 2004.

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Committee No. III

1.	Mr. Javed Iqbal C/o Pak Kuwait Textile Mills Ltd, Lahore	Chairman
2.	Mian Ashiq Hussain, Advocate Supreme Court 16-Link Farid Kot Road, Lahore	Member
3.	CIT Companies Zone-II, Lahore	Member
	[1][CIT Zone-A, Lahore Alternate Member]	

Karachi

Committee No. I

1.	Mr. Mushtaq Ahmad Vohra Chairman, Taxation & Fiscal Committee APTMA House, 44-A, Lalazar, Karachi	Chairman
2.	Mr. Younus Rizwan Sheikh, CA M/s. Avais Hyder Nauman Rizwani, Karachi	Member
3.	CIT Special Zone, Karachi	Member
	[1][CIT Companies Zone-I, Karachi Alternate Member]	

Committee No. II

1.	Mr. M A M Siddiqui Bait-ul-Hameed 18/N, Phase-IV DHA, Karachi.	Chairman
2.	Mr. Shabbar Zaidi, FCA M/s. A F Ferguson & Co	Member
3.	CIT Companies Zone-I, Karachi	Member
	[1][CIT Special Zone, Karachi Alternate Member]	

Islamabad

1.	Mr. Ahadullah Akmal House No. 299, St No. 20, E-7, Islamabad (Ph: 2271515)	Chairman
2.	Mr. Abdul Basit, FCA M/s. Amir Alam Khan & Co 55/1, Bank Road, Rawalpindi	Member
3.	CIT Companies Zone, Islamabad	Member
	[1][CIT Islamabad Zone Alternate Member]	

Rawalpindi

1.	Mr. Alvi Abdul Rahim House No. 169, St No. 54, I-8/3, Islamabad	Chairman
2.	Mr. Shahid Sadiq, CA M/s. A F Ferguson & Co 49-A, PIA Building, Blue Area, Islamabad	Member
3.	CIT (MTU), Rawalpindi	Member
	[1][CIT Companies Zone, Islamabad Alternate Member]	

Sialkot

1.	Ch. Ahmad Zulfiqar Hayat M/s. Leather Field (Pvt) Ltd Capital Road, Sialkot, (Ph No. 0432-556272)	Chairman.
2.	Pirzada Syed Saeed Ahmad Shah, Advocate Allama Iqbal Market, Paris Road, Sialkot (0432-589312)	Member.
3.	CIT Sialkot Zone Sialkot	Member
	[1][CIT Gujranwala Zone, Gujranwala Alternate Member]	

[1]Added as a result of partial modification of Circular No. 20 of 2004 by Circular No. 21 of 2004 dated November 19, 2004.

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Faisalabad

1.	Mr. Munawar A Sheikh, President Yarn Merchant Association, Faisalabad	Chairman
2.	Mr. Salman Zahid Jamil, CA M/s. Zahid Jamil & Co., Faisalabad	Member
3.	CIT Companies Zone, Faisalabad	Member
	[1][CIT Faisalabad Zone, Faisalabad	Alternate Member]"

[1]Added as a result of partial modification of Circular No. 20 of 2004 by Circular No. 21 of 2004 dated November 19, 2004.

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[1][**134B. Algorithmic settlement mechanism**.- (1) Notwithstanding anything contained in this Ordinance, the Board may establish digitally operated algorithmic settlement mechanism (hereinafter referred to as "the mechanism") for settlement of tax proceedings at any stage before any assessment or amendment of assessment order under sections 121, 122 or 122E of this Ordinance through revision of return under sub-section (6) of section 114 in certain cases.

(2) In case the mechanism calculates and presents to the taxpayer a settlement offer for voluntary revision of return as per the criteria provided under sub-section (3), the taxpayer may avail the offer as provided in sub-section (4).

(3) The system generated settlement offer shall be calculated on the basis including but not limited to-

(a) the stage of proceedings at which settlement is offered;

(b) the taxpayer's compliance history, as maintained in FBR's data;

(c) the nature and character of the discrepancy, including whether it involves a valuation or legal interpretation dispute, unexplained income or assets, or concealment; and

(d) any other basis the Board may consider relevant to ensure revenue adequacy and equitable treatment of taxpayers.

(4) A taxpayer who opts to avail this mechanism shall, within ten days from the date of settlement offer to-

(a) accept the settlement offer on IRIS;

(b) deposit the settlement offer amount along with revised return; and

(c) revise the relevant return of income to incorporate the settled amount.

[1]Section 134B inserted by Finance Act, 2026 dated June 26, 2026.

S. 134B.- Algorithmic Settlement Mechanism [Sections 2(1AA), 114(6) & (6B) and 134B]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Section 134B empowers the Board to establish a digitally operated algorithmic settlement mechanism for settlement of tax proceedings at any stage before any assessment or amendment of assessment under sections 121, 122 or 122E, through revision of return under sub-section (6) of section 114. Where the mechanism calculates and presents a settlement offer to the taxpayer - computed on the basis of the stage of proceedings, the taxpayer's compliance history, the nature and character of the discrepancy and such other basis as the Board may consider relevant the taxpayer may, within ten days, accept the offer on IRIS, deposit the settlement amount along with the revised return and revise the relevant return of income. On such acceptance, the issues confronted through the notice of selection for audit, notice under section 111, audit report under section 177(6) or notice under section 122(9), as the case may be, shall stand abated, without precluding proceedings on any other issue or tax year."

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(5) The issues confronted to the taxpayer through notice of selection of audit, a notice under section 111, an audit report under sub-section (6) of section 177, a notice under sub-section (9) of section 122, as the case may be, shall stand abated, if the taxpayer revises the return by accepting the offer as provided in sub-section (4).

(6) Revision of return consequent upon acceptance of offer under sub-section (4) of this section shall not preclude proceedings in respect of any other issue or discrepancy not covered by the settlement offer, nor shall it affect proceedings for any other tax year.]

[1][ ]

136. Burden of proof.– In any appeal [2][by a taxpayer] under this Part, the burden shall be on the taxpayer to prove, on the balance of probabilities –

(a) in the case of an assessment order, the extent to which the order does not correctly reflect the taxpayer's tax liability for the tax year; or

(b) in the case of any other decision, that the decision is erroneous.

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[1]Section 135 omitted by Finance Ordinance, 2002 dated June 25, 2002.

[2]Words inserted by Finance Act, 2003 dated June 17, 2003.

S. 135–Omission.– Section 135 before omission by Finance Ordinance, 2002 read as follows:–

"135. Revision by the Commissioner.– (1) The Commissioner may either of the Commissioner's own motion or on application in writing by a person for revision, call for the record of any proceeding under this Ordinance in which an order has been passed by any taxation officer other than the Commissioner (Appeals).

(2) Subject to sub-section (3), where, after making such inquiry as is necessary, *Commissioner considers that the order requires revision, the Commissioner may make such revision to the order as the Commissioner thinks fit.

(3) An order under sub-section (2) shall not be prejudicial to the person to whom the order relates.

(4) The Commissioner shall not revise any order under sub-section (2) if –

(a) where an appeal against the order lies to the Commissioner (Appeals) or to the Appellate Tribunal, the time within which such appeal may be made has not expired, or the person has not waived **their right of appeal;

(b) the order is pending on appeal before the Commissioner (Appeals) or has been made the subject of an appeal to the Appellate Tribunal; or

(c) in the case of an application made by a person, the application has not been made within ninety days of the date on which such order was served on the person, unless the Commissioner is satisfied that the person was prevented by sufficient cause from making the application within the time allowed.

(5) No application for revision of an assessment order may be made under sub-section (1) unless the amount of tax due under the assessment that is not in dispute has been paid by the taxpayer.

*apparently intended word "the" is missing in the gazette.

**it should have been "his".

(6) An application under sub-section (1) shall be accompanied by –

(a) in relation to an assessment order, a fee of the lesser of two thousand five hundred rupees or ten percent of the tax assessed; or

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(b) in any other case –

(i) where the applicant is a company, a fee of two thousand rupees; or

(ii) where the applicant is not a company, a fee of five hundred rupees.

(7) An order by the Commissioner declining to interfere shall not be treated as an order prejudicial to the applicant."

S. 135–Revision by Commissioner.– See section 122A titled "Revision by Commissioner" inserted by Finance Act, 2003.

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PART IV

COLLECTION AND RECOVERY OF TAX

137. Due date for payment of tax.– (1) The tax payable by a taxpayer on the taxable income of the taxpayer [1][including the tax payable under [1][ ] section [2][113 or] 113A] for a tax year shall be due on the due date for furnishing the taxpayer's return of income for that year.

[1]Words and figure "including the tax payable under section 113" inserted by Finance Act, 2003 dated June 17, 2003, of this, the words and figure "section 113 or" omitted by Finance Act, 2008 dated June 27, 2008. Earlier, vide Notification No. SRO 633(I)/2002 dated September 14, 2002 issued u/s 240, it was provided that "in making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002, the Ordinance shall have effect as if after the word "taxpayer" the words "including tax payable under section 113" were inserted". This Notification was later rescinded by Notification No. SRO 608(I)/2003 dated June 24, 2003.

[2]Inserted by Finance Act, 2009 dated June 30, 2009.

S. 137-Payment of Tax U/S 113 Alongwith the Return.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"With the re-introduction of minimum tax u/s 113, taxpayers are required to pay the liability u/s 113 along with the return."

S.137(1)–Due date for tax payment, retailers under presumptive regime.– Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to provide due date for payment of minimum tax on turnover @ 0.75% by individuals and association of persons opting for presumptive taxation against normal taxation."

Date of payment on extension in date for filing of return.– Following is the text of RCIT Central Region's Circular No. 19 of 1988, dated March 27, 1988, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Under Section 54 of the Income Tax Ordinance, 1979 every assessee who files a return of his total income has to pay the tax payable on the basis of his return on or before the date on which he is required to furnish such return. This year the dates for filing of returns were extended by the Central Board of Revenue. Where the due date is extended the extended date becomes the due date.

In a number of cases the tax payers filed the returns before the due date or the extended date but either did not pay the tax with the return or the tax paid by them was short. However, the due tax was paid before due date or the extended date. In short, both the returns and the tax was paid before the due/extended date. In such cases there is no default by the assessee and the return as well as the tax is paid within time.

It has been reported that a number of Assessing Officers are disqualifying the returns from "immunity" or Self Assessment Scheme on the ground that the tax was not paid alongwith the return. There is no provision of law that tax must be paid alongwith the return. All that the law requires, is that the return must be filed by the due date and the tax must be paid by the due date. If both the actions have been completed before the extended date, there is no default by the assessee. The Assessing Officers should be instructed accordingly."

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[1][(2) Where any tax is payable under an assessment order or an amended assessment order or any other order issued by the Commissioner under this Ordinance, a notice shall be served upon the taxpayer in the prescribed form specifying the amount payable and thereupon the sum so specified shall be paid within [2][thirty] days from the date of service of the notice [3]*[:]*]

[4][Provided that the due date for payment of tax payable under subsection (7) of section 147 shall be the date specified in sub-section (5) or sub-section (5A) or first proviso to sub-section (5B) of section 147.]

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[1]Sub-section (2) substituted by Finance Act, 2003 dated June 17, 2003.

[2]Substituted for "fifteen" by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted for "thirty" by Finance Act, 2008 dated June 27, 2008.

[3]Substituted for full stop by Finance Act, 2018 dated May 23, 2018. Earlier Full stop substituted for colon by Finance Act, 2017 dated June 20, 2017, it was substitued for full stop by Finance Act, 2010 dated June 30, 2010 and Provisos omitted by Finance Act, 2017 dated June 20, 2017, these were inserted by Finance Act, 2010 dated June 30, 2010. This amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[4]Proviso inserted by Finance Act, 2018 dated May 23, 2018.

S. 137(2)-Due date for Payment of Tax.- Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"Before the amendment of sub-section (2) of section 137, a taxpayer was required to pay the amount of tax due to him within 30 days from the date of service of demand notice. In order to secure early recovery of tax due from taxpayers, the period of 30 days has been curtailed to 15 days."

Time for payment of tax.– Following is an extract from Circular No. 13-ITP/1951, dated May 28, 1951, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Assessees are alleged to have been asked to make payments of tax within such short period as seven days of the date of assessment. Normally 30 days should be allowed for payment of tax. This time may, however, be curtailed in cases of assessment made in the closing months of the year, particularly where the delay in assessment is due to late submissionofreturnsandaccounts.The mere fact that an assessment has been made near the end of the financial year does not justify the Income-tax Officer in substantially cutting down the period within which payment should be made and it should not be curtailed by more than 15 days except in special circumstances. The assessment may be delayed in some cases to suit the convenience of the assessee, in such cases a warning should be given to the assessee in the course of the proceedings that he may be asked to make payment at a very short notice."

S. 137(2)–Substitution.–Before substitution by F. Act, 2003, read as follows:–

"(2) Where an assessment order or amended assessment order is issued by the Commissioner, the tax payable under the order shall be payable within fifteen days from the date *of the assessment order is issued."*Word "of" appears to be superfluous.

S. 137(2)–Provisos omission.– Before omission by F. Act, 2017, read as follows:–

"Provided that the tax payable as a result of provisional assessment [1][order] under section 122C, as specified in the notice under sub-section (2) shall be payable [1][immediately] after a period of [2][forty-five] days from the date of service of the notice [3][:]

[3][Provided further that the taxpayer may pay the tax payable prior to expiry of the period of [2][forty-five] days specified in the first proviso."

[1]Inserted by Finance Act, 2011 dated June 30, 2011.

[2]Substituted for "sixty" by Finance Act, 2015 dated June 30, 2015.

[3]Colon substituted for full stop and Proviso inserted by Finance Act, 2012 dated June 26, 2012.

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(3) Nothing in sub-section (2) [1][or (4)] shall affect the operation of sub-section (1).

(4) Upon written application by a taxpayer, the Commissioner may, where good cause is shown, grant the taxpayer an extension of time for payment of tax due [2][under sub-section (2)] or allow the taxpayer to pay [3][such tax] in instalments of equal or varying amounts as the Commissioner may determine having regard to the circumstances of the case.

(5) Where a taxpayer is permitted to pay tax by instalments and the taxpayer defaults in payment of any instalment, the whole balance of the tax outstanding shall become immediately payable.

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[1]Word, bracket and figure inserted by Finance Act, 2003 dated June 17, 2003. Earlier vide Notification No. SRO 633(I)/2002 dated September 14, 2002 issued u/s 240 it was provided that in making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002, the Ordinance shall have effect as if after the brackets and figure "(2)" the word, brackets and figure "or (4)" were inserted. This Notification was later rescinded by Notification No. SRO 608(I)/2003 dated June 24, 2003.

[2]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.

[3]Substituted for "any tax due" by Finance Act, 2003 dated June 17, 2003.

Demand Notice in 'Nil Demand' cases.– Following is the text of Circular No. 18 of 1959, dated September 25, 1959, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"It has been brought to the notice of the Board that certain tax payers are being kept completely in the dark about their tax affairs as the Income-tax Officers, do not send any intimation in what are generally known as "Nil Demand" cases i.e., cases where an assessment does not result in a demand of tax, because of the amount of tax due having already been paid or deducted at source. The Board directs that in such cases, the tax payer concerned should be informed that for a particular year (for which he had filed a return of income), no tax was found to be due from them."

S. 137(4)–Stay of demand and instalments.– Following is an extract from CBR's Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Previously, under old Section 45, an Income Tax Officer could stay the demand in any case. No specific provision has been made in the new Section 85. However, to save hardship to assessees, instructions have been issued to the field officers to withhold recovery in suitable cases or recover demand in suitable instalments. In either case additional tax would be chargeable for the period the tax is not paid. It may be mentioned that in cases where disputed demand is omitted or reduced in appeal no interest is chargeable on the demand omitted or reduced. It may also be mentioned here that the Income Tax Appellate Tribunal has been specifically authorized to stay the demand in any case under appeal with the Tribunal [Section 134(6)]."

However sub-section (2) was added in section 85 by the Finance Ordinance, 1980 bringing the provision at par with section 45 of the repealed Act regarding stay of demand. The insertion of Sub-section (2) was explained in Circular No. 15 of 1980, dated June 26, 1980, an extract wherefrom is as follows:–

"Under the repealed Act, an Income Tax Officer could stay any demand or grant instalments. In order to reduce the discretionary powers of Income Tax Officer this power was withdrawn in the Ordinance. Since no other income tax authority is now empowered to stay demand or grant instalments the cases of genuine hardship cannot be accommodated Inspecting Assistant Commissioner has now been empowered to grant stay or instalments. Additional tax would, however, be chargeable in either case."

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(6) The grant of an extension of time to pay tax due or the grant of permission to pay tax due by instalments shall not preclude the liability for [1][default surcharge] arising under section 205 from the due date of the tax under sub-section [2][(2)].

[3][ ]

[4][**138. Recovery of tax out of property and through arrest of taxpayer.–** (1) For the purpose of recovering any tax due by a taxpayer, the Commissioner may serve upon the taxpayer a notice in the prescribed form requiring him to pay the said amount within such time as may be specified in the notice.

(2) If the amount referred to in the notice issued under sub-section (1) is not paid within the time specified therein or within the further time, if any, allowed by the Commissioner, the Commissioner may proceed to recover from the taxpayer the said amount by one or more of the following modes, namely:–

(a) attachment and sale of any movable or immovable property of the taxpayer;

(b) appointment of a receiver for the management of the movable or immovable property of the taxpayer; [5][ ]

(c) arrest of the taxpayer and his detention in prison for a period not exceeding six months [6][; and]

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[1]Substitued for "additional tax" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009..
[2]Substituted for "(1)" by Finance Act, 2003 dated June 17, 2003.
[3]Sub-section (7) omitted by Finance Ordinance, 2002 dated June 15, 2002.
[4]Section 138 substituted by Finance Ordinance, 2002 dated June 15, 2002.
[5]Word "and" omitted by Finance Act, 2020 dated June 30, 2020.
[6]Substituted for full stop by Finance Act, 2020 dated June 30, 2020.

See section 218 for Service of Notice of Demand.

S. 137(7)–Substitution.– Sub-section (7) before omission by Finance Ordinance, 2002 read as follows:–

"(7) A taxpayer dissatisfied with a decision under sub-section (4) may challenge the decision only under Part III of this Chapter."

Tax Arrears Settlement Scheme 2008.-Following is the text of FBR's Circular 4 of 2008 dated July 1, 2008:-

"In exercise of the powers conferred under section 146B of the Income Tax Ordinance, 2001, the Federal Board of Revenue is pleased to announce the scheme for the payment of arrears of income tax and withholding income tax as under:

1. Title and scope of the scheme

(1) This scheme shall be called "Tax Arrears Settlement Incentive Scheme (TASIS) 2008".

(2) The scheme shall apply to:

(i) a taxpayer against whom income tax arrears, including additional tax and penalty for non-payment, are outstanding;

(ii) a withholding agent who withheld the statutory tax but did not deposit it into the government treasury or failed to withhold the tax, including additional tax and penalty thereon as accrued and/or is leviable;

(iii) a taxpayer who has disputed the tax demand before the appellate authorities and wants to settle the arrears; and

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[1][(d) as specified under clauses (a), (ca) and (d) of sub-section (1) of section 48 of the Sales Tax Act 1990.]

(3) For the purposes of recovery of tax under sub-section (2), the Commissioner shall have the same powers as a Civil Court has under the Code of Civil Procedure, 1908 (Act V of 1908), for the purposes of the recovery of any amount due under a decree.

---

[1]Clause (d) inserted by Finance Act, 2020 dated June 30, 2020.

(iv) the taxpayers at (i) to (iii) shall include an individual, a company or an association of persons incorporated, formed, organized or established in Pakistan or elsewhere, as defined in section 80 of the Income Tax Ordinance, 2001.

(3) On payment of the principal amount of arrears, in lumpsum or in agreed installments, additional tax and penalty on arrears shall stand waived off provided additional tax at reduced rate of 5% per annum is paid in case payment is to be made in installments within the stipulated period.

(4) The provisions of the scheme shall be effective from 1st day of July 2008 to 30th day of September 2008.

2. <u>Procedure for settlement</u>

(1) A taxpayer, desiring to settle the arrears:

(i) shall submit a statement of outstanding arrears alongwith penalty for non-payment and amount of statutory additional tax, accrued and actual, or the arrears in litigation before the appellate authorities, to the Commissioner in the prescribed manner and offer settlement of arrears under the provisions of the scheme;

(ii) the Commissioner shall, within seven days of the receipt of the statement, issue a certified copy of the arrear statement confirming from his records the total amount of arrears and accept the offer for the proposed settlement, if the amount of arrears is the same as stated by the taxpayer;

(iii) where the arrears as per ledger of the Commissioner are different from the taxpayer's statement at (i) above, the correct amount of arrears, for proposed settlement, shall be communicated to the taxpayer within seven days of the receipt of the statement.

(2) The taxpayer shall deposit the principal amount of arrears within seven days of the communication from the Commissioner. In case the arrear is settled to be paid in installments, each installment shall be paid by due date, and not later than 30th September, 2008, alongwith additional tax at the rate of 5% per annum of the unpaid amount of arrears.

(3) The Commissioner shall issue a certificate to the taxpayer, in the prescribed format, confirming the payment of arrears and waiver of the additional tax and penalty due to the arrears.

(4) The arrears in dispute before the appellate authorities would be settled in the same manner provided the following conditions are fulfilled, namely:-

i. the taxpayer opts to withdraw the appeal;

ii. the disputed tax is paid in lumpsum or in three monthly installment with additional tax at the rate of 5% per annum; and

he shall also be entitled to a relief of 10% of the amount disputed in appeal besides waiver of additional tax and penalty, if any.

(5) Failure to pay total tax liability within the prescribed (agreed) period shall result in lapse of waiver of additional tax and penalty and entire arrears shall be recovered under the normal provisions of law.

Enclosures: **Annex-I & Annex-II"**

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[1][(3A)) Notwithstanding anything contained in this Ordinance or any other law or any rule, any decision or judgment of any court, forum or authority, the tax payable under any provision of this Ordinance or any assessment order shall become immediately payable subject to the following conditions-

(a) that the case has been decided in the favor of the department at three appellate forums including the High Court;

(b) that the recovery under this section shall only be made to the extent of lowest amount of demand which has been confirmed by any of the three appellate forums; and

(c) that the tax payable exceeds rupees two hundred million,

and the Commissioner shall proceed to recover the said amount irrespective of the time provided under any other provision or the said decision or judgment.]

(4) The [2][Board] may make rules regulating the procedure for the recovery of tax under this section and any other matter connected with, or incidental to, the operation of this section.]

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[1]S.138(3A) inserted by Finance Act, 2025 in force from July 1, 2025. Earlier it was inserted by Tax Laws (Amendment) Ordinance, 2025 dated May 02, 2025.
[2]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.

S. 138–Tax as a debt due to Govt., substitution.– The section before substitution by Finance Ordinance, 2002 read as follows:–

"138. Tax as a debt due to the Federal Government.– (1) Any tax due under this Ordinance by a taxpayer shall be a debt due to the Federal Government and shall be payable in the manner and at the place prescribed.

(2) Any tax that has not been paid by the due date may be sued for and recovered in any court of competent jurisdiction by the Commissioner acting in the Commissioner's official name.

(3) In any suit under sub-section (2), the production of a certificate signed by the Commissioner stating the name and address of the taxpayer and the amount of tax due shall be conclusive evidence of the amount of tax due by such taxpayer."

Recovery from insolvents.– Following is the text of CBR's Circular Letter C. No.. ITB-2(4)/87 dated February 7, 1988, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Recently, in a case it was claimed by a taxpayer, declared as insolvent by a competent court, that his outstanding tax arrears may also be written off in view of insolvency decree passed in his favour. This issue has been examined by the Board in consultation with the Justice Division and I am directed to clarify the position as under:–

(a) Where the taxpayer has not impleaded Income Tax Department as party during the insolvency proceedings before the competent court, and

(b) where the taxpayer has not included the name of Income Tax Department as creditor in the list legally required to be submitted to the competent court

in such cases the insolvency decree granted to such a taxpayer would not have any bearing on the right of the Income Tax Department with reference to recovery of Income tax arrears outstanding in that case.

2. The above clarification may please be brought to the notice of all concerned."

8-184-10-07-2025

S. 138.-Change in Modality for Recovery of outstanding tax dues.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [sections 138, 140]

"Sub-sections (3A) and (6A) of section 138 and 140 have been introduced respectively with fast track recovery of outstanding tax dues. The dues will become immediately payable for recovery by the Commissioner Inland Revenue, subject to the conditions that the department has won the case in all three appellate forums from CIR (Appeals) to High Court, if the amount of outstanding dues exceeds rupees two hundred million.

Recovery in case of property under charge.– Following is an extract from Circular No. 22 of 1950, dated October 31, 1950, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The Board is now advised that irrespective of whether property sought to be made liable for a Crown debt remains with debtor or passes on to the third party any Crown debt has no priority over debts secured by a provision of law."

Sale of property only after decisions in appeals.– Following is the text of CBR's Circular letter No. 63 (236)/IT/IV/76-PT, dated September 26, 1978, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"As I had indicated in the Regional Commissioners Conference, effective use of the Tax Recovery Organization in Lahore Zone 'A' and Rawalpindi Zone have had a salutary effect on the recovery of taxes. So far this effort has not been made as purposefully in other Zones.

There are chronic defaulters in every Zone in whose cases demands have now become settled by the process of appeals etc. but they still do not pay the due taxes. There is no reason to show them any further leniency. Where such defaulters do not come out with reasonable terms for the payment of taxes immediately recovery may be enforced by attachment and auction of property or under any other coercive measure provided in law.

2. Effective use of the recovery powers makes tax-payers realise that they cannot let tax demands go unattended. While to law abiding tax-payers all reasonable facilities for payment of taxes may be allowed, the chronic defaulters should be handled with firmness and promptitude. **It may however be ensured that sale of property for the realisation of disputed taxes is not undertaken till appeals are decided."**

Recovery through Receiver.– Following is the text of RCIT Central Region's Letter No. R-225/7422 dated May 14, 1995, explaining the corresponding provisions of the Income Tax Ordinance, 1979, in response to a representation of Lahore Tax Bar Association:–

"Complaints are being received from individual tax payers, traders associations and Lahore Tax Bar Association that Receivers are transgressing the powers as stipulated in Law/Rules. They have been found in possession of arrears lists and following the assessees even upto their residences and some of them resorting to unfair practices including carrying of arms to the premises of assessees.

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2. It may be reminded that receivers are appointed only for a specific purpose – management of business or immovable property of a tax defaulter under Rules 158 & 159 respectively.Under Rule 160 the Tax Recovery Officer is required to take possession of the business or immovable property and then hand it over to the management of the Receiver conferring upon him necessary powers. The Receiver's job is to receive the profits or rents as the case may be. Under Rule 160(3) every Receiver upon appointment is required to furnish such security as the Tax Recovery Officer thinks fit to duly account for what he shall receive in respect of the business or property. The Receiver shall also submit his accounts at such periods and in such form as the TRO directs.

3. On the other hand the Tax Recovery Officers are not making appointments of Receivers as per provisions of law stated above. The orders appointing receivers do not clearly lay down what business or which immovable property is to be managed. The appointment orders remain vague. The Receivers are asked to recover arrears which is the function of the Inspectors of the Department.

4. It has further been learnt that a heavy rate of remuneration ranging from 10-20% is being allowed to the Receivers which constitutes a very heavy cost in the collection of taxes. The scale of remuneration is required to be a graduated one ensuring minimum cost.

5. Receipts are not being issued by some of the Receivers and the recovery does not find way into the Govt. Treasury.

6. This Office has not come across any case in which appropriate security has been obtained by the TRO from the Receiver and the latter is also being required to maintain and render accounts to ensure safety of Government money. The Receivers are private individuals and are not under our control and the cases in which they are engaged involve revenue worth millions of rupees. Thus if they are not made to comply with the requirements of rule 160(3), it amounts to a serious lapse on the part of the Tax Recovery Officers.

7. The CsIT are requested to ensure that appointment of a Receiver in each case is made as per requirements of Rule 160. The appointment of Receivers in which the aforesaid requirements of Law/Rules have not been met with may be reported immediately to safe-guard the public money.

The receipt of this latter may be acknowledged."

Following is the text of **representation mentioned above**, vide Letter dated May 6, 1995 from the then President Lahore Tax Bar Association, Sheikh Asif Salam, addressed to the RCIT Central Region:–

"It is respectfully submitted that the appointment of receivers in a large number of cases is causing harassment and hardship to the assessees and is bringing a bad name to the Department. Moreover, the provisions of law are not being adhered to in the process of appointment and recovery through receivers. Some common complaints made by our members are summed up as under:–

i) Rules 158 and 159 of the Income Tax Rules, 1982 specifically provide for the purpose for appointment i.e. to manage the business and to manage the immovable property of the defaulter assessee. The orders appointing receivers do not clearly lay down what business or which immovable property is to be managed giving vague and arbitrary scope to the receiver. Sometimes, like in many salary cases, there is neither any business in operation nor is there any immovable property yielding rent or other revenues but still a receiver is appointed who in some cases, attempts to dispossess the assessee of his movable property to enforce recovery.

ii) A heavy rate of remuneration at a flat 10% is generally fixed for the services of the receiver. A graduated scale like one in case of valuers under Rule 208 is most desirable since in cases where the amount involved is substantial and/or the recovery may not be difficult, payment of a very high fee would not be commensurate with the services.

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iii) The remuneration of the receiver is being recovered from the assessee while there is no provision in the law authorising any such recovery. Under Rule 160(4) only the "expenses of management" can be adjusted/recovered from the assessee. These have to be restricted to actual expenses and cannot be converted into a levy or fee without there being a law to this effect.

iv) The receivers on their own take actions which under Rule 160 have to be backed by an order of the TRO like dispossessing from immovable property.

v) Security is not being obtained from the receivers in spite of mandatory requirement under Rule 160(3)(a).

vi) No system has been developed for ensuring maintaining of accounts by receivers (ref. Rule 160(3)(b).

vii) Sometimes the receivers do not issue any receipt for the amounts recovered.

viii) Due to lack of checks and balances and lucrative remuneration, the Receivers are generally resorting to unfair practices including carrying of arms to the premises of the assessees.

The matter requires your urgent interference in view of the recovery drive in the month of May and June, 1995. The Association shall be highly obliged to you for an early and kind action."

Recovery by arrest of defaulters.– Following is an extract from CBR's Circular Letter C. No. IT-T. 3(26)/86, dated May 6, 1986, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been agitated before the Board that, in order to effect collection, warrants of arrest are being issued by the Tax Recovery Officers in cases where appeals against the demandraisedarependingatvarious appellate forums. Trying to recover disputed demand throughsuch coercive measures amounts to harassment of the taxpayers. The issue has been considered and it has been decided that as a rule defaulters may be arrested only as a last resort. In cases when appeals are still pending such an action may only be undertaken with the prior clearance of the Commissioner of Income-tax/Wealth-tax."

Please also see notes after section 95 under the heading "Section 93 to 95-Recovery of tax".

Recovery of tax.– Following is the text of CBR's Letter C. No. 1(7) REV.BUD/93 dated September 23, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Please find enclosed herewith a copy of Prime Minister's directive on the subject mentioned above. Immediate action with total earnestness may please be taken with regards to matters pertaining to recovery of demand, collection on account of withholding taxes and reconciliation of collection figures with audit. As already desired, the Performance Report for the first quarter as faxed to your office vide Board's letter No. 3 (22) Rev. Bud/93 dated 22.9.1993 may under all circumstances be faxed on 30.9.1993. The summary in this regard is to be prepared by us and discussed by the Chairman with the Finance Minister on 2.10.1993 at 8.30 a.m." [**Ref:***93 ITL 83 p.59*]

Prime Minister's Directive.– Following is the text of Prime Minister Secretariat's Letter U.O. No. 3698/AS/EAF)/93 dated September 19, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am glad to know that the Central Board of Revenue (CBR) has published the list of tax payers. The public expects the Government to deal with the tax defaulters also effectively. It is, therefore, extremely important for our credibility that the CBR launches an effective campaign for recovery of taxes due from the defaulters. In this behalf, I direct the Ministry of Finance and the Central Board of Revenue as follows:–

(1) I understand that there are arrears of about Rs. 3.5 billion outstanding against the Income Tax assessees. The Income Tax Department has necessary legal powers to

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effect recovery and punish the defaulters. The powers have not been invoked in the past. There would be no complacency in applying the law and recovering the amounts of tax in arrears against the assessees. I would like the Chairman, CBR to show positive results within next two weeks.

(2) I also understand that there are large number of appeals under adjudication in the Income Tax Tribunals and Superior Courts. These should be vigorously pursued. The Ministry of Law should set up additional Income Tax Tribunals in order to dispose of appeal cases expeditiously.

(3) It has come to my notice that recoveries made by various Government and autonomous agencies on account of withholding tax under section 50 of the Income Tax *Act are not being promptly credited to the Government account, concerned Commissioners of Income Tax should be made responsible to ensure submission of proper accounts of recoveries made and evidence of depositing the amounts in the Government Treasury.

(4) It has also come to my notice that there are discrepancies in the amounts of collection reported by the CBR and the audited actuals of receipts in the Government account. The discrepancy may arise due to over statement of collection or delay in encashment of cheques deposited by the assessees. Chairman, CBR, should analyse the difference between the two figures and make immediate corrective measures."

*This should have been "Ordinance" instead of "Act".

Cabinet Decision.– Following is text of CBR's Letter C. No. 1(19)-Rev.Bud.94.Pt.I dated April 9, 1995, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Subject: Cabinet decision No. 142 (IV)/07/95, dated 27.3.95 Recovery of Tax Arrears.

I am directed to say that in pursuance of Cabinet decision dated 27.3.1995, criminal action against tax defaulters will be initiated in consultation with law Division through CBR.

2. All officers concerned may please be informed, accordingly." [**Ref:***95 ITL 14 p. 7*]

Recovery from Co-operatives.– Following is the text of CBR's letter No. F. 1(86)DTP-II/94 dated May 9, 1994:–

"Reference above cited subject.

Theundersignedisdirected to say that as a part of the Relief Package to the affectees of the Cooperative Finance Companies, the Federal Government has decided that:–

i) Tax arrears shall not be collected from the Punjab Cooperatives Board for Liquidation.

ii) No inquiries shall be made in respect of source of investment from the bidders intending to purchase the Board's properties.

3. These instruction may please be conveyed to all concerned for compliance under section (8) of the Income Tax Ordinance, 1979." [**Ref:***94 ITL 20 p. 41*]

Arrest or auction not before appeal.– Following is the text of CBR's Letter C. No. 3(21)REV. BUD/93 dated August 19, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In supersession of all previous instructions on the subject, I am directed to convey that henceforth recovery of demand by auctioning of movable or immovable properties belonging to assessees or assessees in default, as the case may be and by arresting the defaulters will be effected, only if the demand is undisputed or is settled after first stage of appeal or revision. Before resorting to these coercive measures, TRO may ensure that effects have been given to the appellate orders or payments made, if any. He may discuss the case with his Inspecting Additional Commissioner of Income Tax and then record in writing that such a discussion was made between the two officers.

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[1][**138A. Recovery of tax by District Officer (Revenue).–** (1) The Commissioner may forward to the District Officer (Revenue) of the district in which the tax payer resides or carries on business or in which any property belonging to the tax payer is situated, a certificate specifying the amount of any tax due from the tax payer, and, on receipt of such certificate, the District Officer (Revenue) shall proceed to recover from the tax payer the amount so specified as if it were an arrear of land revenue.

(2) Without prejudice to any other power of the District Officer (Revenue) in this behalf, shall have the same powers as a Civil Court has under the Code of Civil Procedure, 1908 (Act V of 1908), for the purpose of the recovery of the amount due under a decree.]

[2][**138B**. **Estate in bankruptcy.**- (1) If a taxpayer is declared bankrupt, the tax liability under this Ordinance shall pass on to the estate in bankruptcy.

(2) If tax liability is incurred by an estate in bankruptcy, the tax shall be deemed to be a current expenditure in the operations of the estate in bankruptcy and shall be paid before the claims preferred by other creditors are settled.]

[1]Section 138A inserted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Section 138B inserted by Finance Act, 2010 dated June 30, 2010.

2. It is hoped that by following these instructions, embarrassment both to the defaulters and the department will be avoided paving the way for accelerating the pace of recovery." [**Ref:***93 ITL 65 p. 49*]

Following is the text of CBR's Letter C. No. 3(21)/Rev.Bud/93 dated June 19, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In continuation of Board's Circular C.No. 3(21)/Rev.Bud/93 dated 19th Aug, 1993, I am directed to clarify that recovery measures mentioned in the said circular may be resorted to in cases where:–

(i) the tax demand is undisputed, or

(ii) decision has been made in respect of appeal filed before Commissioner of Income Tax, (Appeals)/or Additional Commissioner of Income Tax, (Appeals) or revision petition before Commissioner of Income Tax.

(iii) Case discussed by Tax Recovery Officer with his Inspecting Additional Commissioner and such discussion recorded on relevant file." [**ref:***94 ITL 26 p. 44*]

S. 138A–District Officer (Revenue).– Following is an extract from CBR's Circular No. 13, 2002 dated August 9, 2002:–

"Due to the change in designation and authority under District Devolution Plan, the word "Collector" appearing in sections 92, 94 and 95 has been substituted by the word "District Officer (Revenue)"."

S. 138B–Estate in bankruptcy.– Following is an extract from FBR's Circular No. 10, dated July 16, 2010:–

"In order to safeguard the interest of revenue in cases of bankruptcy, a new section 138B in the Income Tax Ordinance, 2001 has been introduced through which if a taxpayer is declared bankrupt, his income tax liability will be passed on to the taxpayer estate in bankruptcy. It has also been provided that in such cases income tax liability shall be paid in preference over the claims of other creditors against such estate in bankruptcy and such payment of income tax shall be deemed to be an expenditure of current nature in the operations of the estate in bankruptcy."

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139. Collection of tax in the case of private companies and associations of persons.– (1) Notwithstanding anything in the [1][Companies Act, 2017 (XIX of 2017)], where any tax payable by a private company (including a private company that has been wound up or gone into liquidation) in respect of any tax year cannot be recovered from the company, every person who was, at any time in that tax year–

(a) a director of the company, other than an employed director; or

(b) a shareholder in the company owning not less than ten per cent of the paid-up capital of the company,

shall be jointly and severally liable for payment of the tax due by the company.

(2) Any director who pays tax under sub-section (1) shall be entitled to recover the tax paid from the company or a share of the tax from any other director.

(3) A shareholder who pays tax under sub-section (1) shall be entitled to recover the tax paid from the company or from any other shareholder to whom clause (b) of sub-section (1) applies in proportion to the shares owned by that other shareholder.

(4) Notwithstanding anything in any law, where any tax payable by a member of an association of persons in respect of the member's share of the income of the association in respect of any tax year cannot be recovered from the member, the association shall be liable for the tax due by the member.

[2][(5) Notwithstanding anything contained in any other law, for the time being in force, where any tax payable by an association of persons in respect of any tax year cannot be recovered from the association of persons, every person who was, at any time in that tax year, a member of the association of persons, shall be jointly and severally liable for payment of the tax due by the association of persons.

[1]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.
[2]Sub-sections (5) & (6) inserted by Finance Act, 2019 dated June 30, 2019.

S. 139–Recovery of association of person's tax from its member.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Sub-section (4) of section 139 provides that where any tax payable by a member of an association of persons cannot be recovered from the member, the association shall be liable for the tax due by the member. However, there was no explicit provision for recovery of association's tax from the member of association. Through the Finance Act, 2019, two new sub-sections have been inserted in section 139 providing that where any tax payable by an association of persons (AOP) for a tax year cannot be recovered from the AOP, every person who was at any time in that tax year, a member of the AOP shall be jointly and severally liable for payment of tax due by the AOP. Any member who pays tax due shall be entitled to recover the tax paid from the AOP or a share of the tax from any other member of the AOP."

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(6) Any member who pays tax under sub-section (5) shall be entitled to recover the tax paid from the association of persons or a share of the tax from any other member.]

[1][(7)] The provisions of this Ordinance shall apply to any amount due under this section as if it were tax due under an assessment order.

140. Recovery of tax from persons holding money on behalf of a taxpayer.– (1) For the purpose of recovering any tax due by a taxpayer, the Commissioner may, by notice, in writing, require any person–

(a) owing or who may owe money to the taxpayer; or

(b) holding or who may hold money for, or on account of the taxpayer;

(c) holding or who may hold money on account of some other person for payment to the taxpayer; or

(d) having authority of some other person to pay money to the taxpayer,

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[1]Existing sub-section (5) renumbered as (7) by Finance Act, 2019 dated June 30, 2019.

S. 139(1), (2) & (3)–Liability in case of a private company.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The provisions of this sub-section are same as those of the old Section 43B except that approval for proceeding to recover tax of the company from the shareholders is to be granted by the Commissioner instead of Central Board of Revenue."

This was superseded by Circular No. 6 of 1980, dated March 3, 1980, the text of which is as follows:–

"In supersession of the instructions contained at para 24 of the Circular No. 4 of 1979, it is clarified that tax can be recovered under Section 77 from a director of a private company even if he holds or held less than 10% of company's paid up capital. In case of a director the share limit is irrelevant. The provisions "owning not less than 10% of its paid up capital" is applicable in case of shareholder only."

The provision was further clarified in Circular No. 9 of 1980, dated April 27, 1980, the text of which is as follows:–

"In continuation of Circular No. 6 of 1980 (Income Tax), dated 3rd March, 1980 it is further clarified that provisions of Section 77 read with section 166(2)(k) of Income Tax Ordinance,1979 can be invoked for recovery of arrears demand created after promulgation of Income Tax Ordinance, 1979 relating to assessment years prior to 1979-80. Similarly, arrears demand created under the repealed Income Tax Act, 1922 can be recovered by invoking the provisions of said Section 77 against any director irrespective of his share holding and shareholder owning not less than 10% of company's paid up capital."

S. 140.– Recovery prodedure.- Following is an extract from FBR's Circular No. **1(500)SA-M(IR-Ops)/2026/75102-R** dated July 10, 2026:-

"In cases where an e**x parte** order has been passed in the case of **individuals taxpayer**, the order shall be served upon the taxpayer through both physical and electronic means. No recovery proceedings shall be initiated unless such service (in-person or through affixture) has been duly affected/ verified, particularly in cases falling within the jurisdiction of the Regional Tax Offices (RTOs). The concerned Unit Officer shall certify that service has been duly effected before seeking approval to initiate recovery proceedings under section 140 of the Income Tax Ordinance, 2001."

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to pay to the Commissioner so much of the money as set out in the notice by the date set out in the notice [1][:]

[1][Provided that the Commissioner shall not issue notice under this sub-section for recovery of any tax due from a taxpayer if the said taxpayer has filed an appeal under section 127 in respect of the order under which the tax sought to be recovered has become payable and the appeal has not been decided by the Commissioner (Appeals), subject to the condition that [2][ten] per cent of the said amount of tax due has been paid by the taxpayer.]

(2) Subject to sub-section (3), the amount set out in a notice under sub-section (1)–

(a) where the amount of the money is equal to or less than the amount of tax due by the taxpayer, shall not exceed the amount of the money; or

(b) in any other case, shall be so much of the money as is sufficient to pay the amount of tax due by the taxpayer.

(3) Where a person is liable to make a series of payments (such as salary) to a taxpayer, a notice under sub-section (1) may specify an amount to be paid out of each payment until the amount of tax due by the taxpayer has been paid.

(4) The date for payment specified in a notice under sub-section (1) shall not be a date before the money becomes payable to the taxpayer or held on the taxpayer's behalf.

(5) The provisions of sections 160, 161, 162 and 163, so far as may be, shall apply to an amount due under this section as if the amount were required to be deducted from a payment under Division III of Part V of this Chapter.

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[1]Colon substituted for full stop and proviso inserted by Finance Act, 2016 dated June 24, 2016.
[2]Substituted for "twenty-five" by Finance Act, 2018 dated May 23, 2018.

S. 140(1)–Recovery notices to public utilities.– Following is the text of RCIT Central region Lahore's letter No. 3581 dated January 12, 1987, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"It has been brought to my notice that certain Officers are issuing notices under Section 92 to public utilities like Electricity Department, Telephone Department and SNGPL Ltd. for payment of tax due from assessees in default out of the securities deposited by the defaulters with them. Although any advance or security deposited by the defaulter with any other person falls within the purview of Section 92, yet securities which are against the use of equipment particularly against running bills, deserve to be given a different treatment. Firstly, on a precise date a public utility cannot ascertain how much the consumer owes to the Institution by way of the services already utilised. Secondly, the moment the security deposit is paid to the Income Tax Department, the connection of the consumer has to be severed by the Institution. Thirdly, where the services are being utilised by the defaulter, the business is obviously being carried on by him. There are, therefore, other avenues available to the Department to realise the tax dues. Finally, there is much force in the argument advanced by the public utilities that money deposited by a consumer becomes due to the consumer only when the contract between the public utility and the consumer is terminated and after all outstandings against the consumer have been settled by him.

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(6) Any person who has paid any amount in compliance with a notice under sub-section (1) shall be treated as having paid such amount under the authority of the taxpayer and the receipt of the Commissioner constitutes a good and sufficient discharge of the liability of such person to the taxpayer to the extent of the amount referred to in such receipt.

[1][(6A)) Notwithstanding anything contained in this Ordinance or any other law or any rule, any decision or judgment of any court, forum or authority, the tax payable under any provision of this Ordinance or any assessment order shall become immediately payable subject to the following conditions-

(a) that the case has been decided in the favor of the department at three appellate forums including the High Court;

(b) that the recovery under this section shall only be made to the extent of lowest amount of demand which has been confirmed by any of the three appellate forums; and

(c) that the tax payable exceeds rupees two hundred million,]

and the Commissioner shall proceed to recover the said amount irrespective of the time provided under any other provision or the said decision or judgment.]

[2][ ]

[1]S.140(6A) inserted Finance Act, 2025 in force from July 1, 2025. Earlier it was inserted by Tax Laws (Amendment) Ordinance, 2025 dated May 02, 2025.
[2]Sub-sections (7), (8) and (9) omitted by Finance Act, 2003 dated June 17, 2003.

In view of the foregoing, notices u/s 92 should be issued to the public utilities only as a matter of last resort when all other efforts to realise the tax dues have failed and the business of the defaulter has closed down. The Officers below may, therefore, be directed to withdraw such notices which have been issued in routine to public utilities."

S. 140(5)–Person holding money to be treated as an assessee in default.– Following is an extract from Circular No. 7 of 1981 dated July 6, 1981, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The law requires a person holding money belonging to a tax defaulter or from whom money may become due to a defaulter or who is responsible for payment of any amount to a defaulter out of which tax is deductible at source, to pay the income tax department on a notice in this respect the sum specified in such notice. Before present amendment, failure in this respect could result in prosecution of such person but tax could not be recovered from him.

It has now been provided that recovery of dues shall be made from the person who fails to make payments on behalf of defaulting tax payers in compliance to such a notice."

S. 140(7), (8) & (9)–Omission.– Sub-sections (7), (8) and (9) before omission by Finance Act, 2003, read as follows:–

"(7) Where an amount has been paid under sub-section (1), the taxpayer shall be allowed a tax credit for the amount (unless the amount paid represents a final tax on the taxpayer's income) in computing the tax due by the taxpayer on the taxpayer's taxable income for the tax year in which the amount was paid.

(8) The tax credit allowed under this section shall be applied in accordance with sub-section (3) of section 4.

(9) A tax credit or part of a tax credit allowed under this section for a tax year that is not able to be credited under sub-section (3) of section 4 for the year must be refunded to the taxpayer in accordance with section 170."

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(10) In this section, "person" includes any Court, Tribunal or any other authority.

141. Liquidators.– (1) Every person (hereinafter referred to as a "liquidator") who is –

(a) a liquidator of a company;

(b) a receiver appointed by a Court or appointed out of Court;

(c) a trustee for a bankrupt; or

(d) a mortgagee in possession,

shall, within fourteen days of being appointed or taking possession of an asset in Pakistan, whichever occurs first, give written notice thereof to the Commissioner.

(2) The Commissioner shall, within three months of being notified under sub-section (1), notify the liquidator in writing of the amount which appears to the Commissioner to be sufficient to provide for any tax which is or will become payable by the person whose assets are in the possession of the liquidator.

(3) A liquidator shall not, without leave of the Commissioner, part with any asset held as liquidator until the liquidator has been notified under sub-section (2).

(4) A liquidator –

(a) shall set aside, out of the proceeds of sale of any asset by the liquidator, the amount notified by the Commissioner under sub-section (2), or such lesser amount as is subsequently agreed to by the Commissioner;

(b) shall be liable to the extent of the amount set aside for the tax of the person who owned the asset; and

(c) may pay any debt that has priority over the tax referred to in this section notwithstanding any provision of this section.

(5) A liquidator shall be personally liable to the extent of any amount required to be set aside under sub-section (4) for the tax referred to in sub-section (2) if, and to the extent that, the liquidator fails to comply with the requirements of this section.

(6) Where the proceeds of sale of any asset are less than the amount notified by the Commissioner under sub-section (2), the application of sub-sections (4) and (5) shall be limited to the proceeds of sale.

(7) This section shall have effect notwithstanding anything contained in any other law for the time being in force.

(8) The provisions of this Ordinance shall apply to any amount due under this section as if it were tax due under an assessment order.

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142. Recovery of tax due by non-resident member of an association of persons.– (1) The tax due by a non-resident member of an association of persons in respect of the member's share of the profits of the association shall be assessable in the name of the association or of any resident member of the association and may be recovered out of the assets of the association or from the resident member personally.

(2) A person making a payment under this section shall be treated as acting under the authority of the non-resident member and is hereby indemnified in respect of the payment against all proceedings, civil or criminal, and all processes, judicial or extra-judicial, notwithstanding any provisions to the contrary in any written law, contract or agreement.

(3) The provisions of this Ordinance shall apply to any amount due under this section as if it were tax due under an assessment order.

143. Non-resident ship owner or charterer.– (1) Before the departure of a ship [1][, or the authorised shipping agent as defined in clause (6A) of section 2,] owned or chartered by a non-resident person from any port in Pakistan, the master of the ship shall furnish to the Commissioner a return showing the gross amount specified in sub-section (1) of section 7 in respect of the ship.

[2][(1A) Notwithstanding anything contained in this Ordinance, only one return shall be furnished for each vessel or voyage and such return shall cover the total freight and all related amounts attributable to the ship.

(1B) The master of ship or the authorised shipping agent responsible for manifest filing and freight handling in respect of a vessel shall furnish the return under this section and no other person shall furnish such return for that vessel or voyage.]

(2) Where the master of a ship [1][or authorised shipping agent] has furnished a return under sub-section (1), the Commissioner shall [3][, after calling for such particulars, accounts or documents as he may require,] determine the amount of tax due under section 7 in respect of the ship and, as soon as possible, notify the master [1][or authorised shipping agent], in writing, of the amount payable.

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[1]Words etc. inserted by Finance Act, 2026 dated June 26, 2026.
[2]S. 143(1A) & (1B) inserted by Finance Act, 2026 dated June 26, 2026.
[3]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.

S. 143.- Taxation of Non-resident Shipping through an Authorised Shipping Agent [Sections 2(6A) and 143]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

Section 143 has been amended to enable the authorised shipping agent to furnish the return in respect of a vessel or voyage; to require that only one return be furnished for each vessel or voyage covering the total freight and all related amounts; to make the master of the ship or the authorised shipping agent jointly and severally responsible; and to require that electronic confirmation of the filing of return and payment of tax be received before port clearance is granted."

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(3) The master of a ship [4][or authorized shipping agent shall be jointly and severally] liable for the tax notified under sub-section (2) and the provisions of this Ordinance shall apply to such tax as if it were tax due under an assessment order.

(4) Where the Commissioner is satisfied that the master of a ship or non-resident owner or charterer of the ship [1][or authorised shipping agent] is unable to furnish the return required under sub-section (1) before the departure of the ship from a port in Pakistan, the Commissioner may allow the return to be furnished within thirty days of departure of the ship provided the non-resident owner or charterer [1][or authorised shipping agent] has made satisfactory arrangements for the payment of the tax due under section 7 in respect of the ship.

(5) The Collector of Customs or other authorised officer shall not grant a port clearance for a ship owned or chartered by a non-resident person until the Collector or officer is satisfied that any tax due under section 7 in respect of the ship has been paid or that arrangements for its payment have been made to the satisfaction of the Commissioner [1][and electronic confirmation of filing of return and payment of tax under this section has been received in the prescribed manner].

(6) This section shall not relieve the non-resident owner or charterer of the ship from liability to pay any tax due under this section that is not paid by the master of the ship [1][or authorised shipping agent].

144. Non-resident aircraft owner or charterer.– (1) A non-resident owner or charterer of an aircraft [2][ ] liable for tax under section 7, or an agent authorised by the non-resident person for this purpose, shall furnish to the Commissioner, within forty-five days from the last day of each quarter of the financial year, a return, in respect of the quarter, showing the gross amount specified in sub-section (1) of section 7 of the non-resident person for the quarter.

(2) Where a return has been furnished under sub-section (1), the Commissioner shall [3][, after calling for such particulars, accounts or documents as he may require,] determine the amount of tax due under section 7 by the non-resident person for the quarter and notify the non-resident person, in writing, of the amount payable.

(3) The non-resident person shall be liable to pay the tax notified under sub-section (2) within the time specified in the notice and the provisions of this Ordinance shall apply to such tax as if it were tax due under an assessment order.

[4]Substituted for "shall be" by Finance Act, 2026 dated June 26, 2026.
[1]Words etc. inserted by Finance Act, 2026 dated June 26, 2026.
[2]Words "shall be" omitted by Finance Act, 2003 dated June 17, 2003.
[3]Commas and words inserted by Finance Ordinance, 2002 dated June 15, 2002.

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(4) Where the tax referred to in sub-section (3) is not paid within three months of service of the notice, the Commissioner may issue to the authority by whom clearance may be granted to the aircraft operated by the non-resident person a certificate specifying the name of the non-resident person and the amount of tax due.

(5) The authority to whom a certificate is issued under sub-section (4) shall refuse clearance from any airport in Pakistan to any aircraft owned or chartered by the non-resident until the tax due has been paid.

[1][**145. Assessment of persons about to leave Pakistan.–** (1) Where any person is likely to leave Pakistan during the currency of tax year or shortly after its expiry with no intention of returning to Pakistan, he shall give to the Commissioner a notice to that effect not less than fifteen days before the probable date of his departure (hereinafter in this section referred to as the 'said date').

(2) The notice under sub-section (1) shall be accompanied by a return or returns of taxable income in respect of the period commencing from the end of the latest tax year for which an assessment has been or, where no such assessment has been made, a return has been made, as the case may be, and ending on the said date, or where no such assessment or return has been made, the tax year or tax years comprising the period ending on the said date; and the period commencing from the end of the latest tax year to the said date shall, for the purposes of this section, be deemed to be a tax year (distinct and separate from any other tax year) in which the said date falls.

(3) Notwithstanding anything contained in sub-sections (1) and (2), the Commissioner may serve a notice on any person who, in his opinion, is likely to leave Pakistan during the current tax year or shortly after its expiry and has no intention of returning to Pakistan, to furnish within such time as may be specified in such notice, a return or returns of taxable income for the tax year or tax years for which the taxpayer is required to furnish such return or returns under sub-section (2).

(4) The taxable income shall be charged to tax at the rates applicable to the relevant tax year and all the provisions of this Ordinance shall, so far as may be, apply accordingly.]

[2][(5) Notwithstanding anything contained in any other law, for the time being in force, where on the basis of information received from any offshore jurisdiction, the Commissioner has reason to believe that such person who is likely to leave Pakistan may be involved in offshore tax evasion or such person is about to dispose of any such asset, the Commissioner may freeze any domestic asset of the person including any asset beneficially owned by the person for a period of one hundred and twenty days or till the finalization of proceedings including but not limited to recovery proceedings under this Ordinance whichever is earlier.]

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[1]Section 145 substituted by Finance Act, 2003 dated June 17, 2003.
[2]Section 145(5) inserted by Finance Act, 2019 dated June 30, 2019.

S. 145–Substitution.– Section 145 before substitution by Finance Act, 2003, read as follows:–

"145. Collection of tax from persons leaving Pakistan permanently.– (1) Where the Commissioner has reasonable grounds to believe that a person may leave Pakistan permanently without paying tax due under this Ordinance, the Commissioner may issue a certificate containing particulars of the tax due to the Commissioner of Immigration and request the Commissioner of Immigration to prevent that person from leaving Pakistan until that person –

(a) makes payment of tax in full; or

(b) makes an arrangement satisfactory to the Commissioner for payment of the tax due.

(2) A copy of a certificate issued under sub-section (1) shall be served on the person named in the certificate if it is practicable to do so.

(3) Payment of the tax specified in the certificate to a customs or immigration officer or the production of a certificate signed by the Commissioner stating that the tax has been paid or satisfactory arrangements for payment have been made shall be sufficient authority for allowing the person to leave Pakistan."

S. 145–Definitions of terms related to offshore tax evasion and consequent penalty and prosecution.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Through the Finance Act, 2019, the term "offshore asset" has been defined by inserting a new clause (38AA) in section 2 which includes any movable or immovable asset held, any gain, profit or income derived, or any expenditure incurred outside Pakistan. The term "offshore evader" has been defined by inserting a new clause (38AB) in section 2 and it means a person who owns, possesses, controls, or is the beneficial owner of an offshore asset and does not declare, or under declares or provides inaccurate particulars of such asset to the Commissioners. Penalty has also been provided in serial No.22 in sub-section (1) of section 182 that where an offshore tax evader is involved in offshore tax evasion in the course of any proceedings under this Ordinance before any income tax authority or the appellate tribunal, such person shall pay a penalty of Rs.100,000 or an amount equal to 200% of the tax sought to be evaded, whichever is higher. Prosecution for concealment of an offshore asset has been provided by inserting a new section 192B according to which any person who fails to declare an offshore asset to the Commissioner or furnishes inaccurate particulars of an offshore asset and the revenue impact of such concealment or furnishing of inaccurate particulars is ten million rupees or more shall commit an offence punishable on conviction with imprisonment up to three years or with a fine up to Rs.500,000, or both.

A new sub-section (5) has been added in section 145 as per which the Commissioner may freeze any domestic asset of a person where on the basis of information received from an offshore jurisdiction, the Commissioner has reason to believe that such person who is likely to leave Pakistan may be involved in offshore tax evasion or such person is about to dispose of any asset. The Commissioner may freeze any domestic asset of the person including any asset beneficially owned by such person for a period of 120 days or till the finalization of proceedings including recovery proceedings and any other proceedings under the Ordinance, whichever is earlier.

The term "offshore enabler" has been defined by inserting a new clause (38AC) in section 2 to include any person who enables, assists, or advises any person to plan, design, arrange or manage a transaction or declaration relating to an offshore asset, which has resulted or may result in tax evasion. Penalty has been provided in serial no. 23 of sub-section (1) of section 182 that where in the course of any transaction or declaration made by a person an enabler has enabled, guided, advised or managed any person to design, arrange or manage that transaction or declaration in such a manner which has resulted or may result in offshore tax evasion in the course of any proceedings under the Ordinance, such person shall pay a penalty of Rs.300,000 or an amount equal to 200% of the tax which was sought to be evaded, whichever is higher. Prosecution for enabling offshore tax evasion has been provided by inserting a new section 195B to the effect that any enabler who enables, guides or advises any person to design, arrange or manage a transaction or declaration in such a manner which results in offshore tax evasion, shall commit an offence punishable on conviction with imprisonment for a term not exceeding seven years or with a fine up to five million rupees or both.

The term "asset move" has been defined by inserting a new clause (5C) in section 2 and it means the transfer of an offshore asset to an unspecified jurisdiction by or on behalf of a person who owns, possesses, controls or is the beneficial owner of such offshore asset for the purpose of tax evasion. An unspecified jurisdiction means a jurisdiction which has not committed to automatically exchange information under the Common Reporting Standard with Pakistan. The term "specified jurisdiction" has been defined by inserting a new clause (60A) in section 2 and it means any jurisdiction which has committed to automatically exchange information under Common Reporting Standard with Pakistan. Penalty has also been provided in serial 24 of sub-section (1) of section 182 that any person who is involved in asset move from a specified to un-specified territory shall pay a penalty of Rs.100,000 or an amount equal to 100% of the tax, whichever is higher."

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146. Recovery of tax from persons assessed in Azad Jammu and Kashmir [1][**and Gilgit-Baltistan**]**.–** (1) Where any person assessed to tax for any tax year under the law relating to income tax in the Azad Jammu and Kashmir [1][or Gilgit-Baltistan] has failed to pay the tax and the income tax authorities of the Azad Jammu and Kashmir [1][or Gilgit-Baltistan] cannot recover the tax because–

(a) the person's residence is in Pakistan; or

(b) the person has no movable or immovable property in the Azad Jammu and Kashmir [1][or Gilgit-Baltistan],

the Deputy Commissioner in the Azad Jammu and Kashmir [1][or Gilgit-Baltistan] may forward a certificate of recovery to the Commissioner and, on receipt of such certificate, the Commissioner shall recover the tax referred to in the certificate in accordance with this Part.

(2) A certificate of recovery under sub-section (1) shall be in the prescribed form specifying–

(a) the place of residence of the person in Pakistan;

(b) the description and location of movable or immovable property of the person in Pakistan; and

(c) the amount of tax payable by the person.

[2][**146A. Initiation, validity, etc., of recovery proceedings.–** (1) Any proceedings for the recovery of tax under this Part may be initiated at any time;

(2) The Commissioner may, at any time, amend the certificate issued under section 138A, or recall such certificate and issue fresh certificate, as he thinks fit;

(3) It shall not be open to a taxpayer to question before the District Officer (Revenue) the validity or correctness of any certificate issued under section 138A, or any such certificate as amended, or any fresh certificate issued, under sub-section (2).

(4) The several modes of recovery provided in this Part shall be deemed to be neither mutually exclusive nor affect in any way any other law for the time being in force relating to the recovery of debts due to the Government and the Commissioner may have recourse to any such mode of recovery notwithstanding that the tax due is being recovered from a taxpayer by any other mode.]

[1]Words inserted by Finance Act, 2017 dated June 20, 2017.
[2]S. 146A inserted by Finance Ordinance, 2002 dated June 15, 2002.

S. 146–Recovery of tax from persons assessed in Azad Kashmir.– An assessee in Pakistan who has done some business in Azad Kashmir and is assessed there in respect of such income, may also be assessed, rightly or wrongly, in Pakistan in respect of the same income. Tax may be recovered by the Azad Kashmir Tax Authorities even if the assessee has already paid tax in Pakistan in respect of the same income."

Also see footnotes u/s **107**.

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[1][**146B.Tax arrears settlement incentives scheme.-** (1) Subject to provisions of this Ordinance, the Board may make scheme in respect of recovery of tax arrears or withholding taxes and waiver of [2][default surcharge] or penalty levied thereon.

(2) The Board may make rules under section 237 for implementation of such scheme.]

[3][**146C. Assistance in the recovery and collection of taxes**.- The provisions of sections 138, 138A, 138B, 139, 140, 141, 142, 143, 144, 145, 146, 146A, and 146B shall *mutatis mutandis* apply in respect of assistance in collection and recovery of taxes in pursuance of a request from a foreign jurisdiction under a tax treaty, a multilateral convention, an intergovernmental agreement or similar arrangement or mechanism.]

[4][**146D. Recovery of liability outstanding under other laws**.– (1)* Where any outstanding liability in or under any other statute or law for the time being in force enacted through an Act of Parliament, in respect of any defaulter is–

(a) treated as Income Tax arrears in that law;

(b) required to be recovered or collected by Commissioner (Inland Revenue); or

(c) is referred to Commissioner (Inland Revenue) for the recovery–

the Commissioner (Inland Revenue) shall recover the said liability and deposit the receipts in the designated account specified in that law.]

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[1]S. 146B inserted by Finance Act, 2008 dated June 27, 2008.

[2]Substituted for "additional tax" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[3]S. 146C inserted by Finance Act, 2021 dated June 30, 2021.

[4]S. 146D inserted by Finance Act, 2023 dated June 27, 2023.

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*Sub-sction (1) is erroneous as there is only one sub-section.

S. 146B– Scheme for waiver of additional tax, penalty etc. on payment of principal amount of tax in arrears.- Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"At present, tax arrears of Rs.20.25 billion are outstanding. Similarly tax withheld by the withholding agent at times is not deposited due to fear of additional tax and levy of penalty. In order to effect speedy recovery of such tax arrears an opportunity has been provided to the defaulter taxpayers and withholding agents to settle the arrears under Tax Arrears Settlement Incentive Scheme (TASIS) 2008. Under this scheme, if the taxpayer pays the principal outstanding tax liability, surcharge, additional tax or penalty levied or leviable on such amount would be waived off and a certificate of settlement of arrears shall be issued to the taxpayer. The TASIS has been issued vide Circular No.04 of 2008 dated July 1, 2008."

S. 146D.- Recovery of Liabilities outstanding under other laws.- Following is an extract from FBR's Circular No. 2 of 2023 dated July 26, 2023, explaining the amendment made by the F. Act, 2023:-

"A new section 146D has been introduced in the Ordinance through Finance Act, 2023 enabling the Commissioner Inland Revenue to recover the outstanding amount of liabilities which is treated as income tax arrear and payable in or under any other statute or law for the time being in force enacted through an Act of Parliament."

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PART V

ADVANCE TAX AND DEDUCTION OF TAX AT SOURCE

Division I

Advance Tax Paid by the Taxpayer

147. Advance tax paid by the taxpayer.– (1) Subject to sub-section (2), every taxpayer [1][whose income was charged to tax for the latest tax year under this Ordinance or latest assessment year under the repealed Ordinance] other than –

[2][ ]

(b) income chargeable to tax under sections 5, 6 and 7;

[3][ ]

(c) income subject to deduction of tax at source under section 149; [4][and]

[5][ ]

[1]Substituted for "who derives or expects to derive income chargeable to tax under this Ordinance in a tax year" by Finance Act, 2003 dated June 17, 2003.

[2]Clause (a) omitted by Finance Act, 2010 dated June 30, 2010.

[3]Clause (ba) omitted by Finance Act, 2013 dated June 29, 2013. Earlier it was inserted by Finance Ordinance, 2002 dated June 15, 2002.

[4]Substituted for "or" by Finance Act, 2009 dated June 30, 2009.

[5]Clause (ca) omitted by Finance Act, 2009 dated June 30, 2009. Earlier it was inserted by Finance Act, 2006 dated July 01, 2006.

S.147(1)(a)-Omission-Before omission clause (a) read as follows:-

"(a) income chargeable to tax under the head "Capital Gains";"

S.147(1)(ba)-Omission-Before omission clause (ba) read as follows:-

"(ba) income chargeable to tax under section 15;"

S.147(1)(ca)-Omission-Before omission clause (ca) read as follows:-

"(ca) Income chargeable to tax under section 233 and clauses (a) and (b) of sub-section (1) of section 233A;"

S. 147-Payment of Advance Tax.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"In case of a company, the mode of determining advance tax liability u/s 147 has been amended and now it is payable on turnover basis as per following formula.

$$(A \times B/C) - D$$

whereas:

A is the taxpayer's turnover for the quarter;

B is the tax assessed to the taxpayer for the latest tax year;

C is the taxpayer's turnover for the latest tax year; and

D is the tax paid during the quarter for which a tax credit is allowed under section 168, other than tax deducted under section 155.

Since the actual amount of turnover will not be available on the due date prescribed under sub-section (5), therefore, a new sub-section (5A) has been inserted whereby following schedule for advance tax payment has been given.

a) in respect of the September quarter, on or before the 15th day of October.

b) in respect of the December quarter, on or before the 15th day of January.

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c) in respect of the March quarter, on or before the 15th day of April; and

d) in respect of the June quarter, on or before the 15th day of June.

The taxpayer shall also be required to take into consideration tax u/s 113 while computing tax liability u/s 147. Further, advance tax is also payable, in the absence of last assessed income or declared turnover on the basis of tax liability under section 113.

Example-I

Example-I

A	Tax payable for the last tax year	Rs. 1,000,000
B	is the tax assessed to the taxpayer for the latest tax year;	Rs.100,000
C	is the taxpayer's turnover for the latest tax year; and	Rs. 4,000,000
D	is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section 155	Rs. Nil
D	is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section 155	Rs. 15,000
	Tax payable for the quarter [(A x B/C) – D]	**Rs. 25,000**
	Tax payable for the quarter [(A x B/C) – D]	**Rs. 10,000"**

S. 147– Rationalization Of Advance Tax Estimate Regime.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Under the existing regime, Advance Tax is payable on the basis of the last assessed income of the taxpayer, even when income for the current year

In order to overcome this anomaly, advance tax has been made mandatory for a company on the basis of current year's estimated income if it is mor

Following is an extract from salient features of budget 2006:–

"Rationalization of Advance Tax estimate regime on the basis of current year income proposed."

Following is an extract from 'Notes on Clauses of Finance Bill, 2006':–

"Seeks to exempt certain categories of persons from the scope of advance tax."

"Seeks to charge advance tax on the basis of current year estimate of income or the latest assessed income whichever is higher."

Advance tax, scope of the provision.– Following is an extract from CBR's Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"This section corresponds to Section 18A of the repealed Act. The whole procedure has been simplified as under:–

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(d) income from which tax has been collected under Division II or deducted under Division III [1][or deducted or collected under Chapter XII] and for which no tax credit is allowed as a result of sub-section (3) of section 168,

shall be liable to pay advance tax for the year in accordance with this section.

(2) This section does not apply to an individual [2][ ] where the individual's [2][ ] latest assessed taxable income excluding income referred to in clauses [3][(b),] (c) and (d) of sub-section (1) is less than [4][one million] rupees.

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[1]Inserted by Finance Act, 2009 dated June 30, 2009.

[2]Words "or association of persons" omitted by Finance Act, 2010 dated June 30, 2010. The words appear twice in the sub-section and the amendment does not specify which of the two is omitted, however it makes more sense if both are omitted and have therefore been omitted from both places in the above. The words were originally inserted as "or associations of persons" by Finance Act 2004, later the words "associations of persons" were substituted by "association of persons" by Finance Act 2005 to make an editorial correction.

[3]Substituted for "(a), (b), (ba)," by Finance Act, 2020 dated June 30, 2020.

[4]Substituted for "five hundred thousand" by Finance Act, 2017 dated June 20, 2017. Earlier word "five" substituted for "two" by Finance Act, 2010 dated June 30, 2010 &words "two hundred thousand" substituted for "one hundred and fifty thousand" by Finance Act, 2003 dated June 17, 2003.

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1. Advance tax shall not be payable by a new assessee, as was obligatory under Section 18A(3) of the repealed Act.

2. Advance tax shall be payable on the basis of the latest assessment completed upto 15th September and the basis shall not change on account of completion of an assessment of a later year thereafter.

It may be clarified that the option available to the assessee under Section 18A(2) of the repealed Act to file his own estimate and to revise such estimate is still available to him under Section 53(2)."

Section 53 before amendments, required payment of advance tax in cases where income last assessed was not less than Rs. 25,000/– without company and non-company distinction. Vide amendment by the Finance Ordinance, 1982 the provision was relaxed requiring payment in non-company cases if income last assessed was Rs. 50,000/– or more and in company cases the limit was maintained at Rs. 25,000/–. The limits of Rs. 50,000/– and Rs. 25,000/– were raised to Rs. 100,000/– and Rs. 150,000/– respectively by the Finance Ordinance, 1984. Under the 2001 Ordinance, there is no limit for companies and for individuals the limit is Rs.200,000.

Changes w.e.f. July , 2004.– Following is an extract from CBR's Circular No. 17 of 2004 dated July 17, 2004:–

"The system of payment of advance tax on the basis of latest tax turnover ratio applicable to companies and AOPs has been abolished. From July 1, 2004 and onwards companies have been allowed to pay their advance tax on the basis of tax assessed for the latest tax year. The taxpayers have also been allowed the facility of filing estimates of income for advance tax payment. If the payment of advance tax on the basis of own estimate falls short of 80% of the actual tax liability, additional tax shall be imposed at the rate of 12% as per provisions of the section 205 of the Income Tax Ordinance, 2001.

The AOPs, like individual, shall pay advance tax on quarterly basis if the latest assessed or declared income is two hundred thousand rupees or more.

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[1][ ]

[2][(4) Where the taxpayer is [3][an association of persons or] a company, the amount of advance tax due for a quarter shall be computed according to the following formula, namely:-

(AxB/C)-D

Where-

A is the taxpayer's turnover for the quarter [4][:]

[5][Provided that where the taxpayer fails to provide turnover or the turnover for the quarter is not known, it shall be taken to be one-fourth of one hundred and [6][twenty] percent of the turnover of the latest tax year for which a return has been filed;]

B is the tax assessed to the taxpayer for the latest tax year [7][.]

[7][*Explanation*.- For removal of doubt it is clarified that tax assessed includes tax under sections [8][4C,] 113 and 113C.]

C is the taxpayer's turnover for the latest tax year; and

D is the tax paid in the quarter for which a tax credit is allowed under section 168 [9]*[ ]*.]

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[1]Sub-section (3) omitted by Finance Act, 2004, w.e.f. July 1, 2004.
[2]Sub-section (4) substituted by Finance Act, 2009 dated June 30, 2009. Earlier it was substituted by Finance Act, 2004, w.e.f. July 1, 2004.
[3]Words inserted by Finance Act, 2010 dated June 30, 2010.
[4]Semi-colon substituted for colon by Finance Act, 2018 dated May 23, 2018.
[5]Proviso inserted by Finance Act, 2018 dated May 23, 2018.
[6]Substituted for "ten" by Finance Act, 2024 w.e.f. 1 July, 2024.
[7]Semi-colon substituted for full stop and Explanation inserted by Finance Act, 2016 dated June 24, 2016.
[8]Inserted by Finance Act, 2023 dated June 26, 2023.
[9]Words etc", other than tax deducted under section 155" omitted by Finance Act, 2013 dated June 29, 2013.

The schedule of payment of advance tax has also been revised as under:–

For quarter ending on 30th September	15th of September
For quarter ending on 30th December	15th of December
For quarter ending on 30th March	15th of March
For quarter ending on 30th June	15th of June"

Following is an extract from Finance Minister's Budget Speech of June 12, 2004:–

"Facilitation in Payment of advance tax: Companies and associations of persons were required to pay advance tax in four quarterly installments computed on the basis of tax turnover ratio for the latest tax year which invariably resulted in refunds and a burden on the cash flow of the business houses. To overcome taxpayers genuine problem it is proposed to allow payment of advance tax on estimated liability as opposed to tax-turnover ratio, which is being done away with. It is also proposed to allow associations of persons to pay advance tax on the basis of income assessed for the latest tax year and to bring them at par with individuals for which the limit of assessed income for payment of advance tax is proposed to be fixed at rupees two hundred thousands."

Following is an extract from 'Notes on Clauses of Finance Bill 2004':–

"(a) Seeks to provide for payment of advance tax by a company on the basis of tax assessed for latest tax year instead of tax turnover ratio basis.

(b) Seeks to provide for dates of payment of quarterly installment of advance tax on 15th day of September, 15th day of December, 15th day of March and 15th day of June.

(c) Seeks to extend the facility of payment of advance tax on own estimate basis."

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S.147.-Payment of Advance Tax. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Advance tax for a company or an association of persons is computed as per formula contained in sub-section (4) of section 147 subject to computation of higher advance tax under sub-section (4A) and lower under sub-section (6) of section 147. As per formula contained in sub-section (4), advance tax is computed by multiplying turnover for the quarter with ratio of tax assessed for the latest tax year with the turnover for the latest tax year. The resultant amount can be reduced by the tax paid in the quarter for which credit is available under section 168. In cases where, turnover for the quarter is not known or the taxpayer fails to provide turnover for the quarter, one-fourth of one hundred and ten percent of the turnover of the latest tax year for which a return has been filed is taken. Through the Finance Act, 2024, where turnover for the quarter is not known or not furnished by the taxpayer, it shall be taken to be one-fourth of one hundred and twenty percent of the turnover for the latest tax year for which return has been filed.

A new sub-section (6B) has been introduced in section 147 to provide that where a taxpayer has filed estimate under sub-section (6) that the tax payable by him is likely to be less than the amount he is required to pay, the taxpayer shall furnish estimate containing turnover for the completed quarters of the relevant tax year, estimated turnover for the remaining quarters, supporting evidence of expenses or deductions in computing income, evidence of tax payments and tax credits and computation of estimated taxable income. Where the Commissioner is not satisfied with the documentary evidence provided or where an estimate of tax payable is not accompanied by details mentioned in the said sub-section, the Commissioner may reject the estimate after providing an opportunity of being heard and the taxpayer shall pay advance tax according to the formula contained in sub-section (4) or (4B), as the case may be.

Further, through Finance Act, 2024 a new non-obstante provision namely sub-section (6C) has been introduced in section 147 as per which the withholding agents specified in sub-sections (1), (3), (3B) and (3C) of section 154 shall, at the time of realization of foreign exchange proceeds, or realization of the proceeds on account of sale of goods or export of goods or at the time of making payment to an indirect exporter, or clearing of goods respectively, deduct or collect tax at the rate of one percent of such foreign exchange proceeds, or exports, or payment, in addition to tax collectible or deductible under section 154. Hence, the withholding agents will collect two percent tax on export proceeds [one percent minimum tax under section 154 and one percent adjustable advance tax under sub-section (6C) of section 147."

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Income u/s 169.– Following is an extract from CBR's Circular No. 8 of 1991 dated June 30, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In comes to which sections 80B and 80 Capply have been excluded from the purview of section 53. Accordingly, advance tax is not payable where the total income, excluding the said incomes, does not exceed Rs. 50,000 in company cases and Rs. 150,000 in all other cases."

Following is an extract from CBR's Circular No. 11 of 1993 dated July 7, 1993, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Sub-section (1) of section 53 has been amended to exclude presumptive income of exporters from its ambit. Thus the presumptive income from exports will not be required to be included in the total income for the purposes of determining as to whether advance tax under section 53 is payable." [**Ref:***93 ITC 11 p. 38*]

Service where assessment is finalised before 15th September.– Following is the text of Circular Letter C. No. 1(39)IT-I/79-Pt, dated October 28, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The undersigned is directed to say that the Board's attention has been drawn to a difficulty being faced by the assessees, with respect to the payment of advance tax on the basis of last completed assessment finalised on or before 15th September. It has been stated that as notice of demand in respect of the assessment completed on or immediately before the 15th September is normally served after the last date of payment of instalment has expired, the assessee becomes liable to penal action.

Necessary instructions may please be issued to Income Tax Officers to ensure that the notice of demand is served before 15th September in each case where assessments have been finalised before 15th September, so as to avoid un necessary harassment to tax payers."

S. 147(3)–Omission.– Sub-section(3) before omission by Finance Act, 2004 read as follows:–

"(3) Advance tax shall be payable by a taxpayer in respect of the following periods, namely:–

(a) 1st* of July to 30th September (referred to as the "September quarter");

*Word "of" appears to be superfluous.

(b) 1st October to 31st December (referred to as the "December quarter");

(c) 1st January to 31st March (referred to as the "March quarter"); and

(d) 1st April to 30th June (referred to as the "June quarter")."

S. 147(4)–Substitution.– Sub-section (4) before substitution by Finance Act, 2009, read as follows:–

"(4) where the taxpayer is a company, the amount of advance tax due for a quarter shall be computed according to the following formula, namely:–

$$(A/4) - B$$

Where–

A is the tax assessed to the taxpayer for the latest tax year or latest assessment year under the repealed Ordinance; and

B is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section 149 or 155."

Substitution.– Sub-section (4) before substitution by Finance Act, 2004, read as follows:–

"(4) [1][Where the taxpayer is a company or an association of persons, the amount] of advance tax due for a quarter shall be computed according to the following formula, namely:–

$$(A \times B/C) - D$$

where –

A is the taxpayer's turnover for the quarter;

B is the tax assessed to the taxpayer for the latest tax year [1][or the latest assessment year under the repealed* Income Tax Ordinance, 1979];

[1]Substituted for "The amount" by Finance Act, 2003 dated June 17, 2003.

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C is the taxpayer's turnover for the latest tax year [1][or the latest assessment year under the repealed* Income Tax Ordinance, 1979]; and

D is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section [2][155]."

[1]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.Earlier vide Notification No. SRO 380(I)/2003 dated May 3, 2003 issued u/s 240, it was provided that "in making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002, the Ordinance shall have effect as if after the word "year" the words, comma and figure "or the latest assessment year under the repealed Income Tax Ordinance, 1979" were added. This Notification was later rescinded by Notification No. SRO 608(I)/2003 dated June 24, 2003.

[2]Substituted for "149" by Finance Act, 2003 dated June 17, 2003.

*should have been "repealed Ordinance" in view of the definition given.

Payment under the repealed 'turnover' basis.

Ratio of turnover tax on payments of advance tax.– Following is the text of CBR's Circular No. 2 of 2004 dated May 25, 2004:–

"Queries have been received on the issue as to what would be the tax turnover ratio to be applied for payment of advance tax for each quarter under section 147 of the Income Tax Ordinance, 2001.

2. The issue has been examined in the Board. Instructions contained in Para 13(b) of CBR's Circular No. 4 of 1979 dated August 23, 1979 envisage that advance tax shall be payable on the basis of latest assessment completed upto 15th September and this basis shall not change throughout the income year on account of completion of an assessment of a later year thereafter. The provisions of sub-section (4) of section 147 provides a formula for computation of the amount of advance tax to be paid for a quarter. The tax-turnover ratio is to be determined on the basis of assessment of the latest tax year. The introduction of Universal Self-Assessment Scheme (USAS) coupled with the legal provisions that assessment would be treated to have been made on the date the return is filed and the fact that assessment so completed or assessment of earlier tax year may be amended during the currency of the tax year have rendered the instructions contained in para 13(b) of Circular No. 4 of 1979 as redundant. Accordingly, instructions of the said para being no more applicable are hereby rescinded.

3. It is clarified that the tax – turnover ratio for each quarter would be the one which exists prior to the prescribed date of payment of advance tax for the relevant quarter.

4. It is also clarified that in case of taxpayers having special income year, the credit for payment of advance tax shall be allowed in respect of the quarters falling within such income year e.g. in case of a company closing its accounts on December 31, 2004, the credit of advance tax shall be allowed for tax year 2005 in respect of advance tax paid for the quarters ending March 31, 2004 June 30, 2004, September 30, 2004 and December 31, 2004."

Computation of advance tax liability.– Following is an extract from CBR's Circular No. 11 of 1998 dated July 25, 1998, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Section 53 has been amended to clarify that in the case of companies and RFs, advance tax liability would be determined on gross turnover including income from securities on which tax is deducted under sub-section (2) of section 50. Consequently, credit shall be allowed for tax withheld under sub-section (2) of section 50 in respect of such income and the tax so withheld shall be accounted for against payment of quarterly advance tax installment.

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[1][(4A)Any taxpayer [2][including a banking company] who is required to make payment of advance tax in accordance with sub-section (4), shall estimate the tax payable for the relevant tax year, at any time before the second installment is due. In case the tax payable is likely to be more than the amount that the taxpayer [2][including a banking company] is required to pay under sub-section (4), the taxpayer [2][including a banking company] shall furnish to the Commissioner on or before the due date of the second quarter an estimate of the amount of tax payable by the taxpayer [2][including a banking company] and thereafter pay fifty per cent of such amount by the due date of the second quarter of the tax year after making adjustment for the amount, if any, already paid in terms of sub-section (4). The remaining fifty per cent of the estimate shall be paid after the second quarter in two equal installments payable by the due date of the third and fourth quarter of the tax year.]

[1]Sub-section (4A) substituted by Finance Act, 2015 dated June 30, 2015. Earlier existing sub-section (4A) re-numbered as (4B) and new sub-section (4A) inserted by Finance Act, 2006 dated July 01, 2006.Sub-section (4A) was originally inserted by Finance Act, 2003 dated June 17, 2003.
[2]Words inserted by Finance Act, 2018 May 23, 2018.

II) The last date for payment of the last quarterly instalment of advance tax by the companies and RFs has been revised and will now be 21st June." [**Ref:** *98 ITC 11 p. 13*]

Payment by companies & registered firms.– Following is the text of CBR's Circular No. 13 of 1997 dated September 29, 1997, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Certain queries have been raised regarding computation of advance tax payable by companies and registered firms under the amended section 53.

2. The method of computation has already been explained through circular No. 6 of 1997 dated 15th July, 1997. It is, however, clarified that for purposes of computation of advance tax, the turnover which constitutes presumptive income under section 80C and 80CC and the income from securities from which tax under sub-section 2 of section 50 is deducted, is to be excluded. Consequently, the tax withheld under section 50 in respect of such income shall neither be included in the amount of"tax assessed" nor shall such tax be accounted for as payment of quarterly advance tax instalments. The "tax assessed" to "turnover assessed" ratio shall, therefore, be computed accordingly.

3. It is further clarified that the expression "turnover" as used in section 53 has the same meaning as understood in common parlance, including the "explanation" contained in section 80D of the Income Tax Ordinance, 1979, and in relation to banks and financial institutions includes such receipts as interest, gains, discounts, return, mark-up, rent commission, exchange and brokerage, and receipts from sale of investments etc.

4. It is also clarified that industrial undertakings covered by the Schedule to the Protection of Economic Reforms Act, 1992 (Act XII of 1992) are not liable to pay advance tax under section 53 as they enjoy exemption in terms of the relevant clauses of the Second Schedule to the Income Tax Ordinance, 1979." [**Ref:** *97 ITC 13 p. 35*]

S. 147-Advance Tax Paid by the Taxpayer.– Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:–

"In view of the problems reported by the taxpayers in payment of advance tax on Capital Gain on disposal of securities within prescribed time limit of seven days for payment, this limit has been increased to twenty-one days after the close of each quarter. However, the payment pertaining to the fourth installment of advance tax in June is to be paid by 30th June each year."

S.147(4A)-Substitution.- Before substitution by F. Act, 2015, it read as follows:-

"(4A) Any taxpayer who is required to make payment of advance tax in accordance with sub-section (4), shall estimate the tax payable by him for the relevant tax year, at any time before the last installment is due. In case the tax payable is likely to be more than the amount he is required to pay under sub-section (4), the taxpayer shall furnish to the Commissioner an estimate of the amount of the tax payable by him and thereafter pay such amount after making adjustment for the amount (if any) already paid in terms of sub-section (4)."

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[1][ ]

[2][(4AA)Tax liability under [3][sections [4][4C,] 113 and 113C] shall also be taken into account while working out payment of advance tax liability under this section.]

[5][(4B)] Where the taxpayer is an individual [6][ ] having latest assessed income of [7][one million] rupees or more as determined under *section (2), the amount of advance tax due for a quarter shall be computed according to the following formula, namely:–

†"(A/4) – B

Where–

A is the tax assessed to the taxpayer for the latest tax year or latest assessment year under the repealed Ordinance; and

B is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section 149 [8][ ].]

[9][*Explanation*.– For removal of doubt, it is clarified that tax assessed includes tax liability under section 4C.]

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[1]Sub-section (4AA) omitted by Finance Act, 2008 dated June 27, 2008. It was inserted by Finance Act 2007 dated June 30, 2007.
[2]Sub-section (4AA) inserted by Finance Act, 2009 June 30, 2009.
[3]Substituted for "section 113" by Finance Act, 2016 dated June 24, 2016.
[4]Inserted by Finance Act, 2023 June 26, 2023.
[5]Sub-sectuib (4A) substituted by Finance Act, 2015 dated June 30, 2015. Earlier existing sub-section (4A) re-numbered as (4B) and new sub-section (4A) inserted by Finance Act, 2006 dated July 01, 2006.Sub-section (4A) was originally inserted by Finance Act, 2003 dated June 17, 2003.
[6]Words "or an association of persons" omitted by Finance Act, 2010 dated June 30, 2010. Earlier these words were inserted by Finance Act, 2005 June 29, 2005.
[7]Substituted for "five hundred thousand" by Finance Act, 2017 dated June 20, 2017. Earlier it was substituted for "two" by Finance Act, 2010 dated June 30, 2010.
[8]Substituted for "a taxpayer" by Finance Act, 2009 dated June 30, 2009.
[9]Explanation inserted by Finance Act, 2023 dated June 26, 2023.

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*should have been "sub-section".†inverted commas are superfluous.

S. 147(4AA)-Omission.-Before omission it read as follows:-

"(4AA) Tax liability under section 113 shall also be taken into account while working out payment of advance tax liability under this section."

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(5) Advance tax is payable by [3][an individual [4][*]] to the Commissioner –

(a) in respect of the September quarter, on or [5][before] the [6][15th day of September];

(b) in respect of the December quarter, on or before the [7][15th day of December];

(c) in respect of the March quarter, on or before the [8][15th day of March]; and

(d) in respect of the June quarter, on or before the [9][15th day of June].

[3]Word and figure "or 155" omitted by Finance Act, 2013 dated June 29, 2013.
[4]Words "or an association of persons" omitted by Finance Act, 2010 dated June 30, 2010.
[5]Substituted for "by" by Finance Act, 2005 June 29, 2005 to make an editorial correction as per 'Notes on Clauses of Finance Bill 2005'.
[6]Substituted for "7th day of October" by Finance Act, 2004, w.e.f. July 1, 2004.
[7]Substituted for "7th day of January" by Finance Act, 2004, w.e.f. July 1, 2004.
[8]Substituted for "7th day of April" by Finance Act, 2004, w.e.f. July 1, 2004.
[9]Substituted for "21st day of June" by Finance Act, 2004, w.e.f. July 1, 2004.

Payment of Advance tax on basis of turnover.– Following is an extract from CBR's Circular No. 6 of 1997, dated the 15th July, 1997, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Section 53 has been substituted. The following are the effects of this change:–

(i) Now, companies and registered firms have to pay advance tax in respect of their income (excluding the income to which sections 27, 80C, 80CC, or sub-section (2) of section 50 applies) on the basis of ratio of tax to assessed turnover for the latest assessment year in respect of which the tax payable has been determined under sections 59, 59A, 60, 62, 63 or 65, as reduced by the tax already paid under section 50 in the financial year. The following is an example:–

Example:

Turnover assessed for the latest assessment year e.g. A/Y = 1996-97 = Rs. 1,000,000

Tax determined for the A/Y = 1996-97 = Rs. 40,000

Ratio = Tax assessed / Turnover assessed = 40,000 / 1,000,000 = 4%

Advance Tax Liability for Financial Year 1997-98.

	Turnover	Ratio	Advance Tax Payable	Payment due by
1st Quarter =	400,000	4%	= Rs. 16,000	7th Oct. 97
2nd Quarter =	500,000	4%	= Rs. 20,000	7th Jan. 98
3rd Quarter =	300,000	4%	= Rs. 12,000	7th Apr. 98

Tax for 4th Quarter

a) Turnover for the period 1st Aprilto 30th May = Rs. 400,000

b) Turnover for 1st June to15th June = Rs. 50,000

c) Turnover for 16th to 30th June to betaken equal to (b) = Rs. 50,000

Turnover of 4th Quarter = Rs. 500,000 4% = Rs. 20,000 15th Jun. 98"

"iii) In the case of non-resident assessees, dividend income shall be excluded from the total income for the purposes of payment of advance tax.

iv) Assessees, other than companies and registered firms, shall continue to pay advance tax in four equal instalments, as before, on 15th September, 15th December, 15th March and 15th June." [**Ref:** *97 ITC 6 p. 6*]

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[1][(5A) Advance tax shall be payable by an association of persons or a company to the Commissioner-

(a) in respect of the September quarter, on or before the 25th day of September;

(b) in respect of the December quarter, on or before the 25th day of December;

(c) in respect of the March quarter, on or before the 25th day of March; and

(d) in respect of the June quarter, on or before the 15th day of June.]

[2][(5B) Advance tax on capital gains on sale of securities shall be as follows, namely:-

S. No.	Period	Rate of advance tax Liability
(1)	(2)	(3)
1.	Where holding period of a security is less than six months.	2% of the capital gains derived during the quarter
2.	Where holding period of a security is more than six months but less than twelve months.	1.5% of the capital gains derived during the quarter.

Provided that such advance tax shall be payable to the Commissioner within a period of [3][twenty one] days after the close of each quarter;

Provided futher that the provisions of this sub-section shall not be applicable to individual investors.]

[4][(5C) Notwithstanding anything contained in this section, every person deriving income from the business of–

(i) construction and disposal of residential, commercial or other buildings; or

[1]Sub-section (5A) substituted by Finance Act, 2010 dated June 30, 2010. Earlier it was inserted by Finance Act, 2009 dated June 30, 2009.
[2]Sub-section (5B) inserted by Finance Act, 2010 dated June 30, 2010.
[3]Substituted for "seven" by Finance Act, 2011 dated June 30, 2011.
[4]Sub-section (5C) inserted by Finance Act, 2023 dated June 26, 2023.

S. 147(5A)-Substitution.-Before omission it read as follows:-

"(5A) Advance tax is payable by a company to the Commissioner-

(a) in respect of the September quarter, on or before the 15th day of October;

(b) in respect of the December quarter, on or before the 15th day of January;

(c) in respect of the March quarter, on or before the 15th day of April; and

(d) in respect of the June quarter, on or before the 15th day of June."

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(ii) development and sale of residential, commercial or other plots for itself or otherwise, shall be liable to pay adjustable advance tax on Project-by-Project basis, as may be prescribed, for the tax year as per the rates specified in Part IIB of the First Schedule in four equal installments:

Provided that such advance tax shall be payable to the Commissioner in accordance with sub-sections (5) and (5A):

Provided further that the provisions of sub-sections (7) to (10) shall *mutatis mutandis* apply.]

[2][(6) If any taxpayer who is required to make payment of advance tax under sub-section (1) estimates at any time before the last installment is due, that the tax payable by him for the relevant tax year is likely to be less than the amount he is required to pay under sub-section (1), the taxpayer may furnish to the Commissioner an estimate of the amount of the tax payable by him, and thereafter pay such estimated amount, as reduced by the amount, if any, already paid under sub-section (1), in equal installments on such dates as have not expired [3]*[:]*]

[4][Provided that an estimate of the amount of tax payable shall contain turnover for the completed quarters of the relevant tax year, estimated turnover of the remaining quarters along with reasons for any decline in estimated turnover, documentary evidence of estimated expenses or deductions which may result in lower payment of advance tax and the computation of the estimated taxable income of the relevant tax year [5]*[.]*

[5][ ]

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[2]Sub-section (6) substituted by Finance Act, 2004, w.e.f. July 1, 2004.
[3]Substituted for full stop by Finance Act, 2018 dated May 23, 2018.
[4]Proviso inserted by Finance Act, 2018 dated May 23, 2018.
[5]Colon substituted and provisos omitted by Finance Act, 2021 dated June 30, 2021. It was inserted by Finance Act, 2018 dated May 23, 2018.

S. 147(5C).- Advance tax from builders and developers.- Following is an extract from FBR's Circular No. 2 of 2023 dated July 26, 2023, explaining the amendment made by the F. Act, 2023:-

"A new sub-section (5C) has been inserted in section 147 through Finance Act, 2023 whereby builders and developers, instead of discharging advance tax liability on the basis of tax payable to turnover ratio, are now required to compute their advance tax liability on the basis of area and size of the building or land development project and the liability so computed will be paid in terms of other provisions of the section 147 of the Ordinance. The rates of tax for the purpose of sub-section (5C) of section 147 have been provided in Part IIB of First Schedule to the Ordinance. The advance tax will be computed by builders and developers on the basis of rates provided in aforementioned division which will be paid in four equal quarterly installments and shall be paid in terms of sub-sections (5) and (5A) of section 147. Furthermore, the builder and developer will compute and pay the advance under this section on project-to project basis. Rules for the purpose of sub-section (5C) of section 747 will be notified accordingly."

Sub-section (6)2nd Proviso.-Before omission by Finance Act, 2021 read as follows:-

"Provided further that where the Commissioner is not satisfied with the documentary evidence provided or where an estimate of the amount of tax payable is not accompanied by details mentioned in the first proviso, the Commissioner may reject the estimate after providing an opportunity of being heard to the taxpayer and the taxpayer shall pay advance tax according to the formula contained in subsection (4)."

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[1][(6A) Notwithstanding anything contained in this section, where the taxpayer is a company or an association of persons, advance tax shall be payable by it in the absence of last assessed income or declared turnover also. The taxpayer shall estimate the amount of advance tax payable on the basis of quarterly turnover of the company or an association of persons, as the case may be, and thereafter pay such amount after,-

(a) taking into account tax payable under [2][sections 113 and 113C] as provided in sub-section (4AA); and

(b) making adjustment for the amount (if any) already paid.]

[3][ ]

[1]Sub-section (6A) substituted by Finance Act 2009 dated June 30, 2009. Earlier it was inserted by Finance Act, 2007 dated June 30, 2007.
[2]Substituted for "section 113" by Finance Act, 2016 dated June 24, 2016.
[3]Clauses (a) and (b) omitted by Finance Act, 2008 dated June 27, 2008.

Payment by banks.– Following is the text of CBR's Circular No. 1 of 1998 dated February 10, 1998, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The undersigned is directed to state that representations have been received by the Board that the explanation of the basis of computation of tax-turnover ratio for advance tax payable under section 53 as explained in Board's Circular No. 13 of 1997 dated 29-09-1997, has resulted in hardship for the banks particularly the foreign banks.

2. After considering the matter, it has been decided that the advance tax liability of non-resident foreign banks under section 53 of the Ordinance would be determined on gross turnover including income from securities on which tax under sub-section (2) of section 50 in respect of such income shall be accounted for as payment of quarterly advance tax instalments.

3. It has been further decided that as far as the local banks are concerned, they may approach the concerned Deputy Commissioner for the issuance of certificates for exemption, from deduction under section 50(2) or for deduction at a reduced rate."

S. 147(4A)–Allowing individuals to pay advance tax on last assessed income.– Following is an extract from CBR's Circular No. 7 of 2003 dated July 11, 2003:–

"A new sub-section (4A) has been inserted in section 147 of the Income Tax Ordinance 2001, by virtue of which, individuals are required to pay advance tax where latest assessed income is rupees Rs. 200,000 or more excluding income chargeable under the head capital gain, salary income, property income, dividend income and income under presumptive tax regime. For determination of quarterly liability of advance tax, an easy formula has also been provided."

Associations of persons.-Following is an extract from 'Notes on Clauses of Finance Bill 2005':-

"Seeks to provide a formula for computation of advance tax by an association of persons;"

Sub-section (6A)(a) & (b).-Before omission by Finance Act, 2008 read as follows:-

"(a) taking into account tax payable under section 113 as provided in sub-section (4AA);
(b) making adjustment for the amount (if any) already paid."

S. 147(6)–Substitution.–Before substitution by F.A. 2004, it read as follows:–

"(6) The turnover of a taxpayer for the period from 16th to 30th June of the June quarter shall be taken to be equal to the turnover for the period from 1st to 15th June of that quarter."

S. 147(6)–Substitution.–Before substitution by F.A. 2009, it read as follows:–

"(6A) Notwithstanding anything contained in this section, where the taxpayer is a company, advance tax shall be payable by it in the absence of last assessed income also. The taxpayer shall estimate the amount of advance tax payable on the basis of estimated quarterly accounting profit of the company and thereafter pay such amount after [1][making adjustment for the amount (if any) already paid.]"

[1]Inserted by Finance Act, 2008 dated June 27, 2008.

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[1][(6B) Where an estimate of the amount of tax payable has been filed by the taxpayer under sub-section (6) as the case may be, the estimate shall contain turnover for the completed quarters of the relevant tax year, estimated turnover for the remaining quarters, supporting evidence of expenses or deductions in computing income, evidence of tax payments and tax credits and computation of estimated taxable income:

Provided that where the Commissioner is not satisfied with the documentary evidence provided or where an estimate of the amount of tax payable is not accompanied by details mentioned in this sub-section, the Commissioner may reject the estimate after providing an opportunity of being heard to the taxpayer and the taxpayer shall pay advance tax according to the formula set out in sub-section (4) or subsection (4B), as the case may be.

[2][ ]

[1]Sub-sections (6B) & (6C) inserted by Finance Act, 2024 w.e.f. 1 July, 2024.
[2]Sub-section (6C) omitted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

S. 147(6A)–Advance tax by new assesses and minimum tax.–Following are extracts from 'Notes on Clauses of Finance Bill 2007':-

"Seeks to take into account minimum tax paid for the purpose of estimating the advance tax liability."

"Seeks to impose advance tax in first year of business of a company."

Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"The law requires payment of advance tax in 4 quarterly installments which is worked out on the basis of the last assessed income. Where taxpayers do not have last assessed income, they were not required to pay advance tax. To cater for such eventuality, new sub-sections (4AA) and (6A) have been inserted in section 147 requiring companies to take into account minimum tax paid or payable under section 113 also. Advance tax will be payable even if there is no last assessed income. Thus a company having–

(a) last assessed loss;
(b) current year's loss; or
(c) no previous assessment;

is now obliged to pay advance tax on the basis of estimated quarterly accounting profit.

Provisions of sub-sections (4AA) and (6A) are applicable from 1st July 2007."

S. 147(6C)–Omission.– Before omission by F. Act, 2026, it read as follows:-

(6C) Notwithstanding anything contained in this Ordinance, the persons specified in sub-sections (1), (3), (3A), (3B) and (3C) of section 154 shall, at the time of realization of foreign exchange proceeds, or realization of the proceeds on account of sale of goods, or export of goods, or at the time of making payment to an indirect exporter, or clearing of goods exported, respectively, deduct or collect, as the case may be, advance income tax under this section at the rate of one percent of such foreign exchange proceeds, or export proceeds, or exports, or payment, in addition to tax collectable or deductible under section 154 of this Ordinance.]

S. 147(6C).- Omission and Relocation of Certain Provisions [Sections 147(6C), 231B(6)(c)]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"The adjustable advance tax under sub-section (6C) of section 147 for exporters @ 1% has been abolished. The provisions of section 209A on Uniform of the officers and officials of Inland Revenue Service to be prescribed by the Board has been properly placed as section 237C.

In respect of the date of first registration in case of acquisition of an unregistered vehicle, the clause (c) of sub-section (6) of section 231B has been omitted to treat the date of first registration the same for Federal, Provincial and Local Governments which would be the date of first registration by the Excise and Taxation Department."

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(7) The provisions of this Ordinance shall apply to any advance tax due under this section as if the amount due were tax due under an assessment order.

[1][(7A) The Board may prescribe the manner for furnishing of the estimate and calculation of the amount of tax payable under this section through Iris or any other automated system specified by the Board.]

(8) A taxpayer who has paid advance tax under this section for a tax year shall be allowed a tax credit for that tax in computing the tax due by the taxpayer on the taxable income of the taxpayer for that year.

(9) A tax credit allowed for advance tax paid under this section shall be applied in accordance with sub-section (3) of section 4.

(10) A tax credit or part of a tax credit allowed under this section for a tax year that is not able to be credited under sub-section (3) of section 4 for the year shall be refunded to the taxpayer in accordance with section 170.

[2][ ]

[3][**147A. Advance tax from provincial sales tax registered person**.- (1) Every provincial sales tax registered person shall be liable to pay adjustable advance tax at the rate of three per cent of the turnover declared before the provincial revenue authority.

(2) The advance tax under sub-section (1) shall be paid monthly at the time when sales tax return is to be filed with the provincial revenue authority.

(3) Advance tax paid under this section may be taken into account while working out advance tax payable under section 147.

(4) The provisions of this Ordinance shall apply to any advance tax due under this section as if the amount due were tax due under an assessment order.

(5) A taxpayer who has paid advance tax under this section for a tax year shall be allowed a tax credit for that tax in computing the tax due by the taxpayer on the taxable income of the taxpayer for that year.

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[1]Sub-section (7A) inserted by Finance Act, 2020 dated June 30, 2020.
[2]Sub-section (11) omitted by Finance Act, 2004, w.e.f. July 1, 2004.
[3]Section 147A inserted by Finance Act, 2016 dated June 24, 2016.

S. 147(11)–Omission.– Sub-section (11) before omission by Finance Act, 2004, read as follows:–

"(11) In this section, "turnover" shall not include amounts referred to in clauses (a), (b) [1][, (ba)], (c) and (d) of sub-section (1)."

[1]Inserted by Finance Act, 2003 dated June 17, 2003.Earlier, vide Notification No. SRO 633(I)/2002 dated September 14, 2002 issued u/s 240, it was provided that "in making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002, the Ordinance shall have effect as if after the brackets, letter and comma "(b)," the brackets, letter and comma "(ba)," were inserted. This notification was later rescinded by Notification No. SRO 608(I)/2003 dated June 24, 2003.

S. 147–Advance tax paid by the taxpayer.– Following is an extract from FBR's Circular No. 10, dated July 16, 2010:–

"Through amendments in section 147 of the Income Tax Ordinance, 2001 following changes have been brought in the advance tax regime:-

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(6) A tax credit allowed for advance tax paid under this section shall be applied in accordance with sub-section (3) of section 4.

(7) A tax credit or part of a tax credit allowed under this section for a tax year that is not able to be credited under sub-section (3) of section 4 for the year shall be refunded to the taxpayer in accordance with section 170.

(8) This section shall not apply to a person [1][whose name was appearing in the active taxpayers' list] on the thirtieth day of June of the previous tax year.]

Division II

Advance Tax Paid to a Collection Agent

148. Imports.– (1) The Collector of Customs shall collect advance tax from every importer of goods on the value of the goods at the rate specified in Part II of the First Schedule [2][in respect of goods classified in Parts I to III of the Twelfth Schedule] [3][:]

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[1]Substituted for "who was filer" by Finance Act, 2019 dated June 30, 2019.
[2]Words inserted by Finance Act, 2020 dated June 30, 2020.
[3]Substituted for full stop by Finance Act, 2020 dated June 30, 2020.

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[*]apparently intended number is "344(I)/95".

(i) Exemption on capital gains available for the purposes of this section has been omitted [clause (a) of sub-section (1) has been omitted] ;

(ii) Association of Persons (AOPs), with annual turnover of Rupees Fifty Million and above, has also been made liable to pay advance tax under section 147 (sub-sections (2) & (4) amended);

(iii) Basic income threshold for the purposes of payment of advance tax under this section has been raised from two hundred thousand rupees to five hundred thousand rupees (sub-section (2) amended); and

(iv) In order to ensure timely payment of advance tax during the relevant quarter, sub-section (5A) has been substituted to prescribe the amended dates for payment of quarterly advance tax as under:-

(a) in respect of the September quarter, on or before the 25th day of September;

(b) in respect of the December quarter, on or before the 25th day of December;

(c) in respect of the March quarter, on or before the 25th day of March; and

(d) in respect of the June quarter, on or before the 15th day of June.

Rates of quarterly adjustable advance tax on capital gains from disposal/redemption of securities – *Not applicable to individual investors.* (Sub-section (5B) of section of section 147)–

S. No.	Period	Rate of Advance Tax
	Where holding period of a security is less than six months	2% of the capital gains derived during the quarter
2.	Where holding period of a security is more than six months but less than twelve moths	1.5% of the capital gains derived during the quarter"

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[1][Provided that the Board may, by a notification in the official Gazette, add in the Twelfth Schedule any entry thereto or omit any entry therefrom or amend any entry therein:

Provided further that in case of goods classified under Part III of the Twelfth Schedule which are used both as raw material and finished goods, the Board may, by notification in the official Gazette, specify that goods imported by a person or class of persons as raw material for its own use shall be treated as classified under Part II of the Twelfth Schedule, subject to such conditions and procedure as may be prescribed [2]*[:]*]

[2][Provided also that the Collector of Customs, shall not collect tax under this section, where the recipient of goods is also liable under the Digital Presence Proceeds Levy, Act, 2025 and same has been collected by the payment intermediary as defined in section 153.]

[3][ ]

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[1]Provisos inserted by Finance Act, 2020 dated June 30, 2020.
[2]Substituted for full stop and proviso inserted by Finance Act, 2025 in force from July 1, 2025.
[3]Sub-section (2) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted by Finance Act, 2007 dated June 30, 2007.

S. 148.– Minimum tax on imports.-Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Advance tax collected under section 148 at the time of import of goods has been made minimum tax in cases where such tax was final before the Finance Act, 2019. However, such tax shall not be minimum on imports mentioned in sub-section (7) which are mentioned hereunder:-

a. raw material, plant, machinery, equipment and parts by an industrial undertaking for its own use;
b. motor vehicles in CBU condition by manufacturer of motor vehicles;
c. large import houses, who,-
   i. have paid-up capital exceeding RS.250 million;
   ii. have imports exceeding RS.500 million during the tax year;
   iii. own total assets exceeding RS.350 million at the close of the tax year;
   iv. is a single object company;
   v. maintain computerized record of imports and sale of goods;
   vi. maintain a system of issuance of 100% cash receipt on sales;
   vii. present accounts for tax audit every year;
   viii. is registered under the Sales Tax Act, 1990 and
   ix. make sales of industrial raw material of manufacturer registered under the Sales Tax Act, 1990; and
d. a foreign produced film imported for the purposes of screening and viewing."

S. 148.–Rationalization of Withholding Tax Rates on Imports.-Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"The rates of collection of tax in the cases of imports have been rationalized. The rates are:

(a) 5% of the value of goods in the case of industrial undertakings,
(b) 5% in all other cases of companies, and
(c) 5.5% in case of all other taxpayers.

Moreover rate of collection of tax is 12% of the value of the film in the case of a foreign produced film imported for the purposes of screening and viewing."

S. 148(2)-Omission.–Before omission by F. Act, 2015, it read as follows:-

"(2) Nothing contained in sub-section (1) shall apply to any goods or class of goods or persons or class of persons importing such goods or class of goods as may be specified by the Board."

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[3][(2A) Notwithstanding omission of sub-section (2), any notification issued under the said sub-section and for the time being in force, shall continue to remain in force, unless [4][amended or] rescinded by the Board through notification in the official Gazette.]

[3]Sub-section (2A) inserted by Finance Act, 2015 dated June 30, 2015.
[4]Words inserted by Finance Act, 2018 dated May 23, 2018.

S. 148.-Imports. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"As per sub-section (1) of section 148, the Collector of Customs shall collect advance tax from every importer of goods on the value of goods at the rate specified in Part II of the First Schedule. As per sub-section (6), the provisions of the Customs Act, 1969, in so far as relevant, shall apply to collection of tax under section 148. The value of goods was defined in sub-section (9) to mean value of goods as determined under the Custom Act 1969, as if such goods were subject to ad valorem duty increased by the custom-duty, federal excise duty and sales tax, if any, payable in respect of import of the goods. However, in case of goods chargeable to tax at retail price under the Third Schedule of the Sales Tax Act, 1990, the value of goods means retail price of such goods increased by the sales tax payable in respect of the import and taxable supply of such goods.

Through the Finance Act, 2024, a new sub-section (6A) has been inserted in section 148 which empowers the Board to determine the minimum value of goods for the purpose of collection of advance tax under section 148 through notification in the official Gazette. Clause (c) has been added in sub-section (9) whereby value of goods means minimum value as notified by the Board under sub-section (6A) as if such goods were subject to ad valorem duty as increased by the custom-duty, federal excise duty and sales tax payable in respect of the import of goods."

Following is the text of FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"Under the erstwhile provisions of section 148, withholding tax rate was 5% on imports. Tax so deducted was final tax in respect of commercial importers. However, withholding tax @ 1% on raw material and capital goods imported for own use, collected from manufacturers was adjustable, subject to the provisions of the Ordinance. The direct and indirect exporters covered under the DTRE scheme and manufacturer exporters could import goods without payment of withholding tax. There were consistent complaints of misuse of exemption certificate and low withholding tax rate for manufacturers who reportedly sell the imported goods in open market instead of their own use putting the commercial importers in a disadvantageous position.

15.2 The withholding tax regime has been reviewed as a whole and a uniform rate of 2% withholding tax has been provided for commercial as well as manufacturer importers, being final tax in the case of former and adjustable in the case of latter. It will not only curb the tendency of misuse of this facility by the manufacturer resulting in the loss of revenue but would also provide a level playing field to all the stakeholders.

15.3 For the convenience of the importers, relevant provisions of Part II, III and IV of the Second Schedule to the Ordinance are explained hereunder to state the changes brought about in the WHT regime for imports:-

15.3.1 Under clause (9) of Part II of the Second Schedule, tax under section 148 was payable @ 1% on the import of fibers, yarn and fabric, but, "pure cotton or its yarn or its fabrics" were exempt from this levy. To give equal treatment to various items in textile sector, tax at a uniform reduced rate of 1% shall also be collected on the aforesaid items i.e. pure cotton or its yarn or its fabrics, at import stage.

15.3.2 Under clause (13) of Part II of the Second Schedule, tax under section 148 was payable @ 1% on the import of capital goods and raw material imported exclusively for own use by a manufacturer registered with Sales Tax Department. The aforesaid clause has been omitted. Now the importer of capital goods and raw material even if imported for own use by a manufacturer shall be liable to WHT @ 2%.

15.3.3 Under clause (13A) of Part II of the Second Schedule, providing reduced rate of 1% on the import of phosphatic fertilizer has been omitted to collect WHT @ 2% at import stage.

15.3.4 Clause (13B) of Part II of the Second Schedule providing 2% levy on import of certain items has been omitted because it had become redundant as general rate on import has been fixed at 2% instead of 5%.

15.3.5 Under clause (13G) of Part II of the Second Schedule, tax payable @ 1% on the import of the items mentioned at sub-clauses (i) to (xxiv). The sub-clauses (i) to (iii) and (viii) to (xxiv) have been omitted. Tax @ 2% shall be collected on the items, falling under the aforesaid clauses (i) to (iii) and (viii) to (xxiv) instead of reduced rate. However, gold,

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mobile telephone sets and silver imported under sub-clauses (iv) to (vi) respectively shall continue to pay tax @ 1% of the import value.

15.3.6 Clause (13H) of Part II of the Second Schedule has been omitted because reduction in general rate on import from 5% to 2% has rendered this clause redundant.

15.3.7 Clause (56) of Part IV of the Second Schedule has been substituted. The provisions of section 148, regarding withholding tax on imports shall not apply to the following items:-

(i) the goods classified under Pakistan Customs Tariff falling under Chapters 27, 86 and 99.

(ii) goods imported by direct and indirect exporters which are covered under sub-chapter 7 of Chapter XII of Pakistan Customs Laws read with SRO.450(I)/2001 dated June 18, 2001.

(iii) goods temporarily imported into Pakistan for subsequent exportation are exempt from income tax which are exempt from customs duty and sales tax under SRO.1065 (I)/2005 dated October 20, 2005."

Withholding Tax on imports.-Withholding tax on 2% additional sales tax at import stage.- Following is the text of Circular No. 1 of 2008 dated January 18, 2008:-

"Attention of the Board has been drawn towards the issue of withholding tax on 2% additional Sales Tax charged to commercial importers at import stage. The situation has been clarified by Sales Tax Wing vide its General Order No.3 of 2007, that 2% additional tax charged to commercial importer at import stage, is in lieu of value addition at local supply stage, hence it should not be included in the value for determining of withholding tax under section 148."

Substitution of sub-section (2).-Before substitution by Finance Act 2007, itread as follows:-

"(2) This section shall not apply to –

(a) the re-importation of re-usable containers for re-export qualifying for customs-duty and sales tax exemption on temporary import under the Customs Notification No. S.R.O. 344(1)/95*, dated the 25th day of April, 1995; or

(b) the importation of the following petroleum products –

"Motor Spirit (MS), Furnace Oil (FO), JP-1 and MTBE"."

Changes in 2007 explained.-Following are extracts from 'Notes on Clauses of Finance Bill 2007':-

"Seeks to disallow exemption certificate facility to a manufacturer who has paid tax equal to amount of tax paid in the preceding year and who is liable to pay advance tax."

"Seeks to issue exemption certificate of 0.5% of the value of goods imported for person not liable to tax."

"Seeks to make an editorial correction."

"Seeks to exclude from PTR and provide exemption from WHT on sale of goods, to Large Import Houses."

"Seeks to redefine "Value of Goods" to include Federal Excise duty for the purpose of WHT on import of goods."

Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Previously, advance income tax @ 6% of the value of goods was collected on import (except edible oil) which was;

(i) adjustable in the case of manufacturer; and

(ii) final tax liability for commercial importers.

The salient features of amended withholding tax regime under section 148 are:

(i) the standard rate of withholding tax on import has been reduced from 6% to 5% of the value of goods;

(ii) sub-sections (3) and (4) relating to issuance of exemption certificates to manufacturer importers on the basis of payment of withholding tax or advance tax under section 147 during the year, have been omitted.

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Similarly, clauses (vi) and (ix) of SRO.593(I)/91 dated 30th June 1991 have also been omitted;

(iii) the commissioner shall issue a reduced rate certificate to a person whose income is not subject to final taxation and is not likely to pay any tax (other than tax under section 113), allowing payment of tax collectable under this section at a reduced rate of 0.5% [section 148(4A)]

(iv) the expression "value of goods" shall include Federal Excise Duty which shall be deemed to have always been included;

(v) a uniform adjustable withholding tax @ 1% on import of capital goods and raw material imported exclusively for its own use, has been introduced for a manufacturer registered with sales tax department [clause (13), Part II];

(vi) manufacturer exporters registered with Sales Tax department will not be subject to WHT at import stage in respect of capital goods and raw material. For this purpose a new sub-clause (xxii) has been inserted in Part IV of the Second Schedule to the Income Tax Ordinance, 2001;

(vii) tax collected from the manufacturers of motor vehicles on import of all types of motor vehicles (in CBU condition) shall not be treated as discharge of final tax liability [section 148(7)(c)];

(viii) on import of edible oils including crude oil imported as raw material for manufacturer of ghee or cooking oil the withholding tax rate has been reduced from 3% to 2% [clause (13H), Part II];

(ix) withholding tax has been reduced to 2% on import of following items:

(a) energy saver lamps;
(b) bitumen;
(c) fixed wireless terminal;
(d) pesticides and wedicides
[clause (13H), Part II]

(x) section 148(2) has been substituted empowering the Board to exempt any goods, class of goods or persons or class of persons from the applicability of section 148(1).

Reduced rate of 1%.– Following is an extract from CBR's Circular letter No. C.No.1(6)WHT/2006 dated June 27, 2006:–

"(A) WHT at reduced rate of 1% has been provided through clause (13G), Part II of Second Schedule, on the following items, on the import value as increased by customs duty and sales tax, (if any leviable thereon):

I. Capital goods;
II. Cement;
III. Coal;
IV. Gold;
V. Mobile telephone sets;
VI. Silver;
VII. Sugar;
VIII. Wheat;
IX. Raw wood;
X. Trucks in CBU condition having Gross Vehicle Weight exceeding 5 tons classified under PCT headings 8704.3290 and 8704.9090;
XI. Dump trucks classified under PCT heading 8704;
XII. Buses and tractors classified under PCT heading 87.01, 8702.1090;
XIII. The following items covered by SRO. 567(I)/2006 dated 05.06.2006 under the Customs Act, 1969 :

(a) Disinfectants used in poultry business
(b) pre-fabricated structures for poultry farms
(c) live stock and raw materials and intermediaries goods as used in the manufacture of packing material for the packing of dairy products.

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(d) medicines for cancer, drugs used for kidney dialysis and kidney transplant, all type of vaccines for Hepatitis, Interferon and other medicines for Hepatitis, all vaccines/anti-sera, cardiac medicines, injection anti-D Immunoglobulin, blood bags CPDA.1, all medicines for HIV/AIDS and all medicines for Thalassemia.

(e) News print

XIV. The following items covered by SRO. 575(I)/2006 dated 05.06.2006 under the Customs Act, 1969 :

(a) medical, surgical, dental or veterinary machinery/ equipment, fixtures, fittings, furniture and diagnostic kits (not manufactured locally).

(b) equipments relating to call centers (not manufactured locally).

(c) ripening chambers, hot water treatment plant, vapor hot treatment plant, modern cold storage, packing machinery, power generating sets of 10 – 25 KVA and battery operated fork lift trucks used in horticulture and floriculture business.

(d) processing and packing machinery/equipment required for fish farming.

(e) Broadcasting equipments.

XV. Computer hardware, parts and accessories of items classified under PCT heading 8471.

(B) Clause (13H), Part II of the Second Schedule has been added to collect reduced rate of WHT @ 2%, on the following items, on import value as increased by customs duty and sales tax, (if any leviable thereon):-

(i) raw material for steel industry including re-meltable; and re-rollable scrap;

(ii) raw material for manufacture of poultry feed; and

(iii) stationery.";

2. For the purpose of section 148, an explanation has been added to define the expression "capital goods" as below:-

"Explanation.- Capital goods mean any plant, machinery, equipment, spares and accessories, classified in Chapters 84, 85 or any other Chapter of the Pakistan Customs Tariff, required for,-

(i) the manufacture or production of any goods, and includes refractory bricks and materials required for setting up a furnace, catalysts, machine tools, packaging machinery and equipment, refrigeration equipment, power generating sets and equipment, instruments for testing, research and development, quality control, pollution control and the like;

(ii) use in mining, agriculture, fisheries, animal husbandry, floriculture, horticulture, live stock, dairy and poultry industry;

(iii) service sector as defined in Customs Act, 1969;"

Exemptions.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Commissioner can issue a certificate for 100% reduction of advance tax/ WHT in the case of a manufacturer who imports raw material (other than edible oil) for his own use if the tax paid or collected in a tax year equals the amount of tax paid in the immediately preceding year.

Amendment in section 148 (3) has been made to empower the Commissioner to issue exemption certificate to the extent of 75% reduction only.

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Furthermore, an explanation has been added to explain the expression "edible oils" to include crude oil, imported as raw material for manufacture of ghee or cooking oil."

Following is an extract from 'Notes on Clauses of Finance Bill, 2006':–

"Seeks to exclude imports of cars and fertilizers by their manufacturers from the ambit of final tax regime.

"Seeks to reduce the exemption of Withholding Tax from 100% to 75% in the case of certain importers."

Allowance of credit for deduction/collection of tax at source in Azad Jammu & Kashmir/Pakistan.– See footnotes under section 107.

Tax at import stage, relief to certain classes of importers.– Following is the text of CBR's Circular No. 2 of 2003 dated June 18, 2003:–

"In order to meet the persistent demand of manufacturers for streamlining the procedure and swift issuance of exemption certificates, amendments have been made in section 148 of the Income Tax Ordinance, 2001, through the Finance Act, 2003. These amendments include substitution of sub-section (4) and insertion of a new sub-section (4A).

2. As a result of these amendments, the following three categories of manufacturers are entitled to exemption certificate under section 148 for the import of raw materials (other than edible oils), plant, machinery and equipment for their own use in an industrial undertaking:–

(a) Manufacturers who are liable to pay advance tax under section 147.

(b) Manufacturers who are not liable to pay advance tax under section 147 but have paid tax equal to the amount of tax paid in the immediately preceding year.

(c) Manufacturers who are not likely to pay any tax due to exemption of income, depreciation allowance or brought forward loss.

3. The Commissioner of Income Tax is obliged by law to issue exemption certificate to the aforementioned three categories of manufacturers. Following instructions may be followed by the Commissioner of Income Tax for issuing exemption certificates to the said manufacturers:–

(i) The certificate shall be issued for full one year valid till the 30th day of June next falling.

(ii) The certificate shall not be Letter of Credit specific.

(iii) The certificate shall be issued within 24 hours of the receipt of the application.

(iv) The Commissioner of Income Tax shall not insist on furnishing of irrelevant documents which may cause delay in the issuance of exemption certificate.

(v) In case of refusal to issue exemption certificate, the Commissioner shall pass a speaking order after affording opportunity of being heard to the applicant.

4. The Commissioner of Income Tax, however, is empowered to cancel an exemption certificate where the manufacturer fails to pay any installment of advance tax due under section 147.

5. In case, the manufacturer sells the goods imported against an exemption certificate, the goods so sold shall be treated as commercial imports and charged to tax accordingly.

6. The Commissioners of Income Tax are advised to follow these instructions so that manufacturers in the country are facilitated. The taxpayers may also be advised to file complete applications with necessary information (as per annexture) so as to avoid any delay and inconvenience to the taxpayer.

7. The provisions of Notification S.R.O.No.593(I)/91 dated 30th June, 1991 stand modified to the extent as provided in section 148 and explained in this circular.

(Saeedullah Khan)
Secretary(WHT)
Ph: 9201448

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Annexture

To

The Commissioner of Income Tax

_____

APPLICATION FOR ISSUANCE OF EXEMPTION CERTIFICATE UNDER SECTION 148 OF THE INCOME TAX ORDINANCE, 2001, FOR THE YEAR ENDING 30.06._____.

1. Name and address of the taxpayer.
2. National Tax Number.
3. Sales Tax Registration No.
4. Nature of business (description of goods manufactured).
5. Installed production capacity (item-wise).
6. Particulars of goods being imported i.e.raw materials, plant, machinery and equipment.

Name of item being imported.	Machinery etc./ Raw Materials	Quantity	Total requirement for the year (raw materials only)	Approximate landed value.

Additional information only for manufacturers not liable to pay Advance tax/loss etc., cases.

7. Payment of tax in the immediate preceding accounting period.
8. Amount of tax deposited to date in the current year.

I _____ (Director/Partner/Member/Owner/Principal Officer) hereby solemnly declare that particulars mentioned above are true to the best of my knowledge and none of the item to be imported mentioned above is being imported for trading purposes.

Date:_____ Signatures_____"

Misc. clarifications.–Following is the text of CBR's Circular No. 5 of 2002 dated April 11, 2002: –

"In view of the hardship faced by importer-cum-supplier on payment of withholding tax @ 6% of value of goods imported and further withholding tax @ 3.5% out of payment for supplies of imported goods, (5% in the case of Non-NTN holders), the Board issued a notification No. SRO 97(I)/2002 dated 12th February, 2002, providing that the provisions of sub-section (4) of section 50 of the Income Tax Ordinance, 1979, shall not apply in respect of payments received by a resident person for supply of such goods as were imported by the same person and on which tax has been paid under sub-section (5) of section 50 of the said Ordinance.

2. The Board has received queries regarding procedure to be followed for implementation of the concession allowed under the said notification. It has also been enquired as to whether any exemption certificate is required for not deducting the tax on such supplies. Apprehension about misuse of the concession and safeguard for the "payers" have also been expressed by certain quarters.

3. The matter has been examined in the Board in the light of these queries. After considering the suggestions, and apprehension of the "payers", it is emphasized that the primary responsibility in this regard rests with the Withholding Agents ("Payers") who have to ensure that no hardship is caused to the "Suppliers" and also that the facility extended on this account is not misused by unscrupulous suppliers.

4. Acknowledging the merit of these representations received in the Board seeking advice as to mechanism for implementation thereof, the following broad parameters are enunciated for the guidance of the "Payers" and the "suppliers":–

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[1][ ]

[2][ ]

[1]Sub-sections (3) and (4) omitted by Finance Act, 2007 dated June 30, 2007. Sub-section (4) was earlier substituted by Finance Act, 2003 dated June 17, 2003.

[2]Sub-section (4A) omitted by Finance Act, 2008 dated June 27, 2008. Earlier it was inserted by F.A. 2003 and substituted by F.A. 2007.

(i) Exemption certificate under section 50(4) of the Income Tax Ordinance is not required by the suppliers where the supplier has paid tax under section 50(5) of the Income Tax Ordinance, 1979, on the goods supplied, except in cases where the certificate is obtained by the assessees under SRO 593(I)/91 dated 30.06.1991.

(ii) Tax on supplies will not be deducted by the payers only if goods are imported in the supplier's name and supplied in the same state and no value addition is involved. For this purpose, the supplier may give a written undertaking to the effect that the item mentioned in the invoice has been supplied without any value addition and tax under section 50(5) of the Ordinance has been paid thereon.

(iii) It is the responsibility of the "payer" to ensure that supplies received by him do not require deduction of tax under section 50(4). For ascertaining the fact that the supplier is himself the importer, goods supplied are the same which were imported and on which tax under section 50(5) of the Income Tax Ordinance, 1979, was paid as commercial importer, the payer/withholding agent may require furnishing of import document such as original Bill of Entry. He has also to ensure that there is no addition to the value of goods supplied.

5. The Board takes the opportunity to request the tax payers and the withholding agents to faithfully observe the above instructions so that at the time of audit by the Departmental officers no embarrassment is caused."

Sub-sections (3) & (4)-Omission. Before omission by Finance Act, 2007**,** the sub-sections read as follows:-

"(3) Where a manufacturer imports raw materials (other than edible oils) exclusively for the manufacturer's own use, the Commissioner may certify a reduction (of up to [1][seventy five] per cent) of the rate of advance tax applicable under this section if the aggregate of tax paid or collected in a tax year equals the amount of tax paid by the manufacturer in the immediately preceding year.

(4) Notwithstanding the provisions of sub-section (3), a person being a manufacturer who is liable to pay advance tax under section 147, imports raw materials (other than edible oils) exclusively for his, or as the case may be, its own use, the Commissioner shall upon application in writing by such person, issue an exemption certificate effective from the date on which the certificate is issued to the 30th day of June next falling:

Provided that where the person to whom an exemption certificate has been issued fails to pay any installment due, the Commissioner may cancel the certificate."

[1]Substituted for "one hundred" by Finance Act, 2006 dated July 01, 2006.

Before substitution by Finance Act, 2003, it read as follows:–

"(4) A certification of a reduction of tax under sub-section (3) shall not be made in the first year of a manufacturer's business."

Sub-sections (4A), omission. Before omission by F. Act, 2008**,** it read as follows:-

"(4A) Where, in the case of a person whose income is not subject to final taxation, the Commissioner is satisfied that such person is not likely to pay any tax (other than tax under section 113), the Commissioner shall, upon application in writing made by such person, issue certificate allowing payment of tax collectable under this section at a reduced rate of 0.5%."

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(5) Advance tax shall be collected in the same manner and at the same time as the customs-duty payable in respect of the import or, if the goods are exempt from customs-duty, at the time customs-duty would be payable if the goods were dutiable.

(6) [1][Subject to sub-section (6A), the] provisions of the Customs Act, 1969 (IV of 1969), in so far as relevant, shall apply to the collection of tax under this section.

[2][(6A) The Board may, by notification in the official Gazette, determine the minimum value of goods for the purpose of collection of advance tax under this section.]

[3][(7) The tax [4][required to be] collected under this section shall be [5][minimum] tax [6][ ] on the income of the importer arising from the imports subject to sub-section (1) and this sub-section shall not apply in the case of import of [7][goods on which tax is required to be collected under this section [8][ ] by an industrial undertaking for its own use.]

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[1]Substituted for "The" by Finance Act, 2024 w.e.f. 1 July, 2024.
[2]Sub-section (6A) inserted by Finance Act, 2024 w.e.f. 1 July, 2024.
[3]Sub-section (7) substituted by Finance Act, 2006 dated July 01, 2006.
[4]Inserted by Finance Act, 2012 June 26, 2012.
[5]Substituted for "a final" by Finance Act, 2019 June 30, 2019.
[6]Words "except as provided under sub-section (8)" omitted by Finance Act, 2019 dated June 30, 2019. Earlier was inserted by Finance Act, 2010 June 30, 2010.
[7]Inserted by Finance Act, 2020 June 30, 2020.
[8]Words etc., "at the rate of 1% or 2%" omitted by Finance Act, 2022 dated June 30, 2022.

Before substitution by F.A. 2007, and as inserted by F.A. 2003, it read as follows:-

"(4A) Where, in the case of a person being a manufacturer importing raw materials (other than edible oils) exclusively for his or, as the case may be, its own use, the Commissioner is satisfied that the income of the person during the tax year is exempt from tax or such person is not likely to pay any tax (other than tax under section 113) on account of depreciation [1][ ] or brought forward loss, the Commissioner shall, upon application in writing made by such person, issue the person certificate of exemption from the tax collectible under section 148 [2][.]"

[1]Word "allowance" omitted by Finance Act, 2004, w.e.f. July 1, 2004.
[2]Full stop inserted by Finance Act, 2005 dated June 29, 2005 to make an editorial correction as per 'Notes on Clauses of Finance Bill 2005'. The error was pointed out in this book.

S. 148.–Rate of Advance Tax deductible on import of goods.-Following is the text of FBR's Circular No. 5 of 2010 dated June 30, 2010:-

"Through an amendment in the Income Tax Ordinance, 2001 brought about by the Finance Act, 2010, rate of Advance Tax under section 148 of the Inocme Tax Ordinance 2001 has been enhanced from 5%, as against previous rate of 4% for the imports of raw material by commercial imports.

2. The manufacturer/industrial undertakings importing raw materials for their self-use shall remain covered under clause (9) of Part-II of Second Schedule to the Ordinance, and rate of deduction of advance tax deductible in their case, will remain 3%.

3. Exemptions from deduction of the advance tax as available under the existing provisions of Income Tax Ordinance, 2001, shall apply accordingly.

4. The amendments brought in through Finance Act, 2010 shall be effective from 1st July 2010 onwards."

8-179-05-07-2024

[1][ ]

[1]Hyphen & clauses - (a) to (e) omitted by Finance Act, 2020 dated June 30, 2020. Earlier clause (b) omitted by Finance Act, 2017 June 20, 2017.

Sub-sections (7)(a), (c), (d) & (e) omission. Before omission by F. Act, 2020**,** these read as follows:-

"- (a) raw material, plant, machinery, equipment and parts by an industrial undertaking for its own use;

(c) [1]*[*motor vehicles*]* in CBU condition by manufacturer of [1]*[*motor vehicles*]* [2]*[;/]*]"

[1]Substituted for "cars" by Finance Act, 2007 dated June 30, 2007.
[2]Substituted for full stop by Finance Act, 2017 June 20, 2017.

Sub-sections (7)(b), omission. Before omission by F. Act, 2017**,** it read as follows:-

"(b) fertilizer by manufacturer of fertilizer; and"

Substitution of sub-section (7). Before substitution by Finance Act, 2006, it read as follows:–

"(7) Except in the case of an industrial undertaking importing goods as raw materials [1][plant, machinery and equipment] for its own use, the tax collected under this section shall be a final tax on the income of the importer arising from the imports subject to sub-section (1)."

[1]Inserted by Finance Act, 2003 dated June 17, 2003.

S. 148(7) & (8)-Withholding tax on imports.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"32.1 As per sub-clause (i) and (iii) of clause (d) of subsection (7) of section 148, large import houses having paid-up capital of more than 100m and total assets exceeding Rs. 100m are excluded from treating tax collected on imports as final tax. As per Finance Act, 2009, the limit of paid-up capital and total assets have been enhanced to Rs. 250m and 350m respectively.

32.2 Previously the tax collected from a person on the import of edible oil for a tax year was to be treated as final tax under sub-section (8) of section 148. By virtue of amendment made through Finance Act, 2009, the tax so collected shall be treated as minimum tax. However, the tax collected on import of packing material by the manufacturer of edible oil shall also be treated as minimum tax meaning thereby that from tax year 2010 and onwards manufacturer of ghee and edible oil shall file return u/s 114 instead of filing statement u/s 115.

32.3 Previously a general rate of 2% was applicable on imports. Now the same has been raised to 4% on the value of goods imported. Further a new sub-clause (9A) has been added to Part-III of the Second Schedule wherein tax under section 148 shall be collected @ 3% on import value of raw material imported by an industrial undertaking for its own use.

Example-I

1	Gross value of imports (edible oil etc and packing material) under sub section (8) of section 148.(imported for own use)	Rs. 100 million
2	Tax collected under sub section (1) of section 148, @ 3% as provided in clause (9A) of Part II of the Second Schedule	Rs. 3 million
3	Income as per return field under section 114	Rs. 10 million
4	Tax payable under Division II Part I of first Schedule @ 35% on the aforesaid income	Rs. 3.5 million
5	The taxpayer would be required to pay further tax	Rs. 0.5 million

Example-II

1	Gross value of imports (edible oil etc and packing material) under sub section (8) of section 148.(imported for own use)	Rs. 100 million
2	Tax collected under sub section (1) of section 148, @ 3% as provided in clause (9A) of Part II of the Second Schedule	Rs. 3 million
3	Loss as per return field under section 114	(Rs. 10 million)
4	Tax payable under Division II Part I of first Schedule @ 35% on the aforesaid income	NIL
5	The tax collected under sub section (1) read with sub section (8) of section 148 would be 'minimum tax'	Rs. 3 million"

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[1][ ]

[2][(7A) Notwithstanding anything contained in sub-section (7), the tax required to be collected under this section shall be minimum tax on the income every person arising from imports of following goods–

(i) edible oil;

(ii) packaging material;

(iii) paper and paper board; or

(iv) plastics:

Provided that the Board with the approval of Minister in-charge may, by a notification in the official Gazette, add any entry thereto or omit any entry therefrom or amend any entry therein this sub-section.]

[3][ ]

[1]Clauses (d) to (e) omitted by Finance Act, 2020 dated June 30, 2020. Earlier clause (d) was inserted by Finance Act, 2017 dated June 20, 2017 and clause (e) inserted by Finance Act, 2013 dated June 29, 2013.
[2]Sub-section (7A) inserted by Finance Act, 2022 dated June 30, 2022.
[3]Sub-sections (8) & (8A) omitted by Finance Act, 2020 dated June 30, 2020. Earlier sub-section (8) was substituted by Finance Act, 2018 dated May 23, 2018, was substituted by Finance Act, 2004, w.e.f. July 1, 2004 and sub-section (8A) inserted by Finance Act, 2014 dated June 26, 2014.

Clauses (d) & (e)-Omission.- Before omission by Finance Act, 2020 read as follows:–

"(d) large import houses, who,-

(i) have paid-up capital of exceeding Rs.[1][250] million;

(ii) have imports exceeding Rs.500 million during the tax year;

(iii) own total assets exceeding Rs.[1][350] million at the close of the tax year;

(iv) is single object company;

(v) maintain computerized records of imports and sale of goods;

(vi) maintain a system for issuance of 100% cash receipts on sales;

(vii) present accounts for tax audit every year;

(viii) is registered [2][under the Sales Tax Act, 1990]; and

(ix) make sales of industrial raw material of manufacturer registered [3][under the Sales Tax Act, 1990] [4]*[*; and*]*]"

[1]Substituted for "100" by Finance Act, 2009 dated June 30, 2009.
[2]Substituted for "with Sales Tax Department" by Finance Act, 2014 dated June 26, 2014.
[3]Substituted for "for sales tax purposes" by Finance Act, 2014 dated June 26, 2014.
[4]Substituted for full stop by Finance Act, 2013 dated June 29, 2013.

"(e) a foreign produced film imported for the purposes of screening and viewing."

Sub-sections (8) & (8A) -Omission.- Before omission by Finance Act, 2020 read as follows:–

"(8) The tax required to be collected from a person under this section shall be minimum tax for a tax year on the import of-

[1][ ]

(b) edible oil;

(c) packing material; and

(d) plastic raw material imported by an industrial undertaking falling under PCT headings 39.01 to 39.12."

[1]Sub-section (8)(a) omitted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

"(8A) The tax collected under this section at the time of import of ships by ship-breakers shall be [1][minimum] tax.]"

[1]Substituted for "final" by Finance Act, 2019 June 30, 2019.

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Sub-section (8) before substitution by Finance Act, 2018, read as follows:–

"(8) The tax [1][required to be] collected from a person under this section on the import of [2][plastic raw material imported by an industrial undertaking falling under PCT heading 39.01 to 39.12,] edible oil [3][and packing material] for a tax year shall be [4][minimum] tax.]"

[1]Inserted by Finance Act, 2012 dated June 26, 2012.
[2]Words inserted by Finance Act, 2017 dated June 20, 2017.
[3]Words inserted by Finance Act, 2009 dated June 30, 2009.
[4]Substituted for "final" by Finance Act, 2009 dated June 30, 2009.

Sub-section (8) before substitution by Finance Act, 2004, read as follows:–

"(8) The tax collected from a person under this section on the import of edible oils for a tax year shall be treated as the minimum amount of tax payable by the person under this Ordinance and where the person's final tax liability exceeds the amount collected under this section the tax collected shall be credited against that final liability."

S. 148(8)(a)-Final tax for edible oil imports.-Sub-section (8)(a) before substitution by Finance Supplementary (2nd Amend) Act, 2019, read as follows:–

"(a) goods where goods are sold in the same condition as they were when imported:

Provided that the minimum tax payable under this clause shall be five percent of the import value as increased by customs duty, sales tax and federal excise duty;"

Adjustable for auto and fertilizer manufacturers.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Under the existing regime, withholding tax is collected @ 6% at the time of import in case of commercial importers and tax withheld is the final tax under the presumptive tax regime. Manufacturers of cars and fertilizers are also importing cars and fertilizers as finished goods and marketing them in the country. Since these are considered as commercial imports being imported finished goods, tax withheld is not adjustable and is their final tax liability.

Amendment is introduced to prescribe that tax withheld on import of cars in CBU condition and fertilizers in the case of manufacturers of cars and fertilizers will be adjustable against the final tax liability of such manufacturers."

Following is an extract from 'Salient Features of Budget 2006':–

"Withholding Tax on import of motor cars and fertilizer by manufacturers proposed to be made adjustable."

S. 148-Normal Tax Regime Option For Commercial Importers, Traders And Exporters.-Following is an extract from Circular No. 2 of 2012 dated July 27, 2012:-

"Prior to Finance Act, 2012 commercial imports, export of goods, indenting commission, sale of goods to an exporter or to an indirect exporter and trading of goods are subject to Presumptive Tax Regime and taxes collected or deducted at source are treated as a final tax liability. Persons under this regime are not allowed to be taxed on net income basis i.e. under normal law. Through, Finance Act 2012, clauses (41A), (41AA) and (41AAA) have been inserted in Part IV of the Second Schedule, and now such persons have been provided an option to be taxed on net income basis. However, that option will be subject to a condition that minimum tax liability in respect of such income shall not be less than;

(i) 60% of tax collected at the import stage;
(ii) 70% of tax deducted at source on sale of goods.
(iii) 50% of the tax collected at the time of realization of export proceeds and indenting commission."

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S. 148(7)(d)–Bulk RM importers.–Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"A new clause (d) has been inserted in section 148(7), in pursuant to which importer companies of bulk industrial raw material shall fall out side the ambit of PTR, provided the following conditions are fulfilled:

(i)	paid up capital	=	exceeds Rs.100 (M)
(ii)	imports during a tax year	=	exceed Rs.500 (M)
(iii)	owns assets at the close of the tax year	=	exceed Rs.100 (M)

(iv) formed as single object company;

(v) maintain computerized record of imports and sale of goods;

(vi) issue 100% cash receipts on sales;

(vii) company is registered with sales tax department;

(viii) make sales of industrial raw material to manufacturer(s) registered with sales tax department; and

(ix) present accounts for tax audit every year.

Further, newly inserted clause (57A) in Part IV of the Second Schedule provides that such importers will;

(i) be exempt from withholding tax under section 153 on "sale of goods"; and

(ii) not be "prescribed persons" as envisaged in section 153(9)"

S. 148.-Withholding Tax on Imports for Industrial Undertaking.-Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"Following changes have been incorporated with regard to WHT on import under section 148 of the Ordinance.

a) Withholding tax on imports collected at 1% and 2% on goods falling under Part I and II of Twelfth Schedule to the Ordinance respectively is adjustable for an industrial undertaking if goods have been imported for own use. In numerous circumstances, goods imported by an industrial undertaking for own use may fall under Part III of Twelfth Schedule to the Ordinance on which tax at 5.5% is collectible at import stage. This resulted in a situation whereby tax collected at 5.5% on import of goods by an industrial undertaking for its own use became minimum tax. For the purpose of streamlining, tax collectible from an industrial undertaking on import of all goods for own use has been made adjustable.

b) Tax collectible under section 148 on import of edible oil, packaging material, paper and paper board, and plastics has been made minimum tax whether imported by an industrial undertaking for own use or by a commercial importer.

c) The rate of withholding tax on import of goods falling in Part II of Twelfth Schedule of the Ordinance has been enhanced from 2% to 3.5% for commercial importers, which shall be minimum tax.

d) Certain goods have been shifted from Part II to Part I of the Twelfth Schedule. The goods included in Part I are subject to tax @ 1% irrespective of import by industrial undertaking or commercial importers."

Following is the text of CBR's Circular No. 14 of 2004 dated July 1, 2004:–

"Withholding tax on import of edible oil both by commercial and industrial importers previously treated as minimum tax has been converted into final tax by amending sub- section (8) of section 148 of the Income Tax Ordinance, 2001. Further, the manufacturers of cooking oil or vegetable ghee or both has been provided a reduced rate of 1% on local purchase of edible oil which too shall constitute final discharge of tax liability of such local purchases. For this purpose a new clause (13C) has been inserted in Part II of the Second Schedule to the Income Tax Ordinance, 2001.

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(9) In this section–

"Collector of Customs" means the person appointed as Collector of Customs under section 3 of the Customs Act, 1969 (IV of 1969), and includes a Deputy Collector of Customs, an Additional Collector of Customs, or an officer of customs appointed as such under the aforesaid section; [1][ ]

[2][ ]

[3][Value of goods means-

(a) in case of goods chargeable to tax at retail price under the Third Schedule of the Sales Tax Act, 1990, the retail price of such goods increased by sales tax payable in respect of the import and taxable supply of the goods; [4][ ]

(b) in case of [5][goods other than those specified in clauses (a) and (c)]; the value of the goods as determined under the Custom Act, 1969 (IV of 1969), as if the goods were subject to ad valorem duty increased by the custom-duty, federal excise duty and sales tax, if any, payable in respect of the import of the goods [6][; and]]

[7][(c) minimum value as notified by the Board under sub-section (6A) as if such goods were subject to ad valorem duty as increased by the customduty, federal excise duty and sales tax, payable in respect of the import of the goods.]

[1]Word "and" omitted by Finance Act, 2004, w.e.f. July 1, 2004.

[2]Definition of "Industrial undertaking" omittd by Finance Act, 2005 June 29, 2005. It was originally inserted by Finance Act 2004.

[3]Words ""value of goods" means the value of the goods as determined under the Customs Act, 1969 (IV of 1969), as if the goods were subject to *ad valorem* duty increased by the customs-duty, federal excise duty and sales tax, if any, payable in respect of the import of the goods." substituted by Finance Act, 2020 dated June 30, 2020. Earlier was substituted by Finance Act, 2007 dated June 30, 2007 and shall be deemed always to have been so substituted and shall have effect accordingly.

[4]Word "and" omitted by Finance Act, 2024 w.e.f. 1 July, 2024.

[5]Substituted for "all other goods" by Finance Act, 2024 w.e.f. 1 July, 2024.

[6]Substituted for full stop by Finance Act, 2024 w.e.f. 1 July, 2024.

[7]Clause (c) inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

2. Further, clause (47C) has been introduced in Part IV of the Second Schedule providing that no tax under sub-section (1) of section 154 shall be collected from an exporter in respect of export of cooking oil or vegetable ghee to Afghanistan provided advance tax under section 148 was collected from such exporter at the time of import of edible oil.

3. For the purposes of Para 2, every authorized dealer in foreign exchange shall, at the time of realization of foreign exchange proceeds on account of export of Cooking Oil or Vegetable Ghee or both to Afghanistan shall obtain copy of the Bill of Entry from the concerned exporter to confirm that advance tax under section 148 of the Income Tax Ordinance, 2001, on the import of edible oil consumed in the production of such Cooking Oil or Vegetable Ghee had been duly collected.

4. The aforesaid amended provisions would be applicable for withholding tax purposes from July 1, 2004 and onwards."

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[1][ ]

[1]Explanation omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finance Act, 2006 dated July 01, 2006.

S. 148(9)-"value of goods".-Before substitution by Finance Act, 2007, it read as follows:-

"value of goods" means the value of the goods as determined under section 25 of the Customs Act, 1969 (IV of 1969), as if the goods were subject to *ad valorem* duty increased by the customs-duty and sales tax, if any, payable in respect of the import of the goods [1][; and]"

[1]Substituted for full stop by Finance Act, 2004, w.e.f. July 1, 2004.

S. 9-Explanation-Omission.- Before omission by Finance Act, 2020, it read as follows:–

"Explanation.- For the purpose of this section the expression "edible oils" includes crude oil, imported as raw material for manufacture of *ghee* or cooking oil."

Following is an extract from Finance Minister's Budget Speech of June 12, 2004:–

"Rationalization of minimum tax for edible oil units: Ghee/cooking oil units pay minimum tax at the rate of 3% on import of edible oil which is adjustable against final tax liability but if the final tax is less than 3% the minimum tax liability remains 3%. It is proposed to treat the same as final discharge of tax liability. To encourage local production of oil it is proposed that the ghee/cooking oil units may pay minimum tax at the rate of 1% as final discharge of tax liability. It will encourage local production of edible oil and act as an incentive for the ghee mills to purchase locally produced edible oil."

Import of edible oils.– Following is an extract from CBR's Circular No. 8 of 1999 dated July 27, 1999:–

"i. A presumptive tax regime has been introduced for manufacturers of vegetable ghee/oil who import edible oils as raw materials for their own use. Such manufacturer importing edible oils for their own use would be liable to pay 2% tax at the import stage under section 50(5).

ii. The first proviso to sub-section (5) of section 50 and notification S.R.O. 593(I)/91 dated 30th June, 1991 have also been amended so that no certificates of exemption from payment of tax under this sub-section can be issued by the RCIT or the CIT to such manufacturer-cum-importers.

iii. The method of calculation of 2% tax is the same as laid down in sub-section (5) of section 50 for imported goods.

iv. The tax rate applicable to commercial importers of edible oils, other than manufacturers importing it for their own use, will remain the same i.e. 5%." [**Ref:***99 ITC 9 p. 9*]

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[1][ ]

[1]Section 148A omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.

S.148A--Omission.– Before omission by Finance Act, 2020, it read as follows:–

"**148A. Tax on local purchase of cooking oil or vegetable ghee by certain persons**.- (1) The manufacturers of cooking oil or vegetable ghee, or both, shall be chargeable to tax at the rate of two percent on purchase of locally produced edible oil.

(2) The tax payable under sub-section (1) shall be final tax in respect of income accruing from locally produced edible oil."

S.148(9)-Definition of "Industrial undertaking", omission.– The definition before omission by Finance Act, 2005, read as follows:–

> "Industrial undertaking" means an undertaking which is set up or commenced in Pakistan on or after the 14th day of August, 1947, and which employs (i) ten or more persons in Pakistan and involves the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal agency; or (ii) twenty or more persons in Pakistan and does not involve the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal agency and which is–
>
> (i) engaged in–
>
> (a) the manufacture of goods or materials or the subjection of goods or materials to any process, which substantially changes their original condition;
>
> (b) ship-building;
>
> (c) generation, transformation, conversion, transmission or distribution of electrical energy, or the supply of hydraulic power; or
>
> (d) the working of any mine, oil-well or any other source of mineral deposits not being an undertaking to which the Fifth Schedule applies; or
>
> (ii) any other industrial undertaking which may be approved by the Central Board of Revenue for the purposes of this clause."

Misc.-Following is the text of CBR's Circular No. 9 of 2002 dated June 29, 2002:–

"The Income Tax Ordinance, 2001, as amended through Finance Ordinance, 2002, will come into force w.e.f. 1st July, 2002. The withholding provisions of the new Ordinance will also become operative on the aforesaid date. Resultantly, tax shall be withheld by the withholding authorities under the provisions of the new Ordinance.

2. The repealed Income Tax Ordinance, 1979 contained provisions regarding powers of the Departmental officers for issuance of exemption certificates to various categories/ classes of persons. Detailed instructions in this regard were notified through SRO 593(I)/91, dated 30.6.1991. This SRO will remain valid after enforcement of the new Ordinance from 1st July, 2002, in view of the provisions of section 239(10) of the Income Tax Ordinance, 2001.

3. In the past, the Board's policy of exemption certificates was at times subject to criticism by concerned quarters at various forums. While the Board had all along been pleading the misuse of facility by certain unscrupulous taxpayers as one of the important reasons for formulating a stringent procedure for the purpose, yet it is hardly defensible to unnecessarily delay the issuance of exemption certificates due to lengthy departmental procedures and flimsy objections raised by the tax authorities.

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4. The matter has been reviewed. In furtherance of the instructions of the Finance Minister on the subject, it has been decided to fast track the issuance of exemption certificates. Henceforth, the Commissioners of Income Tax shall issue the exemption certificates in the following categories within 24 hours of receipts of a complete application which should initially be valid for at least 6 months:–

(i) Import of raw material by such exporters who have their own manufacturing facility, and more than 80% of their sales are exports; and

(ii) The manufacturers who import raw materials for their own consumption and plant, machinery, fixture, fittings and other equipment for their own use.

5. It will not be out of place to mention here that prompt issuance of exemption certificates to the aforesaid category of persons in the above manner does not mean that the other taxpayers are to be denied of their rightful claims for issuance of exemption certificates. Instructions contained in SRO 593(I)/91, dated 30.6.1991 are still valid. In the cases covered by the said SRO, except those mentioned at para 4 above, exemption certificates shall be issued within 72 hours of fulfillment of requisite formalities for such certificates.

6. All Commissioners of Income Tax are advised to follow these instructions in letter and spirit and any lapse in this regard shall be seriously viewed. To avoid the processing delays by the Department and for timely issuance of exemption certificates, the taxpayers are advised to ensure that the applications filed for the purpose are complete in all respects."

Following is an extract from CBR's Circular No. 10 of 1996, dated July 16, 1996, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Importers engaged in supply of goods imported by them had been agitating that the tax is collected from them twice; once @ 4% at the time of import and again @ 2.5% at the time of supply. Through the insertion of clause (9B) in Part IV of the Second Schedule such importers can now opt out of the presumptive tax regime provided that their total tax liability in respect of such goods shall not be less than 4% of the value of goods supplied, i.e. the sale price. Such reduction in tax rate will be admissible only to those importers who make the supply of imported goods under the same business name and style. Goods subject to special rates remain excluded from the concession. The presumptive tax regime can, however, apply to "the importer-supplier of goods subjected to concessional rates" if they opt for it by filing on irrevocable declaration to the effect with the return of income under section 55."

Reductions in rate and exemptions under Second Schedule.– See following clauses of Part II of Second Schedule:–

(9) for 3/4th rate on imports under Afghan Transit Trade;

(13) for 3% rate on import of edible oils and condemned ships for breaking;

(13A) for 1% rate for import of DAP fertilizer;

(13B) for 2% rate on import of certain goods (see Circular No. 8 of 2004 for details);

See following clauses of Part IV of the Second Schedule for exemption on imports:–

(16) for imports by Agha Khan Development Network;

(26) for imports by HUBCO contractors and sub-contractors;

(27) for import of motor vehicle or support equipment by a disabled person;

(28) for imports by certain hospitals, educational, research and other institutions;

(29) for to imports by certain direct and indirect exporters;

(30) for imports of jewellery industry;

(31) for import of mobile telephones;

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(31A) for import of plant, equipment and machinery subject to exemption of customs duty or 5% customs duty;

(31B) for import of agricultural tractors in CBU condition;

(44) for imports by indirect exporters;

(52) prohibiting relief by way of exemption certificate under SRO 593(I)/91 for manufactures of vanaspati ghee or oil.

Exemption on import of certain goods.– Following is the text of CBR's Circular No. 8 of 2004 dated July 1, 2004:–

"Under section 148 of the Income Tax Ordinance, 2001, tax on imports was collectable @ 6% of the import value as increased by customs duty and sales tax, if any, payable thereon. In the case of goods imported for commercial sales, the tax so collected constituted final discharge of tax liability in respect of income arising form such imports.

2. A new clause, (13B) has been inserted in Part-II of the Second Schedule to the Income Tax Ordinance, 2001, through Finance Act, 2004 whereby withholding tax shall be collected at the reduced rate of 2%, with effect from July 1st 2004, in respect of items falling under HS Codes 801.1100, 801.3200, 802.1200, 802.9010, 902.4010, 902.4090, 904.1110, 907.0000, 908.1000, 3702.3100, 3705.2000, 3707.9000, 4011.2090, 50.04, 50.05, 50.06, 6301.1000, 8204.0000, 8301.1000, 8511.1000, 8525.4000, 8529.9010 and 9004.1000 of First Schedule to the Customs Act, 1969 (IV of 1969).

3. Tax collected at the reduced rate of 2% shall remain final discharge of tax liability."

Exemption certificate without paying advance tax before due date.– Following is an extract from CBR's letter C. No. 1(2)WHT/2000, dated July 9, 2003:–

"The undersigned is directed to refer to your letter No. RBC/01/03 dated 2.7.2003 on the subject and to say that under the newly substituted sub-section (4) of section 148 of the Income Tax Ordinance, 2001, a manufacturer who is liable to pay tax under section 147, is entitled to obtain exemption certificate. Payment of advance tax before it becomes due is not the prerequisite for issuance of such certificate. However, the Commissioner is empowered to cancel the certificate, in case the person fails to pay any installment of advance tax on due date."

Issuance of exemption certificates.– Following is an extract from CBR's Circular No. 6 of 2003 dated July 9, 2003:–

"Previously validity period of exemption certificate under section 148 was governed by administrative instructions issued from time to time. Further, such certificate was to be issued on fulfillment of certain conditions. In order to facilitate the taxpayers, Section 148 has been amended to allow swift issuance of exemption certificate for full one year to manufacturers importing raw material, plant and machinery etc., for their own use. In this regard, a separate Circular No.02 of 2003 dated 18.06.2003 has already been issued explaining in detail the new provisions."

Commissioner's certificate for exemption or lower rate.– See section 159.

Exemption from withholding.– Following is the text of CBR's Circular No. 2 of 2003 dated June 18, 2003:–

"In order to meet the persistent demand of manufacturers for streamlining the procedure and swift issuance of exemption certificates, amendments have been made in section 148 of the Income Tax Ordinance, 2001, through the Finance Act, 2003. These amendments include substitution of sub-section (4) and insertion of a new sub-section (4A).

2. As a result of these amendments, the following three categories of manufacturers are entitled to exemption certificate under section 148 for the import of raw materials (other than edible oils), plant, machinery and equipment for their own use in an industrial undertaking:–

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(a) Manufacturers who are liable to pay advance tax under section 147.

(b) Manufacturers who are not liable to pay advance tax under section 147 but have paid tax equal to the amount of tax paid in the immediately preceding year.

(c) Manufacturers who are not likely to pay any tax due to exemption of income, depreciation allowance or brought forward loss.

3. The Commissioner of Income Tax is obliged by law to issue exemption certificate to the aforementioned three categories of manufacturers. Following instructions may be followed by the Commissioner of Income Tax for issuing exemption certificates to the said manufacturers:–

(i) The certificate shall be issued for full one year valid till the 30th day of June next falling.

(ii) The certificate shall not be Letter of Credit specific.

(iii) The certificate shall be issued within 24 hours of the receipt of the application.

(iv) The Commissioner of Income Tax shall not insist on furnishing of irrelevant documents which may cause delay in the issuance of exemption certificate.

(v) In case of refusal to issue exemption certificate, the Commissioner shall pass a speaking order after affording opportunity of being heard to the applicant.

4. The Commissioner of Income Tax, however, is empowered to cancel an exemption certificate where the manufacturer fails to pay any installment of advance tax due under section 147.

5. In case, the manufacturer sells the goods imported against an exemption certificate, the goods so sold shall be treated as commercial imports and charged to tax accordingly.

6. The Commissioners of Income Tax are advised to follow these instructions so that manufacturers in the country are facilitated. The taxpayers may also be advised to file complete applications with necessary information (as per annexture) so as to avoid any delay and inconvenience to the taxpayer.

7. The provisions of Notification S.R.O.No.593(I)/91 dated 30th June, 1991 stand modified to the extent as provided in section 148 and explained in this circular."

Exemption Certificates.– Following is the text of CBR's Letter C. No. 1(8)/WHT/96 dated November 27, 1996, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"As per the existing procedure copies of the exemption certificates u/s 50(5) issued by various CITs have to be endorsed to the respective RCIT. It is obviously not meant to be a mere formality. The basic intention is to keep a constant check on the veracity of the exemption claims and justification for issuing such certificates.

2. Complaints have been received about the inordinate delays in issuance of such certificates and about the cases which did not qualify for any exemption but were issued exemption certificates u/s 50(5).

3. Iamthereforedirectedtorequestyoutoundertakea comprehensive inspection of allexemptioncertificatesissuedu/s50(5)w.e.f.1-7-1996 in your region keeping in view the above referred deficiencies. The exercise should be completed by 10-12-1996 and results intimated to CBR by 15-12-1996."

For issuance of exemption certificate to companies where tax u/s 113 is payable, please see notes to section 153.

Issuance of exemption certificates u/s 148.– Following is the text of CBR's Letter C. No. ITJI-1(8)/84-Pt-II, dated February 7, 1998, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

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"I am directed to refer to your letter C. No. RCCR/J-I/7/97-98/1413 dated 20-01-1998 on the above subject and to say that basis for issuing exemption certificate should be the tax liability in cases where the assessment has been completed for the immediately preceding year, but where such assessment is pending the tax deducted/collected in the immediately preceding year should be the basis. However, in such cases assessments should be completed on priority basis."

Check against misuse of exemption Certificates.– Following is the text of CBR's Letters C. No. 1(38)WHT/91 dated May 19, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Presently, the non-commercial importers whose income is not likely to be chargeable to tax enjoy exemption from withholding tax under section 50(5) of the Income Tax Ordinance on issuance of an exemption certificate by the relevant Commissioner of Income Tax. It has been brought to the notice of the Board that this facility is being misused by some industrial importers who sell the imported goods meant for consumption in industries set up in the tax exempt areas in the open market. This practice gives a clear competitive advantage to the holders of exemption certificates over other commercial importers who have to pay withholding tax on importation of the same goods.

2. In order to check the misuse of the exemption certificates, it has been decided that in future, such exemption certificates, will be issued with a condition that these would be valid only if the goods for which these certificates are meant are cleared from the Customs at the station of their actual consumption in a tax exempt area.

3. These instructions may please be circulated amongst all the officers for strict compliance."

Following is the text of CBR's C. No. C(WHT)/50(5) dated August 30, 1995, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Please refer to the detailed instructions already issued on the subject vide Board's letter of even number dated 28-7-1995.

2. In continuation of para 4(a) of the above referred letter, it is desired that letters may be written to the assessees that validity of the exemption certificates u/s 50(5) will expire on 30th September 1995; and that the assessees, if they so want, apply for re-validation/renewal after providing the specified details.

3. For issuing any fresh exemption certificate the applicant may be required to furnish the following information:–

(a) Quantitative details of each item imported during the financial year 1994-95 & the quantities of different materials desired to be imported in 1995-96.

(b) Consumption certificates issued by the Central Excise Deptt, if any

(c) Certificate of production capacity issued by Chief (Survey & Rebate) CBR (for cases enjoying concessionary customs duty); if any

(d) Monthly/quarterly statements required to be furnished under Central Excise/Sales Tax rules, if any.

4. The zonal CITs shall maintain a regular record of quantities of each item imported and consumed during the year in the case of each such applicant.

5. As already indicated in para 4 of the Board's letter dated 28-7-1995, exemption certificates u/s 50(5) should only be issued on half yearly basis.

6. The exemption certificates u/s 50(5) should clearly indicate the items/goods which can be imported and that the exemption certificate should be valid only for clearance of such goods.

7. It should also be mentioned in the certificate that the imports covered by the exemption certificate will be cleared at the specified port/dry port only. This port/dry port shall be the one which is nearest to the location of the factory where imported material will be consumed. Necessary instructions are also being issued from the Customs Wing of CBR for this purpose.

8. The above instructions may please be conveyed to all zonal CITs for strict compliance."

Following is the text of CBR's Letter C. No. 1(38)WHT/94, February 1, 1997, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to Board's instructions issued from time to time on the above subject and to say that henceforth the condition of clearance of import consignments from the specified/nearest port may not be insisted upon. However, in order to effectively check the misuse of such exemption certificates. The following information/details may be obtained from the applicants as before:

(a) Installed reduction capacity and actual production of each item during the a/c year immediately preceding (e.g. 1995-96).

(b) Quantitative details of each imported item (L/C-wise).

  (i) During a/c year immediately preceding (e.g. 1995-96).

  (ii) During the current a/c period, todate.

  (iii) During the remaining period of current a/c year.

2. I am also directed to say that the following instructions issued from time to time may also be strictly followed:

(a) The exemption certificate should clearly indicate:–

  (i) Basis for grant of exemption/issuance of exemption certificate/ reduced rate certificate.

  (ii) Particulars of goods for which the certificate is valid.

  (iii) Period of validity of the exemption certificate/reduced rate certificate (Not exceeding six months in any case).

(b) Applications seeking exemption or reduction of rate of deduction u/s 50(5) must be disposed of within seven days of their receipt without exception. The applicants should be required to make up the deficiencies, if any, immediately upon receipt of their applications so that these can be disposed of within the seven days deadline.

(c) In order to ensure that no evasion of tax takes place through misuse of the exemption certificates, factory premises of such units shall be inspected at least once during the a/c period to ascertain, beside other things, the actual production of various items and consumption of tax exemption imports.

(d) The quantitative details specified under para 1(b) above shall be duly utilized at the time of assessment and discussed in detail in the main body of the assessment order. Irrespective of the fact whether it is a taxable or exempt unit.

(e) Details of all imports exempted u/s 50(5) by the customs authorities (whether on the basis of exemption certificates or otherwise) shall be obtained every month by the monitoring offices from ports/dry ports located in the region of the purposes of exercising effective control and cross-verification.

(f) RCITs shall continue to maintain a complete record of all such certificates issued in their respective regions for the periodical inspections.

3. The above instructions may please be brought to the notice of all officers concerned for strict, compliance."

Exemption for nearest port and specified quantities.– Following is an extract from CBR's Circular letter C.No. ITJI-I(S)/84.Pt.II, dated June 30, 1996, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Reference is invited to CBR letter C. No. 3(9)G-WHT/95 dated 4-12-1995 on the above subject (copy enclosed for ready reference).

I am directed to state that the requests for relaxation of the condition of clearance of imported material at the nearest port may not be considered henceforth and all such cases, including cases of edible oil import, wherein this facility has so far been granted may also be regretted with effect from 1st July, 1996.

Secondly, in all exemption certificates u/s 50(5) the names of imported material and quantities (upto which the certificate will be valid) must be mentioned in the certificate." [**Ref:***96 ITL 11 p. 8*]

Businessmen Hospital Trust, Lahore.– Notification No. SRO 840(I)/79, dated September 12, 1979 specifies this Trust to be a person to whom the provisions of Clauses (a) and (b) of Section 50(5) of the Income Tax Ordinance, 1979, shall not apply.

Exemption in case of industrial undertakings set up in tax holiday areas in the Country.– It was explained in CBR's Circular Letter C. No. 5(32)IT-6/78-VI, dated April 6, 1983 addressed to the President Chamber of C&I, Karachi that certificate from the Commissioner under Clause (iv) of SRO 658(I)/81, dated June 25, 1981 would have to be obtained for availing exemption.

Payment at Karachi for Industrial Importers of AJ&K.– Following is the text of CBR's Circular No. 13 of 1998 dated October 2, 1998, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Azad Jammu & Kashmir Council Secretariat has informed that the assessees of Azad Jammu & Kashmir who make imports through Karachi Port have to pay withholding tax under section 50(5) but they are not allowed credit of this withholding tax at the time of assessment by Azad Jammu & Kashmir Income Tax Authorities due to the reason that the tax collected under section 50(5) is not transferred to Azad Jammu & Kashmir Income Tax Authorities by Pakistan Income Tax Authorities.

2. Inameetingheld between the authorities of CBR and AJ&K Council Board of Revenueitwasdecidedthattheidealarrangementtoovercomethisproblemcouldbetohave a Dry Port in Azad Jammu & Kashmir. However, for the time being the amount equal to tax under section 50(5) should be deposited by the importers of Azad Kashmir in designatedbranches of National Bank of Pakistan in AJ&K which may be treated as proper and valid deposit of tax for the purpose of section 50(5) and on the strength of these challans of tax payment, Commissioner of Income Tax AJ&K should be empowered to issue a certificate to the effect that the amount due under section 50(5) has been paid by the importer of AJ&K into a National Bank Branch in AJ&K.

3. It has, therefore, been decided that Customs Authorities in Pakistan will honour the certificate issued by the Commissioner of Income Tax, Azad Jammu & Kashmir to the effect that the amount equivalent to tax under section 50(5) has been paid by the importer and such certificate is accompanied by a copy of challan of said tax."

Calculation of tax on imported goods.– Following is the text of CBR's Letter No. ITJI-1(8).Pt. dated 16th May, 1997, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to your letter No. CRA-III/Audit/Br. VIII/96-97 dated 25th February, 1997 and to say that advance tax under section 50(5) of the Income Tax Ordinance, 1979 has to be computed by the customs authorities on goods imported on the basis of the value of such goods as increased by the customs duty and sales tax, if any, 'levied' thereon.

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The word 'leviable' was substituted by the word 'levied' by Finance Act, 1995. Therefore, the position before 1-7-1995 was that value of goods were to be increased by customs duty and sales tax 'leviable'. However, with the substitution of the word 'levied' advance tax under section 50(5) shall be calculated on the value of goods imported as increased by the customs duty and sales tax actually 'levied'."

Re-import of goods produced in Pakistan.– Following is the text of CBR's Circular No. 14 of 1997 dated October 20, 1997, explaining the corresponding provisions of Income Tax Ordinance, 1979: –

"A number of exporters have represented against imposition of withholding tax under section 50(5) on re-import of those goods which were exported by them but were rejected by the foreign buyers or unsold consignments sent abroad for display/sale were brought back. Technically re-import of such goods cannot be termed to be the "imports" proper. It has, therefore, been decided that goods produced or manufactured in and exported from Pakistan qualifying for customs exemption under section 22 of The Customs Act, 1969 would not be liable to withholding tax under section 50(5) of the Income Tax Ordinance, 1979, at the time of their re-importation in Pakistan."

Reduced rate for manufacturers.– Following is an extract from CBR's Circular No. 7 of 1996, dated July 1, 1996, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Income tax is withheld on imported goods under section 50(5). This provision has been amended to provide for issuance of a certificate by the Regional Commissioner of Income Tax for deduction of tax at a reduced rate in respect of raw-material imported by a manufacturer exclusively for his own use. This reduction may be allowed by 50% of the applicable rate if the tax-payer requests for such a certificate and fulfills the following conditions:–

i) the aggregate of tax paid or collected under section 50(5) during that year equals the amount of tax paid by such assessee in the immediately preceding year; and

ii) the certificate is not issued during the first year of assessee's business." [**Ref:***96 ITC 7 p. 12*]

Following is an extract from CBR's Circular No. 10 of 1996 dated 16th July, 1996, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"On fulfillment of the required conditions such certificate shall be issued invariably. However, this concession will not be available during first year of business of an assessee.

The exemptions already available under this sub-section would continue. This is an additional concession to redress certain hardships.

Through the insertion of second proviso, exemption from advance collection of tax under sub-section (5) of section 50 of the Ordinance has been provided to such re-importers of re-usable containers as qualify for customs and sales tax exemption on their temporary import under Customs Notification SRO. 344(I)/95 dated April 25, 1995 on the terms and conditions, specified in the said Notification. In case of misuse of this exemption the re-importer will be treated as an assessee in default and the relevant provisions of the Ordinance, penal or otherwise, shall apply." [**Ref:***96 ITC 10 p. 25*]

Goods imported by residents of tribal areas.– Following is the text of Circular Letter C. No. 63(I)/IT-6/80, dated November 27, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The undersigned is directed to say that the importers residing in the areas where Income Tax Ordinance, 1979 is not applicable are liable to deduction at source under section 50(5) of the said Ordinance. However, in cases where the sale of such imported goods takes place in the area to which the Ordinance is not applicable refund will be claimed from the Income Tax Department for the tax paid at the import stage. In this connection following three situations can arise:–

(a) The importers belonging to the tribal areas may sell their Licences to the persons residing in the taxable territory.

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(b) The goods imported by the residents of the tribal areas may be sold in the taxable territory.

(c) The goods imported by the residents of the non-taxable territory namely tribal areas, etc, may sell imported goods in the non-taxable areas.

2. As regards situation mentioned at (a) and (b) above the profits will be taxable.

As regards the situation mentioned at (c) above the profits will not be chargeable to tax. Before accepting the position as at (c), it will be necessary to verify whether the goods have actually been sold in the tribal areas. In this connection at the time of scrutiny of refund claims of such persons due care will have to be taken. While examining such cases the following documents/informations in particular may be called for and examined:–

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Division III

Deduction of Tax at Source

149. Salary.– (1) Every [1][person responsible for] paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employee's average rate of tax computed at the rates specified in Division I of Part I of the First Schedule on the estimated income of the employee chargeable under the head "Salary" for the tax year in which the payment is made [2][including tax under section 4AB] after making [3][adjustment of tax withheld from employee under other heads and tax credit admissible under sections 61 [4][and 63] during the tax year after obtaining documentary evidence], as may be necessary, for [5][:]

[6][(i) tax withheld from the employee under this Ordinance during the tax year;

(ii) any excess deduction or deficiency arising out of any previous deduction; or

(iii) failure to make deduction during the year;]

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[1]Substituted for "employer" by Finance Act, 2013 dated June 29, 2013.

[2]Words inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

[3]Substituted for "such adjustment" by Finance Act, 2007 dated June 30, 2007.

[4]Substituted for ", 62, 63 and 64" by Finance Act, 2022 dated June 30, 2022.

[5]Colon inserted by Finance Act, 2007 dated June 30, 2007.

[6]Substituted for "any excess deduction or deficiency arising out of any previous deduction or failure to make a deduction during the year." by Finance Act, 2007 dated June 30, 2007.

(i) The nature of goods imported and sold in the tribal area. This fact is important because there is a large variety of goods which are not meant for consumption in such areas namely airconditioners, refrigerators, etc. etc. It is, therefore, necessary to bear in mind the nature and quantity of sale which has been made in tax free areas.

(ii) Scrutiny of truck receipts, railway documents to verify the destination of these goods after leaving Karachi, Lahore or other place where the goods entered Pakistan.

(iii) Octroi documents showing that goods had gone out of taxable territories."

Temporary imports of "ship stores".– Following is the text of CBR's Circular No. 8 of 1998 dated July 15, 1998, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Reference is invited to various representations on the subject cited above.

2. It has been decided that 'ship stores/equipment' kept in bonded ware-houses and then sold/re-exported for use on board the ships would not be liable to withholding tax under sub-section (5) of section 50 of the Income Tax Ordinance, 1979.

3. This decision would be effective from 1st July, 1998."

Reduced rate of tax for importer of gold and silver.– See clause (14) of Part IV to the Second Schedule.

Exemption to exporters, direct and indirect.– See clause (29) of Part IV to the Second Schedule.

Temporary import of goods.– See clause (30) of Part IV to the Second Schedule.

Please also see Misc. notes after 7th Schedule.

Please also see **section 165** and **Rules 40 to 66** of the Income Tax Rules, 2002. For **deduction, collection and accounting procedure** please see Circular No. 12 of 1996 dated August 28, 1996. ***[ref:** 96 ITC 12]*

Exemption Certificates to vegetable oil and ghee manufacturer.– Following is the text of CBR's Circular No. 16 of 1997 dated December 4, 1997, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

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[1][(1A) Notwithstanding the provisions of sub-section (1), any person responsible for paying pension to a former employee who is below the age of seventy years and deriving pension income during a tax year in which the payment exceeds rupees ten million, shall at the time of payment, deduct tax from the amount which is over and above rupees ten million at the rate provided in Division I of Part I of the First Schedule of the Ordinance, along with tax deducted under section 4AB after making adjustment of tax withheld from former employee under other heads and tax credit admissible under sections 61 and 63 of the Ordinance during the tax year after obtaining documentary evidence, as may be necessary, for–

(i) tax withheld from the former employee under this Ordinance during the tax year; or

(ii) any excess deduction or deficiency arising out of any previous deduction; or

(iii) failure to make deduction during the year.]

(2) The average rate of tax of an employee for a tax year for the purposes of sub-section (1) shall be computed in accordance with the following formula, namely: –

A/B

where –

A is the tax that would be payable if the amount referred to in component **B** of the formula were the employee's taxable income for that year [2][plus tax chargeable under section 4AB]; and

B is the employee's estimated income under the head "Salary" for that year.

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[1]Sub-section (1A) inserted by Finance Act, 2025 in force from July 1, 2025..
[2]Words inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

"Representations have been made to the Board by Vegetable Oil and Ghee Manufacturers who import raw material exclusively for their own use stating that payment of full tax liability of last year before availing exemption under section 50(5) of the Income Tax Ordinance, 1979 is a serious drain on their financial resources.

2. In order to provide relief in cases of hardship and in the interest of industrial revival it has been decided by the Board that Regional Commissioner of Income Tax may issue exemption certificates under section 50(5) to the vegetable oil and ghee manufacturers on the following basis:–

i) the exemption certificate may be valid for a quarter;

ii) proportionate quantity of the imported raw material shall be specified in the certificate on rated capacity basis; and

iii) exemption certificate shall be issued after collecting proportionate tax equal to the tax liability of the relevant period of the immediately preceding year."

See clause (28) of Part IV of the Second Schedule for exemption on imports by non-profit institutions or hospitals and educational and research institutions.

S. 149–Tax deduction from salary, adjustments by employer, changes explained.-Following are extracts from 'Notes on Clauses of the Finance Bill 2007':- **"**Seeks to authorize employers to adjust tax withheld from employees under other heads and also to give tax credit admissible on donations and investments in shares."

"Seeks to make an editorial correction."

"Seeks to make an editorial correction."

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[1][(3) Notwithstanding anything contained in sub-sections (1) and (2), every person responsible for making payment for directorship fee or fee for attending board meeting or such fee by whatever name called, shall at the time of payment, deduct tax at the rate of twenty percent of the gross amount payable.

(4) Tax deductible under sub-section (3) shall be adjustable.]

[1]Sub-sections (3) & (4) inserted by Finance Act, 2014 dated June 26, 2014.

S. 149.-Taxing the Pension Income.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [sections 12(2)(f), 39 and 149]

"The pension income is chargeable to tax either under section 12(2)(f) or section 39 of the Ordinance. Earlier pension received from a former employer was exempt under clauses (8) and sub-clause (i) of clause (9) of the Ordinance. Through Finance Act 2025, the clauses (8) and sub-clause (i) of clause (9) of the Ordinance have been omitted. Resultantly, pension from former employer is now chargeable to tax. As per section 12(2)(f) of the Ordinance pension received by a former employee is chargeable as final tax at the rate of 5% if it exceeds rupees ten million per annum and the recipient is less than 70 years old.

A recipient of pension shall not be chargeable to tax if he/she is older than seventy years of age or the amount of pension per annum is less than ten million rupees.

Pension of a person who continues to work for the said employer or its associate shall be chargeable at normal slab rates specified in Division I of Part I of the First Schedule of the Ordinance. The employer will continue to be responsible for withholding under section 149 and of collecting surcharge, if applicable under the provision of section 4AB, at the rate of 9%.

The private pension disbursed by Pension Fund Manager of voluntary Pension Scheme Rules 2005 and any other amount of pension not received from a former employer will continue to be charged to tax under section 39 of the Ordinance. Moreover, the commutation of pension, gratuity, fifty percent of the available balance in a pension account under certain specified conditions will continue to be exempt from tax under the relevant clauses of Part I of the Second Schedule of the ordinance."

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Commissioner's certificate for exemption or lower rate.– See section 159.

Salary, seafarers on board foreign ships.– Following is the text of CBR's Circular No. 18 of 2000, dated July 20, 2000, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The letter from Central Board of Revenue of even number dated 30th August, 1999 on the above subject addressed to the Regional Commissioner of Income Tax, Southern Region, Karachi, was misconstrued and misinterpreted by certain quarters.

2. For removal of all doubts it is hereby clarified that taxability of income chargeable under the head "salary" is subject to determination of residential status under provisions of section 2(40) read with section 12(1) of the Income Tax Ordinance, 1979. Salary received by Pakistani seamen in or outside Pakistan in lieu of work aboard the foreign flagships is not earned in Pakistan and will not be taxable if the conditions stipulated in section 2(40) read with section 11 of the said Ordinance are not fulfilled.

3. Since residential status of Pakistani seamen working aboard foreign flagships cannot be determined before the expiry of the income year, shipping agents are not required to withhold tax under section 50(1) on salary paid to such Pakistani seamen."

Following is the text of CBR's Circular letter C. No. 7(40)S. Asstt/99, dated August 30, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The undersigned is directed to refer to CIT Zone 'F', Karachi's report bearing No. JUD/CIT/ZF/1999-2000 dated 23.07.1999 and to state that salary of Pakistani seamen employed aboard foreign flagships constitutes income which accrues or arises in Pakistan. Foreign flagships are extensions of territories of the state whose flags they fly. Consequently, such income is not subject to tax withholding under section 50(1) of the Income Tax Ordinance, 1979. The notices issued to shipping agents asking them to withhold tax under section 50(1) may, therefore, be withdrawn. However, information about such seamen may be obtained and communicated to the concerned circles in order to enable them to make proper assessments in the event such seamen are found to be 'resident' in Pakistan, during the relevant year, under the Income Tax Ordinance."

The earlier instructions giving an opposite interpretation were vide Letter of even number dated November 23, 1994.

Salaries in tribal areas.– See notes to section 12(1) for non-deduction of tax from salaries paid by banks to employees of their branches in Tribal Areas.

Quarterly payment of tax deducted.– Please see Rule 51A of the Income Tax Rules, 2002.

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150. Dividends.– Every [1][person] paying a dividend shall deduct tax from the gross amount of the dividend paid [2][or collect tax from the amount of dividend in specie] at the rate specified in [3][Division I of Part III] of the First Schedule.

[1]Substituted for "resident company" by Finance Act, 2009 dated June 30, 2009.

[2]Words inserted by Finance Act, 2021 dated June 30, 2021. Earlier commas and words ", or collect tax from the shareholder in the case of bonus shares," omitted by Finance Ordinance, 2002 dated June 15, 2002.

[3]Substituted for "Division III of Part I" by Finance Act, 2014 dated June 26, 2014.

S. 150.–Withholding tax on dividend.-Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"After amendments in Division I of Part III of the First Schedule, there are now two withholding tax rates on payments of dividends 7.5% and 15% for persons whose names are appearing on the active taxpayers' list. It is 7.5% if the dividend is paid by IPPs where the dividend is a pass through item under an Implementation Agreement or Energy and which is required to re-imbursed by the CPPA-G or the CPPA-G's successor or predecessor. Withholding tax rate is 15% for other dividends."

S. 150-Tax deduction by Non-resident Companies from Dividends.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Previously only resident companies were required to deduct tax at the time of making payment of dividends. By virtue of amendment in section 150, now a non-resident company will also be required to deduct tax from the gross amount of dividend paid, since remittance of after-tax profits of a branch of a non-resident company is also treated as dividend."

S. 150–Deduction of tax from dividend, gross or net.– Following is the text of Joint Secretary KSE (Guarantee) Ltd. No. RSE/ dated January 12, 1998, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"This has reference to the deduction of tax on dividend income in accordance with sub-section 6A of section 50 of the Income Tax Ordinance, 1979.

The Karachi Stock Exchange had taken up the matter with CBR for deduction of withholding tax on dividend income on the balance amount i.e., after deduction of zakat and not on gross amount. The CBR had instructed the Regional Commissioners of Income Tax accordingly. However, some companies still continue to deduct tax on gross dividend.

In this respect, we are enclosing herewith a clarification from the Regional Commissioner of Income Tax in reply to a representation made by M/s. Matiari Sugar Mills Ltd. The clarification issued by the Regional Commissioner of Income Tax indicates that withholding tax on dividend income should be levied on the balance amount, which remained after deduction of zakat. Photocopies of the representation made by the company vide letter dated March 3, 1997 and the clarification issued by the Regional Commissioner of Income Tax, Corporate Region, Karachi, vide letter dated March 19, 1997 is enclosed herewith for information.

In view of the above all the listed companies are advised to deduct withholding tax on dividend income on the balance amount after deduction of zakat."

This letter was based on clarification issued by the Regional Commissioner of Income Tax, Corporate Region Karachi, vide letter No. RCCR/JI/26/1997/ 2147, dated 19-3-1997, which was later on withdrawn/rescinded. The RCIT vide letter No. RCCR/J-I/26/1997-98/838, dated 10-11-97 opined as under:–

"The Central Board of Revenue has vide an advertisement dated 4-7-1991, clarified that tax is to be deducted from gross amount of dividend before deduction of Zakat. Photo-copy of the advertisement is enclosed. Somewhat, similar directions were issued vide a booklet containing directions for deductions u/s 50 in July, 1995. Photo-copy of the relevant page is enclosed. In view of the clear cut directions of the higher authority (CBR) on the subject the clarification issued by this office may be considered withdrawn/ rescinded. You are directed to deduct tax from dividend in the light of CBR's clarification."

This rendered the letter of Joint Secretary KSE dated 12-1-1998 ineffective, though it is interesting to note that he issued it after the RCIT rescinded its earlier letter. For further discussion see comments at *97 ITL 21.*

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[1][ ]

151. Profit on debt.– (1) Where–

[1a][(a) a person pays yield on an account, deposit or a certificate under the National Savings Scheme or Post Office Savings Account;]

(b) a banking company [2][or] financial institution pays any profit on a debt, being an account or deposit maintained with the company or institution; [3][ ]

[4][(c) the Federal Government, a Provincial Government or a [5][Local Government] pays to any person [6][ ] profit on any security [7][other than that referred to in clause (a)] issued by such Government or authority; or]

[8][(d) a banking company, a financial institution, a company referred to in [9][sub-clauses (i) and (ii) of clause (b)] of sub-section (2) of section 80, or finance [*]societies pays any profit on any bond, certificate, debenture, security or instrument of any kind (other than a loan agreement between a borrower and a banking company or a development finance institution) to any person other than financial institution,]

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[1]S. 150A omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Amendment) Ordinance, 2016 dated August 31, 2016, effective 01-07-16.

[1a]Clause (a) substituted by Finance Act, 2003 dated June 17, 2003.

[2]Substituted for "and" by Finance Act, 2003 dated June 17, 2003.

[3]Word "or" omitted by Finance Ordinance, 2002 dated June 15, 2002.

[4]Clause (c) substituted by Finance Ordinance, 2002 dated June 15, 2002.

[5]Substituted for "local authority" by Finance Act, 2008 dated June 27, 2008.

[6]Commas and words ", other than a financial institution," omitted by Finance Act, 2003 dated June 17, 2003.

[7]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.

[9]Clause (d) inserted by Finance Ordinance, 2002 dated June 15, 2002.

[9]Substituted for "clauses (a) and (b)" by Finance Act, 2003 dated June 17, 2003.

S. 150A.–Return on investment in Sukuks.- Before omission by Finance Act, 2021 it read as follows:-

"150A. [1][**Return on investment in Sukuks**].–Every special purpose vehicle [2][, or a company, at the time of] making payment of a return on investment in sukuks to a sukuk holder shall deduct tax from the gross amount of return on investment at the rate specified in Division IB of Part III of the First Schedule.]

[1]Substituted for "Deduction of tax by special purpose vehicle" by Finance Act, 2017 dated June 20, 2017.

[2]Words inserted by Finance Act, 2017 dated June 20, 2017.

S. 151.–Withholding tax on profit on debt.-Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Persons mentioned in clauses (a) to (d) of sub-section (1) of section 151 are required to deduct tax at the time of payment of profit on debt. The rate of tax was 10% to be deducted at the time the gross amount of the profit is paid to the recipient. Through the Finance Act, 2019, the rate of tax has been increased from 10% to 15%. Hence, from 01 July, 2019, the payers of profit mentioned in sub-section (1) of section 151 are required to deduct tax @ 15% of the gross amount of yield or profit at the time of payment of profit. However, the rate of tax shall be deducted at 10% in cases where yield or profit paid is Rs.500,000 or less in a tax year."

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the payer of the profit shall deduct tax at the rate specified in Division [1][IA] of Part III of the First Schedule from the gross amount of the yield or profit paid as reduced by the amount of Zakat, if any, paid by the recipient under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), at the time the profit is paid to the recipient.

[2][(1A) Every special purpose vehicle or a company, at the time of making payment of a return on investment in sukuks to a sukuk holder shall deduct tax from the gross amount of return on investment at the rate specified in Division IB of Part III of the First Schedule.]

(2) This section shall not apply to any profit on debt that is subject to sub-section (2) of section 152.

[3][(3) Tax deductible under this section shall be a [4][minimum] tax on the profit on debt arising to a taxpayer, except where-

(a) taxpayer is a company; or

(b) profit on debt is taxable under section 7B.]

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[1]Substituted for "I" by Finance Act, 2014 dated June 26, 2014.

[2]Sub-section (1A) inserted by Finance Act, 2021 dated June 30, 2021.

[3]Sub-Section (3) substituted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by Finance Act, 2006 dated July 01, 2006.

[4]Substituted for "final" by Finance Act, 2019 dated June 30, 2019.

S.151(3)-Substitution.– Before substitution by F. Act, 2015, it read as follows:-

"(3) Tax [1][deductible] under this section shall be a final tax on the profit on debt arising to a taxpayer other than a company [2]*[*[3]*[:]]*]

[4][Provided that in the case of a non-filer other than a company the final tax shall be equal to the tax deductible in the case of filer and the tax deducted in excess of that shall be advance income tax adjustable against tax liability.]"

[1]Substituted for "deducted" by Finance Act, 2012 dated June 26, 2012.

[2]Words etc. "from transactions referred to in clauses (a), (b) and (d) of sub-section (1)" omitted by Finance Act, 2011 dated June 30, 2011.

[3]Substituted for full stop by Finance Act, 2014 dated June 26, 2014.

[4]Proviso inserted by Finance Act, 2014 dated June 26, 2014.

Commissioner's certificate for exemption or lower rate.– See section 159.

S. 151(1)(c)–Certificate of exemption from withholding tax on profit on government securities.– Following is an extract from CBR's Circular No. 7 of 2003 dated July 11, 2003:–

"Under the repealed Ordinance 1979, recipients of profit on investment in securities issued by the Federal Government, Provincial Government or a local authority was subjected to withholding tax @ 20% of the amount of profit on debt. Income Tax Ordinance 2001 excluded "financial institutions" for the withholding provision. It being anomalous, amendment has been made in section 151(1)(c) to omit the words "other than financial institutions." Now all recipients of aforesaid profit are liable to withholding tax. However, a taxpayer whose income is not likely to be chargeable to tax under the Ordinance may obtain a certificate of exemption from the Commissioner who has been so empowered by inserting sub-section (1A) to section 159 of Income Tax Ordinance, 2001."

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[1][**151A. Gain arising on disposal of certain debt securities**.- (1) Every custodian of debt securities including a banking company responsible to maintain Investor Portfolio Securities (IPS) Account on behalf of holder of a debt security shall at the time of disposal of debt securities including government securities deduct tax at the rate specified in Division IIIAA of Part III of the First Schedule on the gross amount of capital gain arising to such holder and deposit the same in government treasury:

Provided that this section shall not apply on disposal of debt securities made through registered stock exchange and which are settled through NCCPL.

(2) The capital gain arising to the holder on disposal of debt security mentioned in sub-section (1) shall be computed in accordance with the formula provided in sub-section (1A) of section 37A of the Ordinance.]

[1]S. 151A inserted by Finance Act, 2025 in force from July 1, 2025.

Exemption to Ismaili Co-op. Societies.– Following is the text of CBR's Letter C. No. 1(19)W.H.Tax/91 dated February 3, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to clarify that all Ismaili Cooperative Societies of Pakistan which are the members of the Federation of Ismaili Cooperative Societies Ltd. may not withhold tax under sub-section (2A) of section 50 of the Income Tax Ordinance, 1979 on interest income from interlending and inter-society deposits or accounts."

Note: "The Honourable Lahore High Court in a recent decision (1997) 75 Tax 1 (H.C. Lah) held that Section 50(2B) applies only to those instruments by virtue of which transfer or money takes place from one person to another and not the transaction involving no such transfer."

S. 151A.-Gain arising on disposal of certain debt securities.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [section 151A]

"The debt securities sold at a bank's counters give rise capital gains, but there has been no mechanism of withholding tax on such gains and in many reported instances the gain was being declared by the sellers in their tax returns. To prevent the revenue loss and capture the tax base on account of capital gains arisin8 to the seller of debt security sold over the bank counter, all custodian of the debt securities including banking companies holding any investment portfolio through Investor Portfolio Securities (IPS) account have been declared as withholding agent to collect advance tax on account of income arising from capital gains at the rate of 15% at the time of disposal of securities and deposit the same in to government treasury. The capital gain arising to the seller of debt securities will be computed as differential of the cost of acquisition and the price at which the debt securities have been disposed of."

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[1][**151B. Certain payments by life insurance companies and takaful operators**.- (1) Every life insurance company, including a family takaful operator or a window takaful operator, making any payout, benefit, surrender value, maturity proceeds or similar payment to an individual under a life insurance policy, family takaful certificate, plan or arrangement shall, at the time of making such payment, deduct tax at the rate specified in Division IC of Part III of the First Schedule.

(2) For the purposes of sub-section (1), the amount liable to tax deduction shall be the gross amount of payout or benefit reduced by the aggregate amount of premiums or contributions paid by the policyholder or participant.

(3) The provisions of sub-section (1) shall not apply where the payout or benefit-

(a) is made on account of death of the insured or participant;

(b) is made on account of disability of the insured or participant; or

(c) is made after completion of four years from the date of issuance of the policy, certificate or plan.

(4) Tax deducted under this section shall be treated as final tax on the income arising from such payout or benefit.]

152. Payments to non-residents.– (1) Every person paying an amount of [2][royalty] or fees for technical services to a non-resident person that is chargeable to tax under section 6 shall deduct tax from the gross amount paid at the rate specified in Division IV of Part I of the First Schedule.

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[1]S. 151B inserted by Finance Act, 2026 dated June 26, 2026.
[2]Substituted for "royalties" by Finance Ordinance, 2002 dated June 15, 2002.

S. 151B.- Tax on Certain Payments by Life Insurance Business [Sections 7G, 151B and Division IC of Part III of the First Schedule]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A corresponding new section 151B requires every life insurance company, including a family takaful operator or window takaful operator, to deduct tax at the rate specified in Division IC at the time of making such payment; the tax so deducted is treated as final tax. The rates specified in Division IC are as under:-

S. No.	Description	Rate of Tax
1.	Where payout or benefit is made within one year from the date of issuance of the life insurance policy, family takaful certificate or plan	15%
2.	Where payout or benefit is made after one year but before completion of four years from the date of issuance of the life insurance policy, family takafut certificate or plan	10%

S. 152– Minimum tax on certain payments to non-residents.– Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:–

"Prior to the Finance Act, 2019, tax deductible under sub-section (1A) of section 152 on payment to a non-resident on execution of contracts mentioned in clauses (a), (b) & (c) was final tax if the non-resident opted for the final tax regime. Through the Finance Act, 2019, tax deductible under sub-section (1A) has been made minimum tax. Similarly, tax deductible under sub-section (1AA) of section 152 on payment to a non-resident for insurance premium or re-insurance premium was final tax. The same has now been made minimum tax."

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[1][(1A) Every person making a payment in full or part (including a payment by way of advance) to a non-resident person on the execution of–

(a) a contract or sub-contract under a construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project; or

(b) any other contract for construction or services rendered relating thereto; or

(c) a contract for advertisement services rendered by T.V. Satellite Channels,

shall deduct tax from the gross amount payable under the contract at the rate specified in Division II of Part III of the First Schedule.

[2][(1AA) Every person making a payment of insurance premium or re-insurance premium to a non-resident person shall deduct tax from the gross amount paid at the rate specified in Division II of Part III of the First Schedule;]

[1]Sub-sections "(1A) and (1B) inserted by Finance Act, 2006 July 01, 2006.
[2]Sub-sections (1AA) and (1BB) inserted by Finance Act, 2008 dated June 27, 2008.

Sub-sections (1B), (1BB) and (1BBB).- Before substitution by F. Act, 2021 it read as follows:-

"(1B) The tax [1][deductible] under sub-section (1A) shall be a [2][minimum] tax on the income of a non-resident person arising from a contract [3]*[.]*]

[4][ ]

[5][(1BB) The tax [1][deductible] under sub-section (1AA) shall be a [2][minimum] tax on the income of the non-resident person arising out of such payment.]

[6][(1BBB) The tax deductible under sub-section (1AAA) shall be minimum tax on the income of non-resident person arising out of such payment.]"

[1]Substituted for "deducted" by Finance Act, 2012 dated June 26, 2012.
[2]Substituted for "final" by Finance Act, 2019 dated June 30, 2019.
[3]Substituted for colon by Finance Act, 2019 dated June 30, 2019. Earlier it was substituted for full stop by Finance Act, 2017 dated June 20, 2017.
[4]Sub-section (1BB) inserted by Finance Act, 2008 dated June 27, 2008.
[5]Proviso omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2017 dated June 20, 2017.
[6]Sub-section (1BBB) inserted by Finance Act, 2020 dated June 30, 2020.

Sub-section (1B)Proviso-Omission.- Before omission by F. Act, 2019 it read as follows:-

"Provided that the provisions of this subsection shall not apply in respect of a non-resident person unless he opts for the final tax regime."

S. 152(1AA)–Insurance Premiums Paid to Overseas Companies.– Following is an extract from FBR's Circular letter No. 5 of 2008 dated July 05, 2008:–

"Reinsurance premium paid to overseas companies was Rs.10.157 billion in the year 2007. Premium of life and goods insurance from Pakistan is being remitted to overseas insurance companies operating from abroad but this part of their Pakistan source income is not subjected to tax. Commission paid to non insurance companies is, however, subjected to withholding tax.

16.2 After this amendment, insurance and reinsurance premium paid to overseas insurance companies would now be subjected to 5% withholding tax at the time of remittance by invoking provision of sub-section (1AA) of section 152 of the Ordinance. The Fourth Schedule and section 169 of the Ordinance have accordingly been amended, to make this charge a final tax."

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[1][(1AAA) Every person making a payment for advertisement services to a non-resident media person relaying from outside Pakistan shall deduct tax from the gross amount paid at the rate specified in [2][Division II] of Part III of the First Schedule.]

[3][(1B) The tax deductible under sub-sections (1A), (1AA) and (1AAA) shall be a minimum tax on the income of the non-resident persons in respect of payments mentioned therein.

(1BA) Every person responsible for making payment directly or through an agent or intermediary to a non-resident person for foreign produced commercial for advertisement on any television channel or any other media, shall deduct tax at the rate of twenty percent from the gross amount paid. The tax deductible under this sub-section shall be final tax on the income of nonresident person arising out of such payment.]

[4][(1C) Every banking company or a financial institution remitting outside Pakistan an amount of fee for offshore digital services, chargeable to tax under section 6, to a non-resident person on behalf of any resident or a permanent establishment of a nonresident in Pakistan shall deduct tax from the gross amount paid at the rate specified in Division IV of Part I of the First Schedule [5]*[:]*]

[5][Provided that the banking company and financial institution shall not deduct the tax under this sub-section where the recipient is also liable to Digital Presence Proceeds Levy and same has been collected.]

[6][(1D) Every banking company or a financial institution maintaining [7][, for a period not less than six months,] special convertible rupee account (SCRA) of a non-resident company having no permanent establishment in Pakistan shall deduct tax from capital gain arising on the disposal of debt instruments and Government securities including treasury bills and Pakistan investment bonds invested through SCRA at the rate specified in Division II of Part III of the First Schedule [8]*[:]*]

[8][Provided that in case of holding period of debt instruments and Government securities including treasury bills and Pakistan investment bonds is less than six months, the capital gain arising on the disposal of such securities to the non-resident person shall be taxed at the rates provided in paragraph (2) of Division II of Part III of the First Schedule of the Ordinance.]

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[1]Sub-section (1AAA) inserted by Finance Act, 2012 dated June 26, 2012.
[2]Substituted for "Division IIIA" by Finance Act, 2017 dated June 20, 2017.
[3]Sub-sections (1B), (1BB) and (1BBB) substituted by Finance Act, 2021 dated June 30, 2021.
[4]Sub-section (1C) inserted by Finance Act, 2018 dated May 23, 2018.
[5]Colon substitution for full stop and proviso inserted by Finance Act, 2025 in force from July 1, 2025.
[6]Sub-section (1D) inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier same was inserted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.
[7]Comma and words inserted by Finance Act, 2025 in force from July 1, 2025.
[8]Colon substitution for full stop and proviso inserted by Finance Act, 2025 in force from July 1, 2025.

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[1][(1DA) Every banking company maintaining a Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA), or Non-Resident Rupee Business Value Account (NRBVA) shall deduct tax from capital gain arising on the disposal of debt instruments and Government securities and certificates (including Shariah compliant variant) invested through aforesaid accounts at the rate specified in Division II of Part III of the First Schedule.]

[1][(1DB) Every special purpose vehicle or a company, at the time of making payment of a return on investment in sukuks to a non-resident sukuk holder shall deduct tax from the gross amount of return on investment at the rate specified in Division IB of Part III of the First Schedule.]

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[1]Sub-section (1DA) substituted by Finance Act, 2026 dated June 26, 2026. Earlier sub-sections (1DA) & (1DB) inserted by Finance Act, 2021 dated June 30, 2021 and sub-section (1DA) was inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

S. 152(1DA).-Substitution.- Before substitution by F. Act, 2026, it read as follows:-

"(1DA) Every banking company maintaining a Foreign Currency Value Account (FCVA) or a non-resident Pakistani Rupee Value Account (NRVA) of a nonresident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) shall deduct tax from capital gain arising on the disposal of debt instruments and government securities and certificates (including Shariah compliant variant) invested through aforesaid accounts at the rate specified in Division II of Part III of the First Schedule."

S. 152(1DA).- Capital Gains - Computation and Withholding [Sections 100B and 152(1DA)]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Sub-section (1DA) of section 152 has been substituted. Now every banking company maintaining a Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA) or Non-Resident Rupee Business Value Account (NRBVA) is required to deduct tar from capital gain arising on the disposal of debt instruments, Government securities and certificates (including their Shariah-compliant variants) invested though such accounts, at the rate specified in Division II of Part III of the First Schedule."

S. 152(1D).-Tax Rate Differential on capital Gains for Non-resident Persons.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [section 152(1D)]

"Prior to enactment of Finance Act, 2025, the capital gain arising to non-resident person having no permanent establishment in Pakistan invested through Special Convertible Rupee Account (SCRA) on debt securities of the Federal Government was charge to tax at the rate of 10% without any holding period. Now the tax rate of 10% will apply on capital gains on disposal of debt securities which have been held for a period of more than six months. In case of early disposal within specified period of six months, tax rate of 20% will apply on capital gains arising from such disposal."

Ss. 152, 153.-Increase in Withholding Tax Rates on Services.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [sections 152, 153]

"Withholding tax rates on non-categorized services u/s 153 applicable prior to Finance Act, 2025 were applied at the rate 9% and 11% for company and other than companies respectively. The rate of withholding for Sports Person was 10%. Similarly, under section 152 and 153 of the Ordinance categorized services were chargeable to withholding tax at the rate of 4%. Through Finance Act, 2025 the withholding tax rate for unspecified services as well as for sports person will be charged at the flat rate of 15%. However, for specified services mentioned under section 152 the withholding tax rate have been increased from 4%o to 8%; and the rate under section 153 is increased from 4% to 6% excluding IT and IT enabled services which will continue to be subject to withholding tax rate of 4%.

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[1][(1DC) Every exchange company licensed by the State Bank of Pakistan shall deduct tax at the time of making payment of service charges or commission or fee, by whatever name called, to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfers or cross-border remittances for facilitating outward remittances, at the rates given in Division IV, Part I of the First Schedule:

Provided that where such person retains service charges or commission or fee, by whatever name called from the amount payable to the exchange company on any account, the exchange company shall be deemed to have paid the service charges or commission or fee, by whatever name called and the exchange company shall collect the tax accordingly.]

[1][(1DD) Every banking company while making payment to card network company or payment gateway or any other person, of any transaction fee or licensing fee or service charges or commission or fee by whatever name called or interbank financial telecommunication services, shall deduct tax at the rates given in Division IV, Part I of the First Schedule:

Provided that where card network company or payment gateway or any other person retains money in relation to aforementioned services from the amount payable to the banking company on any account, the banking company shall be deemed to have paid the amount and the banking company shall collect the tax accordingly.]

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[1]Sub-sections (1DC) & (1DD) inserted by Finance Act, 2022 dated June 30, 2022.

S.152(1E)-Substitution.-Before substitution it read as follows:-

"(1E) The tax deductible under [1][sub-section (1D) and (1DA)] shall be a final tax [2]/in respect of persons and income mentioned therein/."

[1]Substituted for "sub-section (1D)" by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

[2]Substituted for "on the income of the non-resident company arising out of such capital gain" Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

S. 152-Taxation of Certain Payments to Non-Resident.- Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"Two new sub-sections (1DC) and (1DD) have been inserted in section 152 of the Ordinance. Under sub-section (DC), service charges/commission/fee, by whatever name called, paid by an exchange company licensed by the State Bank of Pakistan to a non-resident person has been brought under the tax net. Now these exchange companies have been made liable to deduct tax at the time of making payment of service charges or commission or fee to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfers or cross-border remittances for facilitating outward remittances.

Similarly, under sub-section (1DD), every banking company has been made liable to deduct tax at the time of making payment to card network company or payment gateway or any other person, on any transaction fee or licensing fee or service charges or commission or fee by whatever name called or interbank financial telecommunication services.

This final tax on the income of non-resident person and rates have been provided in Division IV of Part I of First Schedule. Corresponding changes in this regard have been made in sections 6 and 8 of the Ordinance."

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[1][(1E) The tax deductible under sub-sections (1D), (1DA) [2][(IDB), (1DC) and (IDD)] shall be a final tax in respect of persons and income mentioned therein.]

(2) Subject to sub-section (3), every person paying an amount to a non-resident person (other than an amount to which sub-section (1) [3][or sub-section (1A) [4]*[*,(1AA)*]* [5]*[*, (1AAA) [6]*[*1C*]* or (2A)*]*] applies) shall deduct tax from the gross amount paid at the rate specified in Division II of Part III of the First Schedule.

[7][(2A) Every prescribed person making a payment in full or part including a payment by way of advance to a permanent establishment in Pakistan of a non-resident person-

[8][(a)] for the sale of goods [9][except where the sale is made by the importer of the goods and tax under section 148 in respect of such goods has been paid and the goods are sold in the same condition as they were when imported];

[8][(b)] for the rendering of or providing services; and

[8][(c)] on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing services, shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division II of Part III of the First Schedule.]

[10][(2AA) Sub-section (1AA) shall not apply to an amount, with the written approval of the Commissioner, that is taxable to a permanent establishment in Pakistan of the non-resident person.]

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[1]Sub-section (1E) substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020, same was inserted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.
[2]Substituted for "and (1DB)" by Finance Act, 2022 dated June 30, 2022.
[3]Words etc inserted by Finance Act, 2016 dated June 24, 2016.
[4]Words etc. inserted by Finance Act, 2007 dated June 30, 2007.
[5]Inserted by Finance Act, 2012 dated June 26, 2012.
[6]Words inserted by Finance Act, 2019 dated June 30, 2019.
[7]Sub-sections (2A) & (2AA) inserted by Finance Act, 2012 dated June 26, 2012.
[8]Renumbered for "(i), (ii), (iii)" by Finance Act, 2017 dated June 20, 2017.
[9]Words etc inserted by Finance Act, 2016 dated June 24, 2016.
[10]Sub-sections (2A) & (2AA) inserted by Finance Act, 2012 dated June 26, 2012.

Sub-section (2B)-Substitution.- Before substitution by F. Act, 2020, it read as follows:-

"(2B) The tax deductible under clause (b) of sub-section (2A) shall be a minimum tax and the provisions of sub-clauses (i), (ii) and (iii) of clause (b) of sub-section (3) [1][ ] of section 153 shall *mutatis mutandis* apply."

[1]Words "and sub-section (4A)" omitted by Finance Act, 2019 dated June 30, 2019.

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[1][(2B) The tax deductible under sub-section (2A) shall be minimum tax:

Provided that tax deductible under clause (a) of sub-section (2A) shall not be minimum tax where payments are received for sale of goods by a company being a manufacturer of such goods.]

(3) Sub-section (2) does not apply to an amount–

(a) that is subject to deduction of tax under section 149, 150, [2][ ] [3][ ] 156 [4][or 233];

(b) with the written approval of the Commissioner, that is taxable to a permanent establishment in Pakistan of the non-resident person;

(c) that is payable by a person who is liable to pay tax on the amount as representative of the non-resident person under sub-section (3) of section 172; or

(d) where the non-resident person is not chargeable to tax in respect of the amount.

(4) Where a person claims to be a representative of a non-resident person for the purposes of clause (c) of sub-section (3), the person shall file a declaration to that effect with the Commissioner prior to making any payment to the non-resident person.

[1]Sub-section (2B) substituted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finance Act, 2018 dated May 23, 2018.
[2]Figure and comma "153," omitted by Finance Act, 2012 dated June 26, 2012.
[3]Figure "155," omitted by Finance Act, 2013 dated June 2013. Earlier comma was inserted by Finance Act, 2010 dated June 30, 2010.
[4]Comma substituted for "or" and "or 233" inserted by Finance Act, 2006 dated July 01, 2006.

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[1][(4A) The Commissioner may, on application made [2][in the prescribed form] by the recipient of payment referred to in sub-section (1A) having permanent establishment in Pakistan, or by a recipient of payment referred to in sub-section (2A), as the case may be, and after making such inquiry as the Commissioner thinks fit, allow by order in writing, in cases where the tax deductable under sub-section (1) or sub-section (2A) is [3][not minimum tax], any person to make the payment [4][after deduction of tax at a reduced rate but such reduction shall not exceed eighty percent of the rate specified in the said Division].]

[5][(4B) The Commissioner may, in case of payment that constitutes part of an overall arrangement of a cohesive business operation as referred to in paragraph (ii) of sub-clause (g) of clause (41) of section 2, on application made by the person making payment and after making such inquiry, as the Commissioner thinks fit, allow by order in writing, the person to make payment after deduction of tax equal to [6][twenty] percent of the tax chargeable on such payment under sub-section (1A):

Provided that the credit of the tax so deducted shall be available to the permanent establishment of the non-resident accounting for overall profits arising on the overall cohesive business operation.]

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[1]Sub-section (4A) substituted by Finance Act, 2017 dated June 20, 2017. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.

[2]Inserted by Finance Act, 2020 dated June 30, 2020.

[3]Substituted for "adjustable" by Finance Act, 2019 dated June 30, 2019.

[4]Substituted for "without deduction of tax or deduction of tax at a reduced rate" by Finance Act, 2024 w.e.f. 1 July, 2024.

[5]Sub-section (4B) inserted by Finance Act, 2019 dated June 30, 2019.

[6]Substituted for "thirty" by Finance Act, 2020 dated June 30, 2020.

S. 152(4A)-Substitution.- Before substitution by F. Act, 2017, it read as follows:-

"(4A) The Commissioner may, on application made by the recipient of a payment referred to in sub-section (2A) and after making such inquiry as the Commissioner thinks fit, may allow in cases where the tax deductable under sub-section (2A) is adjustable, by order in writing, any person to make the payment, without deduction of tax or deduction of tax at a reduced rate."

Non-residents have also been excluded from the purview of section 50(3) in respect of payments made to them under the following heads:–

i) Commission or brokerage; and

ii) Public auction of property.

Therefore, now the tax will be withheld from non-residents under the respective provisions like residents i.e. as required under sub-section (4A) and (7A) of section 50."

S. 152.-Payments to Non-Residents. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Under sub-section (4A) of Section 152, the Commissioner, on application by a recipient of payment referred to in sub-section (1A) of section 152 having P.E in Pakistan or by a recipient of payment referred to in sub-section (2A), where tax deductible is not minimum, could allow any person to make payment without deduction of tax or with deduction of tax at a reduced rate. After amendment made through the Finance Act, 2024, the Commissioner cannot issue a 100% exemption certificate and can only issue a reduced rate certificate but such reduction shall not exceed 80% of the rate specified in Division II of Part III of the First Schedule."

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Commissioner's certificate for exemption or lower rate.– See section 159.**Withholding Tax on payments to non-residents.–** Following is an extract from CBR's Circular No. 6 of 2003 dated July 9, 2003:–

"A person, who intends to make payment to a non-resident person without deduction of tax, is required under sub-section (5) of section 152 to furnish a notice to the Commissioner before making the payment. However, law was silent on the responsibility of Commissioner to respond to such notice. In order to resolve this, a new sub-section (5A) has been inserted in section 152 making it obligatory on the Commissioner to respond to such notice either, accepting payer's contention or pass an order under sub-section (6) sking the payer to deduct tax from the payment to a non-resident."

(a) Payments to branches of non-resident insurance companies; (b) obligation to furnish declaration by agents of non-residents; and (c) furnishing of information about payments to non-residents etc.– Following is an extract from CBR's Circular No. 8 of 1999, dated July 27, 1999, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"i. The second proviso to sub-section (3) of section 50 has been amended to exclude payments to branches of non-resident insurance companies, like non-resident banking companies, from the purview of tax withholding under this clause.

ii. The new provisions added to the law provide that where a person claims to be an agent of a non-resident, he must file a declaration to that effect, with the concerned Deputy Commissioner of Income Tax, before making any payment to such non-resident. Similarly, new provisions also provide that where a person does not intend to deduct tax from any payment falling within the ambit of sub-section (3), to a non-resident except payment on account of imports of goods or remittances on account of educational and medical expenses in accordance with the State Bank's regulations, he must furnish particulars of such non-resident and the nature and quantum of such payments to the concerned Deputy Commission of Income Tax.

iii. The new provisions further provide that where a person notifies that he does not intend to deduct tax from a non-resident but the Deputy Commissioner has reason to believe that the payment is chargeable to tax under the Ordinance, he may direct such person to deduct tax from such payment at the rates specified in the First Schedule or such lower rate as he may specify by a written order."

Payments made to branches of non-resident companies.– Following is an extract from CBR's Circular No. 11 of 1998 dated July 25, 1998, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"As a result of amendment of second proviso to sub-section (3) of section 50, the exemption from withholding tax under the said sub-section, in respect of branches of non-resident companies, would now be available only to branches of non-resident banking companies. Other non-resident companies may, as provided in the law, obtain certificate of exemption or deduction at a reduced rate from the concerned Deputy Commissioner of Income Tax." [**Ref:** *98 ITC 11 p. 13*]

Deduction from payments to non-resident banks.– Following is an extract from CBR's Circular No. 4 of 1995 dated July 9, 1995, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Non-resident foreign companies operating in Pakistan are subjected to withholding tax under section 50(3) when they receive various types of income/receipts. This provision was found to be burdensome for branches of non-residents operating in Pakistan. Exception was, therefore, provided in section 50(3) in respect of interest paid to Pakistani branches of non-resident banking companies. This treatment has now been extended to all payments made to Pakistani branches of non-resident companies. The proviso to section 50(3) has been suitably modified to incorporate this change.

In 1987 before the amendment regarding bank interest, disallowances for the first time were made on account of non-deduction of tax from interest/return on finance to Pakistani branches of foreign banks, such disallowances were, however, held by some Commissioners of Income Tax (Appeals) as against the provisions of the Ordinance. [**Ref:** *95 ITC 4 p. 3*]

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(5) Where a person intends to make a payment to a non-resident person without deduction of tax under this section, [6][other than payments liable to reduced rate under relevant agreement for avoidance of double taxation,] the person shall, before making the payment, furnish to the Commissioner a notice in writing setting out–

(a) the name and address of the non-resident person; [1][ ]

(b) the nature and amount of the payment [2][; and]

[2][(c) such other particulars as may be prescribed.]

[3][(5A) The Commissioner on receipt of notice shall [4][, within thirty days,] pass an order accepting the contention or making the order under sub-section (6) [5][:]]

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[1]Inserted by Finance Act, 2008 dated June 27, 2008.
[2]Word "and" omitted by Finance Act, 2020 dated June 30, 2020.
[3]Substituted for full stop and clause (c) inserted by Finance Act, 2020 dated June 30, 2020.
[4]Sub-section (5A) inserted by Finance Act, 2003 dated June 17, 2003.
[5]Commas and words inserted by Finance Act, 2004, w.e.f. July 1, 2004.

S. 152(5)–Withholding Tax On Payments To Non-Residents Covered By Avoidance Of Double Taxation Treaty.– Following is an extract from FBR's Circular letter No. 5 of 2008 dated July 05, 2008:–

"Before the amendment of sub-section (5) of section 152 of the Ordinance, any person making payment to a non-resident person without deduction of tax, was required to give, complete particulars of the non-resident as well as nature and amount of the payment, to the Commissioner, for allowing him to make payments without deduction of the tax.

Such exercise, however was, futile where Avoidance of Double Taxation Agreements provide exemption or a reduced rate of tax for a particular payment.

17.2 The said provisions have been amended. Now these would not be applicable where payments are subjected to "nil" or "reduced tax rate" as per the provisions in the Avoidance of Double Taxation Treaty. This measure would reduce the unnecessary hassle of the taxpayers of getting exemption certificate for remittance of such amounts with deduction of tax or deduction as per the provision of the treaty."

Sub-section (5A)–Procedure for payments to non-residents without tax deduction.– Following is an extract from CBR's Circular No. 17 of 2004 dated July 17, 2004:–

"Sub-section (5A) of section 152 has been amended to make it obligatory for the Commissioner to pass order within 30 days of the receipt of notice under sub-section (5) of the said section."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to provide thirty days limitation for passing an order by the Commissioner on receipt of notice regarding payment to a non-resident without deduction of tax."

Rate of deduction.– Following is a modified summary of Letter No. SG/15/1166, dated October 6, 1980 from M/s. S. A. Salam & Co., CAs, addressed to the Member (Taxes-I) CBR:–

The rate of deduction of tax at source in case of non-residents is 30%. Thus 100% of the payments received by non-residents are being treated as income. In case of residents the rate is 3% (S. 50(4)) of the gross payments, the same rate should be made applicable in case of non-residents.

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[1][Provided that the Commissioner shall be deemed to have issued the exemption certificate upon the expiry of thirty days and the certificate shall be automatically processed and issued by Iris subject to the condition that in computing the said period of thirty days, there shall be excluded days taken for adjournment by the applicant:

Provided further that the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard.]

(6) Where a person has notified the Commissioner of a payment under sub-section (5) and the Commissioner has reasonable grounds to believe that the non-resident person is chargeable to tax under this Ordinance in respect of the payment, the Commissioner may, by [2][order] in writing, direct the person making the payment to deduct tax from the payment in accordance with sub-section (2).

(7) Sub-section (5) shall not apply to a payment on account of–

[3][(a) an import of goods where title to the goods passes outside Pakistan and is supported by import documents, except where-

[1]Full stop substituted and provisos inserted by Finance Act, 2023 dated June 26, 2023.
[2]Substituted for "notice" by Finance Act, 2004, w.e.f. July 1, 2004.
[3]Sub-section (7)(a) substituted by Finance Act, 2018 dated May 23, 2018.

S. 152(5A).- Automatic issuance of exemption certificate.- Following is an extract from FBR's Circular No. 2 of 2023 dated July 26, 2023, explaining the amendment made by the F. Act, 2023:-

"For ease of doing business, automatic issuance of exemption certificate has been provided under sections 159 and 153 of the Ordinance. However, the same facilitative measure was missing in section 152. For achieving the purpose of ease of doing business also for resident persons who intends to make time bound payments to non-resident persons, a new proviso has been inserted vide Finance Act, 2023 in sub-section (5A) of section 152 of the Ordinance whereby an application filed by a taxpayer for issuance of exemption certificate will be deemed to have been granted after expiry of 30 days from the date of application where the Commissioner Inland Revenue fails to pass an order within said period of 30 days.

For computing the above mentioned period of 30 days, the adjournment period sought by the applicant will be excluded. Furthermore, Commissioner Inland Revenue has been empowered to modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing and after providing an opportunity of being heard to the taxpayer to whom exemption certificate has been issued automatically."

S. 152(7)(a)–Substitution.– Before substitution it read as follows:–

"(a) an import of goods where title to the goods passes outside Pakistan [1][and is supported by import documents], except an [2][ ] import that is part of an overall arrangement for the supply of goods, their installation, and any commission and guarantees in respect of the supply where–

(i) the supply is made by the head office outside Pakistan of a person to a permanent establishment of the person in Pakistan;

(ii) the supply is made by a permanent establishment of the person outside Pakistan to a permanent establishment of the person in Pakistan;

(iii) the supply is made between associates; or

(iv) the supply is made by a resident person or a Pakistan permanent establishment of a non-resident person; or"

[1]Inserted by Finance Act, 2008 dated June 27, 2008.
[2]Word "the" omitted by Finance Ordinance, 2002 dated June 15, 2002.

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(i) the supply is made in connection with the overall arrangement for the supply of goods, installation, construction, assembly, commission, guarantees or supervisory activities and all or principal activities are undertaken or performed either by the associates of the person supplying the goods or its permanent establishment, whether or not the title passes outside Pakistan and whether or not the goods are imported in the name of the associate or any other person; or

(ii) the supply is made by a resident person or a Pakistan permanent establishment of a non-resident person in connection with the overall arrangement as referred to in sub-clause (i); or]

(b) educational and medical expenses remitted in accordance with the regulations of the State Bank of Pakistan.

[1][(8) In this section "prescribed person" means a prescribed person as defined in sub-section (7) of section 153.]

[2][ ]

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[1]Sub-section inserted by Finance Act, 2013 dated June 29, 2013.
[2]Section 152A omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2016 dated June 24, 2016.

S. 152A–Omission.– Before omission byFinance Act, 2021 it read as follows:–

"**152A. Payment for foreign produced commercials**.- (1) Every person responsible for making payment directly or through an agent or intermediary to a non resident person for foreign produced commercial for advertisement on any television channel or any other media shall deduct tax at the rate of twenty percent from the gross amount paid.

(2) The tax deductable under sub-section (1), shall be final tax on the income of non-resident person arising out of such payment."

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[1][**153. Payments for goods, services and contracts**.– (1) Every prescribed person making a payment in full or part including a payment by way of advance to a resident person [2][ ] [3][ ]–

(a) for the sale of goods [4][including toll manufacturing] [5][, except where payment is less than seventy-five thousand Rupees in aggregate, during a financial year];

(b) for the rendering of or providing of services [5][except where payment is less than thirty thousand Rupees in aggregate, during a financial year];

(c) on the execution of a contract [6][including contract signed by a sportsperson], [7][but not including] a contract for the sale of goods or the rendering of or providing of services,

shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division III of Part III of the First Schedule [8][:]

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[1]S. 153 substituted by Finance Act, 2011 dated June 30, 2011.
[2]Word "or" omitted by Finance Act, 2020 dated June 30, 2020.
[3]Words "permanent establishment in Pakistan of a non-resident person" omitted by Finnace Act, 2012 dated June 26, 2012.
[4]Words inserted by Finance Act, 2020 dated June 30, 2020.
[5]Words etc inserted by Finance Act, 2018 dated May 23, 2018.
[6]Words etc inserted by Finance Act, 2014 dated June 26, 2014.
[7]Substituted for "other than" by Finance Act, 2014 dated June 26, 2014.
[8]Substituted for full stop by Finance Act, 2017 dated June 20, 2017.

S. 153– Minimum tax on payment for supply of goods or execution of contracts to residents.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Prior to the Finance Act, 2019, tax deductible under clauses (a) & (c) of sub-section (1) of section 153 for sale of goods and on the execution of a contract was final tax. Through, the Finance Act, 2019, tax deductible under clauses (a) & (c) of sub-section (1) of section 153 has been made minimum tax. However, such tax shall not be minimum tax under section 153(1)(a) where payments are received on sale or supply of goods by a company being a manufacturer of such goods or by a public company listed on a registered stock exchange in Pakistan."

Tax rate on services.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Tax deductible under clause (b) of sub-section (1) of section 153, for rendering of services is minimum tax, however, prior to the Finance Act, 2019, such tax was not minimum tax for companies of sectors mentioned in clause (94) of Part IV of the Second Schedule. The companies mentioned in clause (94) were required to pay tax @ 2% of the gross amount of turnover from all sources, and where such tax @ 2% of gross turnover was paid, such companies could obtain exemption certificate from the Commissioner under sub-section (4A) of section 153. Through the Finance Act, 2019, clause (94) has been omitted and now tax is to be deducted from the companies of sectors mentioned in the omitted clause (94) at the rate of 3% of the gross amount payable. The facility of exemption certificate is withdrawn as sub-section (4A) has been omitted."

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[1][Provided that where the recipient of the payment under clause (b) receives the payment through an agent or any other third person and the agent or, as the case may be, the third person retains service charges or fee, by whatever name called, from the payment remitted to the recipient, the agent or the third person shall be treated to have been paid the service charges or fee by the recipient and the recipient shall collect tax along with the payment received.]

(2) Every exporter or an export house making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person for rendering of or providing of services of stitching, dying, printing, embroidery, washing, sizing and weaving, shall at the time of making the payment, deduct tax from the gross amount payable at the rate specified in Division IV of Part III of the First Schedule.

[2][(2A) Notwithstanding the provision of sub-section (1),–

(i) every payment intermediary at the time of processing payment through digital means, on behalf of a seller of digitally ordered goods or services through locally operated e-commerce platforms (including websites); and

(ii) every courier business providing courier services collecting cash from a buyer under Cash on Delivery (CoD) payment terms on behalf of a seller for the supply of digitally ordered goods and services through e-commerce platforms (including websites);

shall collect tax from the gross amount payable (including sales tax, if any) to the seller at the rate specified in Division IVA of Part I of the First Schedule to the Ordinance and deposit to government treasury.]

(3) The tax [3][deductible] under [4][ ] sub-section (1) and under sub-section (2) of this section, on the income of a resident person or [5][ ], shall be [6][minimum] tax.

[1]Proviso inserted by Finance Act, 2017 dated June 20, 2017.
[2]S. 153(2A) inserted by Finnace Act, 2025 in force from July 1, 2025.
[3]Substituted for "deducted" by Finnace Act, 2012 dated June 26, 2012.
[4]Words "clauses (a) and (c) of" omitted by Finance Act, 2020 dated June 30, 2020.
[5]Words "permanent establishment in Pakistan of a non-resident person" omitted by Finnace Act, 2012 dated June 26, 2012.
[6]Substituted for "final" by Finnace Act, 2019 dated June 30, 2019.

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S. 153-Normal Tax Regime Option for Commercial Importers, Traders And Exporters.-See footnotes to s. 148**.**

S. 153-Payment for Goods and Services and Contracts.– Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:–

"The provisions of section 153 of the Income Tax Ordinance, 2001 have been streamlined to provide clarity required due to numerous changes over the period of time. Only the existing provisions of this section have been re-aligned without changing the existing taxation regime under this section."

[1][(h) an individual, having turnover of fifty million rupees or above in tax year 2009 or in any subsequent tax year.]

"[2][ ] services" includes the services of accountants, architects, dentists, doctors, engineers, interior decorators and lawyers, otherwise than as an employee; and

"sale of goods" includes a sale of goods for cash or on credit, whether under written contract or not[3][ ]

[4]["manufacturer" for the purpose of this section means, a person who is engaged in production or manufacturing of goods, which includes -

(a) any process in which an article singly or in combination with other articles, material, components, is either converted into another distinct article or produce is so changed, transferred, or reshaped that it becomes capable of being put to use differently or distinctly; or

(b) a process of assembling, mixing, cutting [5][ ] or preparation of goods in any other manner.]"

[1]Clause (h) inserted by Finance Act, 2010 dated June 30, 2010.

[2]Word "professional" omitted by Finance Act, 2003 dated June 17, 2003.

[3]Semi colon and word "; and" omitted by Finance Ordinance, 2002 dated June 15, 2002, a full stop should have appeared here.

[4]Expression inserted by Finance Act, 2008 dated June 27, 2008.

[5]Words etc. ", packing, repacking" omitted by Finance Act, 2009 dated June 30, 2009.

S. 153(6)-Sales Tax Payers to deduct tax.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"The scope of prescribed person for the purposes of Section 153 has been extended to 'a person registered under the Sales Tax Act, 1990'. It means that every person registered under the Sales Tax Act, 1990 shall also deduct income tax at the prescribed rate."

Reduced Rate of withholding tax for certain services.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

a) Oilfield services have been included in list of reduced rate services in Division II, Part III of First Schedule in case of payment to non-residents.

b) Architectural services, oilfield services, telecommunication services, collateral management services and travel & tour series have been included in list of reduced rate services in Division III, Part III of First Schedule.

c) Rates for withholding tax on contracts under section 153(1)(c) have been reduced to 6.5% in case of companies and 7% in case of others."

S. 153.- Payments for goods, services, and contracts. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Under, subsection (4) of section 153, the Commissioner on an application by a recipient of payment referred to in sub-section (1) of section 153, where tax deductible was not minimum, could issue a certificate without deduction of tax or deduction of tax at reduced rate. Through the Finance Act, 2024, sub-section (4) of section 153 has been substituted and now the Commissioner cannot issue a certificate without deduction of tax. Instead, the Commissioner can only issue a reduced rate certificate but such reduction shall not exceed 80% of the rate specified in Division III of Part III of the First Schedule."

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S. 153.- Introducing Tax Regime for E-commerce.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [clause (17C) and (19AA) of Section 2, Sections 153, 165C, 181 and 182]

"The changing dynamics of retail market in Pakistan along with the fact that a large number of population of sellers connected with on-line marketplace or working through their e-stores are not registered and operate informally encouraged to design a framework to register these sellers, assign them National Tax Numbers through a simplified process and to ensure that a contribution to tax on every digitally ordered transaction is collected through placing a workable withholding tax regime.

For taxing domestic e-commerce transactions, a charging section 6A has been introduced which stipulate that every payment received for digitally ordered goods or services using an online market place (OMP) or website shall be charged to tax. Corresponding changes for ensuring upfront withholding tax collection has been introduced in section 153(2A) whereby payment intermediary (banking company, financial institution, licensed dealer of foreign exchange and payment gateways) and courier involved in Cash on Delivery (CoD) are made responsible to collect withholding tax @1% and 2% on gross amount of receipts respectively at the time of remitting payment to the seller. The differential in tax rate between these withholdings is for encouraging the use of digital means for payment to meet overall national objective of transforming to cashless economy. The tax collected under the scheme is a final tax u/s 6A on the income derived by the seller from local e-commerce transactions and the export transactions. However, withholding under section 154 and 154A will fall outside the ambit of taxation under this regime. For the purpose of clarity, the terms relevant to this scheme such as e-commerce, digitally delivered services, online marketplace, payment intermediary and courier service have been incorporated in the Ordinance.

Payment intermediary and courier have to collect tax in the name of each seller, deposit it in the treasury on the monthly basis beside filing the prescribed WHT statement in this regard. The payment intermediary and courier service are required to file a prescribed withholding statement containing information of all transactions of every seller making sales through OMP and or e-stores.

Every seller has been required under the law to get itself registered in income tax and OMP and courier service are also now barred to offer their services to any unregistered sellers. OMPs are obligated to file statements about the vendors using their platforms.

Penalties have been prescribed if compliance is not made with respect to filing of statutory statements. Penalties on online marketplace and courier service have also been placed in case of default to withheld tax or to comply with registration requirement of the seller.

Regarding the responsibility of collecting tax under this section, it is clarified that in the case of vendors being e-stores and similar mobile applications where payment is made online, the acquiring bank will be the payment intermediary for the purpose of this provision and shall be responsible to collect tax. On the other hand, in the case of vendors being e-stores and similar mobile applications where payment is made on Cash on Delivery (CoD) basis, the courier which could be an aggregator, providing service to the e-store or mobile application of delivering goods and collecting cash at the doorstep of the buyer shall be responsible to comply with all the statutory obligations in this regard.

Further, in case a vendor sells goods through Online Market Place (OMP) and payment is made online, the bank or financial institution of OMP in the second and final arm of transaction settling the payment between vendor and buyer shall be the payment intermediary for the purpose of the collection of tax. It may be noted that the issuing and acquiring banks in the first arm of transaction could not be the payment intermediaries as they are involved in settling transaction between the buyer and OMP, which is acting as an agent for the vendor/seller and not a seller in real sense. On the other hand, in case a vendor sells goods through OMP or otherwise and payment is made on Cash on Delivery (CoD) basis, the courier, which could be an OMP in case vendor is using its services; or the aggregator who indirectly provides such services to e-store; or the courier directly providing those services to the e-store or mobile application of delivering goods and collecting cash at the doorstep of the buyer shall be responsible to comply with all the statutory obligations in this regard."

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S. 153.- Special Procedure for Small Shopkeepers.- Following is the text of SRO 1166(I)/2026 dated July 27, 2026:-

"In exercise of the powers conferred by section 99B read with sub-section (1) of section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Board of Revenue is pleased to make the following Special Procedure for Small Shopkeepers, the same having been previously published vide Notification No. S.R.O. 1109(I)/2026 dated l4th July, 2026, as required by sub-section (3) of section 237 of the said Ordinance, namely:-

Special Procedure for Small Shopkeepers

1. Applicability.- This special procedure shall apply to Individuals earning income mainly through retail shops with annual turnover up to PKR 200 million. This special procedure shall apply for tax year 2026.

2. Exclusions.- This procedure shall not apply to-

(i) Individuals whose turnover exceeded PKR 200 million in any one of the preceding 3 years; those owning more than one shop; Tier-1 retailers; sellers of jewellery; and providers of professional services (e.g. doctors, engineers, lawyers); and

(ii) This procedure applies only to shop income - other sources of income are excluded. Retailers who filed a return for tax year 2025 may also file a return under this Special Procedure for small shopkeepers, provided their payable tax is not lower than in 2025, and they have not split up or renamed their business to avail this special procedure.

3. Registration.- Shopkeepers may register with FBR through the IRIS web portal, shopkeepers' mobile application, or by visiting the nearest tax office for assistance in registration.

4. Voluntary Nature.- The procedure shall remain optional and a shopkeeper may either pay tax under this procedure or can file a regular income tax return.

5. Tax Rate.- Tax shall be charged at the rate of 1% of gross turnover. Shopkeepers may deduct withheld income tax from their payable amount. However, if withholding tax collected exceeds the minimum tax payable under this procedure, no refund shall be issued.

6. Minimum Tax under this Special Procedure.- To avail this special procedure, the shopkeepers must pay a minimum of PKR 25,000 in cash along with return of income regardless of any tax deduction or collection at source under the Ordinance. Tax payable (less withholding) or PKR 25,000 whichever is higher shall be the tax payable.

7. Audit.- Shopkeepers opting for this special procedure shall generally not be subject to audit. Departmental proceedings may be initiated only in consultation with representatives of trade associations in case of third party information received by FBR about:-

(a) Significant or unusual economic transactions;

(b) Acquisition or ownership of expensive assets; and

(c) Gross misuse of this special procedure to avoid taxes.

8. Return Filing.- Shopkeepers shall file a simplified prescribed return (Annex-I) on IRIS web portal or through shopkeepers' mobile application, declaring total sales, total purchases, other expenses, and net profit. The same simplified form also provides an easy mechanism for shopkeepers to declare their legitimate assets. This form shall be available in Urdu and regional languages.

9. Withholding & Other Provisions.- Shopkeepers under this special procedure shall not be required to withhold tax on purchases of goods or services under section 153 of the Income Tax Ordinance. The provisions of minimum tax under section 113 of the Ordinance and tax at the rate of 1.25% shall also not apply.

10. Default Surcharge.- lf a shopkeeper neither files a regular income tax return nor opts for this special procedure by the due date, penalties of PKR 10,000 on the first default, PKR 25.000 on second default, and PKR 50,000 on third default shall be imposed. There shall be a gap of at least one month between each default proceedings.

11. POS or Digital Invoicing Exemption.- Eligible bona fide shopkeepers under this special procedure are not required to install a sales tar POS system or digital invoicing infrastructure.

12. Imputable Income.- Shopkeepers opting for this special procedure shall be entitled to take credit of imputable income based on payment of tax in order to support their personal expenses and accretion of assets.

13. Compliant Shopkeeper Plate.- Every bona fide shopkeeper qualifying and opting for this special procedure shall be issued a compliant shopkeeper plate ("Green Plate") containing an FBR specified QR-Code, the shopkeepers' name and NTN, and the address of the shopkeeper, which shall be prominently placed outside the shop. This QR-code, shall contain information about location of shop and particulars of ownership. No officer or official of FBR shall enter the shop in presence of this plate in respect of tax matters of a bona fide shopkeeper.

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Annex-I

Easy Tax Return for Small Retailers (Tax Year 2025)

Name:	ID Card Number:
Business Name:	Business Address:
Nature of Business (type of goods bought and sold):	

Income & Tax Details

Annual Sales of Goods:	
Annual Purchase of Goods:	
Business Expenses:	
Net Profit:	
Other Sources of Income (if any):	
Total Tax:	To be calculated by system
Imputed Income:	To be calculated by system
Tax Already Paid (withholding):	
Tax Paid with Return:	

Assets (Balance Sheet)

Business Capital:	
Non-Movable Property:	
Cash in Bank:	
Cash in Hand:	
Other Assets:	
Total Assets:	

I certify/declare that the above statements are true to the best of my knowledge.

Signature: _____ Date _____"

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Provided that,-

(a) tax deducted under clause (a) of sub-section (1) shall [1][not be minimum tax] where payments are received on sale or supply of goods, by a,-

(i) company being a manufacturer of such goods; or

(ii) public company listed on a registered stock exchange in Pakistan;

[2][ ]

(c) tax deducted under clause (c) of sub-section (1) shall be adjustable if payments are received by a public company listed on a registered stock exchange in Pakistan, on account of execution of contracts [3][.]

[4][***Explanation***.– For the removal of doubt, it is explained that the income of resident person referred to in sub-section (3) means the amount on which tax is deductible under sub-section (1) or (2) of this section.]

[5&6][ ]

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[1]Substituted for "be adjustable" by Finnace Act, 2019 dated June 30, 2019.

[2]Clause (b) omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was substituted by Finnace Act, 2019 dated June 30, 2019.

[3]Full stop substituted by semi-colon substituted by Finance (Supplementary) Act, 2022 dated January 15, 2022. Earlier word "and" was omitted by Finnace Act, 2016 dated June 24, 2016. Earlier it was substituted for full stop by Finnace Act, 2015 dated June 30, 2015.

[4]Explanation inserted by Finance (Supplementary) Act, 2022 dated January 15, 2022.

[5]Clause (d) omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finnace Act, 2015 dated June 30, 2015.

[6]Clause (e) omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finnace Act, 2016 dated June 24, 2016.

S. 153(3)(b)-Omission.- Before omission by F. Act, 2020, it read as follows:-

"(b) tax deductible shall be a minimum tax on transactions referred to in clause (b) of sub-section (1).

S. 153(3)(d) & (e)-Omission.- Before omission by F. Act, 2020, it read as follows:-

"(d) tax deducted under clause (c) of sub-section (1) in respect of a sportsperson shall be [1][minimum]tax [2][ ] [3][; and]"

"(e) tax deducted under clause (b) of sub-section (1) by person making payments to electronic and print media for advertising services shall be [1][minimum] tax [2][ ]."

[1]Substituted for "final" by Finance Act, 2019 dated June 30, 2019.

[2]Words "with effect from tax year 2013"& "with effect from the 1st July, 2016"respectively omitted by Finance Act, 2019 dated June 30, 2019.

[3]Substituted for full stop by Finnace Act, 2016 dated June 24, 2016.

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[1][(4) The Commissioner may, on application made by the recipient of a payment referred to in sub-section (1) and after making such inquiry as the Commissioner thinks fit, may allow in cases where tax deductible under sub-section (1) is not minimum, by an order in writing, any person to make the payment after deduction of tax at reduced rate but such reduction shall not exceed eighty percent of the rate specified in the said Division [2][except in cases of public limited companies where the Commissioner may allow payment without deduction of any tax]:

Provided that the Commissioner shall issue reduced rate certificate within fifteen days of filing of application to a company if advance tax liability has been discharged:

Provided further that the Commissioner shall be deemed to have issued the reduced rate certificate upon the expiry of fifteen days to the aforesaid company and the certificate shall be automatically processed and issued by Iris:

Provided also that the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard.]

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[1]S. 153(4) substituted by Finance Act, 2024 w.e.f. 1 July, 2024.
[2]Words inserted by Finance Act, 2025 in force from July 1, 2025.

S. 153(4)-Substitution.- Before substitution by F. Act, 2024, it read as follows:-

"(4) The Commissioner may, on application made by the recipient of a payment referred to in sub-section (1) and after making such inquiry as the Commissioner thinks fit, may allow in cases where tax deductible under sub-section (1) is [1][not minimum], by an order in writing, any person to make the payment,-

(a) without deduction of tax; or

(b) deduction of tax at a reduced rate [2][:]

[2][Provided that the Commissioner shall issue certificate for payment under clause (a) of sub-section (1) without deduction of tax within fifteen days of filing of application to a [3][company] if advance tax liability has been discharged:

Provided further that the Commissioner shall be deemed to have issued the exemption certificate upon the expiry of fifteen days to the aforesaid [4][ ] company and the certificate shall be automatically processed and issued by Iris:

Provided also that the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard."

[1]Substituted for "adjustable" by Finance Act, 2019 dated June 30, 2019.
[2]Substituted for full stop and provisos inserted by Finance Act, 2020 dated June 30, 2020.
[3]Substituted for "public company listed on a registered stock exchange in Pakistan" by Finance Act, 2021 dated June 30, 2021.
[4]Words "public listed" omitted by Finance Act, 2021 dated June 30, 2021.

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[1][ ]

(5) Sub-section (1) shall not apply to–

(a) a sale of goods where the sale is made by the importer of the goods and tax under section 148 in respect of such goods has been paid and the goods are sold in the same condition as they were when imported;

[2][ ]

(c) a refund of any security deposit;

(d) a payment made by the Federal Government, a Provincial Government or a Local Government to a contractor for construction materials supplied to the contractor by the said Government or the authority;

[3][ ]

(f) the purchase of an asset under a lease and buy back agreement by a modaraba, leasing company, banking company or financial institution; or

(g) any payment for securitization of receivables [4][or issuance of sukuks] by a Special Purpose Vehicle to the Originator.

(6) Where any tax is deducted by a person making a payment for a Special Purpose Vehicle, on behalf of the Originator, the tax is credited to the Originator.

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[1]Sub-section (4A) omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Income Tax (2nd Amendment) Act, 2016 dated January 29, 2016. Earlier the same was insertedby Income Tax (Second Amendment) Ordinance, 2015 dated October 31, 2015.

[2]Clause (b) omitted by Finance Act, 2021 dated June 30, 2021.

[3]Clause (e) omitted by Finance Act, 2016 dated June 24, 2016.

[4]Words inserted by Tax Laws (Amendment) Ordinance, 2016 dated August 31, 2016, effective 01-07-16.

S. 153(4A)-Omission.- Before omission by F. Act, 2019, it read as follows:-

"(4A) The Commissioner, on an application made by the recipient of a payment referred to in clause (94) of Part IV of the Second Schedule, in cases where the said recipient has fulfilled the conditions as specified in the said clause, by an order in writing for a period of at least three months, may allow any person to make the payment without deduction of tax in respect of payments as referred to in clauses (b) of sub-section (1) of section 153:

Provided that the recipient of the payment has made advance payment of tax equal to two percent of the total turnover of the corresponding period of the immediately preceding tax year."

S. 153(5)(b)-Omission.- Before omission by F. Act, 2021, it read as follows:-

"(b) payments made to traders of yarn by the taxpayers specified in the zero-rated regime of sales tax (as provided under clause (45A) of Part-IV of the Second Schedule);"

S. 153(5)(e)-Omission.- Before omission by F. Act, 2016, it read as follows:-

"(e) a cotton ginner who deposits in the Government Treasury, an amount equal to the amount of tax deductible on the payment being made to him, and evidence to this effect is provided to the "prescribed person";"

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(7) In this section,-

(i) "prescribed person" means,–

(a) the Federal Government;

(b) a company;

(c) an association of persons constituted by, or under, law;

(d) a non-profit organization;

(e) a foreign contractor or consultant;

(f) a consortium or joint venture;

(g) an exporter or an export house for the purpose of sub-section (2);

(h) an association of persons, having turnover of [1][one hundred] million rupees or above in [2][any of the preceding tax years]; [3][ ]

(i) an individual, having turnover of [4][one hundred] million rupees or above in [5][any of the preceding tax years]; [6][ ]

[7][(j) a peron registered under the Sales Tax Act, 1990 [8][having turnover of one hundred million rupees or more in any of the preceding tax years];] [9]*[ ]*

[10][(k) a person deriving income from the business of construction and sale of residential, commercial or other buildings (builder); [11]*[ ]*

(l) a person deriving income from the business of development and sale of residential, commercial or other plots (developer) [12]*[;]*]

[13][(m) for the purpose of sub-section (2A), a payment intermediary; or

(n) for the purpose of sub-section (2A), a courier service.]

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[1]Substituted for "fifty" by Finance Act, 2020 dated June 30, 2020.
[2]Substituted for "tax year 2007 or in any subsequent tax year" by Finance Act, 2018 dated May 23, 2018.
[3]Word "or" omitted by Finance Act, 2013 dated June 29, 2013.
[4]Substituted for "fifty" by Finance Act, 2020 dated June 30, 2020.
[5]Substituted for "the tax year 2009 or in any subsequent year" by Finance Act, 2018 dated May 23, 2018.
[6]Word "or" omitted by Finance Act, 2018 dated May 23, 2018. Earlier it was inserted by Finance Act, 2013 dated June 29, 2013.
[7]Sub-clause (j) inserted by Finance Act, 2013 dated June 29, 2013.
[8]Words inserted by Finance Act, 2020 dated June 30, 2020.
[9]Word "or" omitted by Finane Act, 2025 in force from July 1, 2025. Earlier it was inserted by Finance Act, 2018 dated May 23, 2018.
[10]Sub-clauses (k) & (l) inserted by Finance Act, 2018 dated May 23, 2018.
[11]Word "or" omitted by Finane Act, 2025 in force from July 1, 2025.
[12]Substituted for full stop by Finane Act, 2025 in force from July 1, 2025.
[13]Sub-clauses (m) and (n) inserted by Finane Act, 2025 in force from July 1, 2025.

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(ii) "services" includes the services of accountants, architects, dentists, doctors, engineers, interior decorators and lawyers, otherwise than as an employee;

[1][(iia) "courier service" means any specialized entity that provides fast, secure and often tracked transportation of documents, packages and small freight, typically offering door-to-door delivery solutions of goods within specific timeframes and in case of digitally ordered goods in e-commerce delivery and collection of cash (CoD) on behalf of the seller and such delivery service provider includes but not limited to–

(a) Logistics services;

(b) ride-haling services;

(c) food delivery platforms; and

(d) e-commerce services;]

[1][(iib) "payment intermediary" means any third party entity including a banking company, financial institution, a licensed foreign exchange company or payments gateways that facilitate the transfer of funds or payment instructions between two or more parties to enable, process, route or settle payments in a financial transaction, without being the ultimate source or recipient of the payment;]

(iii) "sale of goods" includes a sale of goods for cash or on credit, whether under written contract or not; [2][and]

(iv) "manufacturer" means a person who is engaged in production or manufacturing of goods, which includes-

(a) any process in which an article singly or in combination with other articles, material, components, is either converted into another distinct article or product is so changed, transferred, or reshaped that it becomes capable of being put to use differently or distinctly; or

(b) a process of assembling, mixing, cutting or preparation of goods in any other manner; and

(v) turnover" means-

(a) the gross sales or gross receipts, inclusive of sales tax and federal excise duty or any trade discounts shown on invoices, or bills, derived from the sale of goods;

[1]Clauses (iia) & (iib) inserted by Finane Act, 2025 in force from July 1, 2025.
[2]Word inserted by Finane Act, 2025 in force from July 1, 2025.

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(b) the gross fees for the rendering of services for giving benefits including commissions;

(c) the gross receipts from the execution of contracts; and

(d) the company's share of the amounts stated above of any association of persons of which the company is a member.]

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"SRO 586(I)/91. In exercise of the powers conferred by clause (ii) of the proviso to sub-section (4) of section 50 of the Income Tax Ordinance, 1979 (XXXI of 1979), hereinafter referred to as the Ordinance, and in supersession of its Notification No. S.R.O. 659(I)/81 dated the 25th June, 1981, the Central Board of Revenue is pleased to specify the following to be the recipients, or the classes of recipients, to whom the said sub-section shall not apply, namely:–

(i) a Provincial Government;

(ii) [1][a local government];

(iii) persons who are residents of the Tribal Areas or Azad Kashmir and execute contracts in Tribal Areas or as the case may be, Azad Kashmir only and produce a certificate to this effect from the Political Agent concerned or the district authority, as the case may be, or in the case of Azad Kashmir, from the Income Tax Officer concerned.

(iv) persons who produce a certificate from the Commissioner of Income Tax to the effect that their income during the income year is exempt from tax [2][ ];

(v) [3][growers/producers of agricultural produce] receiving payments from a company [4][or an Association of Persons (AOP) having turnover of fifty million rupees or above] [5][or an individual having turnover of fifty millions rupees or above] exclusively for the supply of agricultural produce [6][, including fresh milk,] [7][, fish by any person engaged in fish farming] [8][live chicken birds and eggs by any person engaged in poultry farming and by an industrial undertaking engaged in poultry processing] which has not been subjected to any process other than that which is ordinarily performed to render such produce fit to be taken to market;

(vi) companies receiving payments for the supply of electricity and gas;

(vii) companies receiving payments for the supply of crude oil;

(viii) Attock Refinery Limited, National Refinery Limited and Pakistan Refinery Limited receiving payments for the supply of their products;

(ix) Pakistan State Oil Company Limited, [9][Shell Pakistan Limited], and Caltex Oil (Pakistan) Limited, receiving payments for the supply of petroleum products.

(x) Hotels and restaurants receiving payments in cash for providing accommodation or food or both as the case may be;

(xi) shipping companies and air carriers receiving payments for the supply of passenger tickets and for the cargo charges of goods transported;

[10][(xii) Persons receiving payments–

(a) not exceeding rupees twenty-five thousand on account of supply of goods, in a financial year; and

(b) not exceeding rupees ten thousand on account of services rendered or execution of a contract, in a financial year:

[1]Substituted for "a local authority" by SRO 1161(I)/2010 dated December 31, 2010.

[2]Words etc. "under the Second Schedule to the Income Tax Ordinance, 1979" omitted by SRO 626(I)/91 dated July 4, 1991 w.e.f. July 1, 1991. As explained in CBR's Circular No. 19 of 1991 dated July 8, 1991, this amendment has been made to enlarge the scope of exemption so as to "apply to all recipients whose income is exempt from tax under any provision of the Income Tax Ordinance, 1979, or any other law."

[3]Substituted for "persons" by SRO 1161(I)/2010 dated December 31, 2010.

[4]Words inserted by SRO 1248(I)/2008 dated December 04, 2008.

[5]Words inserted by SRO 1161(I)/2010 dated December 31, 2010.

[6]Commas and words inserted by SRO 593(I)/94 dated June 12, 1994.

[7]Words inserted by SRO 957(I)/2015 dated September 29, 2015.

[8]Words etc. inserted by SRO 379(I)/2002 dated June 15, 2002, issued u/s 14(2). This is an irregular amendment as section 14(2) empowers the Federal Government only to amend the Second Schedule and not a notification under any other section. Some exemptions from operation of provisions of section 50(4) have already been allowed through insertion of entries in Part IV of the Second Schedule.

[9]Substituted for "Pakistan Burmah Shell Limited" by SRO 282(I)/94 dated March 31, 1994.

[10]Clause (xii) substituted by SRO 826(I)/91 dated August 24, 1991.

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Provided that where the total payments in a financial year, exceed rupees twenty-five thousand on account of supply of goods, or rupees ten thousand on account of services rendered or execution of a contract, the payer shall deduct tax from the payments including the tax on payments made earlier without deduction of tax during the same financial year;]

[1][(xiii) persons receiving payments for supply of cotton seed [2][;]]

[3][(xiv) persons, being manufacturers of goods, who produce a certificate from the Commissioner of Income Tax concerned to the effect that their income during the income year is not likely to be chargeable to tax due to assessed losses carried forward;

(xv) persons, being owner of one goods transport vehicle, receiving payment once in a financial year from a payer on account of carriage of goods on behalf of such payer on a single journey undertaken during the said financial year [4][;]

[5](xvi) persons, other than those whose income is liable to tax under section 80C, who produce a certificate from the Commissioner of Income Tax to the effect that their income during the income year is not likely to be chargeable to tax due to assessed losses carried forward; and]

[6][(xvii) persons, other than those whose income is liable to tax under section 80B or 80C, from whom tax has been deducted under sub-section (4) of section 50 and the aggregate of the tax deducted under the said sub-section is equal to or exceeds the tax payable under section 53 of the Ordinance in respect of that income year and a certificate to that effect from the Commissioner of Income Tax is produced by such persons.]

2. This notification shall have effect from the first day of July, 1991."

[1]Clause (xiii) inserted by Notification No. SRO 631(I)/91 dated June 30, 1991, w.e.f. July 1, 1991.
[2]Semi colon substituted for full stop by Notification No. SRO 826(I)/91 dated August 24, 1991, w.e.f. July 1, 1991.
[3]Clauses (xiv) and (xv) inserted by Notification No. SRO 826(I)/91 dated August 24, 1991. w.e.f. July 1, 1991.
[4]Substituted for full stop by Notification No. SRO 1100(I)/91 dated October 28, 1991.
[5]Clause (xvi) inserted by Notification No. SRO 1100(I)/91 dated October, 28, 1991.
[6]Clause (xvii) substituted by Notification No. SRO 1122(I)/91 dated November 5, 1991. Earlier it was inserted by Notification No. SRO 1100(I)/91 dated October 28, 1991.

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[1][ ]

[2][ ]

[1]S. 153A omitted by Finance Act, 2013 dated June 29, 2013. Earlier it was substituted by Finance Act, 2012 dated June 26, 2012 and was inserted by Finance Act, 2008 dated June 27, 2008.

[2]S. 153B omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2019 dated June 30, 2019.

S. 153A-Omission.-Before omission by F. A. 2013, it read as follows:-

"**153A.Payments to Traders and Distributors.**- (1) Every manufacturer, at the time of sale to distributors, dealers and wholesalers, shall collect tax at the rate specified in Part IIA of the First Schedule, from the aforesaid persons, to whom such sales have been made.

(2) Tax credit for the tax collected under sub-section (1) shall be allowed in computing the tax due by the person on the taxable income for the tax year in which the tax was collected."

S. 153A-Advertising on Overseas Electronic Media.-Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"There was serious discrimination regarding taxation of advertisement receipts between media companies relaying from Pakistan and outside Pakistan. Payments made to media companies outside Pakistan are invariably restricted for taxation due to treaty protection or monitoring mechanism. To provide level playing field to the media companies and to enforce withholding tax @ 10% on all advertising payments made from Pakistan, the amendment in the law has been made and a new section (153A) inserted, to collect tax on such payment so that tax collected be treated as final tax as provided in section 169 of the Ordinance."

S. 153B-Omission.- Before omission by F. Act, 2021, it read as follows:-

"153B. Payment of royalty to resident persons.- (1) Every person paying an amount of royalty, in full or in part including by way of advance, to a resident person shall deduct tax from the gross amount payable (including Federal excise duty and provincial sales tax, if any) at the rate specified in Division IIIB of Part III of the First Schedule.

(2) The tax deductible under sub-section (1) shall be adjustable."

S. 153B–Payment of royalty to resident persons.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Income from royalty is chargeable to tax under the head, "Income from other sources". However, in case of non-residents receiving Pakistan source royalty tax is separately imposed at the rate specified in Division IV of Part I of the First Schedule which is 15% of the gross amount of royalty. In the case of resident persons, income from royalty is made part of taxable income and taxed at the rates provided in Division I or II of Part I of the First Schedule. Prior to the Finance Act, 2019, there was no withholding tax on payment of royalty to resident persons. A new section 153B has been introduced through the Finance Act, 2019 which requires every person paying royalty to a resident person to deduct tax at the rate of 15% of the gross amount payable. The tax deductible shall be adjustable against the income of the recipient of royalty."

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154. Exports.– (1) Every authorised dealer in foreign exchange shall, at the time of realisation of foreign exchange proceeds on account of the export of goods by an exporter, deduct tax [1][including advance tax] from the proceeds at the rate specified in Division IV of Part III of the First Schedule.

[2][ ]

(3) Every banking company shall, at the time of realisation of the proceeds on account of a sale of goods to an exporter under an inland back-to-back letter of credit or any other arrangement as prescribed by the [3][Board], deduct tax from the amount of the proceeds at the rate specified in Division IV of Part III of the First schedule.

[4][(3A) The Export Processing Zone Authority established under the Export Processing Zone Authority Ordinance, 1980 (VI of 1980), shall at the time of export of goods by an industrial undertaking located in the areas declared by the Federal Government to be a Zone within the meaning of the aforesaid Ordinance, collect tax at the rate specified in Division IV of Part III of the First Schedule.

(3B) Every direct exporter and an export house registered under the Duty and Tax Remission for Exports Rules, 2001 provided in Sub-Chapter 7 of Chapter XII of the Customs Rules, 2001 [5][and Export Facilitation Scheme, 2021] shall, at the time of making payment for a firm contract to an indirect exporter defined under the said rules, deduct tax at the rates specified in Division IV of Part III of the First Schedule.]

[6][(3C) The Collector of Customs at the time of clearing of goods exported shall collect tax from the gross value of such goods at the rate specified in Division IV of Part III of the First Schedule.]

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[1]Words inserted by Finance Act, 2024 w.e.f. 1 July, 2024.
[2]Sub-section (2) omitted by Finance Act, 2022 dated June 30, 2022.
[3]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.
[4]Sub-sections (3A) and (3B) inserted by Finance Act, 2003 dated June 17, 2003.
[5]Words inserted by Finance Act, 2023 dated June 26, 2023.
[6]Sub-section (3C) inserted by Finance Act, 2009 dated June 30, 2009.

S. 154(2)-Omission.- Before omission by F. Act, 2022, it read as follows:-

"(2) Every authorised dealer in foreign exchange shall, at the time of realisation of foreign exchange proceeds on account of the commission due to an indenting commission agent, deduct tax from the proceeds at the rate specified in Division IV of Part III of the First Schedule."

S. 154.-Amendments related to Exports. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Prior to the Finance Act, 2024, tax collected under section 154 at the rate of one present of export proceeds constituted final tax of exporters on the income arising from exports. Through the Finance Act, 2024, tax collected under section 154 shall be minimum tax."

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(4) The tax [1][deductible] under [2][this section] shall be a [3][minimum] tax on the income arising from the [4][transactions referred to in this section].

[5][ ]

[1]Substituted for "deducted" by Finance Act, 2012 dated June 26, 2012.
[2]Substituted for "sub-section (1), (3), (3A) or (3B)" by Finance Act, 2006 dated July 01, 2006. Earlier ", (3), (3A) or (3B)" were substituted for "or (3) by Finance Act, 2003 dated June 17, 2003.
[3]Substituted for "final" by Finance Act, 2024 w.e.f. 1 July, 2024.
[4]Substituted for "export [or sale to an exporter]" by Finance Act, 2007 dated June 30, 2007. Earlier the words "or sale to an exporter" were inserted by Finance Ordinance, 2002 dated June 15, 2002.
[5]Sub-section (5) omitted by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.

S. 154(5)-Omission.- Before omission it read as follows:-

"(5) The provisions of sub-section (4) shall not apply to a person who opts not to be subject to final taxation:

Provided that this sub-section shall be applicable from tax year 2015 and the option shall be exercised every year at the time of filing of return under section 114:

Provided further that the tax deducted under this sub-section shall be minimum tax."

Prescribed person, status of AOP with respect to withholding tax.– Following is the text of CBR's Circular Letter C. No. 1(17)WHT/91-Pt dated August 29, 2002:–

"I am directed to say that queries have been received in the Board about the status of an AOP with respect to withholding of tax under section 153 of the Income Tax Ordinance, 2001. The issue has been examined in the light of provisions of sub-section (9) of section 153 of the Income Tax Ordinance, 2001.

2. It is clarified that an ordinary A.O.P. which is created by an agreement, does not fall within the definition of the "Prescribed Person" given in sub-section (9) of section 153 of the Income Tax Ordinance, 2001. Only those AOPs which are created by, or under the law, which would be very few are liable to deduct tax as withholding agents under section 153 of the said Ordinance."

S. 154-Export of services.-Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"A special regime u/s 154A for export of IT and IT enabled services was introduced though Finance Act, 2021 whereby 1% final tax was collected on realization of export proceeds of these services. Moreover, hundred percent tax credit was available against this final tax to the exporters of IT and IT enabled services u/s 65F upon fulfilling few conditions mentioned therein.

In order to simplify the tax regime for exporters of IT and IT enabled services, the 100% tax credit regime under section 65F has been withdrawn and a reduced rate of final tax of 0.25% has been provided for exporters of IT and IT enabled services who are registered with the Pakistan Software Export Board (PSEB). Corresponding changes in section 65F have been made accordingly. Furthermore, scope of definitions of IT services and IT enabled services contained in clause (30AD) and clause (30AE) of section 2 of the Ordinance has been clarified and widened through the Finance Act, 2022.

Previously, the amount of foreign commission due to an indenting commission agent was charged to tax, at the rate of 5%, under sub-section (2) of section 154 of the Ordinance. Now, this rate has been reduced to 1% by incorporating clause (da) in sub-section (1) of section 154A of the Ordinance. Corresponding changes have been made in section 154 accordingly.

Moreover, provisions of Tenth Schedule will not apply on tax collectible under section 154A of the Ordinance. Necessary change has been incorporated in rule 10 of Tenth Schedule in this regard."

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S.154-Collection of Tax from Exporters receiving export proceeds in cash.-Following is an extract from FBR's Circulars No. 03 of 2009 dated July 17, 2009:-

"Under section 154 of the Ordinance, every authorized dealer in foreign exchange is required to deduct tax at the time of realization of foreign exchange proceeds on account of export of goods. There is a special arrangement for export of goods to Afghanistan whereby goods are exported without Form "E" and export proceeds are directly received by the exporters in local currency. Such exports are allowed in terms of para (7) of SRO 759(1)/2008 dated 18.07.2008. Since the export proceeds are not realized in foreign exchange through authorized dealers, therefore, no tax is collected thereon.

In order to cover the above situation, a new sub-section (3C) has been inserted which provides that in respect of goods exported without Form "E" the Collector of Customs shall collect tax @ 1% at the time of clearing such goods for export."

Export of tribal residents.– Following is the text of CBR's Letter C. No. 1(14)WHT/92 dated February 22, 1993:–

"I am directed to refer to your letter dated 2nd November, 1992 on the subject and to say that the Board has examined your request. The foreign exchange proceeds of Cattle exported by you are subject to tax under section 50(5A) of the Income Tax Ordinance, 1979.No exemption is available to residents of Tribal Areas in respect of aforesaid receipts." [**Ref:***93 ITL 19 p. 11*]

The clarification appears to be erroneous, see footnotes u/s 149.

Taxation of export buying houses and indenting agents.– Following is the text of CBR's Circular No. 03 of 2000, dated February 17, 2000:–

"In continuation of the Board's Circular No. 13 of 1999 dated 25.08.1999, it is clarified that clause (2A) inserted in Part II of the Second Schedule to the Income Tax Ordinance, 1979, vide SRO 1052(I)/99 dated 17.09.1999 and subsequently amended vide SRO 313(I)/99 dated 30.11.1999, provides that the tax chargeable in respect of commission received by an export indenting agent or an export buying house shall be at the rate equal to the rate of tax applicable to the exporter on export of goods to which such commission relates.

2. In view of the foregoing, the general rate of withholding tax for indenting commission remains 10% as per paragraph CCCC of Part I of the First Schedule to the Ordinance, but the reduced rate applicable in respect of commission received by an export indenting agent or an export buying house shall be 0.50% or 0.75% or 1.00%, depending on the goods exported to which such commission relates." [**Ref:***2000 ITC 4 p. 3*]

Following is the text of CBR's Circular No. 13 of 1999, dated August 25, 1999, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Under sub-section (5A) of section 50, tax was, previously, withheld by the banks at the time of realization of foreign exchange proceeds on account of export of goods by an exporter. Through the Finance Act, 1999, foreign exchange proceeds on account of commission due to an indenting commission agent, have also been brought within the purview of this sub-section.

2. The tax from indenting commission mentioned above is to be deducted by the bank @ 10% of the foreign exchange proceeds as per paragraph CCCCC of Part I of the First Schedule inserted through the Finance Act, 1999. Tax so deducted will be the full and final discharge of tax liability of the indenting agent in respect of such income under section 80C.

3. The banks responsible for deduction of tax under this sub-section are under legal obligation to furnish annual statement as prescribed under Rule 201A of Income Tax Rules, 1982, to be filed by 1st September each year, regarding foreign exchange proceeds and tax deducted therefrom. They should use the same statement to separately report the payments on account of foreign exchange proceeds made to indenting commission agents and the tax deducted therefrom." [**Ref:***99 ITC 14 p. 23*]

Following is an extract from CBR's Circular No. 8 of 1999 dated July 27, 1999, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Sub-section (5A) of section 50 has been amended to provide presumptive taxation of commission received in foreign exchange from foreign principals by indenting agents. The tax would be withheld @ 10% by banks. The tax deducted @ 10% shall constitute final discharge of tax liability in respect of such income from assessment year 2000-2001." [**Ref:***99 ITC 9 p. 9*]

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[1][**154A. Export of Services**.- (1) Every authorized dealer in foreign exchange shall, at the time of realization of foreign exchange proceeds on account of the following, deduct tax from the proceeds at the rates specified in Division IVA of Part III of the First Schedule-

(a) exports of computer software or IT services or IT enabled services [2][where the exporter is registered with and duly certified by the Pakistan Software Export Board (PSEB).];

(b) services or technical services rendered outside Pakistan or exported from Pakistan;

(c) royalty, commission or fees derived by a resident company from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise;

(d) construction contracts executed outside Pakistan [3][:]

[4][(da) foreign commission due to an indenting commission agent;]

(e) other services rendered outside Pakistan as notified by the Board from time to time;

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[1]Section 154A inserted by Finance Act, 2021 dated June 30, 2021.
[2]Substituted for "in case tax credit under section 65F is not available" by Finance Act, 2022 dated June 30, 2022.
[3]Substituted for "; and" by Finance Act, 2022 dated June 30, 2022.
[4]S. 154A(1)(da) inserted by Finance Act, 2022 dated June 30, 2022.

S. 154A.- Export of services.- Following is an extract from FBR's Circular No. 2 of 2023 dated July 26, 2023, explaining the amendment made by the F. Act, 2023:-

"(i) An exporter of IT & ITeS is charged to concessionary final tax rate of 0.25% on export proceeds realised if such exporter is registered with and duly certified by the Pakistan Software Export Board (PSEB). The exporters of IT & ITeS can avail above referred concessionary final tax rates after fulfilment of conditions listed in sub-section 2 of section 154A of the Ordinance. One such condition was filing of sales tax returns if required to be filed. In order to facilitate the exporters of IT & ITeS, through Finance Act, 2023, a new proviso has been inserted in subsection (2) of section 154A, whereby the aforesaid mandatory condition of filing of sales tax return if required, for the purpose of availing concessionary final tax regime under this section has been withdrawn. Needless to say that this relaxation is for availing reduced rate of 0.25% under section 154A of the Ordinance, and does not by itself absolve the exporter to file Sales Tax return under respective statutes if required to be filed.

(ii) Furthermore, in order to provide certainty of tax rates for exporters for IT & ITeS, an amendment has been made in Division IVA of Part III of First Schedule to the Ordinance through Finance Act, 2023 whereby the concessionary final tax rate of 0.25% will continue for tax years 2024, 2025 and 2026."

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(2) The tax deductible under this section shall be a final tax on the income arising from the transactions referred to in this section, upon fulfilment of the following conditions–

(a) return has been filed

[1][(b) withholding tax statements for the relevant tax year have been filed if required under the Ordinance;]

(c) sales tax returns under Federal or Provincial laws have been filed, if required under the law [2][:]

[2][Provided that this condition shall not apply in case of an exporter mentioned in clause (a) of sub-section (1) of this section.]

(d) no credit for foreign taxes paid shall be allowed.

(3) The provisions of sub-section (2) shall not apply to a person who does not fulfill the specified conditions or who opts not to be subject to final taxation:

Provided that the option shall be exercised every year at the time of filing of return under section 114.

[3][ ]

(5) The Board in consultation with State Bank of Pakistan shall prescribe mode, manner and procedure of payment of tax under this section.

(6) The Board shall have power to include or exclude certain services for applicability of provisions of this section.]

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[1]S. 154A(2)(b) substituted by Finance Act, 2022 dated June 30, 2022.
[2]Semi-colon substituted and proviso inserted by Finance Act, 2023 dated June 26, 2023.
[3]S. 154A(4) omitted by Finance Act, 2022 dated June 30, 2022.

S. 154A(2)(b)-Substitution.- Before substitution by F. Act, 2022 it read as follows:-

(b) withholding tax statements for the relevant tax year have been filed; and

S.154A(4)-Omission.- Before omission by F. Act, 2022 it read as follows:-

"(4) Where a taxpayer, while explaining the nature and source of any amount, investment, money, valuable article, expenditure, referred to in section 111, takes into account any source of income which is subject to final tax in accordance with the provisions of this section, he shall not be entitled to take credit of a sum that can be reasonably attributed to the business activity or activities mentioned in sub-section (1)."

Export of services.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"In line with the policy of the Government to attract legal flow of remittances into the country and to promote export of services in all sectors of economy, a special regime at par with export of goods regime has been introduced through insertion of section 154A. The service providers would be subjected to 1% withholding tax under Division IVA of Part III of First Schedule on their export proceeds remitted in Pakistan through Banks and authorized dealers of foreign exchange. This would be final tax. The Board has also been empowered to include or exclude certain services from operation of this section. Moreover, the Board may prescribe rules for the purposes of this section."

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[1][**154B. Withholding tax on revenues received from social media platforms**.- (1) Every banking and non-banking financial institution shall, at the time of credit or receipt of any amount in an account of a person, deduct tax at the rate specified in Division IIIAB of Part III of the First Schedule, where such amount represents revenues received from social media platforms.

(2) For the purposes of this section-

(a) "digital content creator" or "social media influencer" means any individual or entity deriving income from creation, publication, or monetization of content on digital platforms including but not limited to YouTube, Facebook, Instagram, Tik Tok or such other similar platforms; and

(b) "payment" includes any inward remittance, transfer, or credit received through banking channels, including through intermediaries such as online payment service providers or digital financial platforms.

(3) The tax deducted under this section shall be-

(a) minimum in the case of a resident person; and

(b) final tax in the case of a non-resident person not having a permanent establishment in Pakistan.

(4) The Board may, by notification in the official Gazette, prescribe rules for implementation, including identification and reporting mechanisms.]

[1]S. 154B inserted by Finance Act, 2026 dated June 26, 2026.

S. 154B.- Withholding Tax on Revenues Received from Social Media Platforms [Section 154B and Division IIIAB of Part III of the First Schedule]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new section l54B has been inserted requiring every banking and non-banking financial institution, at the time of credit or receipt of any amount in a person's account, to deduct tax at the rate specified in Division IIIAB of Part III of the First Schedule where such amount represents revenues received from social media platforms. The terms "digital content creator" or "social media influencer" and "payment" have been defined for the purpose of this section. The tax so deducted is minimum tax in the case of a resident person and final tax in the case of a non-resident person not having a permanent establishment in Pakistan. The rate of tax to be deducted under Division IIIAB has been fixed at five percent. A consequential amendment has been made in section 169."

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155. [1][**Rent of immovable**] **property.–** (1) [2][Every] prescribed person making a payment in full or part (including a payment by way of advance) to any person on account of rent of immovable property (including rent of furniture and fixtures, and amounts for services relating to such property) shall deduct tax from the gross amount of rent paid at the rate specified in Division V of Part III of the First Schedule.

[3][*Explanation.*- "gross amount of rent" includes the amount referred to in sub-section (1) or (3) of section 16, if any.]

[4][*Explanation*.- For removal of doubt, it is clarified that the sub section (1) shall apply when a payment is made on account of rent of immoveable property irrespective of head of income.]

[5][ ].

[6][(3) In this section, "prescribed person" means –

(i) the Federal Government;

(ii) a provincial Government;

(iii) a [7][Local Government];

(iv) a company;

(v) a non-profit organization [8][or a chairtable institution];

(vi) a diplomatic mission of a foreign state; [9][ ]

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[1]Substituted for "Income from" by Finance Act, 2021 dated June 30, 2021.
[2]Substituted for "Subject to sub-section (2), every" by Finance Act, 2006 dated July 01, 2006.
[3]Explanation inserted by Finance Act, 2006 dated July 01, 2006.
[4]Explanation inserted by Finance Act, 2021 dated June 30, 2021.
[5]Sub-section (2) omitted by Finance Act, 2010 dated June 30, 2010. It was earlier substituted by Finance Act 2006.
[6]Sub-section (3) substituted by Finance Act, 2006 dated July 01, 2006.
[7]Substituted for "local authority" by Finance Act, 2008 dated June 27, 2008.
[8]Words inserted by Finance Act, 2013 dated June 29, 2013.
[9]Word "or" omitted by Finance Act, 2013 dated June 29, 2013.

S. 155(2)–omission-Before omission it read as follows:-

"(2) The tax deducted under sub-section (1) shall be a final tax on the income from property [1][ ]"

[1]Words and figure "subject to section 15" omitted by Finance Act, 2008 dated June 27, 2008.Earlier these words etc. were inserted by Finance Act, 2007 dated June 30, 2007.

Substitution of S.155(2) and (3).- Before substitution these read as follows:–

"(2) Sub-section (1) shall apply only where the annual rent exceeds [1][three] hundred thousand rupees.

(3) In this section, "prescribed person" means the Federal Government, a Provincial Government, local authority, a company, a non-profit organisation or a diplomatic mission of a foreign state."

[1]Substituted for "two" by Finance Act, 2004, w.e.f. July 1, 2004. Earlier "two" was substituted for "one" by Finance Act, 2003 dated June 17, 2003.

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[1][(via) a private educational institution, a boutique, a beauty parlour, a hospital, a clinic or a maternity home;]

(vib) individuals or association of persons paying gross rent of rupees one and a half million and above in a year; or]

(vii) any other person notified by the [2][Board] for the purpose of this section.]

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[1]Clauses (via) & (vib) inserted by Finance Act, 2013 dated June 29, 2013.

[2]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.

Clarifications, regarding advance rent.– Following is the text of CBR's Letter No. C. No. 1(9)DTA-III/89, dated June 2, 2001, addressed to M/s. S.A. Salam & Co, CAs, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to your letter No. SG/30/457 dated 03.04.2001 on the above subject and to say that under section 50(7B) of the Income Tax Ordinance, 1979, "any person responsible for making any payment in full or in part (including a payment by way of an advance)…where the annual rent of such property exceeds 100000/- rupees, deduct advance tax, at the time of making such payment, at the rates specified…,".

2. In view of the above provision of the income tax law, withholding tax under section 50(7B) is deductible in the cases where annual rent of a property exceeds Rs. 100000/-. In the case mentioned by you, an advance rent for five years, amounting to Rs. 400000/- has been received. Withholding tax is not liable to be deducted under the aforesaid section of the Income Tax Ordinance, 1979, from this payment as annual rent of the property does not exceed rupees one lac (Rs. 100000/-) per annum."

Exemption for certain assessees.– See clause (47) of Part IV of Second Schedule.

Liability of NGOs, hospitals and private educational institutions to withhold tax from rents paid by them.– Following is an extract from CBR's Circular No. 08 of 1999 dated July 27, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"An amendment has been made in sub-section (7B) of section 50 with the result that now all non-government charitable institutions, private hospitals, maternity homes, clinics and private educational institutions are required to withhold tax from rent paid to any person, in respect of buildings hired by them, where the annual rent exceeds Rs. 100,000/-." [**ref:** *99 ITC 9 p. 9*]

Following is an extract from CBR's Circular No. 10 of 1996 dated 16th July, 1996, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The rate of deduction of tax on payments on account of rent of house property exceeding Rs.100,000 has been raised to from 5% to 7.5% through an amendment in the First Schedule to the Ordinance. The deduction at the new rate shall be made w.e.f. 1st July, 1996." [**Ref:***96 ITC 10 p. 25*]

Exemption to recipients.– Notification No. SRO 1130(I)/91 dated November 7, 1991 was issued under the provisions of Income Tax Ordinance, 1979 though there is no corresponding provision in the Income Tax Ordinance, 2001, but it is saved and continued by section 239(12) unless specifically rescinded. Text of the Notification is as follows:–

"In exercise of the powers conferred by clause (ii) of the proviso to sub-section (7B) of section 50 of the Income Tax Ordinance, 1979 (XXXI of 1979), the Central Board of Revenue is pleased to specify the following to be the recipients or classes of recipients to whom the said sub-section, shall not apply, namely:–

(i) any person who produces a certificate from the Inspecting Assistant Commissioner of Income Tax to the effect that the recipient's income during the income year is exempt from tax, under the Ordinance or any other law [*]or the time being in force; and

(ii) any person who produces a certificate from the Inspecting Assistant Commissioner of Income Tax to the effect that the recipient's income during the income year is not likely to exceed the minimum amount not chargeable to tax under the Ordinance."

[*]The apparently intended word is "for".

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156. Prizes and winnings.– (1) Every person paying [1][prize on] a prize bond, or winnings from a raffle, lottery, [2][prize on winning a quiz, prize offered by companies for promotion of sale,] or cross-word puzzle shall deduct tax from the gross amount paid at the rate specified in Division VI of Part III of the First Schedule.

[3][(2) Where a prize, referred to in sub-section (1), is not in cash, the person while giving the prize shall collect tax on the fair market value of the prize.]

[4][(3) The tax [5][deductible] under sub-section (1) or collected under [6][sub-]section (2) shall be final tax on the income from prizes or winnings referred to in the said sub-sections.]

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[1]Words inserted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Words and commas inserted by Finance Act, 2003 dated June 17, 2003.
[3]Sub-section (2) substituted by Finance Act, 2003 dated June 17, 2003.
[4]Sub-section (3) substituted by Finance Ordinance, 2002 dated June 15, 2002.
[5]Substituted for "deducted" by Finance Act, 2012 dated June 26, 2012.
[6]Inserted by Finance Act, 2014 dated June 26, 2014.

S. 156–Prize and winnings, substitution of sub-section (2).– Sub-section (2) before substitution by Finance Act, 2003, read as follows:–

"(2) Where a payment under sub-section (1) is not in cash, the person making the payment shall collect the tax due under that sub-section from the recipient of the payment."

Substitution of sub-section (3).– Sub-section (3) before substitution by Finance Ordinance, 2002, read as follows:–

"(3) The tax deducted under sub-section (1) shall be a final tax on the prize bond or winnings."

Commissioner's certificate for exemption or lower rate.– See section 159.

Scope of Withholding Tax.– Following is an extract from CBR's Circular No. 6 of 2003 dated July 9, 2003:–

"Sub-section (1) of section 156 has been amended to extend the scope of withholding tax to prize on winning a quiz and the prizes offered by companies for promotion of their sales. Further, sub-section (2) has been substituted to provide that the person giving a prize, other than in cash, shall collect tax on the fair market value of the prize."

Following is the text of CBR's Circular No. 15 of 1999, dated August 25, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Under sub-section (7C) of section 50 of the Income Tax Ordinance, 1979 tax is to be deducted/collected at source on prize on prize bonds and winnings from a raffle, lottery or crossword puzzle. Through an amendment in clause (b) of paragraph CC of Part-I of the First Schedule to the Ordinance, made vide Finance Act, 1999, the rate has been increased from 7.5% to 10%.

2. All the persons including State Bank of Pakistan, other banks, institutions, companies etc. who are making payments in cash or in any other form on account of the prize/winnings mentioned above have to withhold tax at the rate of 10% with effect from 1st July, 1999.

3. The persons responsible for deducting withholding tax under sub-section (7C) of section 50 are obliged to file prescribed annual statement under Rule 201C of the Income Tax Rules, 1982, by the first day of September every year."

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[1][**156A. Petroleum Products.–** (1) Every person selling petroleum products to a petrol pump operator shall deduct tax from the amount of commission or discount allowed to the operator at the rate specified in Division VIA of Part III of the First Schedule.

(2) The tax [2][deductible] under sub-section (1) shall be a final tax on the income arising from the sale of petroleum products to which sub-section (1) applies.]

[1]Section 156A inserted by Finance Act, 2004, w.e.f. July 1, 2004.
[2]Substituted for "deducted" by Finance Act, 2012 dated June 26, 2012.

Following is an extract from CBR's Circular No. 6 of 1990 dated July 15, 1990:–

"A new sub-section (7C) has been inserted in section 50 of the Ordinance which requires deduction or collection of advance tax from any payment of Rs. 25,000 or more (or value thereof) to any person by way of a prize on prize bond or on account of winnings from a raffle, lottery or a cross word puzzle. Paragraph CC of Part I of the First Schedule further provides that such a payment whether in cash or in kind will be treated as a separate block of income and subjected to final withholding tax at the rate of 7.5%".

Withdrawal of limit of Rs. 25,000.– The withdrawal of limit of Rs. 25,000 by Finance Act, 1998 rendered all prizes subject to withholding tax w.e.f. 1.7.1998 @ 7.5%. It appears inappropriate for recipients of small amounts to suffer the tax.

S. 156A-Petrol pumps, presumptive taxation.– Following is an extrzct from Finance Minister's budget speech of June 12, 2004:–

"Moreover, no tax is collected on commission income of petrol pump operators. With significant growth in the industry administrative convenience warrants a simpler regime. It is proposed to collect advance withholding tax on their commission income at the rate of 10% and treat the same as final discharge of tax liability."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to provide for withholding tax on commission income from sale of petroleum products by petrol pump operators as final discharge of tax liability."

Following is the text of CBR's Circular No. 11 of 2004 dated July 1, 2004:–

"A new section 156A has been introduced through Finance Act, 2004 requiring every person selling petroleum products to a petrol pump operator to collect tax from the amount of commission or discount allowed with effect from 1st July, 2004. A corresponding amendment has been made in Part III of the First Schedule to the Ordinance by adding Division VIA, providing the collection of tax @ 10%. The tax so collected shall be the final tax on the income arising from the sale of petroleum products.

2. The provisions of section 156A shall be equally applicable to commission or any discount allowed to the petrol pump operators, whether mentioned in the bills or not. The responsibility to collect such withholding tax lies on "every person", irrespective of its status. Thus, commission paid or discount allowed to petrol pump operators on purchases of petroleum products from any person including oil companies, wholesalers, distributors or retailers would be liable to withholding tax under this provision of law.

3. Situations may arise wherein petrol pump operators may have to suffer tax deduction under section 153(1)(a) of the Ordinance in respect of the sale of same petroleum products where the commission or discount has already been subjected to withholding tax under section 156A. It is likely to create hardship for such petrol pump operators. To remove this hardship, the Commissioner of Income Tax may issue exemption certificate under section 153 (4) of the Ordinance in cases where tax is being collected @ 10 % under section 156A of the Income Tax Ordinance, 2001."

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[1][ ]

[2][ ]

[1]Section 156B omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finance Act, 2005 dated June 29, 2005.
[2]Section 157 omitted by Finance Ordinance, 2002 dated June 15, 2002.

S.156B-Omission- Before omission by F. Act, 2020, it read as follows:–

"156B. Withdrawal of balance under Pension Fund.- (1) A pension fund manager making payment from individual pension accounts, maintained under any approved Pension Fund, shall deduct tax at the rate specified in sub-section (6) of section 12 from any amount –

(a) withdrawn before the retirement age [1][:]

[1][Provided that the tax shall not be deducted in case of the eligible person suffering from any disability as mentioned in sub-rule (2) of rule 17 of the Voluntary Pension System Rules, 2005 which renders him unable to continue with any employment at the age which he may so elect to be treated as the retirement age or the age as on the date of such disability if not so elected by him:

Provided further that the tax shall not be deducted on the share of the nominated survivor of the deceased eligible person and would be treated as if the eligible person had reached the age of retirement;]

(b) withdrawn, if in excess of [2][fifty per cent] of his accumulated balance at or after the retirement age:

[3][Provided that the tax shall not be deducted in case, the balance in the eligible persons' individual pension account is invested in an approved income payment plan of a pension fund manager or paid to a life insurance company for the purchase of an approved annuity plan or is transferred to an other individual pension account of the eligible person or the survivors' pension account in case of death of the eligible person maintained with any other pension fund manager as specified in the Voluntary Pension System Rules, 2005;]"

[1]Colon substituted for ";" and Provisos inserted by Finance Act, 2006 dated July 01, 2006.
[2]Substituted for "25%" by Finance Act, 2011 dated June 30, 2011.
[3]Proviso substituted by Finance Act, 2006 dated July 01, 2006.

S.156B-Proviso-Substitution- Proviso to sub-clause (b) before substitution read as follows:–

"Provided that the tax shall not be deducted in case, the balance in the persons' individual pension account is invested in an approved income payment plan of a pension fund manager or paid to a life insurance company for the purchase of an approved annuity plan or is transferred to another individual pension account of the taxpayer maintained with any other Pension Fund Manager under Change of Pension Fund Manager option specified in the Voluntary Pension System Rules, 2005."

S. 156-Withdrawal of Balance under Pension Fund.-Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"In order to liberalize taxation regime on Pension Fund, existing limit of twenty-five per cent for tax free withdrawal from the balance under a pension fund has been increased to fifty per cent of the accumulated balance to be withdrawal at or after the retirement age."

S.156B-Pension Fund.–Following is an extract from 'Notes on Clauses of Finance Bill, 2006':–

"(a) Seeks to provide relief to pensioners participating in the Voluntary Pension Scheme who have suffered disability."

(b) Seeks to provide relief to survivors of the deceased pensioners who have participated in the Voluntary Pension Scheme."

S. 157–Omission.–Before omission by Finance Ordinance, 2002, read as follows:–

"**157. Petroleum products.–** (1) Every person selling petroleum products to a petrol pump operator shall deduct tax from the amount of commission or discount allowed to the operator at the rate specified in Division VII of Part III of the First Schedule.

(2) The tax deducted under sub-section (1) shall be a final tax on the income arising from the sale of petroleum products to which sub-section (1) applies."

[1][**158. Time of deduction of tax.–** A person required to deduct tax from an amount paid by the person shall deduct tax–

(a) in the case of deduction under section 151, at the time the amount is [2][paid or] credited to the account of recipient [2][, whichever is earlier]; and

(b) in other cases, at the time the amount is actually paid [3][; and].]

[4][(c) amount actually paid shall have the meaning as may be prescribed.]

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[1]Section 158 substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Inserted by Finance Act, 2003 dated June 17, 2003.
[3]Substituted for full stop by Finance Act, 2015 dated June 30, 2015.
[4]Clause (c) inserted by Finance Act, 2015 dated June 30, 2015.

S. 158–Substitution.–Before substitution by F.O. 2002, it read as follows:–

"158. Time of deduction of tax.– A person required to deduct tax from an amount paid by the person shall deduct the tax at the earlier of–

(a) the time the amount is credited to the account of the recipient; or

(b) the time of* amount is actually paid."

*apparently intended word is "the".

Clarification regarding Adjustment of payments through Ledger Account.- Following is the text of FBR's Circular No. 1 of 2009 dated February 20, 2009:-

"Under clause (b) of section 158 of the Income Tax Ordinance, 2001 (hereinafter referred as "Ordinance"), a person is required to deduct tax from an amount paid by the person at the, time the amount is actually paid. It has, however, been noticed that some inter-account adjustments of receivable/collectable against payable are carried out through ledger accounts or journals maintained by the persons and such "adjustments" are not construed as "payments" or "actually paid" and no tax is withheld therefrom.

2. Though the word "adjustment" has not been defined in the Ordinance yet it as a matter of common prudence that it is at par with the word "paid", because by such "adjustment" the payables are reduced which amounts to "actual payment" by other means.

3. The matter has been examined. According to Black's Law Dictionary, "adjustment" amounts to "an arrangement; a settlement". This obviously means that payable settled by payment or inter-account adjustment of receivables against the payables tantamount to "actually paid" and thus attracts the provisions of clause (b) of section 158 of the Ordinance, whenever any such adjustment is made. It is, therefore, clarified that in such circumstances, the person who is making such inter-account adjustments is required to withhold tax under the relevant provisions of law at the relevant rates and in case of any default, provisions of the Ordinance shall apply accordingly."

New provision.-Following is an extract from CBR's Circular No. 1 of 2005 dated July 5, 2005:-

"A new section 156B has been introduced making it mandatory for pension fund manager making payment from individual pension accounts, maintained under an approved pension fund, to deduct tax at the rate specified in sub-section (6) of section 12 from any amount.–

(a) withdrawn before the retirement age;

(b) withdrawn, if in excess of 25% of his accumulated balance at or after the retirement age:

Tax shall not be deducted in case, the balance in the persons' individual pension account is invested in an approved income payment plan of a pension fund manager or paid to a life insurance company for the purchase of an approved annuity plan or is transferred to another individual pension account of the taxpayer maintained with any other Pension Fund Manager under Change of Pension Fund Manager option specified in the Voluntary Pension System Rules, 2005."

Division IV

General Provisions Relating to the Advance Payment of Tax or the Deduction of Tax at Source

159. Exemption or lower rate certificate.– (1) Where the Commissioner is satisfied that an amount [1][ ] to which Division II or III of this Part [2][or Chapter XII] applies is–

(a) exempt from tax under this Ordinance; or

(b) subject to tax at a rate lower than that specified in the First Schedule [3][; or]

[3][(c) is subject to hundred per cent tax credit under [4]*[*under this Ordinance*]*,]

the Commissioner shall, upon application in writing by the person [5][in the prescribed form], issue the person with an exemption or lower rate certificate [6]*[:]*

[6]*[*Provided that in case of a company, the Commissioner shall issue exemption or lower rate certificate under this section within fifteen days of filing of application by the company:

Provided further that the Commissioner shall be deemed to have issued the exemption certificate upon the expiry of fifteen days from filing of application by the aforesaid company and the certificate shall be automatically processed and issued by Iris:

Provided also that the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard.]

[7][(1A) The Commissioner shall, upon application from a person [5][in the prescribed form] whose income is not likely to be chargeable to tax under [8]*[ ]* this Ordinance, issue exemption certificate for the profit on debt referred to in clause (c) of sub-section (1) of section 151.]

[9][(1B) The Commissioner shall, upon application from a person, in the prescribed form whose income from capital gains is not chargeable to tax under sub-section (1A) of section 37, issue exemption certificate for collection of advance tax under section 236C, in respect of a residential immovable property, which—

(a) has been in the personal use for the last fifteen years;

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[1]Words "paid to a person" omitted by Finance Act, 2003 dated June 17, 2003.
[2]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Substituted for full stop and clause (c) inserted by Finance Act, 2014 dated June 26, 2014.
[4]Substituted for "section 100C" by Finance Act, 2021 dated June 30, 2021.
[5]Words inserted by Finance Act, 2020 dated June 30, 2020.
[6]Full stop substituted and provisos inserted by Finance Act, 2021 dated June 30, 2021.
[7]Sub-section (1A) inserted by Finance Act, 2003 dated June 17, 2003.
[8]Word "the" omitted by Finance Act, 2004, w.e.f. July 1, 2004. This amendment corrects an error pointed out earlier in this book.
[9]Sub-section (1B) inserted by Finance Act, 2025 in force from July 1, 2025.

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(b) has been declared by the person in his wealth statement under section 116 for the last fifteen years; and

(c) appears as residence for personal use in tax record of the person:

Provided that the exemption certificate under this section shall be issued once in fifteen years.]

[1][(1C) Where a person has distributed ninety percent or more of its accounting income amongst the unit or certificate holders or shareholders, as the case may be, in accordance with the provisions of clauses (99) and (99C) of Part I of the Second Schedule for the year immediately preceding the last tax year, the person shall be eligible for issuance of exemption certificate under sub-section (1) and the certificate shall be issued for the subsequent whole tax year:

Provided that in the case of a person who has started business for the first time, the certificate under sub-section (1) shall be issued on the basis of an undertaking furnished to the Commissioner that the person shall distribute ninety percent of his accounting income to the unit or shareholders for the tax year.

(1D) Where a person has been issued approval under the provision of sub-clause (c) of clause (36) of section 2 of this Ordinance for a tax year, the person shall be eligible for issuance of exemption certificate under sub-section (1), and the certificate shall be issued for the said whole tax year.]

[1]Sub-sections (1C), (1D) inserted by Finance Act, 2026 dated June 26, 2026.
[2]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.

S. 159(1C) & (1D).- Exemption Certificates for certain persons & NPOs.- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Amendments have been made in section 159 to streamline issuance of certificate in the cases of persons covered in clauses (99) and (99C) of Part I of the Second Schedule and a not-for-profit organization who has been issued approved under section 2(36)(c) of the Ordinance. In this regard sub-sections (1C) and (1D) have been introduced.

New sub-section (1C) introduced provides that if a person has distributed 90% or more of its accounting income in accordance with the provisions of clauses (99) and (99C) of Part I of the Second Schedule for the immediately preceding tax year, then the person shall be eligible and shall be issued the certificate under section 159(1) for the subsequent tax year. An exception further provides that in case of a person where there is no preceding tax year due to starting business for the first time, the person shall be issued the said certificate on the basis of an undertaking furnished to the Commissioner that 90% distribution as required shall be made for the year.

Sub-section (1D) introduced provides that a person shall be eligible and shall be issued the said certificate under section 159(1) for the whole tax year, if the persons has been granted approval under sub-clause (c) of clause (36) of section 2 for a tax year."

Scope of Exemption Certificates.– Following is an extractfrom CBR's Circular No. 6 of 2003 dated July 9, 2003:–

"The scope of exemption certificate under section 159 has been enlarged. Now, the Commissioner can also issue exemption certificate in respect of profit on securities of the Federal Government, a Provincial Government or a local authority, received by a person whose income is not likely to be chargeable to tax under the Income Tax Ordinance, 2001."

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(2) A person required to collect advance tax under Division II of this Part or deduct tax from a payment under Division III of this Part [2][or deduct or collect tax under Chapter XII] shall collect or deduct the full amount of tax specified in Division II or III [3][or Chapter XII], as the case may be, unless there is in force a certificate issued under sub-section (1) relating to the collection or deduction of such tax, in which case the person shall comply with the certificate.

[1][ ]

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[1]Sub-sections (3) to (5) omitted by Finance Act, 2015 dated June 30, 2015.

S. 159(3) to (5)-Omission.-Before omission by F. Act, 2015, these read as follows:-

"[1][(3) The Board may, from time to time, by notification in the official Gazette–

(a) amend the rates of withholding tax prescribed under this Ordinance; or

(b) exempt persons, class of persons, goods or class of goods from withholding tax under this Ordinance.]

S. 159(3)-Substitution.-Before substitution it read as follows:-

"(3) The Board may, from time to time, by notification in the official Gazette, amend the rates of withholding tax prescribed under the Ordinance."

[2][(4) All such amendments shall have effect in respect of any tax year beginning [3][on] any date before or after the commencement of the financial year in which the notification is issued and shall not be applicable in respect of income on which tax withheld is treated as discharge of final tax liability.]

[2][(5) The Board shall place all notifications issued under sub-section (3) in a financial year before both Houses of Majlis-e-Shoora (Parliament).]"

[1]Sub-section (3) substituted by Finance Act, 2008 dated June 27, 2008. It was earlier inserted by F.A. 2007.

[2]Sub-sections (4) and (5) inserted by Finance Act, 2007 dated June 30, 2007.

[3]Substituted for "one" by Finance Act, 2014 dated June 26, 2014.

Empowering FBR to Allow Exemption.– Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:–

"In order to allow speedy relief in suitable cases, necessary amendments have been made in sub-section (3) of section 159 of the Ordinance, empowering FBR to exempt persons, class of persons, goods or class of goods or payments etc. from the application of any provisions of the Ordinance relating to withholding taxes. The main objective of this amendment is to allow relief in hardship cases at Board's level."

S. 159.-Grant of Exemption with respect to 236C under specified conditions.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [Section 159 and Clause (104A) of Part IV of Second Schedule]

"Capital gain on immoveable property acquired on or before 30th day of June, 2024 is charge to tax at slab rates ranging from 15% to 0% depending upon the holding period. In case of an immoveable property being an open plot, the tax on capital gains after the holding period of six years become 0%. Similar in the case of constructed property on which capital gain is chargeable to tax at the rate of 0% after the holding period of four years. For simplicity of a person whose income from disposal of immoveable property is chargeable at the rate of 0%, exemption provision has been introduced in section 159 whereby such person may apply for exemption certificate on account of advance tax on sale or transfer of immoveable property subject to the following conditions and to the fact that such immovable property giving rise to tax free capital gains-

(a) has been in the personal use for the last fifteen years;

(b) has been declared by the person in his wealth statement under section 116 for the last fifteen years; and

(c) appears as residence for personal use in tax record of the person.

Moreover, under the situations specified regarding above immoveable property, the super tax under section 4C will also not be payable by the seller or transferee on capital gains arising from disposal of such specified residential immovable property. The exemption certificate for any person under this section read with section 236C and waiver from section 4C will be issued or applied once every fifteen years."

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[2][(6) Notwithstanding omission of sub-sections (3), (4) and (5), any notification issued under the said sub-sections and for the time being in force, shall continue to remain in force, unless rescinded by the Board through notification in the official Gazette.]

[2]Sub-section (6) inserted by Finance Act, 2015 dated June 30, 2015.

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160. Payment of tax collected or deducted.– Any tax that has been collected or purported to be collected under Division II of this Part or deducted or purported to be deducted under Division III of this Part [1][or deducted or collected, or purported to be deducted or collected under Chapter XII] shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

161. Failure to pay tax collected or deducted.– (1) Where a person–

(a) fails to collect tax as required under Division II of this Part [2][or Chapter XII] or deduct tax from a payment as required under Division III of this Part [2][or Chapter XII] [3][or as required under section 50 of the repealed Ordinance]; or

(b) having collected tax under Division II of this Part [2][or Chapter XII] or deducted tax under Division III of this Part [2][or Chapter XII] fails to pay the tax to the Commissioner as required under section 160, [4][or having collected tax under section 50 of the repealed]

Ordinance pay to the credit of the Federal Government as required under sub-section (8) of section 50 of the repealed Ordinance, the person shall be personally liable to pay the amount of tax to the Commissioner [5][who may [6]/pass an order to that effect and/ proceed to recover the same].

[7][(1A) No recovery under sub-section (1) shall be made unless the person referred to in sub-section (1) has been provided with an opportunity of being heard.

(1B) Where at the time of recovery of tax under sub-section (1) it is established that the tax that was to be deducted from the payment made to a person or collected from a person has meanwhile been paid by that person, no recovery shall be made from the person who had failed to collect or deduct the tax but the said person shall be liable to pay [8][default surcharge] at the rate of [9][twelve] per cent per annum from the date he failed to collect or deduct the tax to the date the tax was paid.]

[1]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.Earlier vide Notification No. SRO 633(I)/2002 dated September 14, 2002 issued u/s 240 it was provided that in making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002, the Ordinance shall have effect as if after the figure "XII" the words etc. "or as required under section 50 of the repealed Ordinance" were inserted. This Notification was later rescinded by Notification No. SRO 608(I)/2003 dated June 24, 2003.

[2]Words ect. inserted by Finance Act, 2003 dated June 17, 2003.

[3]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.

[4]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.

[5]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.

[6]Words inserted by Finance Act, 2003 dated June 17, 2003.

[7]Sub-sections (1A) and (1B) inserted by Finance Ordinance, 2002 dated June 15, 2002.

[8]Substituted for "additional tax" by Finance Act, 2010 dated June 30, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009. The substitution in S. 162 shall be deemed to have effect from June05, 2010.

[9]Substituted for "eighteen" by Finance Act, 2015 dated June 30, 2015.

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(2) A person personally liable for an amount of tax under sub-section (1) as a result of failing to collect or deduct the tax shall be entitled to recover the tax from the person from whom the tax should have been collected or deducted.

[1][(3) The Commissioner may, after making, or causing to be made, such enquiries as he deems necessary, amend or further amend an order of recovery under sub-section (1), if he considers that the order is erroneous in so far it is prejudicial to the interest of revenue:

Provided that the order of recovery shall not be amended, unless the person referred to in sub-section (1) has been provided an opportunity of being heard.]

[1]Sub-section (3) inserted by Finance Act, 2019 dated June 30, 2019.

S. 161–Amendment of recovery order for failure to collect or deposit tax by a withholding agent.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"As per sub-section (1) of section 161, where a withholding agent fails to collect or deduct tax or deposit tax, the withholding agent shall be personally liable to pay the amount of tax and the Commissioner may pass an order to that effect and proceed to recover the defaulted tax. However, there was no provision to amend the order under sub-section (1) of section 161 in case where the order was prejudicial to revenue. Through the Finance Act, 2019, a new sub-section has been added in section 161 which authorizes the Commissioner to amend the order under sub-section (1) of section 161 after making, or causing to be made such enquiries as deemed necessary if the Commissioner considers that the order under sub-section (1) of section 161 is erroneous in so far it is prejudicial to interest of revenue."

S. 161-Recovery from withholding agent.– Following is the text of CBR's Circular No. 19 of 1999, dated September 14, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The Board has received certain queries seeking clarification that if tax has already been recovered from buyer as an assessee in default, will the seller still be liable to pay the said amount of tax to the Income Tax Department.

2. The matter has been examined. Although, this stands clarified by Board's Circular No. 8 of 1999, it is again clarified that the primary responsibility to deduct/ withhold tax rests on the buyer/payer. If he is treated as an assessee in default and the tax has been fully recovered from him, the said tax shall not be recovered again from the seller/recipient."

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162. Recovery of tax from the person from whom tax was not collected or deducted.– (1) Where a person fails to collect tax as required under Division II of this Part [1][or Chapter XII] or deduct tax from a payment as required under Division III of this Part [2][or Chapter XII], the Commissioner may [3][pass an order to that effect and] recover the amount not collected or deducted from the person from whom the tax should have been collected or to whom the payment was made.

(2) The recovery of tax under sub-section (1) does not absolve the person who failed to deduct tax as required under Division III of this Part [4][or Chapter XII] from any other legal action in relation to the failure, or from a charge of [5][default surcharge] or the disallowance of a deduction for the expense to which the failure relates, as provided for under this Ordinance.

163. Recovery of amounts payable under this Division.– The provisions of this Ordinance shall apply to any amount required to be paid to the Commissioner under this Division as if it were tax due under an assessment order.

164. Certificate of collection or deduction of tax.– (1) Every person collecting tax under Division II of this Part or deducting tax from a payment under Division III of this Part [6][or [7]/deducting or collecting tax under/ Chapter XII] shall, at the time of collection or deduction of the tax, furnish to the person from whom the tax has been collected or to whom the payment from which tax has been deducted has been made, [8][copies of the [9][Computerized Payment Receipt (CPR)] or any other equivalent document alongwith] a certificate setting out the amount of tax collected or deducted and such other particulars as may [10][ ] be prescribed [11][:]

[12][Provided that in case of persons or class of persons notified as SWAPS agent, SWAPS Payment Receipt (SPR) shall be replaced with Computerized Payment Receipt (CPR).]

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[1]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.
[2]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.
[4]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.
[5]Substituted for "additional tax" by Finance Act, 2010 dated June 30, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009. The substitution in S. 162 shall be deemed to have effect from June05, 2010.
[6]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.
[7]Words inserted by Finance Act, 2003 dated June 17, 2003.
[8]Words inserted by Finance Act, 2009 dated June 30, 2009.
[9]Substituted for "challan of payment" by Finance Act, 2022 dated June 30, 2022.
[10]Words "pass an order to that effect and" omitted by Finance Act, 2004, w.e.f. July 1, 2004. This amendment corrects an error pointed out earlier in this book.
[11]Full stop substituted by Finance Act, 2022 dated June 30, 2022.
[12]Proviso inserted by Finance Act, 2022 dated June 30, 2022.

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(2) A person required to furnish a return of taxable income for a tax year shall attach to the return [1][copies of the [2][Computerized Payment Receipt (CPR) or SWAPS Payment Receipt (SPR)] on the basis of which a certificate is] provided to the person under this section in respect of tax collected or deducted in that year [3][ ].

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[1]Substituted for "any certificate" by Finance Act, 2009 dated June 30, 2009.

[2]Substituted for "challan of payment" by Finance Act, 2022 dated June 30, 2022.

[3]Words and figure "and such certificate shall be treated as sufficient evidence of the collection or deduction for the purposes of section 168" omitted by Finance Act, 2013 dated June 29, 2013. Earlier these wereinserted by Finance Ordinance, 2002 dated June 15, 2002.

S. 164-Filing of copies of paid challans alongwith certificate of deduction.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Previously a taxpayer was entitled to claim credit of tax collected/deducted on the basis of prescribed tax deduction certificate. At times withholding agents either do not deposit the tax deducted from the taxpayers or deposit the same on behalf of other persons who may claim credit of the same. In order to rectify this anomalous situation amendment has been made in sub-sections (1) and (2) of section 164 requiring the taxpayers to furnish copies of paid challans or other equivalent documents alongwith certificate of deductions for claming credit of the same."

CBR enabled to lower rates.–Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Sub-sections (3), (4) and (5) have been added in section 159 giving enabling powers to the Board to amend the rates of withholding taxes."

Jurisdiction over defaulting withholding agents.– Following is an extract from CBR's Circular No. 08 of 1999, dated July 27, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"An explanation has been added in section 52 to clarify that the action under this section is to be taken by the DCIT holding jurisdiction over the case of "assessee in default"." [**Ref:***99 ITC 9, p 14*]

Jurisdiction to Survey Organization.– Please see notes to section 210.

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[1][**164A.** [2][**Settlement of transactions liable to Withholding Tax by SWAPS agents**].- (1) Subject to the Ordinance, the Board may, by notification in the official gazette, notify any person or class of persons required to deduct or collect tax under the Ordinance to integrate with Synchronized Withholding Administration and Payment System and to act as SWAPS agent within the time and in the manner as may be prescribed.

(2) The tax collected or purported to be collected or deducted or purported to be deducted under the Ordinance by a notified SWAPS agent and credited to the Commissioner through digital mode, shall be treated to have been paid under section 160 of the Ordinance.

(3) Where tax has been paid by a notified SWAPS agent in accordance with sub-section (2) of this section, copy or number of SWAPS Payment Receipt (SPR) shall replace copy or number of Computerized Payment Receipts (CPR) for the purposes of the Ordinance.

(4) Any notified SWAPS agent shall not be eligible for tax credit under Part X of Chapter III of the Ordinance and exemption under any of the provisions of the Ordinance if notified SWAPS agent fails to integrate with Board.

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[1]S.164A inserted by Finance Act, 2022 dated June 30, 2022.

[2]Substituted for "Payment of tax collected or deducted by SWAPS agents" by Finance Act, 2023 dated June 26, 2023.

S. 164A-Automated System of Collection and Deduction of Withholding Taxes.- Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"Currently, withholding agents are required to collect and deduct tax at the time of making payment and deposit the same in government treasury within the prescribed time period. Similarly, withholding agents are required to file quarterly and annual withholding statements which consumes time and resources of taxpayers leading to increased compliance cost. Moreover, certain large withholding tax agents like banks, DISCOs, TELCOs, Government institutions etc. are still depositing tax through a single payment receipt for multiple taxpayers. In order to streamline withholding tax collection and deduction mechanism, enabling provision for the placement of a fully automated system by the name Synchronized Withholding Administration and Payment System (SWAPS) has been introduced under section 164A of the Ordinance. A withholding agent notified under section 164A will be called a SWAPS agent. The notified SWAPS agent will be integrated with Board and withholding tax will be deposited in government treasury on real time basis simultaneously at the time of making third party payment processed through SWAPS by the SWAPS agent. It will also result in auto populated withholding statements thereby saving time and reducing cost of compliance for the business.

SWAPS Payment Receipt (SPR) will be generated upon deposit of tax in this manner which will be a valid document for the purpose of claiming credit against tax payable under the provisions of this Ordinance. In case if a notified SWAPS agent fails to integrate with the Board in the manner prescribed, the said agent will not be eligible for credit under Part X of Chapter III of the Ordinance and exemption under any of the provisions of the Ordinance. All other provisions of the Ordinance not specifically dealt with in newly inserted section 164A will *mutatis mutandis* apply on a notified SWAPS agent. Corresponding changes have been made in section 164 of the Ordinance."

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S. 164A-SWAPS agents.- Following is the text of SRO 2041(I)/2024, dated December 10, 2024:-

"In exercise of the powers conferred by sub-section (1) of Section l64A of the Income Tax Ordinance,2001 (XLIX of 2001), the Federal Board of Revenue is pleased to notify the following banks as agents for the purpose of deduction and collection of withholding taxes to integrate with SWAPS subject to the conditions mentioned herein:-

Sr. No.	NTN	Name of Withholding Age nt
(1)	(2)	(3)
1.	2554922-7	Al Baraka Bank (Pakistan)Limited
2.	0801428	Allied Bank Limited
3.	0709045-5	Askari Bank Limited
4.	0698202-6	Bank Al-Falah Limited
5.	0709857-0	Bank Al-Habib Limited
6.	2238845-1	Bank Islami Pakistan Limited
7.	7483933-1	Bank of China Limited
8.	0700253-0	Citi Bank N.A
9.	0700245-9	Deutsche Bank AG
10.	2395184-2	Dubai Islamic Bank Pakistan
11.	0815065-6	Faysal Bank Limited
12.	0700268-8	First Women Bank Limited
13.	0698187-9	Habib Bank Limited
14.	0711167-3	Habib Metropolitan Bank Limited
15.	3751229-3	Industrial and Commercial Bank of China
16.	0700285-8	Industrial Development Bank of Pakistan Limited
17.	2663703-7	JS Bank Limited
18.	0700267-0	MCB Bank Limited
19.	4422426-5	MCB Islamic Bank Limited
20.	0787226-7	Meezan Bank Limited
21.	0700271-8	National Bank of Pakistan
22.	0801400-7	Punjab Provincial Cooperative Bank Limited
23.	1804331-3	Samba Bank l-imited
24.	081 6469	SILK Bank Limited
25.	3654008-7	Sindh Bank Limited
26.	1471147-8	SME Bank Limited
27.	0801438-8	Soneri Bank Limited
28.	2731134-1	Standard Chartered Bank (Pakistan) Limited
29.	2663705-7	Summit Bank Limited
30.	0000092-2	The Bank of Khyber
31.	0800543-5	The Bank of Punjab
32.	0801164-8	United Bank Limitcd
33.	2567068-9	Zarai Tarqiati Bank Limited
34.	9011209	State Bank of Pakistan

2. The above SWAPS Agents shall be liable to collect and deposit withholding taxes under sections 153(1)(a) and 153(1)(b) of Income Tax Ordinance,2001, through SWAPS Portal as per the date notified by the Board periodically:

Provided that till the said date is notified by the Board, the above-mentioned notified SWAPS agents shall continue to collect and deposit withholding taxes under sections 153(1)(a) and 153(1)(b) of Income Tax Ordinance, 2001 under the current withholding regime.

3. For all the SWAPS agents notified herewith, integration with the SWAPS portal can be done through the fulfilment of parameters and APIs as communicated to the SWAPS agents internally."

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(5) All persons from whom the tax has been collected or deducted by the notified SWAPS agents shall be eligible for credit of tax withheld against SPR issued by SWAPS Agent.

(6) All other provisions of the Ordinance, not specifically dealt with in this section, shall, *mutatis mutandis*, apply to the notified SWAPS agents.]

165. Statements.– (1) Every person collecting tax under Division II of this Part [1][or Chapter XII] or deducting tax from a payment under Division III of this Part [2][or Chapter XII] [3][or the Tenth Schedule] shall, [4][ ] furnish to the Commissioner a [5][quarterly] statement in the prescribed form setting out–

(a) the name [6][Computerized National Identity Card Number, National Tax Number] and address of each person from whom tax has been collected under Division II of this Part [6][or Chapter XII] [3][or the Tenth Schedule] or to whom payments have been made from which tax has been deducted under Division III of this Part [2][or Chapter XII] [3][or the Tenth Schedule] in [7][each [8][/quarter/];

(b) the total amount of payments made to a person from which tax has been deducted under Division III of this Part [1][or Chapter XII] [3][or the Tenth Schedule] in [7][each [8][/quarter/];

(c) the total amount of tax collected from a person under Division II of this Part [2][or Chapter XII] [3][or the Tenth Schedule] or deducted from payments made to a person under Division III of this Part [1][or Chapter XII] [3][or the Tenth Schedule] in [7][each [8][/quarter/]; and

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[1]Words inserted by Finance Act, 2003 dated June 17, 2003.
[2]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Words etc. inserted by Finance Act, 2019 dated June 30, 2019.
[4]Words etc. "within two months after the end of the financial year or within such further time as the Commissioner may allow by order in writing," omitted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. Earlier the word "order" was substituted for "notice" by Finance Act, 2003 dated June 17, 2003.
[5]Substituted for "biannual" by Finance Act, 2020 dated June 30, 2020. Earlier it was substituted for "monthly" by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019. Earlier it was inserted by Finance Act, 2011 dated June 30, 2011.
[6]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.
[7]Substituted for "the year" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05,2010.
[8]Substituted for "half-year" by Finance Act, 2020 dated June 30, 2020. Earlier it was substituted for "month" by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019 and substituted for "quarter" by Finance Act, 2011 dated June 30, 2011.

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(d) such other particulars as may be prescribed [1][:]

[1][Provided that every person as provided in sub-section (1) shall be required to file withholding statement even where no withholding tax is collected or deducted during the period [2]*[:]*]

[2][Provided further that this section shall not apply where information required under sub-section (1) has been furnished under section 165A.]

[3][***Explanation***.- For the removal of doubt, it is clarified that this sub-section overrides all conflicting provisions contained in the Protection of Economic Reforms Act, 1992 (XII of 1992), the Banking Companies Ordinance, 1962 (LVII of 1962), the Foreign Exchange Regulation Act, 1947 (VII of 1947) and the regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956) , if any, on the subject, in so far as divulgence of information under section 165 is concerned.]

[4][(1A) Every person involved or engaged in economic transactions as prescribed by the Board shall furnish to the Commissioner a quarterly statement in the prescribed form and manner.]

[5][(2) Every prescribed person collecting tax under Division II of this Part or Chapter XII or deducting tax under Division III of this Part of Chapter XII shall furnish statements under sub-section (1) [6][or (1A)] as per the following schedule, namely:-

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[1]Colon substituted for full stop & Proviso inserted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.

[2]Substituted for full stop and proviso inserted by Finance Act, 2020 dated June 30, 2020.

[3]Explanation inserted by Finance Act, 2013 dated June 29, 2013.

[4]Sub-section (1A) inserted by Finance Act, 2020 dated June 30, 2020.

[5]Sub-section (2) substituted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019. Earlier it was substituted by Finance Act, 2011 dated June 30, 2011. Earlier it was substituted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.

[6]Inserted by Finance Act, 2020 dated June 30, 2020.

S. 165–Widening of Scope.– Following is an extract from CBR's Circular No. 6 of 1994 dated July 10, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Chapter XIV provides for submission of statements regarding various types of transactions giving prescribed details.

In order to strengthen monitoring of various economic activities, including those subject to withholding tax, provisions have been introduced to make it mandatory upon all authorities/persons responsible to record such transactions, which were previously not required to file the prescribed statements, to submit such statements to the concerned income tax authorities. Detailed statements are being prescribed by amending the Income Tax Rules, 1982, after the enabling powers in law have been created by amending various sections as under:

Section amended to provide for transactions regarding	
140	bonus shares or bonus;
141	interest on securities;
142	payment of fee for technical services to non-residents;
143	banking transactions, exports, motor vehicles tax, prize on prize bonds winnings from a raffle, lottery or cross word puzzle, electricity consumption bills;
143A	public auction of property, approval of building plans for constructions." [**Ref:***94 ITC 5 p. 5*]

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S. 165(2)–Substitution.– Before substitution it read as follows:-

"(2) Every prescribed person collecting tax under Division II of this Part or Chapter XII or deducting tax from a payment under Division III of this Part or Chapter XII shall furnish or e-file statements under sub-section (1) by the 15th day of the month following the month to which the withholding tax pertains."

S. 165(2)-Substitution.–Before substitution by Finance Act, 2010 it read as follows:-

"(2) In addition to the annual statement required to be furnished under sub-section (1), a person collecting tax under Division II of this Part [1][or Chapter XII] or deducting tax under Division III of this Part [2][or Chapter XII] may be required to furnish statements on a [3][monthly,] quarterly or six monthly basis as may be prescribed."

[1]Inserted by Finance Act, 2003 dated June 17, 2003.
[2]Inserted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Inserted by Finance Act, 2006 dated July 01, 2006.

S. 165(2)-Substitution.–Before substitution by Finance Act, 2011 it read as follows:-

"(2) Every person collecting tax under Division II of this Part or Chapter XII or deducting tax under Division III of this Part or Chapter XII shall furnish statements under sub-section (1) as per the following schedule, namely:-

(a) in respect of the September quarter, on or before the 20th day of October;

(b) in respect of the December quarter, on or before the 20th day of January;

(c) in respect of the March quarter, on or before the 20th day of April; and

(d) in respect of the June quarter, on or before the 20th day of July."

S. 165-Statements.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"Through Finance Act, 2013, 'Explanation' to Section 165 has been added through which it has been clarified that the provisions of sub-section (1) of Section 165 override all conflicting provisions contained in the Protection of Economic Reforms Act, 1992 (XII of 1992), the Banking Companies Ordinance, 1962 (LVII of 1962), the Foreign Exchange Regulation Act, 1947 (VII of 1947) and the regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956), if any, on the subject, in so far as divulgence of information under section 165 is concerned."

S. 165(2)–Cls. (a) & (b)–**Substitution**.- Before substitution by Finance Act, 2020, these read as follows:-

"(a) in respect of the half-year ending on the 30th June, on or before the 31st day of July;

(b) in respect of the half-year ending on the 31st December, on or before the 31st day of January;"

Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"The following amendments have been made in respect of withholding statement required to be filed by each withholding agent under this section:-

(i) The existing requirement of "quarterly" filing of withholding statement has been changed to "monthly statement", which is required to be furnished or e-filed by the 15th day of the month following the month to which the withholding tax pertains;

(ii) Along with the existing requirements of the particulars of the taxpayer whose tax is withheld, recording of information regarding Computerized National Identity Card Number and National Tax Number of the taxpayer in the withholding tax statement, has also been made mandatory."

Frequency of statements.– Following is an extract from CBR's Circular No. 4 of 1995 dated July 9, 1995, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Sections 139, 140, 141, 142 and 143 prescribe annual statements regarding salary, dividend and bonus, etc. In order to ensure regular monitoring of withholding taxes, these sections have been amended so as to prescribe furnishing of statements at different time intervals." ***[*ref:** *95 ITC 4 p. 3]***

S. 165(2)–Monthly withholding tax return/statement.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:-

"In order to improve withholding taxes regime, provision has been made to make mandatory for withholding agents to file a monthly return of withholding taxes."

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[1][(a) in respect of quarter ending on the 31st day of March, on or before the 20th day of April;

(b) in respect of quarter year ending on the 30th day of June, on or before the 20th day of July;

(c) in respect of quarter ending on the 30th day of September, on or before the 20th day of October; and

(d) in respect of quarter ending on or before the 31st day of December, on or before the 20th January.]

[2][(2A) Any person who, having furnished statement under sub-section (1) or sub-section (2), discovers any omission or wrong statement therein, may file a revised statement within sixty days of filing of statement under sub-section (1) or sub-section (2), as the case may be.]

[3][(2B) Notwithstanding anything contained in this section, the Commissioner as he deems lit may by notice in writing require any person, collecting or deducting tax under this Ordinance, to furnish a statement for any period specified in the notice within such period of time as may be specified in the notice.]

[4][(3) [5][Board] may prescribe a statement requiring any person to furnish information [6][ ] in respect of any transactions in the prescribed form and verified in the prescribed manner.

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[1]Clauses (a) to (d) substituted for "(a) & (b)" by Finance Act, 2020 dated June 30, 2020.
[2]Sub-section (2A) inserted by Finance Act, 2017 dated June 20, 2017.
[3]Sub-section (2B) inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.
[4]Sub-sections (3), (4) and (5) inserted by Finance Act, 2006 dated July 01, 2006.
[5]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.
[6]Word "periodically" omitted by Finance Act, 2011 dated June 30, 2011.

Statement regarding certain properties.– Following is an extract from Circular No. 8 of 1982, dated July 8, 1982, this may be of academic interest as there is no corresponding provision in the Income Tax Ordinance, 2001:–

"A new provision has been made providing that the registering authorities in all cases where the value of immovable properties, other than agricultural land, exceeds Rs. 50,000/- shall furnish a return every year to income tax authority furnishing prescribed particulars. Similar statement will also be furnished by persons responsible for assessment of Capital Gains tax on immovable property in urban areas.

A consequential amendment in section 108 providing penalty for failure to comply with these provisions has also been made."

S. 165(3)–Statement Regarding Third Party Information.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:-

"A new sub-section (3) has been added to section 165, which empowers CBR to prescribe a statement to be furnished periodically containing information as required."

Following is an extract from salient features of budget 2006:–

"Periodic statement regarding certain transactions proposed to be introduced."

On the analogy of provisions prescribed for E-filing of Income Tax Returns, amendment has been made in law, enabling CBR to prescribe mandatory e-filing of statements by prescribed classes of withholding agents."

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(4) A person required to furnish a statement under sub-section [1][(1)], may apply in writing, to the Commissioner for an extension of time to furnish the statement after the due date and the Commissioner if satisfied that a reasonable cause exists for non-furnishing of the statement by the due date may, by an order in writing, grant the applicant an extension of time to furnish the statement.

(5) The Board may make rules relating to electronic furnishing of statements under this section including,-

(a) mandatory electronic filing of statements; and

(b) determination of eligibility of the data of such statements and e-intermediaries, etc.]

[2][(6) Every person deducting tax from payment under section 149 shall furnish to the Commissioner an annual statement in the prescribed form and manner [3][.]

[3][ ]]

[4][(7) Every prescribed person collecting tax under Division II of this Part, Chapter XII or the Tenth Schedule or deducting tax from a payment under Division III of this Part, Chapter XII or the Tenth Schedule shall, e-file to the Commissioner an annual statement for the relevant tax year within thirty days of the end of tax year in addition to statement to be filed under sub-section (6) of this section.

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[1]Substituted for "(2)" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.

[2]Sub-section (6) inserted by Finance Act, 2011 dated June 30, 2011.

[3]Full stop substituted for colon and proviso omitted by Finance Act, 2013 dated June 29, 2013.

[4]Sub-sections (7) & (8) inserted by Finance Act, 2021 dated June 30, 2021.

S.165(4)–Periodical Statements– Extension of time for filing. – Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:-

"Every withholding agent is required to furnish annual statement to the Commissioner within two months after the end of the financial year or within such further time as the Commissioner may allow by order in writing.

Withholding agents are also required to file quarterly statements. However, for filing of quarterly statement, law does not empower the Commissioner to extend the date even in genuine cases.

Commissioner has now been empowered to allow extension of time in hardship cases."

Following is an extract from salient features of budget 2006:–

"Electronic filing of Withholding Tax statements by certain classes of prescribed withholding agents proposed to be made mandatory."

S. 165(5)–Electronic Filing of WHT Statements.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"With rapid advances in technology taking place, the concept of E- Government has already become popular not only in technologically advanced countries but even in developing countries. The obvious advantages are improvement in efficiency, facilitation etc. In the ongoing reform process in Pakistan, automation figures prominently. Law also provides facility of electronic filing of income tax returns.

S. 165(6)-Proviso-Omission.- Before omission by F.A. 2013, it read as follows:-

"Provided that annual statement shall also be filed where the income exceeds three hundred thousand rupees but does not exceed three hundred and fifty thousand rupees in a tax year."

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(8) Every prescribed person collecting tax under Division II of this Part or Chapter XII, the Tenth Schedule or deducting tax from a payment under Division III of this Part, Chapter XII or the Tenth Schedule shall also e-file to the Commissioner a statement in the prescribed form reconciling the amounts mentioned in annual statement filed under sub-section (7) with the amounts declared in the return, audited accounts or financial statements by the due date of filing of return of income as provided under section 118 of the Ordinance.]

[1][**165A. Furnishing of information by banks**.- (1) Notwithstanding anything contained in any law for the time being in force including but not limited to the Banking Companies Ordinance, 1962 (LVII of 1962), the Protection of Economic Reforms Act, 1992 (XII of 1992), the Foreign Exchange Regulation Act, 1947 (VII of 1947) and the regulations made under the State Bank of Pakistan Act,1956 (XXXIII of 1956), if any, on the subject, every banking company shall make arrangements to provide to the Board in the prescribed form and manner,-

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[1]Secion 165A inserted by Finance Act, 2013 dated June 29, 2013.

S. 165A(a)-Omission.- Before omission by F.A. 2018, it read as follows:-

"(a) online access to its central database containing details of its account holders and all transactions made in their accounts;"

S. 165A(d)-Substitution.- Before substitution, it read as follows:-

"(d) a consolidated list of loans written off exceeding rupees one million during a calendar year; and"

S. 165A-Information by banks.-Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"Through Finance Act, 2013 a new section 165A has been introduced. As per the said provision, every banking company shall make arrangements to provide to the Board in the prescribed form and manner,-

(a) online access to its central database containing details of its account holders and all transactions made in their accounts;

(b) a list containing particulars of deposits aggregating rupees one million or more made during the preceding calendar month;

(c) a list of payments made by any person against bills raised in respect of a credit card issued to that person, aggregating to rupees one hundred thousand or more during the preceding calendar month;

(d) a consolidation list of loans written off exceeding rupees one million during a calendar year; and

(e) a copy of each Currency Transactions Report and Suspicious Transactions Report generated and submitted by it to the Financial Monitoring Unit under the Anti-Money Laundering Act, 2010 (VII of 2010).

(2) Each banking company shall also make arrangements to nominate a senior officer at the head office to coordinate with the Board for provision of any information and documents in addition to those listed in sub-section (1), as may be required by the Board.

(3) The banking companies and their officers shall not be liable to any civil, criminal or disciplinary proceedings against them for furnishing information required under this Ordinance.

(4) Subject to section 216, all information received under this section shall be used only for tax purposes and kept confidential."

S. 165A-Provision of Information by the Banks.- Following is an extract from FBR's Circular No. 12 of 2022 dated January 12, 2022:-

"Through this legislation, the scope of information shared by the banks under section 165A of the Ordinance has been enhanced. Banks shall now be liable to furnish information regarding newly opened or re-designated business bank accounts during each preceding calendar month."

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[1][(a) a list of persons containing particulars of cash withdrawals exceeding fifty thousand Rupees in a day and tax deductions thereon [2][ ], aggregating to Rupees one million or more during each preceding calendar month.]

(b) a list containing particulars of deposits aggregating rupees [3][ten] million or more made during the preceding calendar month;

(c) a list of payments made by any person against bills raised in respect of a credit card issued to that person, aggregating to rupees [4][two] hundred thousand or more during the preceding calendar month;

[5][(d) a list of persons receiving profit on debt [6][ ] tax deductions thereon during preceding financial year [7][/; and/]]

[8][ ]

[9][(f) a list of persons containing particulars of their business accounts opened or re-designated during each preceding calendar month.]

(2) Each banking company shall also make arrangements to nominate a senior officer at the head office to coordinate with the Board for provision of any information and documents in addition to those listed in sub-section (1), as may be required by the Board.

(3) The banking companies and their officers shall not be liable to any civil, criminal or disciplinary proceedings against them for furnishing information required under this Ordinance.

(4) Subject to section 216, all information received under this section shall be used only for tax purposes and kept confidential.]

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[1]Clause (a) substituted by Finance Act, 2018 dated May 23, 2018.
[2]Words "for filers and non-filers" omitted by Finance Act, 2019 dated June 30, 2019.
[3]Substituted for "one" by Finance Act, 2018 dated May 23, 2018.
[4]Substituted for "one" by Finance Act, 2018 dated May 23, 2018.
[5]Clause (d) substituted by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018.
[6]Words "exceeding five hundred thousand rupees" omitted by Finance Act, 2020 dated June 30, 2020.
[7]Substituted for full stop by Finance (Supplementary) Act, 2022 dated January 15, 2022.
[8]Clause (e) omitted by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018.
[9]Clause (f) inserted by Finance (Supplementary) Act, 2022 dated January 15, 2022.

S. 165A(e)-Omission.- Before omission, it read as follows:-

"(e) a copy of each currency transactions report and suspicious transactions report generated and submitted by it to the Financial Monitoring Unit under the Anti-Money Laundering Act, 2010 (VII of 20 10)."

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[1][**165AB. Reporting of financial transaction data by banking companies and financial institutions**.- (1) Notwithstanding anything contained in the Banking Companies Ordinance, 1962 (LVII of 1962), the State Bank of Pakistan Act, 1956 (XXXIII of 1956), the Protection of Economic Reforms Act, 1992 (XII of 1992), or any other law for the time being in force, every banking company and Electronic Money Institutions (EMIs) shall electronically upload the information, as mentioned in sub-section (2), to the Central Data Hub, for algorithmic cross-matching of tax and bank information.

(2) Information in respect of an account holders having deposits or withdrawals exceeding one hundred million Rupees during a reporting period in any or all of the bank accounts maintained by the account holder, specifying particulars of deposits or withdrawals, including opening and closing balances, peak credits, and total credits during the reporting period.

(3) This information as shared above shall be digitally processed and shall not be visible to any of the Income Tax Authorities during this cross-matching process.

(4) In case of gross mismatch in the information in respect of an account holder, the digital system of the Board shall feed the information so required into the Compliance Risk Management (CRM) system of the Board, and further proceedings shall be conducted by the National faceless centre as provided in this Ordinance.

(5) The Board shall ensure that such information, shared by the banks, remains strictly confidential and in no case is disclosed or misused in a manner to disregard the confidentiality measures provided in the statutes and rules governing commercial banking, save as provided in this section.

(6) In this section-

(a) "reporting period" means, in respect of a Financial Year, a period of six months, starting from:

(i) 1st day of July and ending on 31st day of December; and

(ii) 1st day of January and ending on 30th day of June,;

(b) "specified date" means the-

(i) 31st day of January in case of reporting period ending on 31st day of December; and

(ii) 31st day of July in case of reporting period ending on 30th day of June;

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[1]Section 165AB inserted by Finance Act, 2026 dated June 26, 2026.

(c) "accounts" means bank accounts maintained by a person including current deposits, call deposits, saving deposits, fix deposits, term deposits, or any other such deposits by whatever name called;

(d) "peak credits" means the highest credit balance in all the bank accounts of the account holder on any given date during the reporting period;

(e) "Central Data Hub" means a virtual repository of data and information maintained by the Board through PRAL; and

(f) "compliance risk management (CRM)" means a computer programme for identification and communication of compliance risks, including understatement of sales, overstatement of expenses, non-reporting or under-reporting of incomes, assets, and transactions.]

S. 165AB.- Reporting of Financial Transaction Data by Banks [Sections 165AB and 175AA].- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new section 165AB has been inserted whereby, notwithstanding the banking confidentiality laws, every banking company and Electronic Money Institution shall electronically upload to the Central Data Hub the prescribed information in respect of account holders having deposits or withdrawals exceeding one hundred million rupees during a reporting period, for algorithmic cross-matching of tax and bank information. The information to be digitally processed, is not to be visible to any income tax authority during the cross-matching, and only in the case of a gross mismatch is to be fed into the Board's Compliance Risk Management (CRM) system for further proceedings by the National faceless centre. The terms "reporting period", "specified date", "accounts", "peak credits", "Central Data Hub" and "compliance risk management" have been defined, and confidentiality safeguards have been provided."

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[1][**165B. Furnishing of information by financial institutions including banks**.- (1) Notwithstanding anything contained in any law for the time being in force including but not limited to the Banking Companies Ordinance, 1962 (LVII of 1962), the Protection of Economic Reforms Act, 1992 (XII of 1992), the Foreign Exchange Regulation Act, 1947 (VII of 1947) and any regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956), on the subject, every financial institution shall make arrangements to provide information regarding non-resident [2][or any other reportable] persons to the Board in the prescribed form and manner for the purpose of automatic exchange of information under bilateral agreement or multilateral convention.

(2) [3][All] information received under this section shall be used only for tax and related purposes and kept confidential.]

[4][(3) For the purpose of this section, the terms "reportable person" and "financial institution" shall have the meaning as provided in Chapter XIIA of the Income Tax Rules, 2002.]

[5][**165C. Furnishing of information by online marketplace, payment intermediary and courier service**.- (1) Notwithstanding the provisions of section 165 of the Ordinance, every payment intermediary and courier service responsible for deducting tax under sub-section (2A) of section 153 of the Ordinance shall file a quarterly withholding statement to the Commissioner for tax deduction regarding sale of digitally ordered goods and services for each quarter of a tax year in the prescribed form setting out–

(a) name, identification number (NTN/CNIC) and address of the seller;

(b) transaction date, unique identifier (invoice number) and total transaction value;

(c) the total amount of tax deducted at the time of payments to the seller; and

(d) any other particular may be prescribed.

(2) Every online marketplace in Pakistan shall submit a monthly statement containing name, address, Sales Tax and Income Tax registration number of every vendor registered on its platform supplying digitally ordered goods and services in e-commerce, transactional and aggregated quantum of seller's monthly turnover and the amount deposited into the vendor's bank account against such sale transactions.

[1]Section 165B inserted by Finance Act, 2015 dated June 30, 2015.
[2]Words inserted by Finance Act, 2017 dated June 20, 2017.
[3]Substituted for "Subjet to section 216, all" by Finance Act, 2016 dated June 24, 2016.
[4]Sub-section (3) inserted by Finance Act, 2017 dated June 20, 2017.
[5]Section 165C inserted by Finance Act, 2025 in force from July 1, 2025.

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(3) All the provisions of the section 165 excluding sub-sections (1), (1A) and (6) shall *mutatis mutandis* apply with respect to the due date of the filing of the withholding statements, revision of the statements, power to call for statement by the Commissioner, extension of time to furnish the statement after due date, power of the Board, filing of annual withholding statement and reconciliation of the withholding statement with the annual income tax return.]

166. Priority of tax collected or deducted.– (1) Tax collected by a person under Division II [1][of this Part or Chapter XII] or deducted from a payment under Division III of this Part [2][or Chapter XII] shall be–

(a) held by the person in trust for the [3][Federal] Government; and

(b) not subject to attachment in respect of any debt or liability of the person.

(2) In the event of the liquidation or bankruptcy of a person who has collected [4][ ] or deducted tax from a payment under Division III of this Part [5][or Chapter XII], the amount collected or deducted shall not form part of the estate of the person in liquidation or bankruptcy and the Commissioner shall have a first claim for that amount before any distribution of property is made.

(3) Every amount that a person is required to deduct from a payment under Division III of this Part [6][or Chapter XII] shall be–

(a) a first charge on the payment; and

(b) deducted prior to any other amount that the person may be required to deduct from the payment by virtue of an order of any Court or under any other law.

167. Indemnity.– A person who has deducted tax from a payment under [7][Division III of this Part] [8][or Chapter XII] and remitted the deducted amount to the Commissioner shall be treated as having paid the deducted amount to the recipient of the payment for the purposes of any claim by the recipient for payment of the deducted tax.

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[1]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.
[2]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Word inserted by Finance Act, 2003 dated June 17, 2003.
[4]Words etc. "tax under Division II of this Part " omitted by Finance Act, 2003 dated June 17, 2003.
[5]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.
[6]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.
[7]Substituted for "Division II Division III" by Finance Act, 2003 dated June 17, 2003. Earlier word and figure "Division II" was inserted by Finance Ordinance, 2002 dated June 15, 2002. However, there was no comma after "Division II" as inserted by Finance Ordinance, 2002.
[8]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.

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168. Credit for tax collected or deducted.– (1) For the purposes of this Ordinance–

(a) the amount of any tax deducted from a payment under Division III of this Part [1][or Chapter XII] shall be treated as income derived by the person to whom the payment was made; and

(b) the amount of any tax collected under Division II of this Part [2][or Chapter XII] or deducted under Division III of this Part [1][or Chapter XII] shall be treated as tax paid by the person from whom the tax was collected or deducted.

(2) Subject to sub-sections [3][(2A), (2B),] (3) and (4), where an amount of tax has been collected from a person under Division II of this Part [4][or Chapter XII] or deducted from a payment made to a person under Division III of this Part [4][or Chapter XII], the person shall be allowed a tax credit for that tax in computing the tax due by the person on the taxable income of the person for the tax year in which the tax was collected or deducted.

[5][(2A) Where a company is a member of an association of persons which is taxed in accordance with section 92 and an amount of tax has been collected from an association of persons under Division II of this Part or Chapter XII or deducted from a payment made to the said association under Division III of this Part or Chapter XII, the company shall be allowed a tax credit, in respect of tax collected or deducted from the association of persons, according to the following formula, namely:-

$$(A/B) \times C$$

Where-

A is the amount of share of profits before tax received by the company as a member from the association of persons;

B is the taxable income of the association of persons; and

C is the amount of tax withheld in the name of the association of persons.

(2B) No tax credit shall be allowed for any tax collected or deducted from an association of persons in respect of an amount for which credit has been allowed under sub-section (2A) to a company being a member of the association.]

[1]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.
[2]Words etc. inserted by Finance Act, 2018 dated May 23, 2008.
[3]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.
[4]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.
[5]Sub-sections (2A) & (2B) inserted by Finance Act, 2018 dated May 23, 2008.

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[1][(3) No tax credit shall be allowed for any tax collected or deducted that is a final tax under-

[2][ ]

[3][(ca) sub-section (1E) of section 152;

(cb) sub-section (2) of section 152A;]

[2][ ]

[4][ ]

[5][(ea) sub-section (2) of section 154A;]

(f) sub-section (3) of section 156;

(g) sub-section (2) of section 156A;

[6][ ]

[2][ ]

[7][(k) sub-section (7) of section 236Z.]

[1]Sub-section (3) substituted by Finance Act, 2011 dated June 30, 2011.
[2]Clauses (a) to (d), (h) & (j) omitted by Finance Act, 2019 dated June 30, 2019.
[3]Clauses (ca) & (cb) inserted by Finance Act, 2020 dated June 30, 2020.
[4]Clause (e) omitted by Finance Act, 2024 w.e.f. 1 July, 2024.
[5]Clause (ea) inserted by Finance Act, 2021 dated June 30, 2021.
[6]Clause (i) omitted by Finance Act, 2013 dated June 29, 2013.
[7]Clause (k) inserted by Finance Act, 2023 dated June 26, 2023.

S. 168(3)(e)-Omission.- Before omission by F. Act, 2024 it read as follows:-

"(e) sub-section (4) of section 154;"

S.168(3)(a) to (d), (h) & (j)-Omission. Before omission by F.A. 2019, read as follows:-

"(a) sub-section (7) of section 148;

(b) sub-section (3) of section 151;

(c) sub-section (1B) and (1BB) of section 152;

(d) [1][ ] sub-section (3) of section 153;

(h) sub-section (3) of section 233; [2][and]

(j) sub-section (3) of section 234A."

[1]Words etc. "clauses (a),(c) and (d) of" omitted by Finance Act, 2013 dated June 29, 2013.
[2]Word inserted by Finance Act, 2013 dated June 29, 2013.

S.168(3)(i)-Omission. Before omission by F.A. 2013, it read as follows:-

"(i) sub-section (5) of section 234; and"

S.168(3)–Substitution. – Before substitution by F. Act, 2011, it read as follows:-

"(3) No tax credit shall be allowed for any tax collected or deducted that is a final tax under[1][ ][2][clauses (a), (b) or (d) of sub-section (1) of section 151, sub-section (1B) of section 152,][3][sub-section (6)] of section 153, sub-section (4) of section 154,[4][section 155,] sub-section (3) of section 156,[5][sub-section (2) of section 156A, section 233, clauses (a) or (b) of sub-section (1) of section 233A] or[6][sub-section (5) of section 234 [7][or section 234A]]."

[1]Words etc. "sub-section (7) of section 148," omitted by Finance Act, 2009 dated June 30, 2009.
[2]Inserted by Finance Act, 2006 dated July 01, 2006.
[3]Substituted for "sub-sections (6) or (7)" by Finance Act, 2006 dated July 01, 2006.
[4]Inserted by Finance Act, 2006 dated July 01, 2006.
[5]Inserted by Finance Act, 2006 dated July 01, 2006.
[6]Substituted for "sub-section (2) of section 157" by Finance Ordinance, 2002 dated June 15, 2002.
[7]Inserted by Finance Act, 2007 dated June 30, 2007.

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(4) A tax credit allowed under this section shall be applied in accordance with sub-section (3) of section 4.

(5) A tax credit or part of a tax credit allowed under this section for a tax year that is not able to be credited under sub-section (3) of section 4 for the year shall be refunded to the taxpayer in accordance with section 170.

[1][(6) Notwithstanding anything contained in any other law or any rules for the time being in force, no amount shall be deducted on account of service charges from the tax withheld or collected by any person under the provisions of this Ordinance.

(7) In case any amount is deducted on account of service charges, by the person, the said person will be liable to pay the said amount to the Federal Government and all the provisions of this Ordinance shall apply in so far as they apply to the recovery of tax.]

[1]Sub-sections (6) and (7) inserted by Finance Act, 2009 dated June 30, 2009.

Changes by F.A. 2006.-Following are extracts from salient features of budget 2006:–

"Commissioner proposed to be authorized to allow extension of time for filing periodical statements."

"Monthly filing of Withholding Tax return/statement proposed to be made mandatory."

Following is an extract from 'Notes on Clauses of Finance Bill, 2006':–

"Seeks to provide filing of monthly withholding returns."

"Seeks to empower the Commissioner to grant extension for filing of statements and to facilitate e-filing of periodical statements."

S. 168(3)–Following is an extract from 'Notes on Clauses of Finance Bill, 2006':–

"(b) Seeks to make an editorial correction.

(c) Seeks to make an editorial correction necessitated by consolidation of an enlarged final tax regime."

S. 168- Claim of service charges on Collection/Deduction of tax by the Withholding Agents.–Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:–

"Under the Income Tax Ordinance, 2001 the Withholding Agents are not entitled to receive any services charges for collection or deduction of tax as a Withholding Agent. However, it has been noticed that certain withholding agents including Provincial Governments and other autonomous organization are claming services charges for acting as Withholding Agents. In order to expressly disallow such claims, new sub-sections (6) and (7) have been inserted in section 168 which provides that notwithstanding any thing contained in any other law or any rules, for the time being in force, no amount is to be deducted on account of service charges from the tax withheld or collected by any person under the provisions of this Ordinance. As provided in sub-section (7) in case any amount is deducted on account of services charges by the person, the said person will be liable to pay this amount to the Federal Government and all the provisions of the Ordinance shall apply in so far as they apply to the recovery of tax."

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169. Tax collected or deducted as a final tax.– (1) This section shall apply where–

[1][ ]

(b) the [2][tax required to be deducted] is a final tax under [3][sub-section (1E) of section 152, 152A], [4][ ], [5][sub-section (2) of section 154A,] [6][ ] sub-section (3) of section 156, [7][sub-section [8][(1) and] (2) of section 156A [9][or] [10][sub-section (7) of section 236Z] [11][ ] [12][ ] [13][ ] on the income from which it [14][was deductible].

(2) Where this section applies–

(a) the income shall not be chargeable to tax under any head of income in computing the taxable income of the person;

(b) no deduction shall be allowable under this Ordinance for any expenditure incurred in deriving the income;

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[1]Clause (a) omitted by Finance Act 2020 dated June 30, 2020.

[2]Substituted for "deduction of tax" by Finance Act 2012 dated June 26, 2012.

[3]Substituted for "[1][2][sub-section (3) of section 151], sub-section (1B) [3][or sub-section (1BB)] of section 152,] [4][5][ ] sub-section (3) of section 153], [6][sub-section 1AAA of section 152]" by Finance Act 2020 dated June 30, 2020.

[1]Substituted for "clauses (a), (b) and (d) of sub-section (1) of section 151" by Finance Act, 2011 dated June 30, 2011.

[2]Words etc. inserted by Finance Act, 2008 dated June 27, 2008.

[3]Substituted for "sub-section (6) of section 153" by Finance Act, 2011 dated June 30, 2011. Earlier "sub-section (6)" was substituted for "sub-sections (6) or (7)" by Finance Act, 2006 dated July 01, 2006.

[4]Substituted for "deduction of tax" by Finance Act, 2012 dated June 26, 2012. Ealier it was inserted by Finance Act, 2008 dated June 27, 2008.

[5]Words etc. "caluses (a), (c) and (d) of" omitted by Finance Act, 2013 dated June 29, 2013.

[6]Substituted for "section 153A" by Finance Act, 2012 dated June 26, 2012. Earlier it was inserted by Finance Act, 2008 dated June 27, 2008.

[4]Word etc. "sub-section (4) of section 154," omitted by Finance Act, 2024 w.e.f. 1 July, 2024.

[5]Inserted by Finance Act, 2021 dated June 30, 2021.

[6]Words etc. inserted by Finance Act, 2026 dated June 26, 2026.

[7]Word etc. "section 155," omitted by Finance Act, 2010 dated June 30, 2010. Earlier these were inserted by Finance Act, 2006 dated July 01, 2006.

[8]Words etc. inserted by Finance Act, 2004, w.e.f. July 1, 2004.

[9]Substituted for "of" by Finance Act, 2014 dated June 26, 2014.

[10]Words inserted by Finance Act, 2023 dated June 26, 2023.

[11]Word etc. "sub-section (1) and (3) of section 233," omitted by Finance Act, 2020 dated June 30, 2020. Earlier words in brackets inserted by Finance Act, 2005 dated June 29, 2005 to make an editorial correction as per 'Notes on Clauses of Finance Bill 2005'.

[12]Words etc. "or clause (a) and clause (b) of sub-section (1) of section 233A" omitted by Finance Act, 2008 dated June 27, 2008.

[13]Words etc. ", or sub-section (2) of section 157" omitted by Finance Ordinance, 2002 dated June 15, 2002.

[14]Substituted for "has been deducted" by Finance Act 2012 dated June 26, 2012.

S. 169(1)(a)-Omission.- Before omission by F. Act, 2020, it read as follows:-

"(a) the [1][advance tax required to be collected] [2][or paid] is a final tax under sub-section (7) of section 148 [3][,148A] [4][ ] [5][or section 234A] on the income to which it relates; or"

[1]Substituted for "collection of advance tax" by Finance Act 2012 dated June 26, 2012.

[2]Words inserted by Finance Act, 2015 dated June 30, 2015.

[3]Inserted by Finance Act, 2015 dated June 30, 2015.

[4]Words "or sub-section (2) of section 234" omitted by Finance Act, 2013 dated June 29, 2013. Earlier it was substituted for "sub-section (2) of section 157" by Finance Act 2003.

[5]Inserted by Finance Act, 2007 dated June 30, 2007.

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S. 169-Normal Tax Regime Option for Commercial Importers, Traders And Exporters.-See footnotes to s. 148.

S. 169–Processing of statements of presumptive tax.– Following is the text of CBR's Letter C.No.7(4) S.Asstt/98, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"It has come to the knowledge of the Board that BF assessment are still pending including statements u/s 143-B.

2. I am directed to request you to issue necessary directions regarding completion of these assessments by 31.3.1998 and to ensure that demand notices alongwith IT-30 are issued to the assessees within reasonable time."

WHT on inter corporate dividend adjustable.– Following is an extract from 'Notes on Clauses of Finance Bill 2007':-

"Seeks to exclude inter-corporate dividend within group companies from PTR."

Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Inter Corporate dividend was liable to WHT @ 5% which was final tax liability in the case of a company. Amendments have been made in sections 8, 169 and in the First Schedule of the Income Tax Ordinance, 2001 to;

(i) exclude dividend received by a company from the ambit of PTR; and

(ii) provide for an adjustable uniform rate of 10% applicable for transactions made on or after 1st July 2007."

Income Tax incentives for Sales Tax payers.– Following is an extract from CBR's Circular No. 8 of 1999, dated July 27, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"i. A new section 80E has been introduced in the Ordinance which allowed individuals, AOPs, HUFs and URF's paying turnover tax under section 3A of the Sales Tax Act, 1990, the option to pay income tax @ 1% of such turnover alongwith their Sales Tax returns. The option would be available in respect of income assessable for the assessment year 2000-2001. The Sales Tax payers can, therefore, exercise this option when they pay sales tax for the period falling within income year commencing on 1st July, 1999.

ii. The persons opting for payment of income tax under this section would not be required to file a return of income under section 55 and would, instead, file a statement under section 143B." [**Ref:** *99 ITC 9 p. 9*]

S. 169(1)(b)–Following is an extract from 'Notes on Clauses of Finance Bill, 2006':–

"(b) Seeks to make an editorial correction.

(c) Seeks to make an editorial correction necessitated by consolidation of an enlarged final tax regime."

Commission income.– Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to treat tax withheld on any commission income including commission income of petrol pump operators as final discharge of tax liability."

Statement regarding certain assessees.– Following is an extract from CBR's Circular No. 8 of 1991, dated June 30, 1991, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"As stated earlier while explaining the changes brought about by the newly inserted sections80Band80C,the personsfallingintheregimeof flat-rate and presumptive tax are not required to file their returns of income unless they have some other source of income or receipts not covered under these sections. However, under section 143A, such persons will have to furnish to the ITO or any other officer authorised in this behalf by the CBR, a simplified statement of their receipts and tax payments etc; on or before the thirtieth day of September in each year. The statement, which will be prescribed under section 143B,* shall not be †required to be filed where income under section 80B or 80C is less than Rs. 30,000."

*appears as "143A" in the Circular.
†appears as "require" in the Circular.

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(c) the amount of the income shall not be reduced by–

(i) any deductible allowance under Part IX of Chapter III; or

(ii) the set off of any loss;

(d) the tax deducted shall not be reduced by any tax credit allowed under this Ordinance; [1][ ]

(e) there shall be no refund of the tax collected or deducted [2][unless the tax so collected or deducted is in excess of the amount for which the taxpayer is chargeable under this Ordinance] [3][; and]

[4][(f) tax deductible has not been deducted, or short deducted, the said non-deduction or short deduction may be recovered under section 162, and all the provisions of this Ordinance shall apply accordingly.]

(3) Where all the income derived by a person in a tax year is subject to final taxation under the provisions referred to in sub-section (1) or under sections 5, [5][ ] 6 [6][and] 7 [7][ ], [8][an assessment shall be treated to have been made under section 120] [9][ ].

[10][*Explanation*.- The expression, "an assessment shall be treated to have been made under section 120" means,

(a) the Commissioner shall be taken to have made an assessment of income for that tax year, and the tax due thereon equal to those respective amounts specified in the return [11][ ]; and

(b) the return [11][ ] shall be taken for all purposes of this Ordinance to be an assessment order.]

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[1]Word "and" omitted by Finance Act, 2012 dated June 26, 2012.
[2]Words inserted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Substituted "; and" by Finance Act, 2012 dated June 26, 2012.
[4]Clause (f) inserted by Finance Act, 2012 dated June 26, 2012.
[5]Words etc. "(other than dividend received by a company)" omitted by Finance Act, 2013 dated June 29, 2013, the amendment erroneously states that "and 15 (other than dividend received by a company)" shall be omitted. Earlier words in bracket were inserted inserted by Finance Act, 2007 dated June 30, 2007.
[6]Substituted for comma by Finance Act, 2013 dated June 29, 2013. Earlier it was substituted for "and" by Finance Act, 2010 dated June 30, 2010.
[7]Word and figure "and 15" omitted by Finance Act, 2013 dated June 29, 2013. Earlier "and 15" was inserted by Finance Act, 2010 dated June 30, 2010.
[8]Words etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.
[9]Words etc. "and the person shall not be required to furnish a return of income under section 114 for the year" omitted by Finance Act, 2020 dated June 30, 2020.
[10]Explanation inserted by Finance Act, 2010 dated June 30, 2010.
[11]Words etc. "or statement under sub-section (4) of section 115" omitted by Finance Act, 2020 dated June 30, 2020.

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[1][(4) Where the tax collected or deducted is final tax under any provision of this Ordinance and hundred percent higher tax rate has been prescribed for the said tax under the Tenth Schedule, the final tax shall be the tax rate prescribed in the First Schedule and the excess tax collected under the Tenth Schedule specified for persons not appearing in the active taxpayers' list shall be adjustable in case the return is filed before finalization of assessment as provided in rule 4 of the Tenth Schedule.]

[1]Sub-section (4) substituted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2016 dated June 24, 2016, was omitted by Finance Act, 2004, w.e.f. July 1, 2004, originally it was inserted by Finance Ordinance, 2002 dated June 15, 2002.

Statement by EPZ transporters.– Following is an extract from CBR's Circular No. 5 of 2001 dated July 4, 2001, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Tax withheld from goods transport motor vehicles owners (section 80BB) and industrial undertakings located in EPZs (Section 80CD) was made final discharge of tax liability through Finance Ordinance, 2000. Like other taxpayers covered by presumptive tax, these taxpayers would also file statement under section 143B. An appropriate amendment has been made in the said section."

Sub-section (4)–Substitution.– Before omission by Finance Act, 2019, read as follows:–

"(4) Where the tax collected or deducted is final tax under any provision of the Ordinance and separate rates for filer and non-filer have been prescribed for the said tax, the final tax shall be the tax rate for filer and the excess tax deducted or collected on account of higher rate of non-filer shall be adjustable in the return filed for the relevant tax year."

Sub-section (4)–Omission.– Before omission by Finance Act, 2004, read as follows:–

"(4) Where a taxpayer, while explaining the nature and source of any amount, investment, money, valuable article, expenditure, referred to in section 111, takes into account any source of income which is subject to tax in accordance with the provisions of sections 148, 153, 154, 156 or sub-section (5) of section 234, he shall not be entitled to take credit of any sum as is in excess of an amount which if taxed at a rate or rates, other than the rate applicable to the income chargeable to tax under aforesaid sections 148, 153, 154, 156 or sub-section (5) of section 234 would have resulted in tax liability equal to the tax payable in respect of income under any of the aforesaid sections."

Statement by exporters.– Following is an extract from Circular No. 6 of 1994 dated July 10, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Exporters are not required to file return of income as they are governed by presumptive tax regime. This is in line with treatment extended to other assessees governed by presumptive tax regime under section 80B and 80C. Section 143B provides for submission of statement by assessees governed by presumptive tax regime under sections 80B and 80CC. This however could not be done in respect of assessees covered by section 80CC. Section 143(B) has now been amended whereby enabling power has been created in the law to prescribe submission of a statement in their cases in lieu of return of income, as had earlier been prescribed for others covered by the presumptive tax regime." [**Ref:***94 ITC 5 p. 5*]

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Record and books for presumptive income.– Following is the text of CBR's Circular No. 14 of 2002 dated August 22, 2002:–

"The Board has received various queries regarding subject mentioned above. The matter has been considered in the Board and I am directed to clarify that the requirement of maintenance of minimum books of account, documents and records prescribed under Rule 30 of the Income Tax Rules, 2002 are not attracted in case of importers, exporters, suppliers, contractor or any other person deriving income from business whose tax collected or deducted at source is the final discharge of tax liability and who is filing a statement u/s 165 of the Income Tax Ordinance, 2001."

Deemed excess profit exempted.–Following is as extract from CBR's Circular No. 17 of 2004 dated July 17, 2004:–

"The provisions relating to taxation of deemed excess profit as contained in sub-section (4) of section 169 has been omitted."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to delete the provisions regarding taxation of excess profits shown in books of accounts by taxpayers paying tax under presumptive tax regime."

Sections 169 & 113–Interpretation and implementation of judgement of Supreme Court of Pakistan.– Following is the text of CBR's Letter C. No. 2(98)IT-Jud/94.A. dated 11th December, 1997:–

"Please refer to your letter No. J-20/CO-1/97-98/2266 dated 26th November, 1997 on the above subject.

2. I am directed to convey that the queries raised by the CIT, Coys Zone-I, Lahore have been met with vide CBR's Letter No. 2(98)ITJ-94 dated 11-12-1997.

3. It is further clarified that exemption from minimum tax u/s 80D would only be allowed in cases who have contested these provisions and not to others, pending final decision."

Legal implication of the judgement of the Supreme Court – clarification regarding – sections 169 & 113: – Following is the text of CBR's Letter C. No. 2(98)ITJ/94, dated 11th December, 1997, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

The Honourable Supreme Court in its judgement dated 4-6-1997 dismissed 294 civil appeals challenging the validity of minimum tax u/s 80D, presumptive tax u/s 80C and 80CC of the Income Tax Ordinance, 1979.

2. The issues arising out of the said judgement were referred to the Law and Justice Division for clarification. The questions so referred and the opinion expressed by the Law and Justice Division are being reproduced below for the sake of standard application and adherence.

	Questions referred	Opinion of the Law & Justice Division.
(i)	"Whether the judgement of the honourable Supreme Court allowing exemption from minimum tax under section 80D to tax holiday units is applicable only to those cases who had contested these provisions before the Supreme Court or other taxpayers qualifying for such tax holiday will also enjoy the benefits of this decision although they were not in appeal before the Supreme Court?	There is nothing to debar the Government to extend the judgement of Supreme Court, for allowing exemption from minimum tax under section 80D to tax holiday units in those cases who were not party in appeal before the Supreme Court.
(ii)	Whether the aforesaid judgement is retroactive in nature i.e. its application would be from the dates section (80C) and (80D) were inserted in the Income Tax Ordinance, 1979?	The judgement of the Supreme Court, is not retrospective in nature.
(iii)	Where a taxpayer did not file appeal or petition, would be entitled to relief on filing application u/s 156 for rectification in order to claim refund of minimum tax already paid u/s 80D?	The taxpayers who had not filed appeal or petition, are not entitled to claim refund of minimum tax already paid u/s 80D.

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(iv) The Supreme Court had granted stay on the condition that the appellants would pay additional amount to the extent of 2% over and above the bank rate for the period of stay. Whether the additional tax shall be charged only at the rate of 2% above the bank rate for the period of the stay granted by the Supreme Court or at the rates prescribed in sections 88 and 89 of the Income Tax Ordinance, 1979?

The additional tax shall be charged only @2% above the bank rates as per directions by the Supreme Court."

Following is the text of CBR's Circular Letter C.No. 2(98)IT-Jud/94, dated 18th January, 2000, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"In continuation of Board's letter of even number dated December 14, 1997 on the subject, the undersigned is directed to state that the aforementioned letter was challenged in the Lahore High Court, so the matter was again taken up with the Law & Justice Division. In view of the decision of the Superior Courts and Law Division's advice it has been decided that the benefit of the decision of the Supreme Court should be given to all persons to whom the said decision, on the basis of the facts of the case and the law laid down by the Supreme Court, squarely applies, whether or not any such person has obtained an order from the court. The Supreme Court of Pakistan's decision (reported as PLD 1997 Supreme Court 582 in the case of M/s. Ellahi Cotton Mills Ltd. and others) should be taken as a model and claims due must be satisfied."

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Deemed income in case of certain suppliers, contractors, and importers.– The constitutionality of sections 80C, 80CC and 80D was the subjectmatterof several appeals before the Supreme Court of Pakistan, earlier the Lahore High Court had held the provisions to be legal *Aisha Spinning Mills Ltd. Vs. Federation of Pakistan PTCL 1995 CL 155.* The Supreme Court has pronounced final judgment, 1997 SCC 1097 = (1997) 76 Tax 5 (S.C. Pak), the gist of which is as under:

1. Allthethreeprovisions are constitutionally valid and tax liabilities arising since their coming into force are legally correct and must be discharged by the taxpayers. The Apex Court has vacated the stay orders granted with the announcement of this decision.

2. The appeals filed by the petitioners against the judgement of the Honourable Lahore High have been dismissed with no order to cost. However, the following clarifications are made by the Honourable Apex Court:–

(A) Section 80D not applicable to tax holiday units covered under S.R.O. 1283(I)/90 dated 13th December 1990

Tax holiday units which have been granted exemption by the Income Tax Department under repealed clauses (118 C), (118D), (118E), of Part I of the Second Schedule to the Ordinance will be exempt from the levy of minimum tax u/s 80D, during the period specified in those clauses.

(b) "Turnover" shall not include Sales Tax & Central Excise

The term "turnover" as used in Section 80D shall not include sales tax and central excise duty. This interpretation has been conceded by the CBR in its Circular No. 3 of 1996. This treatment would be available with effect from assessment year 1991-92 when section 80D became operative for the first time. The assessees who fullfil the conditions laid down in para 3 and 4 of CBR's Circular No. 3 of 1996 are entitled to this treatment since assessment year 1991-92.

3. No conflict between Section 35 & Section 80D

Section 80D is held to be an overriding provision of law, but other provisions of law such as section 35 which are not inconsistent with section 80D continue to apply even to the cases covered by section 80D. Assessees are entitled to claim business loss or to carry forward the same under section 35 of the Income Tax Ordinance, 1979 from year to year and this entitlement is not affected by the levy of half per cent tax under section 80D.

4. Section 80C(4) & 80C (5) are not contradictory

If an assessee makes profit more that what is subject to tax under section 80C(1), the Revenue has no power to charge tax on the additional income earned by him on account of the transactions. However the protection of sub-section 80C(4) will be available to him if he can, on the basis of reliable evidence, prove the excess profit (more than imputable income) to the satisfaction of forums provided under the Ordinance. In case he fails to discharge this onus, section 80C(5) can be invoked.

Following is an extract from CBR's Circular No. 8 of 1991 dated June 30, 1991, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"(iv) The tax deducted or collected at source shall be deemed to be final discharge of tax liability in respect of all persons including companies and registered firms who have no other receipts or source of income.

(v) Such persons shall not file the prescribed returns of income. They will, however, be required to furnish simplified statements of their deemed income and presumptive tax as will be prescribed under section 143A.

(vi) Since a person having no other income shall not be required to file his return of income nor any assessment in his case shall be made, a provision has been made whereby an order under section 59A shall be deemed to have been made in respect of such deemed income without making a formal assessment."

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Taxation of Windfall gains of wheat; importers due to unification of foreign exchange rates.– Following is an extract from CBR's Circular No. 8 of 1999, dated July 27, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"i. A new sub-section (5AAA) has been introduced in section 50, to provide for collection of tax at import stage from those importers of wheat who opened letters of credit before 19th May, 1999, when foreign exchange rates were unified, and booked or paid for the foreign exchange at rates less than those prevailing at the close of banking hours on the said date (as notified by National Bank of Pakistan). However, the provisions shall not apply to those importers of wheat who filed Bills of Entry on or before the 19th day of May, 1999. The provision has become effective from the twelfth day of June, 1999.

ii. The tax is collectable by the Collector of Customs @ 90% of the difference between the amount paid for booking or purchasing the foreign exchange and the and the amount computed on the basis of rates of conversion prevailing at the close of banking hours on 19th May, 1999, as notified by the National Bank of Pakistan.

iii. The tax so collected shall be treated as the final discharge of tax liability in respect of aforementioned gains. A detailed circular in this regard has been issued separately." [**Ref:***99 ITC 9 p. 9*]

Amendments in section 80C of the ITO, 1979.– Following is an extract from CBR's Circular No. 08 of 1999, dated July 27, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"i. Sub-clause (i) of clause (a) of sub-section (2) has been amended and three new sub-clauses (ia), (iia) and (iv) have been inserted in that clause. As a result, the amounts representing payments on account of 'services rendered' other than the professional services rendered by doctors, lawyers, accountants, auditors, architects, surveyors, actuaries, engineers, advisors and consultants, on which tax is deductible under section 50(4) would be the final discharge of tax liability from assessment year 2000-2001.

ii. The brokerage and commission from which tax is deductible under section 50 (4A) would be covered by section 80C and the tax deductible would be the final discharge of tax liability of such person.

iii. A new sub-section (5A) has been inserted in section 80C which provides that where an assessee derives any income to which the said section applies and the tax liability so computed is less than the tax liability worked out as if the said section was not applicable, the difference in tax shall be payable in accordance with section 54 alongwith the return of income.

iv. The tax collected from certain importers of wheat falling within the ambit of sub-section (5AAA) of section 50 would also be the final discharge of tax liability in respect of such income.

v. The tax deductable u/s 50(7H) from the commission/discount allowed to petrol pump operators by petroleum product sellers/distributors/suppliers would constitute final discharge of tax liability in respect of such income of petrol pump operators." [**Ref:***99 ITC 9 p. 9*]

Taxation of certain persons earning commission.– Following is an extract from CBR's Circular No. 8 of 1999, dated July 27, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"i. The sub-section (4A) of section 50 has been substituted by a new provision whereby tax @ 10% is to be deducted from any payment on account of brokerage or

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commission paid by the Government, a local authority, a company, a registered firm or a foreign contractor or consortium. Where the payment is first received by the agent itself on behalf of its principal, the principal would be responsible for collection and deposit of the tax in Government treasury/bank.

ii. The provision equally applies to insurance agents and Board's notifications SRO No. 933(I)/91 dated September 19, 1991 and SRO. 934(I)/91 dated September 1991, regarding deduction of tax from commission on general and life insurance policies have been rescinded through notification SRO. 671(I)/99 dated 12th June, 1999.

iii. The provision also applies to advertising agents and travel agents.

iv. The tax collected/withheld under sub-section (4A) shall constitute full and final discharge of tax liability under section 80C." [**Ref:***99 ITC 9 p. 9*]

Option to manufacturers.– Following is an extract from CBR's Circular No. 26 of 1991 dated August 24, 1991, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Manufacturers of goods, not being goods for which special rates of tax deduction have been specified under clause (c) of sub-section (4) of section 50, have been given option under Part-IV of the Second Schedule to the Income Tax Ordinance, 1979 to opt out of the presumptive tax regime as provided in section 80C. For the manufacturers exercising this option, normal provisions of section 50(4) shall apply and tax shall continue to be deducted at the prescribed rates from the payments relating to the supplies made by them. However, measures shall be taken so that the refund, if any determined in consequence of the assessment, is paid to them expeditiously."

Filing of wealth statement.– Following is an extract from CBR's letter No. 4(20)TP-1/91.III dated March 14, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to clarify that as the assessee coming within the purview of section 80C are not required to file returns, they will also not file any wealth statement for the relevant period because as per section 58(2) of the Income Tax Ordinance, 1979 wealth statement is to be furnished alongwith the return of total income."

Conversion of presumptive withholding taxes into adjustable.– Following is an extract from CBR's Circular No. 5 of 2001, dated July 4, 2001, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"(i) The tax deducted from commission and brokerage under section 50(4A) was the final discharge of recipient's tax liability. Clause (ia) of sub-section (2) of section 80C has been amended and from assessment year 2002-2003 the tax deducted under sub-section (4A) of section 50 shall be adjustable against final tax liability. The tax withholding rate would, however, remain 10 per cent."

Payment of advance tax.– Following is an extract from CBR's Letter No. 4(2)TP-1/91.Ii dated March 14, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to clarify that an assessee whose only source of income is covered under section 80C will not pay any advance tax under section 53 as his deduction under the relevant provision of section 50 will be treated as full and final discharge of tax liability. However, where a portion of his total income is not covered by section 80C, he shall be liable to pay advance tax on the said balance income."

Refund of excess deduction u/s 148 & 153.– Following is the text of CBR's Circular No. 18 of 1993 dated October 30, 1993, explaining the corresponding provisions of Income Tax Ordinance, 1979: –

"Section 80C of the Income-tax Ordinance, 1979 provides for presumptive tax in case of certain contractors, suppliers and importers which are liable to deduction of tax under

sub-sections (4) & (5) of section 50 of the said Ordinance. In these cases the amount of tax deducted under the said sub-sections of section 50 in accordance with the relevant rates prescribed in the First Schedule constitutes their final tax liability.

2. Apprehensions have been shown in such cases that the amount of tax deducted in excess of the rates prescribed under the relevant sub-sections of section 50 is not refundable on the grounds that sub-section (3) of section 80C debars issuance of any refund in cases covered under that section 80C.

3. The issue has been examined and the Board is of the view that the amount of tax chargeable under sub-section (1) of section 80C is the amount deductible/deducted under sub-sections (4) and (5) of section 50 in accordance with the rates specified in the First Schedule. In this view of the matter the tax liability of a person under section 80C would be restricted to the extent of tax deductible under sub-sections (4) and (5) of section 50. Any amount deducted or collected in excess of the requisite amount of tax under section 80C would constitute the amount of tax paid by or on behalf of the assessee in excess of the amount with which he was properly chargeable under the Income-tax Ordinance for the said year. The provisions of section 96 of the Income-tax Ordinance duly entitle such assessees to refund of the excess amount so paid."

Assessment of income over and above imputable income.– Following is the text of CBR's Letter C. No. 4(20) TP-I/91 dated September 1, 1993, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Queries have been received regarding treatment of book profit in excess of the income worked back under sub-section (5) and (6) of Section 80C and Section 80CC in cases where the only business is supplies, execution of contracts, imports or exports and the assessee is required to file statement under Section 143B or a simplified statement of his deemed income and presumptive tax.

2. The matter has been considered in the Board. It is hereby clarified that the law specifies the limit upto which credit for presumptive tax will be available. The assessee is not debarred from declaring actual income over and above the deemed income on presumptive tax. In such a situation return of total income under section 55 should be filed. However, such returns, though not "immune" from tax audit, would fall under the normal regime of assessment and would deserve to be accepted unless there is something in the statement of accounts which warrants examination. And that, even in those cases, such assessment would be approved by the Commissioner of Income Tax."

Option to manufacturers on annual basis.– Following is the text of CBR's Letter C. No. 4(20)TP-I/91 dated September 7, 1993, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to your letter No. Misc/93-101 dated 19th August, 1993 on the subject and to say that option under clause (9) of Part-IV of the Second Schedule to the Income Tax Ordinance, 1979 is to be exercised alongwith return of income filed for each year."

Treatment of receivables in accounts.– Following is the text of RCIT Central Region's Letter C. No. RCIT/J-21/22/92-93/1006 dated September 9, 1993 addressed to M/s S. A. Salam & Co. CAs, Lahore, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Iamdirectedtoreferto your representation dated 17.5.1993 addressed to Chairman, CBR, Islamabad on the subject and to say that liability u/s 80C being deductible at the time of payment, the question of liability on account of accrual does not arise."

Following is the text of CBR's Letter C. No. 4(32)TP-I/93 dated July 31, 1993, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to your letter No. SG/15/551 dated 17th May, 1993 on the subject and to request you to please contact the Regional Commissioner of Income, Tax,

Lahore for resolution of the issue raised in your letter. In case there still remains any issue un-resolved, CBR will be pleased to examine the matter."

Following is the text of Letter No. SG/15/551 dated May 17, 1993 from M/s. S. A. Salam & Co. CAs, Lahore referred to above, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"It is respectfully submitted that the provisions of section 80C of the Income Tax Ordinance are not unambiguously worded for taxability of supplies in a specific year. While sub-section (1) inter alia refers to an amount accrued, sub-section (2) refers to amount of payment on which tax is deductible u/s 50(4). The position of receivables is therefore being confused by some assessing officers though the spirit of section 80C is that tax deducted at the time payment is to be the final discharge of tax liability, regardless of the method of accounting or accounting year, and the accrual concept in sub-section (1) appears to be in the context where settlement is made not by physical payment but by some adjustment etc. However, some officers are seeking to recover tax u/s 80C on the receivables, ignoring that the receivable when actually received subsequently would again suffer taxation u/s 50(4)/80C, this would necessitate creation of a demand and a refund, thus an unnecessary complication.

It is, therefore, requested that necessary clarification may please be issued at an early date."

Clarification of important issues.– Following is the text of CBR's Circular No. 7 of 1992 dated March 18, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"A number of queries have been made in respect of certain cases required to be dealt with under section 80C in the light of Board's Circular No. 12 of 1991 dated the 30th June, 1991. Clarifications are, therefore, issued as under:–

(1) Cases with income year different from financial year.

Whereanassesseehasregularlyemployedthemethodofaccountingonaccrualbasisfor allsuppliesorimportsforthe whole of the income year which is different from the financial year preceding the assessment year 1991-92, provisions of section 80C may be applied to that income year and not the financial year 1990-91 preceding the said assessment year. In that case, credit of tax deducted or collected under sections 50(4) and 50(5) should continue to be allowed on the income year basis followed in the past. However, where credit of tax had been allowed on July to June basis, the assessee may be required to pay the difference of tax if the deduction or collection on financial year basis is less than the tax worked out on the income year basis. In the case of excess amount of tax deduction or collection, refund may be claimed by the assessee and allowed in the ordinary manner.

(2) Option to manufacturers.

Manufacturers of goods allowed to exercise final and irrevocable option under clause (9) of Part-IV of the Second Schedule do not fall within the purview of section 80C only in respect of payments made to them on account of the supply of their own manufactured goods. This option was not available to the manufacturers who had regularly sold/supplied any part of raw material meant for their own consumption or regularly sold/supplied any goods or materials not related to their manufacturing process or activity. However, if such raw material had been sold as a stray incident, it shall be covered by the option exercised by the assessee.

(3) Persons maintaining mercantile system of accounting. Where accounts are based on mercantile system and the assessee has already paid full amount of tax due on payments (onaccrualbasis)whichwereliabletodeductionundersection50(4)andwere duly accounted forpriortotheassessmentyear1991-92,nofurtheradditionofincomeshouldbe made merely becausepaymentswerereceivedby the assessee during the subsequent period or deduction of tax under section 50(4) had not been made during the period relevant to the assessment

year 1991-92. In such cases, the same income cannot be taxed twice and if any refund has become due, it may be claimed by the assessee and allowed in the ordinary manner.

(4) Importers having opening and closing stocks

Openingstock,importsandsalesmadeduringtheincomeyear and closing stock at the end of the accounting period may be considered in such a manner that a fair amount of deemed income is determined for the assessment year 1991-92 in respect of all imports on which tax had to be collected under section 50(5) and treated as full and final discharge of the tax liability of the assessee. However, where the opening or closing stocks has been satisfactorily explained, no further addition to the said deemed income may be made.

(5) Income from indenting commission and brokerage

Where income from imports/supplies is inseparable from indenting commission or brokerage receipts and the assessee cannot prove the extent of overhead expenses relating to the said receipts, allocation of expenses may be made on a pro-rata basis in the same ratio as the commission receipts not covered by section 80C bear to the gross profit on sales and supplies. In other cases, the assessee may be required to produce books of accounts and supporting evidence to claim actual expenses attributable to income from indenting commission or brokerage.

(6) Payments to Workshops etc

Workshops doing repair jobs and units engaged in value-addition process for others (vis: dyeing and calendaring) are not receiving payments for any service rendered to their clients within the meaning of the expression used in section 50(4). They are the recipients of payments for the execution of contracts and are covered under section 80C."

Relief to certain classes of cases.– Following is the text of CBR's Circular No. 29 of 1991 dated August 28, 1991, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"With the introduction of section 80C through the Finance Act, 1991, tax deducted under section 50(4) has become the final discharge of tax liability in certain cases as explained in Board's Circular No. 12 of 1991 dated the 30th June, 1991.

2. However, in certain hardship cases, the Board has reduced rates of tax deduction under section 50(4) as under:–

(i) Payments on account of supply of raw hides and skins at the rate of one per cent vide SRO 600(I)/91, dated 2nd July, 1991;

(ii) Payments on account of supply of cotton lint at the rate of one per cent vide SRO 632(I)/91, dated 8th July, 1991;

(iii) Payments on account of supply of raw wool at the rate of one per cent vide SRO 672(I)/91, dated 21st July, 1991; and

(iv) Paymentsonaccountof transportation of goods through goods transport vehicles at the rate of two per cent vide SRO. 827(I)/91, dated 24th August, 1991.

3. Sincetheschemeof section 80C is effective from the assessment year 1991-92, it wouldcreateproblemin those special cases where reduced rates of tax deduction have now beenmadeapplicable.Ithas,therefore,beendecidedthat in such cases the final tax liability undersection80Cinrespectoftheassessmentyear 1991-92 will be determined on the basis of the special rates applicable to them (as mentioned in paragraph 2 above) as if these reduced rates were in force in the income year relevant to the assessment year 1991-92.

4. Any excess amount of deduction of tax under section 50(4) shall be refunded on the basis of final liability determined at special rates applicable in each case.

5. Accordingly, a notification under section 14 has been issued inserting clause (10) in Part III of the Second Schedule to the Income Tax Ordinance, 1979."

Following is the text of CBR's Circular No. 20 of 1999, dated September 14, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Through the Finance Act, 1999, provisions of section 80C has been amended and a new sub-section (5A) has been inserted which provides that where an assessee derives tax liability worked out as if the said section was not applicable, the difference in tax shall be payable by the assessee.

2. The Central Board of Revenue has received queries seeking clarification whether companies which are covered by the presumptive tax regime and filing statements under section 143B would be required to submit their accounts and file returns of income.

3. The matter has been examined by the Board and it is clarified that the provisions of sub-section (5A) of section 80C would be attracted only where a taxpayer declares income or claims credit for income which is higher than the imputable income. As far as filing of returns by such companies in concerned, it is clarified that the limited companies file returns even though a part of their income may fall u/s 80C in respect of which they could file a statement u/s 143B. In cases where a company does not have any income other than that covered by presumptive tax, a separate return u/s 55 would not be required unless the case falls within the ambit of sub-section (5A) of section 80C."

Exemption to certain rice dealers etc. from 80C for assessment year 1991-92.– Following is an extract from CBR's Circular No. 32 of 1991 dated August 31, 1991, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Consideringtheproblemsfacedbythe ricemillers and dealers who have supplied rice to the Rice Export Corporation of Pakistan during the period 1-09-1989 to 30-08-1990, it has been decided that for the assessment year 1991-92 their cases will not attract the provisions of sub-section (4) of section 80C and assessments for that year shall be made under [*]normal law. Accordingly, a notification No.SRO 860(I)/91, dated 31st, August, 1991 has been issued."

Credit for imputable income.– See Sindh High Court order reported as *Prince Glass Works Ltd. Vs. CBR (1991) 71 Tax 227 (H.C. Kar.)*.

Illustrations.– Following is an extract from CBR's Circular No. 12 of 1991 dated June 30, 1991, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"2. Provisions of this section are also applicable to the payments received and imports made during the financial year 1990-91 relevant to the assessment year 1991-92. The treatment for the various types of business activities is explained [**]the following paragraphs:

(1) Where business consists of local purchases and supplies covered by section 80C and other sales or income.

(a) Supplies covered by Section 80C shall be treated as separate block of income and taxed @ 2.5%. If full tax has been deducted, no payment is required to be made. Where full deduction has not been made by the payer, the balance shall be paid by the recipient with the return.

(b) Income not covered by Section 80C, shall be assessable in the normal manner.

(c) Expenses debitable to the manufacturing/trading account and expenses debitable to P & L Account shall be admissible only against income not covered by 80C in the same ratio as sales not covered by 80C bear to the total sales.

[*]The term "normal law" as used here does not refer to assessment u/s 62/63 even if the case qualifies for self assessment etc. It refers to assessment under the relevant provisions as may be applicable to the case. This is as per CBR's Circular No. 34 of 1991 dated October 7, 1991.

[**]the word "in" seems to be missing in the Circular.

EXAMPLE-I

Results declared	Rupees		Rupees				
(i)	Supplies	=	25,00,000	(ii)	Other Sales	=	15,00,000
(iii)	G.P.	=	4,00,000	(iv)	P & L Exp.	=	1,00,000
(v)	Net Profit	=	3,00,000				

Tax calculation

(a)	Deemed income representing supplies.	=	25,00,000
(b)	Tax on supplies @ 2.5%	=	62,500
(c)	Less paid u/s 50(4) @ 2%	=	50,000
(d)	balance payable	=	12,500

(Note:Deemedincomerepresentingsuppliesshallbeassessedasaseparateblockofincome).

(e)	Other sales	=	15,00,000
(f)	Proportionate G.P. = 15,00,000 x 4,00,000 (Other Sales ─ 40,00,000 Total Sales x Gross Profit).	=	1,50,000
(g)	Less Proportionate P & L Expenses = 15,00,000 x 1,00,000 (Other Sales ─ Total Sales 40,00,000 x P & L Expenses)	=	37,500
(h)	Net Profit	=	1,12,500

The resultant income shall constitute total income and the tax shall be computed depending upon the status of the assessee.

Likewise, if there is income from other sources e.g. commission agency etc. it shall be charged to tax in the ordinary manner. However, overhead expenses as relate to such source of income shall be allocated on a prorata basis.

(Note: If there are any add backs in the trading or P & L Account, these shall be added to the Gross Profit or P & L expenses before these are prorated).

(2) Where purchases consist of imports and sales are non-supplies

Where the assessee's only source of purchases is imports and the sales are not supplies covered u/s 80C, he is not required to file any return but a statement u/s 143B. If tax was paid at import stage @ 2%, no further tax is payable. However, if it was paid @ 1.5% and tax was also paid u/s 53, tax shall be calculated @ 2% on the landed cost and shall be adjusted against tax paid u/s 50(5) and 53. If the total amount paid is less than the tax payable, the balance shall be paid with the statement u/s 143. If it is in excess, refund shall be claimed and allowed.

(3) where purchases consist of imports and sales are partly supplies and partly non-supplies.

Where an assessee's only source of purchase is imports on which tax has been deducted u/s 50(5) @ 2% and the sales consists partly of "supplies" on which tax has been deducted @ 2% and partly of sales not covered by section 80C, the treatment shall be as under:–

EXAMPLE-II

Results as shown	Rupees		
(i)	Sales/supplies	=	45,00,000
(ii)	Imports	=	40,00,000
(iii)	Net Profit	=	2,00,000
(iv)	Tax paid on imports @ 2%	=	80,000
(v)	Supplies	=	25,00,000

(vi)	Tax paid on supplies @ 2%	=	50,000
(vii)	Other sales	=	20,00,000

Calculation of tax

(a)	Deemed income representing imports	=	40,00,000
(b)	Tax @ 2% on imports	=	80,000
(c)	Deemed income representing supplies	=	25,00,000
(d)	Tax @ 2.5% on supplies	=	62,500
(e)	Less paid u/s 50(4)	=	50,000
(f)	Balance payable	=	12,500

There shall be no tax on "other sales" amounting to Rs. 20,00,000. The tax paid at import stage is deemed to be full and final discharge of liability. No return u/s 55 is required to be filed in this case. Only a statement u/s 143B alongwith copy of challan for payment of tax amounting to Rs. 12,500 shall be filed.

4. Where the purchases consists of imports and local purchases and turnover consists of supplies and other sales.

Where an assessee has imported certain goods on which tax has been deducted under section 50(5) at the rate of 2% and he has also made certain purchases locally while his turnover consists of supplies on which tax has been deducted @ 2% and partly of sales not covered by section 80C, the treatment shall be as under:

EXAMPLE III

		Results Declared	Rupees	
(1)	Local purchases	=	20,00,000	
(2)	Imports	=	25,00,000	
(3)	Supplies	=	30,00,000	
(4)	Other sales	=	20,00,000	
(5)	G.P.	=	5,00,000	
(6)	P & L Expenses	=	3,00,000	
(7)	Net Profit	=	2,00,000	
(8)	Tax paid on Imports u/s 50(5) @ 1.5%	=	37,500	
(9)	Tax deducted u/s 50(4) @ 2%	=	60,000	

Calculation of Tax

(a)	Deemed income representing imports	=	25,00,000	
(b)	Tax @ 2%	=	50,000	
(c)	Less Tax Paid u/s 50(5)	=	37,500	
(d)	Balance Payable	=	12,500	A
(e)	Deemed income representing Supplies	=	30,00,000	
(f)	Tax Payable @ 2.5%	=	75,000	
(g)	Less tax paid u/s 50(4) @ 2%	=	60,000	
(h)	Balance payable	=	15,000	B

As regards "other sales", there could possibly be four situations. The treatment in each situation is described below.

(i) Where it can be established that the goods sold (other sales) consisted entirely of imports:

No tax shall be payable in respect of such sales.

(ii) Where it can be established that the goods sold (other sales) are entirely out of local purchases:

The income from these sales shall be determined and taxed in the ordinary manner. The G.P. and P & L expenses shall be pro-rated (as given below):

			Rupees
(a)	Other Sales	=	20,00,000
(b)	Proportionate G.P. (Other sales – Total Sales x G.P.)	=	2,00,000
(c)	Less proportionate expenses (Other sales – Total Sales x P&L Expenses)	=	1,20,000
	Net Profit (2,00,000 - 1,20,000)	=	80,000

Note: If there are any add backs in the trading a/c, or P & L a/c these shall be added to the G.P. and P & L expenses before pro-ration).

The resultant income shall be taxed in ordinary manner depending upon the status of the assessee.

(iii) Where such sales are partly out of imports and partly out of local purchases and the proportion is determinable.

Sales relating to imports shall not suffer any further tax and the remaining sales shall be taxed in the manner laid down at (ii) above.

(iv) Where "other sales" are partly out of imports and partly out of local purchases and the ratio is not determinable.

In such cases, the amount of "other sales" shall be proportioned in the same ratio as the imports bear to the local purchases (i.e. 25,00,000 : 20,00,000). The sales of imports (Rs. 11,11,112) shall suffer no tax but income from the remaining sales (Rs. 8,88,888) shall be computed in the manner described at (ii) above.

Imputing Income Under Sub-section (5) of Section 80C Through Working Back From Tax Paid.

Sub-section (5) of section 80C provides for the method of determining the amount of which an assessee (who has been deriving income which is subject to tax in accordance with the provisions of this section) can take credit of while explaining the nature and source of any sum, investment, money, valuable article, excess amount or expenditure referred to in section 13. It has been laid down that in such a case, the income shall be taken to be that amount on which the tax works equal to the amount of tax paid under section 50(4) or 50(5) without investment allowance.

EXAMPLE IV

Case of an individual		Rupees
Payment received u/s 50(4) on contracts	=	20,00,000
Deduction @ 3%	=	60,000

Under sub-section (5), he would be allowed credit of an amount worked out as under:

At the income tax rates applicable to an individual, a tax liability of Rs. 60,000 will result in an income of	=	3,08,571

In this case the assessee would be allowed a credit of Rs. 3,08,571. Any sum in excess of that would be treated as his unexplained investment in accordance with the relevant provisions of section 13.

EXAMPLE V

Case of a Registered Firm		Rupees
Payments received by a registered firm	=	20,00,000
Presumptive tax paid	=	60,000
Income, which if taxed at normal rates, would have resulted into a super tax liability of Rs. 60,000.	=	3,60,000

This registered firm would be allowed a credit of Rs. 3,60,000. Any sum in excess of that amount would be treated as its unexplained investment in accordance with the relevant provisions of section 13.

EXAMPLE VI

Case of a Private Limited Company.		Rupees
Contract Payment received.	=	20,00,000
Presumptive tax paid	=	60,000
Income, which if taxed at normal rates, would have resulted into a liability equal to the aforesaid amount of Rs. 60,000.	=	1,09,090

This company would be allowed a credit of Rs. 1,09,090. Any sum in excess of that amount would be treated as its unexplained investment in accordance with the relevant provisions of section 13.

EXAMPLE-VII

Case of multiple deduction:		Rupees
Imports.	=	60,00,000
Deduction at source.	=	1,20,000
Supplies	=	20,00,000
Deduction at source	=	50,000
Total deduction	=	1,70,000
Presuming it to be a case of individual income, which if taxed at normal rates would have resulted into a tax liability equal to the aforesaid amount of Rs.170,000	=	3,22,857

Credit for the purposes of section 13 shall be available to this tax payer to the extent* Rs. 3,22,857."

Credit in books for business capital.– Following is an extract from CBR's Letter C. No. 7(1)DT-14/91 dated July 13, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"(3) A new assessee filing statement u/s 143B cannot claim his business capital three times of the amount of his income. Procedure of working back of the income is provided in Section 80C (5)."

Calculation of imputable income on aggregate basis.– Following is the text of CBR's Letter C. No. 80(3) DTP-1/94(C) dated September 5, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"TheundersignedisdirectedtorefertoyourletterdatedAugust 28, 1994 on the subject and to say that income can be imputed on aggregate basis on tax withheld under sub-sections (4), (5) and (5A) of section 50 of Income Tax Ordinance, 1979."

Surcharge on presumptive tax.– Following is the text of CBR's Letter C. No. 4(93)TP-I/90 PT. dated October 21, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to your letter No.R&D/SC-F&T/92/5043 dated 21st September, 1992 on the subject and to state that 10% surcharge is not leviable on the amount of presumptive income tax charged under sections 80B, 80C or 80CC of the Income Tax Ordinance, 1979."

Cotton ginning & Oil Mills.– Following is the text of CBR's Letter C . No. 1(4)DT-14/91 dated June 27, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The undersigned is directed to state that in pursuance of an offer made by the Pakistan Cotton Ginners Association, it has been agreed with them as follows:–

*Word "of" seems to be missing in the Circular.

(i) The rate of with-holding tax u/s 50(4) on supplies of cotton seed oil shall be increased from 0.75% to 1.5% with effect from 1-7-1994.

(ii) The tax deduction on supplies of cotton lint shall continue to be made @ 1%.

(iii) No separate addition in income shall be made on account of sales of cotton seed and oil cakes.

2. A notification bearing No. SRO. 629(I)/94, dated 27-6-1994 (copy enclosed) has consequently been issued to bring about the aforesaid change in rates (effective from 1-7-94). The deducting agencies may please be informed accordingly.

3. It has been represented by the Association that under the previous agreement with them, income from sale of cotton seed and oil cakes was covered by the amount of tax deducted on supplies of cotton lint and cotton seed oil. As a result "Cotton Seeds" were exempted from the with-holding tax under SRO.631(I)/91 dated 8-7-1991.

4. The matter has been examined by the Board and it has been decided that in the pending assessments of cotton ginners, no additions be made on account of income from sale of cotton seeds and for oil cakes in the case of oil mills.

5. These instructions may please be brought to the notice of all concerned."

Method of proration of profits between export proceeds falling u/s 169 & local sales.– Following is the text of CRB's Circular No. 5 of 2000, dated March 6, 2000, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Section 80CC of Income Tax Ordinance, 1979, read with paragraph-CCCC of Part-I of the First Schedule to the Ordinance provides for presumptive taxation of income of Exporters and where the assessee has no income other than the income referred to in sub section (1) of section 80CC in respect of which tax has been deducted under sub-section (5A) of section 50, the tax so deducted is deemed to be the final discharge of his tax liability and assessee is not required to file the return of total income under section 55 of the Income Tax Ordinance, 1979. However, return of income is to be filed in case the assessee derives income from any other source e.g., commission brokerage or local sales etc. CBR, vide Circular No. 20 of 1992, dated July 1, 1992, has provided special treatment to Exporter's maintaining books of accounts, which is as under–

i) Local sales of goods (manufactured for export) as well as waste material not constituting more than 20% of such production, may also be treated as export sales if the assessee opts to pay tax on such sales at the rate applicable to export sales under section 80CC.

ii) Where income from exports is inseparable from commission, brokerage and other receipts and the assessee cannot prove the extent of overhead expenses relating to non-export receipts, allocation of expenses may be made on a pro-rate basis in the same ratio as the receipts not covered by section 80CC bear to the gross profit on the export sales.

2. Queries have, however, been raised as to what would be the method of proration of profit, between export proceeds falling under section 80CC and local sales. It is clarified that prorating of profits between export sales and local sales in respect of assessee maintaining books of account has to be done in accordance with rule 216 of the Income Tax Rules, 1982."

Taxation of indenting agents.– Following is an extract from CRB's Circular No. 8 of 1999, dated July 27, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Sub-section (5A) of section 50 has been amended to provide presumptive taxation of commission received in foreign exchange from foreign principals by indenting agents. The tax would be withheld @ 10% by banks. The tax deducted @ 10% shall constitute final discharge of tax liability in respect of such income from assessment year 2000-2001." [**Ref:***99 ITC 9 p. 9*]

Following is an extract from CBR's Circular No. 8 of 1999, dated July 27, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"By virtue of amendments made in section 80CC, the tax collectable from commission received in foreign exchange by indenting agents under section 50(5A) and the tax collectable from indirect exporters under section 50(5AA) shall constitute final discharge of tax liability in respect of such income. Consequently, amendments have been made in the First Schedule." [**Ref:***99 ITC 9 p. 9*]

Indirect exporters to be taxed like direct exporters of goods.– Following is an extract from CBR's Circular No. 8 of 1999, dated July 27, 1999, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"i. A new sub-section (5AA) of section 50 has been introduced in the Ordinance to provide collection of tax by banks when realizing proceeds of a back-to-back inland letters of credit opened by a direct exporter of goods in favour of an indirect exporter for the supply of goods for which the letter of credit has been opened in foreign exchange by a foreign buyer (in favour of direct exporter).

ii. The tax shall be collected by the banks at the same rates as applicable to direct exporters of those goods i.e. 0.5, 0.75 or 1%, as the case may be, provided the transaction is supported by a back-to-back inland letter of credit." [**Ref:***99 ITC 9 p. 9*]

Calling for complete accounting records in the cases of exporters.– Following is the text of CBR's Circular 1 of 1996, dated 7th February, 1996, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Pursuant upon the discussion held by the Chairman CBR with the representatives of the Exporters, it has been decided that the assessing officers should not call for "Complete" accounting records in the case of exporters. Only the relevant record may be requisitioned. Complete record can only be called for in cases where normal assessment or total audit or concealment proceedings are in hand."

Clarifications re: exports.– Following is text of CBR's Circular No.14 of 1993 dated 19th August, 1993, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Severalissuesraisedin connection with the provisions of section 80CC of the Income Tax Ordinance, 1979 have been examined in the Board, and are explained as under:–

1. Provisions of section 80CC are applicable only to the export proceeds realized on or after July 1, 1992. Consequently, taxable income in respect of export proceeds realised prior to July 1, 1992 shall be determined on a basis other than presumptive basis of income/tax computation.

2. Where a taxpayer's income year relevant to the Assessment Year 1993-94 is other than the financial year (say, calendar year or a special year), such person shall account for his exports for the whole year according to the method of accounting regularly employed. While the exports covered by section 80CC read with section 50(5A) shall be assessed as a separate block of income, other sales shall be taxed under normal law. Expenses debitable to the Trading, Profit and Loss Account shall be pro-rated in the ratio of exports covered under section 80CC and other exports. The income computed in respect of exports not covered u/s 80CC shall be entitled to export rebates admissible under First Schedule. Further, in case of Firms and AOPs, share of partner or member thereof shall be taxed in accordance with law.

3. Tax deducted under section 50(5A) in respect of exports effected prior to June 30, 1992 but realised on or after July 1, 1992 and already considered by computing income for part of the accounting period not covered under section 80CC shall be adjusted/refunded as provided in Circular No. 20 of 1992, dated July 1, 1992.

4. Duty draw-backs (i.e. Customs rebates, compensatory rebate, export exchange difference, etc.) in respect of exports already subjected to withholding tax under section 50(5A) shall not be considered as additional receipts. The amount of such duty draw-backs shall be deemed to have been covered, for tax purposes, under presumptive tax regime under section 80CC.

5. Advance payments received in lieu of future exports shall be deemed as 'export proceeds realized' and subject to tax deduction under section 50(5A).

6. Assessees with no other source of income except exports shall file a simple statement showing their export proceeds, tax deducted u/s 50(5A) and/or any other related information on a statement similar to the one required u/s. 143B.

7. Tax returns of exporters, due on July 31, 1993, which could not be-filled by the due date for whatever reason, may be filed by August 31, 1993. Revised returns of income tax may be filed only as permissible under section 57 of the Income Tax Ordinance, 1979."

Following is an extract from CBR's Circular No. 20 of 1992 dated July 1, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"(a) Authorised dealers in foreign exchange are required to deduct income tax at source from all foreign exchange proceeds realised on or after July 1, 1992, on account of goods exported at any time by an exporter.

(b) Tax is to be deducted under sub-section (5A) of section 50 from all proceeds realised without any monetary threshold.

(c) The foreign exchange proceeds will comprise invoice value of goods exported, customs duty, freight and insurance and other charges collected from the foreign buyer to the credit of the exporter's bank account. The whole of such amount received by the exporter shall be deemed to be his income chargeable to presumptive tax with effect from assessment year 1993-94.

(d) Thestandardrateofwithholdingtaxaswellaspresumptivetaxhasbeenspecified at one per cent of the total foreign exchange proceeds converted into Pakistani rupees according to the exchange rate prevalent at the time of realisation of such proceeds. However,the standard rate of tax has been reduced in the case of exporters who prove that reductionintaxonaccountofthegoodsexportedwasavailableto them previously as under:–

	Goods exported	Reduced tax rate
(i)	Where the exporter was entitled to 50% reduction in tax on export of manufactured goods including refined/treated salt, barytes, granite blocks, heat insulating bricks, and magnesite refractories.	0.75%
(ii)	Where the exporter was entitled to 75% reduction in tax on export of value-added goods like leather & textile garments, engineering and electrical goods, cutlery, ceramic tiles, sports goods, surgical goods and pharmaceuticals etc.	0.50%

The list of various items of export eligible for rebate or reduction in tax at different rates under the normal law is annexed.

(e) The provisions of withholding tax as well as the presumptive tax will not apply in respect of exports made by those manufacturers whose total income is already exempt from tax. For this purpose, formal notification of exemption will be issued separately.

(f) The tax deducted at source by the authorised dealers in foreign exchange shall be deemed to be full and final discharge of tax liability in respect of all exporters, including companies and registered firms, who have no other receipts and source of income.

(g) Such persons shall not file the prescribed returns of income. They will, however, be required to furnish simplified statement of their deemed income and presumptive tax for the assessment year 1993-94 onward.

(h) Since a person having no other receipts or income shall not be required to file his return of income nor any assessment in his case shall be made, an order under section 59A shall be deemed to have been made in respect of such deemed income without making a formal assessment.

(i) All the provisions contained in sub-sections (5) & (6) of section 80C shall be equally applicable to cases covered under section 80CC.

2. Since the provisions of section 80CC will become applicable from assessment year 1993-94, exporters maintaining books of account may be given special treatment as under:–

(i) Local sales of goods (manufactured for export) as well as waste material not constituting more than 20% of such production, may also be treated as export sales if the assessee opts to pay tax on such sales at the rate applicable to export sales under section 80CC.

(ii) Credit for the tax collected on the amount of electricity bills under section 50(7E) may be given in computing the tax payable by the exporter in respect of all receipts and sources of income including the deemed income u/s 80CC. However, no other allowance or deduction against such deemed income will be admissible.

(iii) The share of a partner in the deemed income of the registered firm liable to be assessed on presumptive basis under section 80CC may not be subjected to further tax in his hands by virtue of exemption granted under clause (111A) of the Second Schedule. However, income not covered by section 80C will be assessable in the normal manner.

(iv) Where income from exports is inseparable from commission, brokerage and other receipts and the assessee cannot prove the extent of overhead expenses relating to non-export receipts, allocation of expenses may be made on a pro-rata basis in the same ratio as the receipts not covered by section 80CC bear to the gross profit on the export sales.

(v) Where deduction under sub-section (5A) of section 50 are made in respect of exports already accounted for and subjected to tax in the normal manner prior to the assessment year *1993-94, credit for such deductions will be given and refund, if any, claimed by the exporter will be allowed accordingly.

*Corrected for "1983-84" vide CBR's corrigendum.

Note: The annexure titled "List of Items Eligible for Export Rebate" is not being reproduced here for the sake of brevity.

Credit for income & deemed assessment.– Following is an extract from CBR's Circular No. 11 of 1993 dated July 7, 1993, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Sub-sections (4), (5) and (6) have been added to section 80CC to provide for the method of working out the amount of income for which credit shall be admissible in case of exporters and to provide for a deemed assessment in such cases on the lines of sections 80B and 80C." [**Ref:***93 ITC 11 p.38*]

Assessment of preceding years on presumptive formula.– Following is the text of CBR's Circular Letter C. No. 652-SS(WHT)/92 dated October 4, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to above and to say that representations have been received in the Board from various quarters to the effect that pending assessments of exporters should be finalized on the basis of tax rates under sub-section (5A) of section 50 read with section 80CC.

2. It has been decided in the Board that Regional Commissioners of Income Tax may decide the matter at their own level by giving option of 80CC and 50(5A) rates of tax in such pending cases which they consider would be beneficial to the revenue instead of normal assessment. In the remaining cases normal law assessments may be made."

Following is the text of RCIT Central Region's Letter No. 3388 dated December 26, 1992:–

"In continuation of this office letter No. RCIT/ 3276 dated 19-12-1992 on the subject cited above, I am directed to say that in order to expedite disposal, B.F. assessments in cases of exporters may also be finalized on the basis of tax rates under sub-section (5A) of Section 50 read with Section 80CC. Only in exceptional cases involving sizeable loss of revenue assessees' request for assessments on this basis may be refused."

Following is the text of RCIT Central Region's Letter No. 3276 dated December 19, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to the RCIT's discussion with you on the above subject and to enclose a copy of Board's letter C.No. 652.SS(WHT)/92 dated 14.12.1992 alongwith the Board's earlier letter dated 04.10.1992 for allowing the exporters to exercise the option for finalization of their pending assessments in accordance with the instructions contained in Board's letter dated 04.10.1992."

Payment on negotiation of export bills.– Following is the text of CBR's letter C. No. 498-SS(WHT)/92 dated July 9, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to your fax of 6th July, 1992 and to say that payment made on discounting of export bills is in effect a payment against the export proceeds. Because if the exports had not been made there would have been no discounting of bills.

Double taxation is also not involved as tax is to be deducted at the applicable rate from the total amount of the export proceeds. If the amount against discounted bills covers the total amount of export proceeds, no further deduction shall be made later on but if it is less, deduction at the applicable rate shall be made to the extent of the difference on subsequent realisation."

Adjustment/refund of tax wrongly withheld u/s 50(5A)/80CC.– Following is the text of CBR's letter C. No. 1(25)WHT/91 dated August 4, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Representations have been received in the Board that in certain cases the banks are deducting income tax under section 50(5A) at rates higher than the rates applicable under the law. Since these deductions constitute discharge of final tax liability u/s 80CC it is causing hardship to such tax-payers.

2. The issue has been considered in the Board and it has been decided that in case of excess deduction of income tax under section 50(5A) refund may be claimed by the exporter which shall be issued by the Income Tax Department on production of sufficient evidence. Such refunds claims shall be decided with the prior approval of IAC and the refunds will be issued after countersignatures of the Inspecting Assistant Commissioner of Income Tax concerned."

Miscellaneous.– Following is an extract from CBR's letter C. No. 498-55(WHT)/92 dated July 5, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"(1) Yes. Tax shall be deducted from advance money.

(2) Tax shall be deducted at the time of discounting of export bills/documents as well as at the time of realisation.

(3) Yes. Tax shall be deducted by you as a reimbursing bank.

2. Proforma for the statement to be furnished on a fortnightly basis shall be notified in due course."

Treatment of international tenders sales.– Following is the text of CBR's Letter No. 4(19)TP-1/91. Pt. dated July 4, 1992 addressed to M/s. S. A. Salam & Co., Chartered Accountants, Lahore, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Please refer to your letter No. SG/15/530, dated 7th June, 1992 on the above subject.

2. I am directed to clarify that sales through international tender are in the nature of exports and as such they have to be treated as exports for the purposes of tax collection and assessment under section 80CC."

Following is the text of the above referred letter from M/s. S. A. Salam & Co., CAs, Lahore addressed to the Chairman, CBR:–

"Please refer to the provisions of the newly inserted Section 80CC and sub-section (5A) of Section 50 of the Income Tax Ordinance, 1979. The two provide for collection of tax at source from proceeds of exports of goods and for finality of tax liability in respect of the exports. In this connection it is respectfully submitted that supplies of goods against international tenders are treated as exports for the purposes of export rebate (vide the 2nd Proviso to clause (a) of Sub-paragraph (2) of Para A of Part IV of the First Schedule to the Income Tax Ordinance, 1979) and similarly for customs and other privileges vide executive instructions communicated by Circular No. 5(2)80-BIII/BI dated February 7, 1981 issued by the Ministry of Commerce. However, the wording of the newly inserted provisions do not take care of this aspect.

It is, therefore, requested that a clarification or statutory notification may kindly be issued to enable treatment of international tender sales at par with exports for the purposes of finality of tax collection and assessment u/s 80CC."

Calculation for credit in books of accounts.– Following is an extract from CBR's Circular No. 14 of 1992 dated July 1, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979: –

"All the provisions contained in sub-sections (5) and (6) of section 80C shall be equally applicable to cases covered under section 80CC."

Following is the text of letter No. SG/15/659 dated July 13, 1992 from M/s. S. A. Salam & Co., Chartered Accountants, Lahore addressed to the Chairman CBR, Islamabad:–

"Please refer to the newly inserted section 80CC which provides for presumptive tax at specified rates for export of goods. In this connection it is respectfully submitted that the provision does not deal with the amount to be taken credit for in the books of account as profit. The strict legal interpretation would be that the actual profit is to be taken credit for regardless of the presumptive tax, since the restricting provision similar to sub-section (5) of section 80C has not been made, and that in case the assessing authority at any stage is of the opinion that the claim of profit is higher than that found after scrutiny, the balance can be added to income u/s 13. The view, however expressed by the CBR, vide its Circular No. 14 of 1992 dated July 1, 1992, is that the provisions of sub-sections (5) and

(6) of Section80C would apply. This view, even if correct, requires further elaboration since different rates of presumptive tax have been prescribed with reference to the rates of export rebate applicable to the export, i.e., the profit to be booked should be not more than the amount which when taxed at the normal tax rates applicable to the three rebates classes would result in the presumptive tax, the following illustration would elaborate this view:–

	25% Rebate Tax @ 1%	50% Rebate Tax @ 0.75%	75% Rebate Tax @ 0.5%
Tax on Sales of Rs. 10,000,000	100,000	75,000	50,000
Income	256,410	288,462	384,615
Income Tax @ 52%	133,333	150,000	200,000
Less: Rebate	33,333	75,000	150,000
Balance Tax	100,000	75,000	50,000
Credit in books before tax	256,410	288,462	384,615
Credit in books after tax	156,410	213,462	334,615

It is, therefore, requested that the matter may kindly be clarified at an early date."

Collection of tax at import stage, etc.– Following is the text of CBR's Letter C. No. 1(38)WHT/91 dated November 11, 1993, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Under the Board's Circular No. 20 of 1992 dated 01.07.1992 the manufacturers whose annual exports are not less than the 80% of the production have also been made eligible for assessment under section 80CC of the Ordinance if they opt to pay tax on the local sales at the rates applicable to export sales. However, presently the law provides for issuance of exemption certificates under section 50(5) in respect of imported raw material to only those manufacturers which have 100% export sales and which furnish an undertaking to the concerned Commissioner of Income Tax that the imported raw material shall be exclusively consumed in the production of exportable goods.

2. Representations have been received in the Board requesting for grant of exemption certificates under section 50(5) to all manufacturers whose income is to be assessed under section 80CC. The matter has been examined and it has been decided that the cases of manufacturers having local annual sales of upto 20% of the total sales shall also be eligible for issuance of exemption certificate under section 50(5) in case they fulfil the conditions prescribed under Circular No. 20 of 1992 for assessment under section 80CC. The concerned CIT shall process such applications for issuance of exemption certificates. If found eligible, the assessees shall be issued exemption certificates initially for a period of three months renewable for subsequent periods not exceeding three months each. These instructions may please be brought to the notice of all Commissioners for compliance."

Earlier the CBR dealt with the issue differently in its Letters C. No. 1(14)WHT/92.Pt. dated August 19, 1992, C. No. 1(17)WHT/91 dated November 18, 1992 and C. No. 1(14)WHT/92.Pt.I dated April 24, 1993.

Exports already taxed.– Following is an extract from CBR's Circular letter C. No. 1(22)WHT/91 dated August 8, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"iii) The exporter assessee can claim refund from the Income Tax Department by producing sufficient evidence that proceeds relate to exports made prior to 30 June, 1992 and have already been offered for tax."

Following is the text of CBR's Letter C. No. 1(14)/WHT/92. PT dated October 12, 1992, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The exporters have represented that because of introduction of section 50(5A), they would be required to pay tax twice for their exports upto 30-6-1992. The Board has accordingly decided that:–

PART VI

REFUNDS

170. Refunds.– (1) A taxpayer who has paid tax in excess of the amount which the taxpayer is properly chargeable under this Ordinance may apply to the Commissioner for a refund of the excess.

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a) Where returns for 1992-93 have not been filed so far an exporter can claim credit for tax deducted under section 50(5A) on his export receipts from 01.7.1992 to the date of filing of return. However the exporters would have to file all supporting documents alongwith their claim of exports made prior to 01.7.1992 but where tax under section 50(5A) was deducted on or after 01.7.1992.

b) For export earnings received after the filing of returns, the tax payers can immediately file their claims of refunds on providing similar details as stated in para (a) above. The exporters should file complete details of exports to their ITOs where these were made prior to 1-7-1992 but deductions are expected to be made on or after 1-7-1992. The ITOs should be directed to immediately refund such deductions on production of details mentioned above."

Please also see section 148.

S. 170–Adjustment of refund.– Following is the text of CBR's Inter Tax Refund General Order, dated April 24, 2007:–

"A number of requests have been received by the Board from taxpayers for adjusting liabilities of one tax against refund of another. In order to facilitate taxpayers, the matter has been examined in the Board. It has been decided that any liability of customs duty, federal excise duty, sales tax or income tax payable by a taxpayer (whether current or arrears) may, on the written request of the concerned taxpayer, be adjusted against his refund of any of these taxes which has been sanctioned / approved by a competent authority. Following procedure and conditions will apply:–

(i) The refund claim has been duly processed and found to be admissible under relevant law / rules, whether wholly or partially;

(ii) The taxpayer submits an application for inter-tax adjustment to both the officers concerned citing relevant particulars of the refund claimed and the tax payable by him;

(iii) The application for inter-tax adjustment may be submitted at any time before or after approval / sanction of the refund claim, but at least 30 days before the due date for filling the return or payment of the tax involved;

(iv) The competent officer shall issue a refund cheque in the name of the appropriate Collector of Customs / Federal Excise & Sales Tax or Commissioner of Income Tax, which shall be deposited in the Treasury in the proper head of account. A copy of the payment slip, adjustment memo or challan shall be provided to the taxpayer who shall mention its particulars in his relevant tax return or declaration."

Refund of tax.– Following is the text of CBR's Circular No. 5 of 2003 dated June 30, 2003:–

UNIVERSAL SELF ASSESSMENT**.** The concept of Universal Self Assessment is embodied in section 120 of the Income Tax Ordinance, 2001. Accordingly, all returns of income, other than the revised returns under sub-section (6) of section 114, filed for the tax year 2003 onwards shall be returns of Universal Self Assessment. In view of clause (b) of section 120, a return qualifying for acceptance under Universal Self Assessment shall be deemed to be the assessment order made and issued by the Commissioner on the date the return was furnished.

8-121-15-07-16

[1][(1A) Where any advance or loan, to which sub-clause (e) of clause (19) of section 2 applies, is repaid by a taxpayer, he shall be entitled to a refund of the tax, if any, paid by him as a result of such advance or loan having been treated as dividend under the aforesaid provision.]

(2) An application for a refund under sub-section (1) shall be –

(a) made in the prescribed form;

(b) verified in the prescribed manner; and

(c) made within [2][three] years of the later of –

(i) the date on which the Commissioner has issued the assessment order to the taxpayer for the tax year to which the refund application relates; or

(ii) the date on which the tax was paid.

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[1]Sub-section (1A) inserted by Finance Act, 2003 dated June 17, 2003.
[2]Substituted for "two" by Finance Act, 2016 dated June 24, 2016.

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2. REFUND APPLICATION. A taxpayer is entitled to a refund of tax under sub-section (1) of section 170 where the tax paid is in excess of the amount of tax that is properly chargeable. In order to claim refund of the excess tax, the taxpayer is required, under sub-section (2) of section 170, to file a refund application in the prescribed form and verified in the prescribed manner (Annex).

3. ADJUSTMENT OF REFUND. In accordance with the provisions of sub-section (3) of section 170, the Commissioner, on being satisfied that the tax has been overpaid, shall apply the excess:

(i) in reduction of any other tax due from the taxpayer under this Ordinance;

(ii) in reduction of any outstanding liability of the taxpayer to pay other taxes; and

(iii) the remainder of the excess tax, if any, shall be the amount refundable.

4. LIMITATION OF REFUND ORDER. As provided in sub-section (4) of section 170, the Commissioner shall, within forty five days of the receipt of a refund application, pass and serve on the taxpayer an order in writing of the decision.

5. ISSUANCE OF REFUND. The Commissioner shall issue the refund voucher within three months from the date the refund order is made. Otherwise, the taxpayer shall be eligible under section 171 for a further amount of compensation which must be avoided under all circumstances.

6. DUE DATE OF REFUND. According to sub-section (2) of section 171, a refund shall be treated as having become due:

(i) on the date when the Commissioner receives an order passed by the Commissioner (Appeals), the Appellate Tribunal, the High Court or the Supreme Court;

(ii) on the date the Commissioner makes an order of revision under section 122A; and

(iii) in any other case, the date on which refund order is made by the Commissioner under sub-section (4) of section 170.

7. PROCESSING OF REFUND APPLICATIONS. The following procedure shall be followed where refund applications are received:

(i) All refund applications shall be entered in the prescribed Refund Register.

(ii) All returns of taxpayers claiming refunds shall be examined immediately to verify the correctness of income and tax computation.

8-121-15-07-16

(3) Where the Commissioner is satisfied that tax has been overpaid, the Commissioner shall –

(a) apply the excess in reduction of any other tax due from the taxpayer under this Ordinance;

(b) apply the balance of the excess, if any, in reduction of any outstanding liability of the taxpayer to pay other taxes; and

(c) refund the remainder, if any, to the taxpayer.

(4) The Commissioner shall, within [1][sixty] days of receipt of a refund application under sub-section (1), serve on the person applying for the refund an order in writing of the decision [2][after providing the taxpayer an opportunity of being heard].

---

[1]Substituted for " forty five" by Finance Act, 2009 dated June 30, 2009.
[2]Words inserted by Finance Act, 2003 dated June 17, 2003.

(iii) Simultaneously, the process of verification of tax paid shall be initiated as follows:

(a) In case of a single challan of tax or an identifiable multiple challan of tax, verification shall be made from the DPC, DPU or the Treasury.

(b) In case of an unidentifiable multiple challan of tax or payment of tax through book adjustment, the prescribed certificate of tax deduction/ collection shall be relied upon after necessary verification from the issuing office.

(c) The tax verification process shall ordinarily be completed within thirty days of the receipt of refund application.

(iv) The refund rejection order shall not be passed merely for want of tax verification where the original challan of tax or evidence of tax deducted/ collected has been furnished by the taxpayer. In such cases, order shall be passed within the stipulated period even if the tax verification process has not been completed. However, tax verification process shall be completed expeditiously so that refund is issued within three months to avoid statutory payment of compensation under section 171 for the delayed refund.

(v) The Commissioner shall accordingly pass the necessary refund order and serve it on the taxpayer within forty five days from the date of receipt of refund application.

(vi) Refund voucher shall preferably be issued alongwith the refund order where verification of tax has already been completed. In case of pending verification, refund voucher shall be issued within three months from the date the refund order is made.

(vii) Refund orders and refund vouchers may be delivered to the taxpayers by registered post or courier service.

ANNEX

PART.VI OF THE FIRST SCHEDULE

GOVERNMENT OF PAKISTAN
DEPARTMENT OF INCOME TAX
Office of the _____

(*See* Rule 71)

Prescribed application for refund of tax.– An application for refund of tax under section 170 shall be made in the following form, namely:–

The Commissioner
_____(Zone)
_____(City)

Dear Sir,

8-149-15-07-2020

[1][(5) A person aggrieved by–

(a) an order passed under sub-section (4); or

(b) the failure of the Commissioner to pass an order under sub-section (4) within the time specified in that sub-section,

may prefer an appeal under Part III of this Chapter.]

[1][(6) The Board may make rules regulating procedure for expeditious processing and automatic payment of refunds through centralized processing system with effect from a date to be notified by the Board.]

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[1]Sub-section (5) substituted by Finance Act, 2003 dated June 17, 2003.
[2]Sub-section (6) inserted by Finance Act, 2020 dated June 30, 2020.

I, _____ of _____hereby declare

(a) that my total income computed in accordance with the provisions of Income Tax Ordinance, 2001 (XLIV of 2001), during the year ending on _____ being the income year for the assessment for the year ending on the _____ amounted to Rs. _____.

(b) that the total tax chargeable in respect of such total income is Rs. _____.

(c) that the total amount of tax paid is Rs._____.

I, therefore, request that a refund of Rs._____ may be allowed to me.

Yours faithfully_____

Signature_____

NTN_____

Address_____

I hereby declare that I am resident/non-resident* and that what is in this application is correct.

Date _____ Signature _____

*Delete whichever is inapplicable."

S. 170(4)- Time limitation to issue refund order.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Previously, the time limitation to pass an order u/s 170 days was 45 days. It was felt that this time limitation is too short and, therefore, section 170(4) is amended to extend the limitation to 60 days."

S. 170(5)–Substitution.– Sub-section (5) before substitution by Finance Act, 2003, read as follows:–

"(5) A person dissatisfied with a decision referred to in sub-section (4) may challenge the decision only under Part III of this Chapter."

Income Tax Refunds.– Following is the text of CBR's Circular No. 2 of 1998, dated February 16, 1998, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to state that lately the Board has been receiving a large number of complaints with regard to late/non-issuance of Income Tax refund. In continuation of Board's letter C. No. ITB-3(5)/86, dated 03-07-1994, the Board has decided to further streamline the procedure in this regard as under:–

(a) Rectification applications/appeal effects may be finalized within one month of receipt of such applications/appellate orders.

(b) Income Tax assessments may be completed within 12 months after the last date of filing of Income Tax returns. This would facilitate timely creation and recovery of tax demand coupled with expeditious disposal of brought forward assessments.

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(c) The refund created in consequence of assessments completed (as well as outstanding refunds) may be serialized in order of date(s) of completion of assessments. Every Zone will prepare a list of cases where refund is due which will be affixed on the notice board on weekly basis in continuous serial number without mentioning the amount of refund due.

(d) All refunds will be issued on the basis of sequential serial numbers.

(e) No refund will be issued out of turn under any circumstances.

(f) Refunds of amounts below Rs. 200,000 in each case should be made immediately.

2. The above instructions may be brought to the notice of all officers of your Region who should be advised to complete the required formalities (like verification of payments/deductions etc.) during the assessment proceedings. Each Region may in turn prepare a consolidated list of refund cases in order to keep vigil on issuance of refunds in orderly and transparent manner.

3. Infringement of these instructions by any assessing officer shall be treated as "inefficiency" and "misconduct" and visited with strong penal action under the Government Servants (Efficiency and Discipline) Rules, 1973."

Income Tax Refunds.– Following is the text of CBR's Circular No. 2 of 2000, dated 8th February, 2000, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Lately the Board has been receiving large number of complaints with regard to late/non-issuance of Income Tax refunds. Even the Chief Executive took cognizance of the enormity of the problem and referred the issue in his address to the nation on 15th December, 1999. It was assured by him that refunds in future would be allowed within a specific period and in case of delay, the tax payers will be entitled to a return on the refunds.

2. Section 100 of the Income Tax Ordinance, 1979 provides the issuance of refunds in cases where refund became due as a result of an order of assessment, appeal, revision or other proceedings under the Ordinance irrespective of the fact as to whether assessee has or has not made any claim. The said section also provides for a payment of additional amount as compensation at the rate of 15% per annum if refund became due as a result of decision of Income Tax Appellate Tribunal and the tax was paid under section 85 read with section 129. There is another provision under section 102 for additional payment for delayed refunds at the rate of 15% per annum of the amount of refund due, if assessee is not paid refund within three months of the date it became due. It may also be recalled as to when a refund "becomes due" has also been provided in section 102 and is as under:–

(a) in any case where the refund is required to be made in consequence of any order on an appeal or a revision or (an appeal) to the High Court or an appeal to the Supreme Court, on the date of receipt of such order by the Deputy Commissioner;

(b) in any case to which sub-section (5) of section 99 applies, on the thirtieth day of June of the financial year next following the date on which the application for refund was made; and

(c) in other case, on the date on which the refund order is made.

4. It however seems that the provisions of law are not being followed in letter and spirit with the result that the amounts of refund due have swelled up. It is accordingly directed that:–

(i) outstanding refunds may be issued expeditiously or at the most within three months of the date when they become due or are deemed to be due so that the Department does not have to incur the liability of payment of compensation and the tax payers also get their due refunds. It may be ensured that principle of first in and first out may be followed as far as possible while disposing the claims. Refunds of smaller amounts be issued on urgent basis so that the problems of small tax payers are addressed promptly;

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(ii) since compensation on delayed refunds would be an extra burden on the exchequer and it might also in invite audit objections, the assessing officers should be advised to ensure that issuance of determined refunds are not delayed. The supervisory officers should regularly check this aspect during inspection of the Circles;

(iii) power to withhold refunds should be exercised sparingly and only in cases where there are genuine reasons to believe that tax payer is likely to disappear divesting himself of all assets making recovery impossible if the Department's appeal against the order giving rise to refund ultimately succeeds. The Commissioner must record the reasons in writing before granting approval for withholding of refund; and

(iv) refunds may be adjusted/issued expeditiously against demands under other taxes as and when referred by the tax payers or tax collectors in accordance with law for which detailed instructions have already been issued vide Board's letter No. 1(1)Ch.CBR/99, dated 17.12.1999.

5. Infringement of these instructions be any assessing officer shall henceforth be treated as "inefficiency" and "misconduct" entailing strong penal action under the Government Servants (Efficiency and Discipline) Rules, 1973." [**Ref:** *2000 ITC 2 p. 1*]

Refunds as a result of interpretation by superior courts on a point of law.– FollowingisthetextofCBR'sCircularLetterNo.1(21)T&C/98datedAugust 18, 1998, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Chairman CBR has observed that we have not updated our laws in line with Supreme Court's decisions which has resulted into mis-information/harassment to the taxpayers and delays in refunds. The law is very clear that when a Supreme Court gives its decision in interpretation of the law, the Supreme Court's decision becomes the law and, therefore, it needs to be implemented. There are many outstanding cases of refunds where the cases have been decided against us by the Courts but we are not giving refunds because the orders of the Courts are not specified to the individual company. The law is very clear in this regard because Supreme Court's interpretation is the law and is applicable to all with identical situations.

2. In view of the fore-going, the Chairman has desired that all the Collectorates of Customs, Central Excise & Sales Tax and all commissioners of Income Tax should give out the refunds immediately where the courts have given verdict against us and where we are not in the appeal process. Every Collector/ Commissioner will be held responsible if the orders of the Courts are not complied with." [**Ref:***98 ITL 15 p. 12*]

Following is the text of CBR's Circular Letter No.RCIT/R-18/97-98/5893, dated June 5, 1998, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to Board's letters No.4(4)-Rev.Bud/97 dated 18-05-1998 and dated 25-5-1998 which were endorsed by this office vide No. 5605 dated 23-05-1998 and No. 5692 dated 26-05-1998 and say that confirmation report regarding adoption of instructions as laid down in Board's Circular No. 2 of 1998 has not been received so far".

The Board's Circular No. 2 of 1998 dated 16-02-1998, explaining the corresponding provisions of Income Tax Ordinance, 1979, speaks as under:

(a) All the rectifications/appeal effects must be given within one month of its receipt.

(b) All the assessments must be completed within 12 months of the last date of filing of Income Tax Returns to facilitate the disposal * the cases and recovery of tax demand.

(c) The refund must be serialized and every Zone will prepare a list of such refunds which should be fixed on Notice Board on Weekly basis.

(d) All refunds will be issued on the basis of sequential serial numbers.

*apparently intended word "of" is missing.

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(e) No refund will be issued out of turn under any circumstances.

(f) Refund of amount below Rs. 2,00,000/- in each case should be made immediately.

The verification of payments/deductions should be made during the assessment proceedings so that the refund may be issued in orderly and transparent manners. No infringement of these instructions by any Assessing Officer shall be treated as "inefficiency" & "misconduct" and visited with strong penal action under the Government Servant Rules, 1973.

The confirmation report on all the above issues as to be submitted to the Board but it is very mush regretted to note that no report has so far been received from any of the Zone of the Region which may please be submitted to this office by return of post/fax."

S. 170(1A)–Tax paid on loan treated as dividend by a shareholder to be refunded on repayment of loan.– Following is an extract from CBR's Circular No. 7 of 2003 dated July 11, 2003:–

"A loan made by a private company to a shareholder is treated as dividend in the hands of the shareholder and taxed accordingly. Under the repealed Ordinance, on repayment of loan tax paid on this account was refunded to the said shareholders. Similar provisions have been made in the Income Tax Ordinance by inserting sub-section (1A) to section 170 on repayment of loan treated as dividend under section 2(19)."

S. 170(2)–Period for making a refund application.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"The provisions of this section are same as those of the old Section 50 except that the period within which an application for refund can be made has been reduced. In cases, other than those covered under Section 96(2), the application has to be made within two years of the end of the assessment year to which it relates. Previously it could be made within 4 years of the last day of the financial year commencing next after the end of the previous year to which the income related. This curtailment of period is in line with the curtailment of period of assessment which was previously four years, after the end of assessment year but is now reduced to two years after the end of the assessment year."

Issue of Refund Voucher.– Following is the text of Circular No. 3 of 1978, dated February 2, 1978, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I have been directed to say that the Board has decided that where on assessment any refund is found due to any assessee, refund voucher "account payee only" should be sent to the assessee by registered post upon completion of assessment."

Following is the text of Circular No. 4 of 1983, dated April 16, 1983, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"In accordance with the provisions of Income tax Ordinance, any person would be entitledtorefundifhesatisfiestheIncomeTaxOfficerthattheamountoftaxpaidbyhimin anyyearexceedstheamountwithwhichheisproperlychargeable.The taxpayer is required tomakeanapplicationclaimingrefundwithintwoyearsoftheendoftheassessmentyearto whichitrelates.However,relaxation for admitting belated application can be granted with thepriorapproval of the IAC. The law further provides that an order on refund applicationshould be passed on or before 30th of June, of the financial year next following the date on which (application for refund is made), failing which the amount of refund claimed shall be deemed to be due to the assessee. In case a refund due to an assessee is not paid within three months of the date on which it becomes due a further sum at the rate of 1% above the bank rate becomes payable as additional payment to the taxpayer.

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2. To monitor the implementation of the provisions a register for refund has been prescribed. It has been noticed that the register is not properly maintained. The supervisory officers do not appear to be paying serious attention to this lapse. All the refund claims which are received by the ITOs are not entered into the prescribed register. Non-issuance of refunds in time by the ITOs causes a great inconvenience and hardship to the taxpayers. To ensure expeditious disposal of all the pending refund claims the following instructions are issued:–

(i) The refund register should be up-dated immediately to record all claims which are pending with ITOs;

(ii) IAC should inspect the refund register as well as the relevant files to ensure that these registers are being maintained properly. They should also make sure that refunds are issued without delay;

(iii) In respect of pending claims, it has been decided that these must be disposed of by the 31st May, 1983 and a certificate to that effect be furnished to the C.B.R.

3. Statement to monitor the disposal of refund claims has been prescribed which is enclosed herewith. It will form part of the monthly performance statement for April 1983 and onwards.

4. C.B.R. would shortly issue an advertisement in dailies informing public that in case of non-receipt of refund voucher they should approach the tax authorities to obtain their refund voucher.

Annexure

Monthly Statement of Refund Cases

1. No. of Refund Claims pending as on he last date of previous month.
2. Amount of Refund involved.
3. No. of Claims received during the month.
4. Amount of refund involved in item 3.
5. No. of Claims disposed of during the month.
6. Amount of Refund involved in (5) above.
7. Balance No. of Refund Claims (1 + 3)-(5).
8. Amount of Refund in (7)(2 + 4)-(6)."

For issue of refund vouchers upto Rs. 1,000/-, the CBR issued Circular Letter No. 4(2)IT-7/80, dated January 16, 1982, the text of which is as follows:–

"It has been decided by the Central Board of Revenue that existing procedure of encashment of Income Tax refunds for amounts not exceeding Rs. 1,000/- shall be modified to the extent indicated below with immediate effect:–

(a) The refund vouchers upto amounts not exceeding Rs. 1,000/- duly crossed "Account Payee" shall be issued by the Income Tax Officer without advice note.

(b) A separate refund book for such refunds will be maintained in each Income Tax Office and the serial numbers of this particular book will be provided to the concerned paying bank/treasury.

(c) The paying bank/treasury shall verify the serial numbers of the book supplied by the Income Tax Officer before giving credit of refund.

(d) Income Tax Officers will verify the credit of such refunds given by the payingbank/treasury, in a meeting with the paying Treasury Officer/Bank on a mutually agreed upon date in the first week of following month.

2. You are requested to issue necessary instructions to all the Banks/Treasury Officers concerned in this regard."

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Issuance of refund for payments made before 1st July, 1983.– Following is the text of Circular No. 3 of 1984, dated May 20, 1984, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Procedure for recording of collection of Income-tax by various Income-tax authorities had been laid down vide C.B.R. Circular No. 12 of 1983. Besides other details the said Circularassignedcollectionandaccountingofpaymentsthroughdeductionoftaxatsourceunder Section 50(4) and 50(5) to the Commissioner of Income Tax (Survey & Collation) on all-Pakistan-basis. This arrangement came into force with effect from 1st July, 1983.

2. It has been brought to the notice of the Board that problems are being faced in the issuance of refunds as the verification of payments having been made prior to 1st July, 1983 is not possible from CIT (S&C) who has no record of the relevant period as at that time the collection and accounting of payments under Section 50(4) had not been centralized with him.

3. The issue has been considered in the Board and it has been decided to modify the condition of verification laid down vide para 2(iii) of Circular No. 15 of 1983, for issuance of refunds in respect of payments made prior to 1st of July, 1984, to the extent indicated below, in cases where verification from Treasuries is otherwise not available.

(1) A separate order will be passed on each refund application by the Income Tax Officer either on the order sheet or otherwise;–

(2) In the case of

(a) Payments under Sub-section (5) of Section 50–

(i) Original challans and original bills of entry should be produced by the assessee before the Income Tax Officer.

(ii) The challans so produced in all cases be cancelled with the date and signature of the I.T.O.

(iii) The IAC/CIT concerned will satisfy themselves of the genuineness of the challan before admitting the said challan as proof of payment.

(b) Payment under Sub-section (4) of Section 50–

(i) Local payments shall be got verified locally within a period of 15 days from the date of filing of the refund application.

(ii) Out-station payments shall be got verified by the ITO through his counterpart at the other station within one month.

(3) The powers for issue of refunds in respect of the aforesaid cases shall be exercised as follows:–

(a) In Central Zones–

Refunds upto Rs. 100,000 with the approval of the IAC.

Refunds exceeding Rs. 100,000 with the approval of the CIT.

(b) In other Zones–

Refund upto Rs. 50,000 with the approval of the IAC.

Refunds exceeding Rs. 50,000 with the prior approval of the CIT.

(4) Wording of the Certificates submitted as proof of payment should be so changed by the deducting authorities that it should reflect that the tax deducted under Sub-sections (4) and (5) of Section 50 has already been paid into the government treasury.

4. The above mentioned instructions would only apply to cases involving payments made prior to 1st July, 1983. For payments made subsequent to that date instructions on the subject shall remain unchanged."

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Following is the text of Circular No. 15 of 1983 dated December 24, 1983:–

"There has been a persistent demand from various forums of tax-payers that refunds, wherever due, should be issued promptly. This demand is justified. Prompt issuance of refunds not only helps the tax-payer in getting what is due to it but also helps the Department through the creation of a feeling of confidence and goodwill in the minds of the tax-payers.

2. With the enlarging of the scope of deduction of tax at source the prompt issuance of refunds has assumed greater importance. The Board has been reviewing the situation and issuing instructions on the subject from time to time. Following further instructions are being issued in continuation of Circular No. 4 of 1983 for strict compliance:–

(i) In case of salaried tax-payers application for refund may not be insisted upon. If the IT-II furnished by a tax-payer is complete, with relevant proof, and has been fully verified, refund may be issued straightaway;

(ii) In other cases tax-payers would file applications for refund on the prescribed form alongwith proof of payment of tax;

(iii) The Income Tax Officer would verify the claim for refund but would restrict his enquiry to deduction/payment of tax and its deposit in Government Exchequer. Assessment proper would not be subject to a fresh scrutiny. If there is material indicating concealment or under-assessment, separate proceedings under the law may be initiated without prejudice to the issuance of refund. This would equally apply to the counter-signature before the IAC.

It may be clarified that verification of deduction/payment of tax and its deposit into Government Exchequer has to be strictly done in accordance with Circular No. 12 of 1983. Original challans and 'to whom it may concern' certificates from deducting authorities, without being received from the CITs Treasury, would not constitute sufficient proof of payment.

(iv) The ITO will dispose of all refund claims by passing an order under Section 99;

(v) The ITO may withhold refunds under Section 103. In such cases formal approval of CIT may be obtained and the claimant duly informed promptly;

(vi) Ordinarily refund voucher/order should be issued within two months from the date of assessment/claim.

3. The IACs should check the refund registers regularly at least twice a month to ensure that the matters concerning refunds are being attended to promptly by the assessing officers."

Refund Voucher, counter-signature by IAC.– Following is the text of CBR's Circular Letter No. ITB-3(5)/86, dated July 3, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Refund voucher, where the amount of refund exceeds Rs. 20,000/- (Twenty thousands) is required to be counter-signed by the Inspecting Additional Commissioner of Income Tax, concerned. This limit was fixed vide Board's endorsement No. ITB-3(5)/86 dated 29th August, 1990. The requirement of countersignatures, in the wake of increased number of refund applications invariably leads to delay in prompt issuance of refunds.

2. In order to remove this difficulty, it has been decided that countersignatures of the IAC of Income Tax will henceforth be required only in those cases where the amount of refund exceeds Rs. 50,000/- (Rupees fifty thousand) Zonal Commissioner may, however, fix upper limit of countersignatures of IAC of Income Tax beyond which administrative approval of the Commissioner shall be required.

3. AlltheexistinginstructionsoftheBoardinthesubjectshall stand modified to the extent indicated at para - 2 above.

4. All concerned may please be informed accordingly."

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Refund Voucher, delegation of powers.– Following is the text of CBR's Circular Letter No. 4(17)-Rev.Bud./2005-06, dated March 27, 2006:–

"I am directed to refer to CBR's earlier instructions contained in Board's letter C.No.ITB-3(5)/86 dated 3rd July, 1994 and to say that earlier lthere were limits for administrative approval. Now, all powers rest with the Commissioner of Income Tax, who may delegate powers as proposed hereunder for the sake of uniformity and quick disposal of refund claims:-

Income Tax Audotrity	Limits of Refund for approval		
	Non Corporate	Corporate	LTU
Taxation Officer	Upto Rs.100,000	Upto Rs.500,000	Upto Rs.1,000,000
Additional Commissioner	From Rs.100,001 to Rs.500,000	From Rs.500,001 to Rs.1,000,000	From Rs.1,000,001 to Rs.2,000,000
Commissioner	Exceeding Rs.500,000	Exceeding Rs.1,000,000	Exceeding Rs.2,000,000"

Refund Voucher, delegation of powers.– Following is the text of CBR's Circular Letter No. 4(17)-Rev.Bud./2005-06, dated July07, 2006:–

"I am directed to refer to CBR's cadler instructions contained in Board's letter of even number dated 27.03.2006 on the subject and to say that in supersession of all previous instructions limit for contersignuature of refunds by Additional Commissioner is enhanced to Rs.100,000/-. It is further clarified that Commissioner may grant administrative approval where rfefund exceeds Rs.500,000/-.

Please acknowledge receipt."

Resort to re-opening u/s 65 in refund cases.– Following is the text of RCIT Central Region's Letter No. 177/PS dated December 11, 1989, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Recently several cases have come to the notice of this office, in which proceedings under section 65 of the Income Tax Ordinance, 1979 were initiated at almost the same point of time when an application for issue of refund was made by the tax payers.

Insuchsituations,theDepartmentalofficersareaccusedofhavingactedinbadfaith,by resortingtore-openingoftheassessments,insteadofhavingissued the refunds. The Wafaqi Mohtasib has also castigated the Department for such action on the part of the Officers.

There is no denying the fact that the reasons for resorting to action under section 65 of the Income Tax Ordinance, 1979 may be very forceful, but in order to avoid embarrassment in such a situation, it is suggested and desired that in all such cases, in which refunds have been determined above Rs. 25,000, may be reviewed, with the object of evaluating as to whether the income assessed is in order and whether facts exist for resorting to action under section 65. In the event, facts warrant invoking of action under section 65, then the said action may be initiated immediately, without waiting for refund application from the assessee, so that coinciding of the two events is avoided."

RCIT Central Region's instructions for issue of refunds.– Following is the text of instructions dated October 4, 1986 issued by the Regional Commissioner of Income Tax, Central Region, Lahore, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Complaints are being received daily from the Wafaqi Mohtasib and the Central Board of Revenue against non-issuance of refunds in the Region. When asked to explain, the reason usually advanced by the field officers is that the delay was due to their inability to verify the actual deposit of tax by the deducting authorities.

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Examination of records in such cases shows the following:–

(a) A major portion of the tax deducted under Section 50(4) or (5) already stands adjusted against the demand created for the relevant year without any verification at all and only a small amount remains to be refunded which is sought to be verified.

(b) In most of the cases, tax deducted under Section 50(4) by Government and Semi-Government Departments and Agencies has been paid by book adjustment and cannot possibly be verified.

(c) In a large number of cases, the applicants are old existing assessees with substantial incomes and they are claiming only small amounts as refunds.

(d) Scrutiny of cases where refunds have been issued reveals that these have been issued without such verification as is being sought in cases where refunds are delayed. This dichotomy escapes reason.

(e) However, the worst part of the situation is that statutory certificates issued by the deducting authorities/payers (under Section 51 read with Rule 56) are also not being relied upon. As has been held by the Superior Courts, deduction of tax under Section 50 constitutes valid payment by the assessee even if the payers fails to pay the tax deducted into the Government Treasury.

In order to expedite issuance of refunds without prejudicing the interests of revenue, the following instructions are issued:–

1. Deductions u/s 50(4).

(1) New Assessees: i.e. where it is the first or the second return.

(a) Deduction by Government/Semi Government Departments/Agencies.–

Refundmaybeissuedonthebasisofastampedcertificateofthedeductingauthority.In case, the certificate has cuttings/erasings/ over-writings/interpolations, the assessee may be asked in writing to furnish a fresh certificate.

(b) Deductions by Companies.–

Refund may be issued on the basis of a certificate under Section 51 issued by the Company alongwith a photo-copy of the challan under which the Company deposited the amount after verification made from the Company directly.

(2) Existing Assessees: i.e., where it is the third or a subsequent return filed by the assessee:–

(a) Deduction by Government/Semi-Government Department/Agencies.–

As at (a) above.

(b) Deductions by Companies.–

Refunds may be issued on the basis of properly stamped certificates issued by the Company u/s. 51.

2. Deductions u/s 50(5).–

Refunds may be issued on the basis of the original challan/Bill of lading etc. produced by the assessee.

3. Where a refund is to be withheld pending decision of appeal, requisite order may be obtained from the Commissioner of Income Tax.

4. Where a refund is due in the case of R.F. and there is demand against its partners, the same may be adjusted. Assessments of the partners will have to be completed simultaneously. No refund of a R.F. may be with-held on the ground that the assessments of the partners have not been completed.

5. Where IAC is to approve the issue of a refund, the scrutiny will be confined to the correct calculation of refund and the requisite verification. Even if the IAC is of the view that there is a case of under-assessment warranting action under Section 65 or 66A, such action will be initiated after the issue of refund.

6. Where-ever a refund voucher is issued, necessary entries must be made in the Demand & Collection Register.

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7. In order to ascertain the total amount of refunds due, the field officers should examine the DCRs and draw up list of cases where refunds are shown due. These lists may latter be checked up with the assessment record to ensure that these do not contain cases where although refund has been issued, yet no entry was made in the DCR. These lists must be finalised by the end of this month.

It may be brought to the notice of the Assessing Officers that a close watch shall be kept on the issue of refunds and where-ever a case of undue delay of refund comes to the notice of the higher authorities, disciplinary action will invariably be taken against the defaulting officer."

Verification of payments before assessment.– Following is an extract from Circular Letter No. ITB-3(21)/85, dated November 24, 1985, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Calculationsoftaxpayableare made on IT-30 form which is a part of the assessment order. While preparing IT-30, credit for the payments made by the taxpayer is required to be given. Credit for tax paid once given legally becomes final. Thus subsequently, tax already paid shown in the IT-30 cannot be challenged by the department nor can the department, for the purposes of refund, ask the tax-payer concerned to produce further evidence in support of the tax claimed and shown to have been paid.

After the recent amendment in section 100 of the Income Tax Ordinance, 1979 the requirement of filing applications for issuance of refund stands dispensed with. Now the refundvouchershavealsotobeissuedalongwithdemandnotices. In this circumstances, the assessing officers will not be in a position to carry out any verification of payments if the same have been shown in the IT-30. The refund shown in IT-30 if any will have to be issued straight away.

The problem has been examined in the Board and I am directed to state that wherever any tax payment is claimed to have been made by the tax-payer it may be verified before giving credit for the same in the IT-30. Thus, in all cases, where in the returns tax payments are shown to have been made, effort must be made by the assessing officers to verify such payments before finalizing the assessment. No credit for unverified tax payment should be given in IT-30s. This should enable the Income Tax Officers invariably to issue refund vouchers alongwith the assessment orders, without delay in all cases where refunds have been created on IT-30s."

Refund where taxpayer does not supply information.– Following is an extract from CBR's Circular Letter No. ITB-3(23)/85, dated February 23, 1986, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"While processing refund claims of the taxpayers, an Income Tax Officer can ask for such particulars, documents, evidence, in support of the claim, as he may require. In some cases the taxpayer may choose not to furnish the requisite information. Such refund claims if not disposed of can remain unprocessed indefinitely. These could appear as pending in all statements submitted to higher authorities.

In cases where the requisite information is not provided by the taxpayer by a definite given date, inspite of a validly served notice to that effect, the claim of refund may be processed on merit and decided accordingly in order to avoid the delay in disposal of such refund claims. This will enable the Income Tax Officers to keep their work uptodate without undue pendencies in this regard."

Exempt income, refund without filing of return.– Following is an extract from Circular Letter C. No. ITB-3(6)/85 dated March 27, 1985, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"A question has been referred to the Board as to whether filing of return is necessary for claiming refund in cases where income is exempt under Income Tax Ordinance, 1979.

Theissuehasbeenexaminedand Iamdirectedtosaythatfilingof return solely for the purpose of claiming refund is not required. In such circumstances applications for refund under Section 99 of the Income Tax Ordinance, 1979 can be given without filing a return."

8-159-15-07-2021

[1][**170A. Electronic processing and electronic issuance of Refunds by the Board**.- Notwithstanding anything contained in section 170 of this Ordinance, commencing from tax year 2021, the Board may process and issue refund to the taxpayer who has filed the return of income without requiring refund application by the taxpayer to the extent of tax credit verified by the Board's computerized system as may be prescribed. The refund amount sanctioned under this section shall be electronically transferred in the taxpayer's notified bank account.]

171. Additional payment for delayed refunds.– (1) Where a refund due to a taxpayer is not paid within three months of the date on which it becomes due, the Commissioner shall pay to the taxpayer a further amount by way of compensation at the rate of [2][KIBOR plus 0.5 per cent] per annum of the amount of the refund computed for the period commencing at the end of the three month period and ending on the date on which it was paid [3][:]

[3][Provided that where there is reason to believe that a person has claimed the refund which is not admissible to him, the provision regarding the payment of such additional amount shall not apply till the the investigation of the claim is completed and the claim is either accepted or rejected.]

(2) For the purposes of this section, a refund shall be treated as having become due–

(a) in the case of a refund required to be made in consequence of an order on an appeal to the Commissioner (Appeals), an appeal to the Appellate Tribunal, a reference to the High Court or an appeal to the Supreme Court, on the date of receipt of such order by the Commissioner; [4][or]

(b) in the case of a refund required to be made as a consequence of a revision order under section [5][122A], on the date the order is made by the Commissioner; or

(c) in any other case, on the date the refund order is made.

[6][Explanation.-For the removal of doubt, it is clarified that where a refund order is made on an application under subsection (1) of section 170, for the purpose of compensation, the refund becomes due from the date refund order is made and not from the date the assessment of income treated to have been made by the Commissioner under section 120.]

[1]Section 170A inserted by Finance Act, 2021 dated June 30, 2021.
[2]Substituted for "fifteen" by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted for "KIBOR" by Finance Act, 2012 daed June 26, 2012 and was substituted for "six per cent" by Finance Act, 2009 dated June 30, 2009 & word "six" was substituted for "fifteen" by Finance Act, 2004, w.e.f. July 1, 2004.
[3]Colon substituted for full stop and proviso inserted by Finance Act, 2009 dated June 30, 2009.
[4]Word inserted by Finance Act, 2003 dated June 17, 2003.
[5]Substituted for "135" by Finance Act, 2003 dated June 17, 2003.
[3]Explanation inserted by Finance Act, 2013 dated June 29, 2013.

8-159-15-07-2021

Refund entries in registers etc.– Following is an extract from Circular Letter No. ITB-3(2)/80, dated November 14, 1985, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Whenever an order results in the creation of refund, entries to that effect are made in the IT-30, the order sheet of the Miscellaneous Cover, the Demand and Collection Register and the Refund Register, while issuing refund voucher cross references indicating the particulars of the refund voucher issued, under the initials of the Income Tax Officers, are to be given against the relevant entries of the refund created in IT-30 of the year, Demand and Collection Register, Refund Register and order sheet of the Miscellaneous Cover of the taxpayer's file. This not only serves as a check against duplicate issuance of refund for the same year but also allows the ITO to know at a glance that refunds created in the DCR stand issued."

Bank advicefor issue of refund voucher.– Following is the text of letter No. 43-Audit II/50-82 dated January 21, 1986 from the Deputy Auditor General of Pakistan addressed to the Chairman CBR, under the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to say that we have received a few complaints regarding delays in encashment of Income Tax refund vouchers by the State Bank of Pakistan on the ground that they had not received the supporting advice from the Income Tax Officer. It therefore appears that probably advice to the bank in support of payment of refund vouchers is not being furnished to the State Bank of Pakistan by the concerned officers promptly.

2. Weshallthereforebegratefulifthisaspectisexaminedandeffectivemeasuresare taken to ensure prompt delivery of advices to the bank, to avoid any delays in payments."

S. 170(3)–Adjustment of refund under other statutes.– Following is an extract from CBR's Letter No. C. No. 3(38)/IT-2/89 dated April 1, 1990, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"2. TheissuehasbeenexaminedandtheBoardhasdecided that in view of provisions of section 104 of the Income Tax Ordinance, the sales tax refund can be adjusted towards income tax arrears outstanding against the same assessee. In case the relevant sales tax record has been transferred to the concerned Assistant Collector of Customs/Central Excise, the ITO will first confirm the quantum of sales tax refund from the said Assistant Collector and will then issue memo in form I.T.104 adjusting sales tax refund towards income tax demand. The decision may be brought to the notice of field officers."

Adjustment of income tax refund against the liability of Workers Welfare Fund.– Following is the text of CBR's Letter No. 4(33)-Rev.Bud./99, dated February 17, 2000, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to refer to the above subject and to state that representations have been made to the Board that the Department is not allowing adjustment of Income Tax refunds against the liability of workers welfare Fund (WWF).

2. It has therefore, been decided that since collection WWF arrear demand is also the responsibility of the Department, the refund of income Tax should be adjusted against demand of WWF."

S. 171-Additional payment for delayed refund.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Previously the taxpayers were entitled to compensation for delayed refund @ 6% per annum. Now by virtue of amendment made in sub-section (1) of section 171, the additional payment for delayed refund shall be made at KIBOR. Further, proviso has also been inserted which provides that where there is a reason to believe that a person has claimed refund which is not due to him, the provisions regarding payment of such additional amount shall not apply till the investigation of the claim is completed and the claim is either accepted or rejected."

8-159-15-07-2021

Clarification re date from when additional payment starts.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"Through an 'Explanation' to sub-section (2) of section 171 it has been explained to preclude the possibility of varying interpretations that where a refund order is made on an application under sub-section (1) of section 170, for the purpose of compensation, the refund becomes due from the date the refund order is made and not from the date the assessment of income is treated to have been made by the Commissioner under section 120 of the Income Tax Ordinance, 2001."

Streamlining and automation of procedures.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"**a. Automated issuance of refunds**

In order to claim refunds, a taxpayer has to file refund application and provide documents for physical verification. To facilitate taxpayers, centralized automated refund system has been introduced where there will be no requirement for application and verification. The system based verified refunds would be issued directly into the bank accounts of taxpayers without any face to face contact. Enabling legal framework has been provided through insertion of section 170A in the Ordinance.

b. Prompt issuance of exemption certificate

The delay in the issuance of exemption certificate is a major concern of taxpayers. Time limitation of fifteen days shall be observed for issuance of exemption certificate for all corporate taxpayers which was earlier available to public listed companies only. After the lapse of statutory time limit, the web portal would automatically issue exemption certificate to the taxpayers. Necessary changes have been introduced in Section 153 and 159 of the Ordinance. However, commissioner has been empowered to cancel or modify the certificate with reasons in writing."

8-159-15-07-2021

[1][**171A. Payment of refund through income tax refund bonds.-** (1) Notwithstanding anything contained in sections 170 and 171, the income tax refunds payable under this Ordinance may also be paid through income tax refund bonds to be issued by FBR Refund Settlement Company Limited, in book-entry form through an establishment licensed by the Securities and Exchange Commission of Pakistan as a central depository under the Securities Act, 2015 (III of 2015), in lieu of payment to be made through issuance of cheques or bank debit advice.

(2) The Board shall issue a promissory note to FBR Refund Settlement Company Limited, hereinafter referred to as the company, incorporating the details of refund claimants and the amount of refund determined as payable to each for issuance of income tax refund bonds, hereinafter referred to as the bonds, of the same amount.

(3) The bonds shall be issued in values in multiples of one hundred thousand rupees.

(4) The bonds so issued shall have a maturity period of three years and shall bear annual simple profit at ten percent.

(5) The bonds shall be traded freely in the country's secondary markets.

(6) The bonds shall be approved security for calculating the statutory liquidity reserve.

(7) The bonds shall be accepted by the banks as collateral.

(8) There shall be no compulsory deduction of *Zakat* against the bonds and *Sahib-e-Nisab* may pay *Zakat* voluntarily according to *Shariah*.

(9) After period of maturity, the company shall return the promissory note to the Board and the Board shall make the payment of amount due under the bonds, along with profit due, to the bond holders.

(10) The bonds shall be redeemable in the manner as in sub-section (9) before maturity only at the option of the Board along with simple profit payable at the time of redemption in the light of general or specific policy to be formulated by the Board.

(11) The refund under sub-section (1) shall be paid in the aforesaid manner to the claimants who opt for payment in such manner.

(12) The Federal Government may notify procedure to regulate the issuance, redemption and other matters relating to the bonds, as may be required.]

[1]S. 171A inserted by Finance Act, 2019 dated June 30, 2019.

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PART VII

REPRESENTATIVES

172. Representatives.– (1) For the purposes of this Ordinance and subject to sub-sections (2) and (3), "representative" in respect of a person for a tax year, means –

(a) where the person is an individual under a legal disability, the guardian or manager who receives or is entitled to receive income on behalf, or for the benefit of the individual;

(b) where the person is a company (other than a trust, a Provincial Government, or [1][Local Government] in Pakistan), the principal officer of the company;

(c) where the person is a trust declared by a duly executed instrument in writing whether testamentary or otherwise (including any Wakf deed which is valid under the Mussalman Wakf Validation Act, 1913 (VI of 1913)), any trustee of the trust;

(d) where the person is a Provincial Government, or [1][Local Government] in Pakistan, any individual responsible for accounting for the receipt and payment of moneys or funds on behalf of the Provincial Government or [1][Local Government];

(e) where the person is an association of persons, the principal officer of the association or, in the case of a firm, any partner in the firm;

(f) where the person is the Federal Government, any individual responsible for accounting for the receipt and payment of moneys or funds on behalf of the Federal Government; or

(g) where the person is a public international organisation, or a foreign government or political subdivision of a foreign government, any individual responsible for accounting for the receipt and payment of moneys or funds in Pakistan on behalf of the organisation, government, or political subdivision of the government.

(2) Where the Court of Wards, the Administrator General, the Official Trustee, or any receiver or manager appointed by, or under, any order of a Court receives or is entitled to receive income on behalf, or for the benefit of any person, such Court of Wards, Administrator General, Official Trustee, receiver, or manager shall be the representative of the person for a tax year for the purposes of this Ordinance.

[1]Substituted for "local authority" by Finance Act, 2008 dated June 27, 2008.

S. 172-Representatives, clarification.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"Through Finance Act, 2013 it has been explained that 'business connection' includes transfer of an asset or business in Pakistan by a no-resident to the representative of the person for the purposes of the income Tax Ordinance, 2001."

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(3) Subject to sub-sections (4) and (5), where a person is a non-resident person, the representative of the person for the purposes of this Ordinance for a tax year shall be any person in Pakistan –

(a) who is employed by, or on behalf of, the non-resident person;

(b) who has any business connection with the non-resident person[1][:]

[2][Explanation.- In this clause the expression "business connection" includes transfer of an asset or business in Pakistan by a non-resident;]

(c) from or through whom the non-resident person is in receipt of any income, whether directly or indirectly;

(d) who holds, or controls the receipt or disposal of any money belonging to the non-resident person;

(e) who is the trustee of the non-resident person; or

(f) who is declared by the Commissioner by [3][an order] in writing to be the representative of the non-resident person.

(4) A bona fide independent broker in Pakistan who, in respect of any transactions, does not deal directly with, or on behalf of, a non-resident principal but deals with, or through a non-resident broker, shall not be treated as a representative of the non-resident principal in respect of such transactions, if –

(a) the transactions are carried on in the ordinary course of business through the first-mentioned broker; and

(b) the non-resident broker is carrying on such transactions in the ordinary course of its business and not as a principal.

(5) No person shall be declared [4][ ] as the representative of a non-resident person unless the person has been given an opportunity by the Commissioner of being heard.

173. Liability and obligations of representatives.– (1) Every representative of a person shall be responsible for performing any duties or obligations imposed by or under this Ordinance on the person, including the payment of tax.

(2) Subject to sub-section (4), any tax that, by virtue of sub-section (1), is payable by a representative of a taxpayer shall be recoverable from the representative only to the extent of any assets of the taxpayer that are in the possession or under the control of the representative.

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[1]Substituted for semi colon by Finance Act, 2013 dated June 29, 2013.
[2]Explanation inserted by Finance Act, 2013 dated June 29, 2013.
[3]Substituted for “notice” by Finance Act, 2003 dated June 17, 2003.
[4]Words “or treated” omitted by Finance Act, 2003 dated June 17, 2003.

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(3) Every representative of a taxpayer who pays any tax owing by the taxpayer shall be entitled to recover the amount so paid from the taxpayer or to retain the amount so paid out of any moneys of the taxpayer that are in the representative's possession or under the representative's control.

[1][(3A) Any representative, or any person who apprehends that he may be assessed as a representative, may retain out of any money payable by him to the person on whose behalf he is liable to pay tax (hereinafter in this section referred to as the "principal"), a sum equal to his estimated liability under this Ordinance, and in the event of disagreement between the principal and such a representative or a person as to the amount to be so retained, such representative or person may obtain from the Commissioner a certificate stating the amount to be so retained pending final determination of the tax liability, and the certificate so obtained shall be his authority for retaining that amount.]

(4) Every representative shall be personally liable for the payment of any tax due by the representative in a representative capacity if, while the amount remains unpaid, the representative –

(a) alienates, charges or disposes of any moneys received or accrued in respect of which the tax is payable; or

(b) disposes of or parts with any moneys or funds belonging to the taxpayer that is in the possession of the representative or which comes to the representative after the tax is payable, if such tax could legally have been paid from or out of such moneys or funds.

(5) Nothing in this section shall relieve any person from performing any duties imposed by or under this Ordinance on the person which the representative of the person has failed to perform.

[1]Sub-section (3A) inserted by Finance Act, 2003 dated June 17, 2003.

8-99-29-06-13

PART VIII

RECORDS, INFORMATION COLLECTION AND AUDIT

174. Records.–(1) Unless otherwise authorised by the Commissioner, every taxpayer shall maintain in Pakistan such accounts, documents and records as may be prescribed.

(2) The Commissioner may disallow [1][or reduce] a taxpayer's claim for a deduction if the taxpayer is unable, without reasonable [2][cause], to provide a receipt, or other record or evidence of the transaction or circumstances giving rise to the claim for the deduction.

(3) The accounts and documents required to be maintained under this section shall be maintained for [3][six] years after the end of the tax year to which they relate [4][:]

[4][Provided that where any proceeding is pending before any authority or court the taxpayer shall maintain the record till final decision of the proceedings.

Explanation.–Pending proceedings include proceedings for assessment or amendment of assessment, appeal, revision, reference, petition or prosecution and any proceedings before an Alternative Dispute Resolution Committee [5][:]]

[5][Provided that limitation prescribed under this sub-section shall not apply to the records pertaining to income, assets, expenses or transactions to which clause (ii) of sub-section (2) of section 111 applies.]

[6][(4) For the purpose of this section, the expression "deduction" means any amount debited to trading account, manufacturing account, receipts and expenses account or profit and loss account.]

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[1]Words inserted by Finance Act, 2003 dated June 17, 2003.

[2]Substituted for "excuse" by Finance Act, 2003 dated June 17, 2003.

[3]Substituted for "five" by Finance Act, 2010 dated June 30, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[4]Full stop substituted and Proviso and Explanation inerted by Finance Act, 2010 dated June 30, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[5]Full stop substituted and Proviso and Explanation inerted by Finance Act, 2022 dated June 30, 2022.

[6]Sub-section (4) inserted by Finance Act, 2003 dated June 17, 2003.

S. 174(5)- Installation of Electronic Tax Register at Selected Sales Outlets.- Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"To ensure correct recording of sales, the Commissioner, under sub-section (5) of section 174 of the Ordinance may require any person to install Electronic Tax Registers (ETR) at selected sale outlets with known high volume business houses as decided by him. This technology is being used in a number of countries like Italy, Greece, Poland, Ukraine, Bulgaria, Finland, Malta, Serbia, Lithuania, Hungary, Turkey, Brazil etc. Income Tax Rules, 2002 have accordingly been amended to enforce the provisions of section 174."

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[1][(5) The Board may require any person or class of persons to install and use an electronic resource of such type and description as may be prescribed, or to act as an integrated enterprise through a notification in the official Gazette for the purpose of receiving, storing, matching and accessing information regarding any transaction that has a bearing on the tax liability of such person.]

175. Power to enter and search premises.– (1) In order to enforce any provision of this Ordinance (including for the purpose of making an audit of a taxpayer or a survey of persons liable to tax), the Commissioner or any officer authorised in writing by the Commissioner for the purposes of this section–

(a) shall, at all times and without prior notice, have full and free access [2][including real-time electronic access] to any premises, place, accounts, documents or computer;

(b) may stamp, or make an extract or copy of any accounts, documents or computer-stored information to which access is obtained under clause (a);

(c) may impound any accounts or documents and retain them for so long as may be necessary for examination or for the purposes of prosecution;

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[1]Sub-section (5) substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2008 dated June 27, 2008.

[2]Words inserted by Finance Act, 2020 dated June 30, 2020.

S. 174(5)–Substitution.– Before substitution by Finance Act, 2026, it read as follows:–

"(5) The Commissioner may require any person to install and use an Electronic Tax Register of such type and description as may be prescribed for the purpose of storing and accessing information regarding any transaction that has a bearing on the tax liability of such person."

S. 174(5).- Integration with the Board's Computerized System [Sections 2(19DA), 2(30A), 2(30D), 2(42AA), 21(r), 64D and 174(5)]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"The framework for integration of businesses with the Board's computerized system has been strengthened. In section 2, clause (30A) has been amended to refer to the "Board's computerized system through a licensed integrator"; a new clause (30D) defines "Licensed integrator" by reference to the Sales Tax Act, 1990; a new clause (19DA) defines "electronically readable format"; and a new clause (42AA) defines "PRAL".

Clause (r) of section 21 has been substituted to provide for disallowance of three percent of the expenditure claimed by any person who fails to install an electronic resource or to act as an integrated enterprise as required by law. Section 64D has been substituted to provide a "Tax credit for integration" equal to ten percent of the amount actually invested in the electronic resource in the year of its installation, integration and configuration, available only against normal tax payable under Division I or Division II of Part I of the First Schedule. Section 174(5) has been substituted to empower the Board to require any person or class of persons to install and use an electronic resource, or to act as an integrated enterprise, for receiving, storing, matching and accessing information regarding transactions bearing on tax liability."

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(d) may, where a hard copy or computer disk of information stored on a computer is not made available, impound and retain the computer for as long as is necessary to copy the information required; and

(e) may make an inventory of any articles found in any premises or place to which access is obtained under clause (a).

[1][(2) The Commissioner may authorize any valuer or expert to enter any premises and perform any task assigned to him by the Commissioner.]

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[1]Sub-section (2) substituted by Finance Act, 2003 dated June 17, 2003.

S. 175–Internal survey.– Following is the text of CBR's Letter No. 05/91-S(DTO-II) dated January 6, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to say that it has been decided that henceforth:

(a) only communication slips with precise and cognizable information about purchase of assets and incurring expenditure by the taxpayers may be issued to Income Tax Officers by the Survey Organization. Further communication slips with incomplete addresses or with vague and general information may not be sent to the assessing officers;

(b) the communication slips relating to each circle should be sent on weekly, fortnightly or monthly basis alongwith the list and copy of the list be sent to CIT. The CIT of the zone shall ensure proper utilization of such information.

2. Commissioners of Income Tax (Hqs) will oversee that the Commissioners are ensuring proper utilization of these slips and shall make a report in this regard to the Member (Income Tax) in the first week of every month."

S. 175(2)–Substitution.– Before substitution by Finance Act, 2003, it read as follows:–

"(2) The Commissioner may authorise any valuer to enter any premises or place to inspect such accounts and documents as may be necessary to enable the valuer to make a valuation of an asset for the purposes of this Ordinance."

Procedures and instructions regarding communication slips received from survey have been laid down by the RCIT, Central Region vide letter No. RCIT/2(2) Vol-III/3185 dated February 23, 1991.

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(3) The occupier of any premises or place to which access is sought under sub-section (1) shall provide all reasonable facilities and assistance for the effective exercise of the right of access.

(4) Any accounts, documents or computer impounded and retained under sub-section (1) shall be signed for by the Commissioner or an authorised officer.

(5) A person whose accounts, documents or computer have been impounded and retained under sub-section (1) may examine them and make extracts or copies from them during regular office hours under such supervision as the Commissioner may determine.

(6) Where any accounts, documents or computer impounded and retained under sub-section (1) are lost or destroyed while in the possession of the Commissioner, the Commissioner shall make reasonable compensation to the owner of the accounts, documents or computer for the loss or destruction.

(7) This section shall have effect notwithstanding any rule of law relating to privilege or the public interest in relation to access to premises or places, or the production of accounts, documents or computer-stored information.

Power of survey.– Following is an extract from Circular No. 10 of 1979, dated October 1, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Under Section 38B of the repealed Act, the Inspector of Income Tax, if authorised by Income Tax Officer or Inspecting Assistant Commissioner could enter any place within limits of the area assigned to the Income Tax Officer or to the Inspecting Assistant Commissioner in which a person carried on his business or profession. Section 145 of the Ordinance authorises the Inspector to enter any premises without authority from the Income Tax Officer or the Inspecting Assistant Commissioner. This discretion to the Inspector is likely to create difficulties especially when the place which can be entered into is not confined to business premises of the assessee but includes any other place including the residence of the assessee situated within the area of his jurisdiction. Instructions have been issued requiring the inspector to obtain the prior approval of the Income Tax Officer or Inspecting Assistant Commissioner for entering any place."

S. 175(1)(c)–Retention of books of accounts.– Following is the text of Circular letter C. No. 13(21)ITE/83, dated October 18, 1983:–

"It has come to the notice of the Board that books of account which are retained for examination by assessing officers are not returned to taxpayers even after completion of assessment proceedings.

2. The undersigned is directed to say that all assessing officers may be directed to ensure that in future books impounded/retained for purposes of examination may be returned to the taxpayers immediately on completion of relevant assessment(s). However, in cases the books may be required for prosecution/appeal purposes, these may be retained with the approval of Inspecting Assistant Commissioner."

Following is the text of RCIT Central Region's Circular Letter No. RCIT/J-02/88-89/7072 dated February 18, 1989:–

"It has been represented by the Tax Bar that the officers refuse to give receipt to the assesse or his A. R. in acknowledgment of having retained the books of accounts. There fusal of the Officers is not justified. The R.C.I.T. has desired that all Assessing Officers in the Zone may be instructed that whenever they retain books of accounts or any other document for examination,theymustissuethe receipt in acknowledgment of having retained books etc."

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(8) In this section, "occupier" in relation to any premises or place, means the owner, manager or any other responsible person on the premises or place.

[1][(9) For the purpose of clause (a) of sub-section (1), the Board may make rules relating to electronic real-time access for audit or a survey of persons liable to tax.]

[2][**175A. Real-time access to information and databases**.- (1) Notwithstanding anything contained in any law for the time being in force, including but not limited to the National Database and Registration Authority Ordinance, 2000 (Ordinance VIII of 2000), and the Emigration Ordinance, 1979 (Ordinance XVIII of 1979), arrangements shall be made to provide real-time access of information and database to the Board in the prescribed form and manner by–

(a) the National Database and Registration Authority with respect to information pertaining to National Identity Card, Pakistan Origin Card, Overseas Identity Card, Alien Registration Card, and other particulars contained in the Citizen Database;

(b) the Federal Investigation Agency and the Bureau of Emigration and Overseas Employment with respect to details of international travel;

(c) the Federal Investigation Agency and the Bureau of Emigration and Overseas Employment with respect to details of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas;

(d) the Islamabad Capital Territory and provincial and local land record and development authorities with respect to record-of-rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights;

(e) the Islamabad Capital Territory and provincial Excise and Taxation Departments with respect to information regarding registration of vehicles, transfer of ownership and other associated record;

(f) All electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer, the units consumed and the amount of bill charged or paid:

Provided that where the connection is shared or is used by a person other than the owner, the name and CNIC of the owner and the user shall also be furnished:

[1]Sub-section (9) inserted by Finance, Act, 2020 dated June 30, 2020.
[2]S. 175A inserted by Finance, Act, 2020 dated June 30, 2020.

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Provided further that all electricity suppliers and gas transmission and distribution companies shall make arrangements by the 1st day of January, 2021for allowing consumers to update the ratio of sharing of a connection or the particulars of users, as the case may be; and

(g) any other agency, authority, institution or organization notified by the Board.

(2) The Board shall make arrangements for laying the infrastructure for real-time access to information and database under sub-section (1) and aligning it with its own database in the manner as may be prescribed.

(3) Until real-time access to information and database is made available under sub-section (1), such information and data shall be provided periodically in such form and manner as may be prescribed.

(4) Subject to section 216, all information received under this section shall be used only for tax purposes and kept confidential]

[1][**175AA.- Exchange of banking and tax information related to high-risk persons**.- (1) Notwithstanding anything contained in any law for the time being in force, including but not limited to the Banking Companies Ordinance, 1962 (LVII of 1962), section 216 of this Ordinance and any regulations made under the State Bank of Pakistan Act,1956 (XXXIII of 1956),-

[1]S. 175AA inserted by Finance Act, 2025 in force from July 1, 2025.

S. 175AA.- Reporting of Financial Transaction Data by Banks [Sections 165AB and 175AA]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Section l75AA has been amended by adding a new paragraph (c) enabling the State Bank of Pakistan to establish, operate and maintain a secure centralized virtual repository of banking data, comprising such information, records and financial transactions of persons maintained by scheduled banks as may be prescribed."

S. 175AA.-Exchange of Banking and Tax Information Related to High Risk Persons.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [Section 175AA]

"This new section envisages secure exchange of information allowing Board to share particulars of a taxpayer declared in its income tax/sales tax return as well as financial/wealth statement with scheduled banks through database algorithms for cross matching. After needful has been performed, the scheduled banks will provide to the Board data of such bank transactions which is at variance with the given input of the Board. The implementation of this provision will be helpful in compliance risk management. The information will be kept confidential and only be used for tax purposes."

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(a) the Board may share information obtained from the tax declarations with scheduled banks in Pakistan, in respect of persons or classes of persons, for the purpose of cross-matching with the bank data through the data-based algorithms, as may be prescribed; and

(b) the Scheduled banks shall provide to the Board the final results where the banking data is at variance with the algorithms provided under clause (a) of this sub-section [1][; and]

[2][(c) the State Bank of Pakistan may establish, operate and maintain a secure centralized virtual repository of banking data, comprising such information, records, and financial transactions of persons maintained by Scheduled banks on the basis of unique identifiers, as may be prescribed by the Board and collect and provide data and results as per clauses (a) and (b) of this sub-section.]

(2) All information received under this section shall be used only for tax and related purposes and kept confidential.]

[3][**175B. National Database and Registration Authority (NADRA)**.- (1) The National Database and Registration Authority shall, on its own motion or upon application by the Board, share its records and any information available or held by it, with the Board, for broadening of the tax base or carrying out the purposes of the Ordinance.

(2) The National Database and Registration Authority may-

(i) submit proposals and information to the Board with a view to broadening the tax base;

(ii) identify in relation to any person, whether a taxpayer or not–

(a) income, receipts, assets, properties, liabilities, expenditures, or transactions that have escaped assessment or are under-assessed or have been assessed at a low rate, or have been subjected to excessive relief or refund or have been misdeclared or misclassified under a particular head of income or otherwise;

(b) the value of anything mentioned in sub-clause (a) of clause (ii), if such value is at variance with the value notified by the Board or the district authorities, as the case may be, or if no such value has been notified the true or market value; and

[1]Substituted for full stop by Finance Act, 2026 dated June 26, 2026.
[2]Clause (c) inserted by Finance Act, 2026 dated June 26, 2026.
[3]S. 175B inserted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.

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(iii) enter into a memorandum of understanding with the Board for a secure exchange and utilization of a person's information.

(3) The Board may use and utilize any information communicated to it by the National Database and Registration Authority and forward such information to an income tax authority having jurisdiction in relation to the subject matter regarding the information, who may utilize the information for the purposes of the Ordinance.

(4) The National Database and Registration Authority may compute indicative income and tax liability of anyone mentioned under sub-sections (1) or (2) by use of artificial intelligence, mathematical or statistical modeling or any other modern device or calculation method.

(5) The indicative income and tax liability computed by the National Database and Registration Authority under sub-section (4) shall be notified by the Board to the person in respect of whom such indicative income and tax liability has been determined, who shall have the option to pay the determined amount on such terms, conditions, installments, discounts, reprieves pertaining to penalty and default surcharge, and time limits that may be prescribed by the Board.

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(6) In case the person against whom a liability has been determined under sub-section (4), does not pay such liability within the time prescribed under sub-section (5), the Board shall take action under the Ordinance, upon the basis of tax liability computed under sub-section (4).

(7) If the person against whom the liability has been determined under sub-section (4) pays such liability in terms of sub-section (5), such payment shall be construed to be an amended assessment order under section 120 or sub-section (1) of section 122 or sub-section (4) of section 122, as the case may be.

(8) For the purposes of sub-sections (4) and (5), the Board may prescribe the extent of installments, reprieves pertaining to penalty and default surcharge and time limits.]

[1][**175C Posting of Officer of Inland Revenue**.- Subject to such conditions and restrictions, as deemed fit to be imposed, the Board or the Chief Commissioner may post an officer of Inland Revenue or such other officials with any designation working under the control of the Board or the Chief Commissioner, to the business premises of any person or class of such persons, to monitor production, supply of goods or rendering of services and the stock of goods not sold at any time for determining tax payable under this Ordinance.]

176. Notice to obtain information or evidence.– (1) The Commissioner may, by notice in writing, require any person, whether or not liable for tax under this Ordinance–

[2][(a) to furnish to the Commissioner or an authorised officer, any information relevant to any tax leviable under this Ordinance or to fulfill any obligation under any agreement with foreign government or governments or tax jurisdiction, as specified in the notice; or]

(b) to attend at the time and place designated in the notice for the purpose of being examined on oath by the Commissioner or an authorised officer concerning the tax affairs of that person or any other person and, for that purpose, the Commissioner or authorised officer may require the person examined to produce any accounts, documents, or computer-stored information in the control of the person [3][; or]

[1]S. 175C inserted by Finance Act, 2025 in force from July 1, 2025. Earlier it was inserted by Tax Laws (Amendment) Ordinance, 2025 dated May 02, 2025.
[2]Clause (a) substituted by Finance Act, 2015 dated June 30, 2015.
[3]Substituted for full stop by Finance Act, 2009 dated June 30, 2009.

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S. 176(1)(a)–Substitution.– Before substitution by F. Act, 2015, it read as follows:-

"(a) to furnish to the Commissioner or an authorised officer, any information relevant to any tax [1][leviable] under this Ordinance as specified in the notice; or"

[1]Substituted for "imposed" by Finance, Act, 2005 dated June 29, 2005.

S. 176–Notice u/s 176.– Following is an extract from 'ICAP's President Letter dated August 28, 2009:-

"As mentioned in my Communication - 8, notices were issued by the Federal Board of Revenue (FBR) to some of the audit firms under Section 176 of the Income Tax Ordinance, 2001 requiring them to submit working paper files and other information relating to their clients.

The Institute held high level meetings with the Chairman and other senior officials of the FBR to address this matter on priority basis. I am pleased to report that FBR has agreed with our view that it is not appropriate for tax authorities to require audit working papers from audit firms, and FBR has withdrawn such notices."

S. 176–Authorisation to various authorities.– Please see notes to section 210.

Changes by F.A. 2005.- Following is an extract from 'Notes on Clauses of Finance Bill 2005':–

"(a) Seeks to clarify the provision for obtaining information from the taxpayer;

(b) Seeks to enable a person from whom information has been called for, to furnish the required information electronically."

Following is an extract from CBR's Circular No. 1 of 2005 dated July 5, 2005:–

"Previously, the Commissioner could require any person, whether or not liable to tax, to furnish information relevant to any tax "imposed" under the Ordinance. Through this amendment, the expression "imposed" has been substituted by the expression "leviable" as the expression "imposed" was being interpreted in a restrictive manner. Now the amended provisions would cover the entire tax "leviable" under the Ordinance.

Furthermore, it is also provided that the person from whom information is required may opt for filing the information through the electronic media. This will facilitate the person and also improve efficiency."

Widening of scope.– Following is an extract from CBR's Circular No. 6 of 1994 dated July 10, 1994, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"DCIT, IAC, CIT or any other officer authorized in this behalf by the CIT or CBR, is empowered under section 144 to call for information from brokers, dealers, agents and other concerned taxpayers regarding interest, commission, royalty or brokerage. Section 144 in its existing form did not cover 'fees' paid to professionals. Similarly, the expression 'payment' did not specifically include 'valuable consideration'.

The scope of section 144 has, therefore, been extended by an amendment in order to specifically include in its ambit 'fees' and any other payment or remuneration in the nature of 'valuable consideration' under whatever nomenclature." [**Ref:***94 ITC 5 p. 5*]

S. 176 &210(1)(b)-Empowerment of C.A. Firms for obtaining information for the purpose of Income Tax Audit.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"A new clause (c) has been added to section 176 of the Income Tax Ordinance, 2001 whereby a firm of Chartered Accountants appointed by the Board, has been empowered with the prior approval of Commissioners concerned to enter the business premises of the taxpayer, who has been selected for audit in order to obtain any information and examine the record kept in such premises. These powers have been granted in view of the fact that the Federal Government intends to get audit conducted in a transparent manner and as such an MoU has been signed with ICAP which will be effective from 1st July, 2009."

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[1][(c) the firm of chartered accountants [2][[3][ ] or a firm of cost and management accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966)], as appointed by the [4][Board or the Commissioner], to conduct audit under section 177, for any tax year, may with the prior approval of the Commissioner concerned, enter the business premises of a taxpayer, [5][ ], to obtain any information, required production of any record, on which the required information is stored and examine it within such premises; and such firm may if specifically delegated by the Commissioner, also exercise the powers as provided in subsection (4).]

[6][(1A) A special audit panel appointed under sub-section (11) of section 177, for any tax year, may, with the prior approval of the Commissioner concerned, enter the business premises of a taxpayer, to obtain any information, require production of any record, on which the required information is stored and examine it within such premises and such panel may if specifically delegated by the Commissioner, also exercise the powers as provided in sub-section (4).]

(2) The Commissioner may impound any accounts or documents produced under sub-section (1) and retain them for so long as may be necessary for examination or for the purposes of prosecution.

(3) [7][The person from whom information is required, may at his option, furnish the same electronically in any computer readable media.] Where a hard copy or computer disk of information stored on a computer is not made available as required under sub-section (1), the Commissioner may require production of the computer on which the information is stored, and impound and retain the computer for as long as is necessary to copy the information required.

(4) For the purposes of this section, the Commissioner shall have the same powers as are vested in a Court under the Code of Civil Procedure, 1908 (Act V of 1908), in respect of the following matters, namely:–

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[1]Clause (c) inserted by Finance Act, 2009 dated June 30, 2009.
[2]Words inserted by Finance Act, 2017 dated June 20, 2017.
[3]Comma omitted by Finance Act, 2022 dated June 30, 2022.
[4]Substituted for "Board" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.
[5]Words "selected for audit" omitted by Finance Act, 2012 dated June 26, 2012.
[6]Sub-section (1A) substituted by Finance, Act, 2015 dated June 30, 2015.
[7]Words and comma inserted by Finance, Act, 2005 dated June 29, 2005.

Information from banks – **Protection of Economic Reforms Act, 1992.–** Following is the text of CBR's Circular Letter No. No.F.144(1)ITP/96, dated 27th February, 1996, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"I am directed to say that under section 144(c) of the Income Tax Ordinance, 1979 the Deputy Commissioner, the Inspecting Additional Commissioner, the Commissioner or any other officer authorised in this behalf by the Commissioner or the Central Board of Revenue, may, by notice in writing, require any person, including a banking company, to furnish to such authority such information or such statement or accounts as may be specified in such notice. The only condition is that such notice has to be issued to any banking company as respects any client, with the prior approval of the Commissioner in the case of Deputy Commissioner, or the Central Board of Revenue or any other income tax authority authorised by it in this behalf in the case of the other officer.

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(a) enforcing the attendance of any person and examining the person on oath or affirmation;

(b) compelling the production of any accounts, records, computer-stored information, or computer;

(c) receiving evidence on affidavit; or

(d) issuing commissions for the examination of witnesses.

(5) This section shall have effect notwithstanding any [1][law or rules] relating to privilege or the public interest in relation to the production of accounts, documents, or computer-stored information or the giving of information.

[2][**177. Audit.** [3][(1) The Commissioner may call for any record or documents including books of accounts maintained under this Ordinance or any other law for the time being in force for conducting audit of the income tax affairs of the person and where such record or documents have been kept on electronic data, the person shall allow access to the Commissioner or the officer authorized by the Commissioner for use of machine and software on which such data is kept and the Commissioner or the officer may have access to required information and data and duly attested hard copies of such information or data for the purpose of investigation and proceedings under this Ordinance in respect of such person or any other person:

[1]Substituted for "rule of law" by Finance Act, 2011 dated June 30, 2011.

[2]S.177 was substituted by Finance Act, 2004, w.e.f. July 1, 2004.

[3]Sub-section (1) substituted by Finance Act, 2010 dated June 30, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

2. Protection of Economic Reforms Act, 1992 provides immunity to foreign currency accounts from any inquiry from the Income Tax Department. By virtue of section 3 this Act has an overriding effect with respect to certain other laws including the Income Tax Ordinance, 1979. Section 5 of the aforementioned Act envisages that the banks shall maintain complete secrecy in respect of transactions in the foreign currency accounts. Section 9 of the said Act states that secrecy of bonafide banking transactions shall be strictly observed by all banks and financial institutions, by whosoever owned, controlled or managed.

3. The banks have recently started refusing to furnish information under section 144(c) even in respect of rupee account on the ground that they have to maintain secrecy in respect thereof under the Protection of Economic Reforms Act, 1992. The issue has been examined and it is clarified that under the said Act immunity has been extended to foreign exchange accounts only. Rupee account was not the subject of the aforementioned Act. The Act has to be taken as a whole and not read in a piece meal fashion. Banks are under legal obligation to provide information to the Department under section 144(c) of the Income Tax Ordinance, 1979. Default of a notice under the said section can lead to penal action as provided in the law."

S. 177(1)&(2)-Substitution.-Before substitution by F.A. 2010 & Finance (Amendment) Ordinance, 2009, these read as follows:-

"(1) The [1][Board], may lay down criteria for selection of any person [2][or classes of persons] for an audit of [2][such] person's income tax affairs, by the Commissioner.

(2) The Commissioner shall select a person [2][or classes of persons] for audit in accordance with the criteria laid down by the [1][Board] under sub-section (1)."

[1]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.

[2]Word inserted by Finance Act, 2009 dated June 30, 2009.

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Provided that-

(a) the Commissioner may, after recording reasons in writing call for record or documents including books of accounts of the taxpayer; and

(b) the reasons shall be communicated to the taxpayer while calling record or documents including books of accounts of the taxpayer:

Provided further that the Commissioner shall not call for record or documents of the taxpayer after expiry of six years from the end of the tax year to which they relate.]

[1][(2) After obtaining the record of a person under sub-section (1) or where necessary record is not maintained, the Commissioner shall conduct an audit of the income tax affairs (including examination of accounts and records, enquiry into expenditure, assets and liabilities) of that person or any other person and may call for such other information and documents as he may deem appropriate.]

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[1]Sub-section (2) substituted by Finance Act, 2010 dated June 30, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

S. 177–Substitution.– Section 177 before substitution by Finance Act, 2004, read as follows:–

"177. Audit.– (1) The Commissioner may select any person for an audit of the person's income tax affairs having regard to–

(a) the person's history of compliance or non-compliance with this Ordinance;

(b) the amount of tax payable by the person;

(c) the class of business conducted by the person; and

(d) any other matter that the Commissioner considers relevant.

[1][(1A) After selection of a person for audit under sub-section (1), the Commissioner shall conduct an audit of the income tax affairs (including examination of accounts and records, enquiry into expenditure, assets and liabilities) of that person.]

[2][(1B) After completion of the audit under sub-section (1A) or sub-section (3), the Commissioner may, if considered necessary, after obtaining taxpayer's explanation on all the issues raised in the audit, amend the assessment under sub-section (1) or sub-section (4) of section 122, as the case may be.]

[1]Sub-section (1A) inserted by Finance Ordinance, 2002 dated June 15, 2002.

[2]Sub-section (1B) inserted by Finance Act, 2003 dated June 17, 2003.

S. 177-Selection of cases for Audit.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Previously the Board was empowered to lay down criteria for selection of person for audit. Now section 177 has been amended to empower the Board to lay down criteria also for selection of "classes of persons" for the purposes of the income tax audit."

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[1][(2A) For the purpose of sub-section (2), the Commissioner may conduct audit proceedings electronically through video links, or any other facility as prescribed by the Board.

(2AA) Where a taxpayer-

(a) has not furnished record or documents including books of accounts;

(b) has furnished incomplete record or books of accounts; or

(c) is unable provide sufficient explanation regarding the defects in records, documents or books of accounts,

it shall be construed that taxable income has not been correctly declared and the Commissioner shall determine taxable income on the basis of sectoral benchmark ratios prescribed by the Board.

Explanation.- The expression "sectoral benchmark ratios" means standard business sector ratios notified by the Board on the basis of comparative cases and includes financial ratios, production ratios, gross profit ratio, net profit ratio, recovery ratio, wastage ratio and such other ratios in respect of such sectors as may be prescribed.]

[2][ ]

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[1]Sub-sections (2A) & (2AA) inserted by Finance Act, 2020 dated June 30, 2020.

[2]Sub-sections (3) to (5) omitted by Finance Act, 2010 dated June 30, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

S. 177(3) to (5)-Omission.- Before omission by F.A. 2010 & Finance (Amendment) Ordinance, 2009, these read as follows:-

"(3) The [1][Board] shall keep the criteria confidential.

(4) In addition to the selection referred to in sub-section (2), the Commissioner may also select a person [2][or classes of persons] for an audit of the person's income tax affairs having regard to–

(a) the person's history of compliance or non-compliance with this Ordinance;

(b) the amount of tax payable by the person;

(c) the class of business conducted by the person; and

(d) any other matter which in the opinion of Commissioner is material for determination of correct income

(5) [3][After] selection of a person [1][or classes of persons] for audit under sub-section (2) or (4), the Commissioner shall conduct an audit of the income tax affairs (including examination of accounts and records, enquiry into expenditure, assets and liabilities) of [4][such person or classes of persons]."

[1]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.

[2]Words inserted by Finance Act, 2009 dated June 30, 2009.

[3]Substituted for "after" by Finance Act, 2005 June 29, 2005 to make an editorial correction as per 'Notes on Clauses of Finance Bill 2005'.

[4]Substituted for "that person" by Finance Act, 2009 dated June 30, 2009. Earlier the word "person" was substituted for "persons" by Finance Act, 2005 dated June 29, 2005 to make an editorial correction as per 'Notes on Clauses of Finance Bill 2005'.

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[1][(6) After completion of the audit, the Commissioner shall, after obtaining taxpayer's explanation on all the issues raised in the audit, issue an audit report containing audit observations and findings.]

[2][(6A) After issuing the audit report, the Commissioner may, if considered necessary, amend the assessment under sub-section (1) or sub-section (4) of section 122, as the case may be, after providing an opportunity of being heard to the taxpayer under sub-section (9) of section 122.]

[3][(6B) If, at any stage of the proceedings before him, if the Commissioner is of the opinion that, having regard to,-

(a) the nature and complexity of the accounts; or

(b) volume of the accounts; or

(c) doubts about the correctness of the accounts; or

(d) multiplicity of transactions in the accounts; or

(e) specialised nature of business activity of the taxpayer; is of the opinion that it is necessary so to do, he may, after giving the taxpayer a reasonable opportunity of being heard, and with the previous approval of the Chief Commissioner, direct the taxpayer to get either or all of the following to get the-

(i) accounts re-audited by an accountant, and to furnish a report of such audit duly signed and verified by such accountant including answers to the specific queries as the Commissioner may require;

(ii) inventory re-valued by a cost accountant, and to furnish a report of such inventory valuation duly signed and verified by such cost accountant including answers to the specific queries as the Commissioner may require; and

(iii) actuarial values in the accounts determined by an actuary and to furnish a report of such valuation duly signed and verified by such actuary including answers to the specific queries as the Commissioner may require;

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[1]Sub-section (6) substituted by Finance Act, 2019 dated June 30, 2019.
[2]Sub-section (6A) inserted by Finance Act, 2019 dated June 30, 2019.
[3]Sub-section (6B) inserted by Finance Act, 2026 dated June 26, 2026.

S. 177(6)-Substituted.-Before substitution by F. Act, 2019 read as follows:-

"(6) After completion of the audit [1][ ], the Commissioner may, if considered necessary, after obtaining taxpayer's explanation on all the issues raised in the audit, amend the assessment under sub-section (1) or sub-section (4) of section 122, as the case may be."

[1]Words etc. "under sub-section (5) or sub-section (8)" omitted by Finance Act, 2010 dated June 30, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

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Explanation: The accountant, the cost accountant, or actuary as referred to in sub-section (6B) shall be nominated by the Commissioner for the purposes of this sub-section from amongst the panel of such accountants, valuers, or actuaries nominated by the Board:

Provided that after the first nomination, if the registered person objects to the nomination of a particular accountant or cost accountant within fifteen days of such nomination, the Commissioner, if agreed with objections, may change the said accountant or cost accountant with another accountant or cost accountant.]

S. 177(6B).- Enhanced Powers of Re-audit, Re-valuation and Actuarial Valuation.- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new sub-section (6B) has been added in section 177 whereby the Commissioner, having regard to the nature and complexity of the accounts, their volume, doubts about their correctness, multiplicity of transactions or the specialized nature of the taxpayer's business, may - after affording the taxpayer a reasonable opportunity of being heard and with the previous approval of the Chief Commissioner - direct that the accounts be re-audited by an accountant, the inventory re-valued by a cost accountant, or the actuarial values in the accounts be determined by an actuary, in each case from amongst a panel nominated by the Board. A mechanism has also been provided enabling the registered person to object to the nomination of a particular accountant or cost accountant."

Personal attendance of diplomatic personnel.– Following is the text of Circular letter No. IT.JI.I(38)/85, dated August 25, 1985, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"It has been brought to the notice of Board that Income Tax Officers are issuing notices to members of diplomatic mission/privileged persons for personal attendance under section 148 of the Income Tax Ordinance, 1979. Diplomatic personnels, in view of the Diplomatic and Consul Privileges Act of 1972 and State of Immunity Ordinance, 1981, enjoy immunity and are excluded from personal attendance in compliance with certain legal notices.

2. It is, therefore, clarified that notices under section 148 for personal appearance may not be issued to such persons. Wherever necessary the required information may be obtained through correspondence.

3. These instructions may please be brought to the note of all officers under your control for strict compliance."

Authorisation to various authorities.– The Second Secretary and the Assistant Director Serious Fraud Cases Section of the CBR have been authorised to exercise powers for obtaining information in the discharge of the duties assigned to them vide Notification No. SRO 1145(I)/89 dated November 26, 1989.

Audit, powers of Commissioner and Board.-Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"Section 177 of the Income Tax Ordinance, 2001 empowers the Commissioner to initiate audit of income tax affairs of any taxpayers and to call for any record or documents including books of accounts maintained under this Ordinance or any other law for the time being in force conducting audit of the income tax affairs of the person. For the removal of doubt an 'Explanation' has been added to clarify that the powers of the Commissioner under section 177 are independent of the powers of the Board under section 214C to select a case for audit of the income tax affairs and that section 214C does not restrict the powers of the Commissioner to call for the record or documents including books of accounts of a taxpayer for audit and to conduct audit under section 177 of the Income Tax Ordinance, 2001."

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(7) The fact that a person has been audited in a year shall not preclude the person from being audited again in the next and following years where there are reasonable grounds for such audits [1a][ ].

(8) The [1][Board] [2][or the Commissioner] may appoint a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961) [3][or a firm of Cost and Management Accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966)], to conduct an audit of the income tax affairs of any person [4][or classes of persons [5][ ]] and the scope of such audit shall be as determined by the [1][Board] [2][or the Commissioner] on a case to case basis.

(9) Any person employed by a firm referred to in sub-section (8) may be authorized by the Commissioner, in writing, to exercise the powers in sections 175 and 176 for the purposes of conducting an audit under that sub-section.]

[6][(10) Notwithstanding anything contained in sub-sections (2) and (6) where a person fails to produce before the Commissioner or a firm of Chartered Accountants or a firm of Cost and Management Accountants appointed by the Board or the Commissioner under sub-section (8) to conduct an audit, any accounts, documents and records, required to be maintained under section 174 or any other relevant document, electronically kept record, electronic machine or any other evidence that may be required by the Commissioner or the firm of Chartered Accountants or the firm of Cost and Management Accountants for the purpose of audit or determination of income and tax due thereon, the Commissioner may proceed to make best judgment assessment under section 121 of this Ordinance and the assessment treated to have been made on the basis of return or revised return filed by the taxpayer shall be of no legal effect.]

[7][Explanation.- For the removal of doubt, it is declared that the powers of the Commissioner under this section are independent of the powers of the Board under section 214C and nothing contained in section 214C restricts the powers of the Commissioner to call for the record or documents including books of accounts of a taxpayer for audit and to conduct audit under this section.]

[1a]Words etc. "particularly having regard to the factors in sub-section (4)" omitted by Finance Act, 2010 dated June 30, 2010. Earlier words etc. "where there are reasonable grounds for such audits, particularly having regard to the factors in sub-section (4)" were omitted by Finance (Amendment) Ordinance, 2009 dated October 28, 2009 but while making the Finance Act the amendment was finalised differently.

[1]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.

[2]Words inserted by Finance Act, 2010 dated June 30, 2010.

[3]Words inserted by Finance Act, 2010 dated June 30, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[4]Words inserted by Finance Act, 2009 dated June 30, 2009.

[5]Words "selected for audit by the Commissioner or by the Board" omitted by Finance Act, 2010 dated June 30, 2010.

[6]Sub-section (10) inserted by Finance Act, 2010 dated June 30, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[7]Explanation inserted by Finance Act, 2013 dated June 29, 2013.

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[1][(11) The Board may appoint as many special audit panels as may be necessary, comprising two or more members from the following:-

(a) an officer or officers of Inland Revenue;

(b) a firm of chartered accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961);

(c) a firm of cost and management accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966); or

(d) any other person [2][including a foreign expert or specialist] as directed by the Board,

to conduct an audit, including a forensic audit, of the income tax affairs of any person or classes of persons and the scope of such audit shall be as determined by the Board or the Commissioner on case-to-case basis.

[3][(e) a tax audit expert deployed under an audit assistance programme of an international tax organization or a tax authority outside Pakistan:

Provided that in case the member is not an officer of Inland Revenue, the person shall only be included as a member in the special audit panel if an agreement of confidentiality has been entered into between the Board and the person, international tax organization or a tax authority, as the case may be.]

(12) Special audit panel under sub-section (1) shall be headed by a Chairman who shall be an officer of Inland Revenue.

(13) Powers under sections 175 and 176 for the purposes of conducting an audit under sub-section (11), shall only be exercised by an officer or officers of Inland Revenue, who are member or members of the special audit panel, and authorized by the Commissioner.]

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[1]Sub-sections (11) to (17) inserted by Finance Act, 2015 dated June 30, 2015.
[2]Words inserted by Finance Act, 2018 dated May 23, 2018.
[3]Clause (e) inserted by Finance Act, 2018 dated May 23, 2018.

Recording of statement by inspectors.– Following is an extract from RCIT Central Region's Circular No. 1158/J/RCIT dated September 18, 1986, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"It is, therefore, directed that where-ever an Inspector is directed to perform these functions, an order in writing must be made. Without such written order, the Inspectors should not record the statement of assessees and witnesses."

(2) The fact that a person has been audited in a year shall not preclude the person from being audited again in the next and following years where there are reasonable grounds for such audits, particularly having regard to the factors in sub-section (1).

(3) The Central Board of Revenue may appoint a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961), to conduct an audit of the income tax affairs of any person and the scope of such audit shall be as determined by the Central Board of Revenue on a case by case basis.

(4) Any person employed by a firm referred to in sub-section (3) may be authorised by the Commissioner, in writing, to exercise the powers in sections 175 and 176 for the purposes of [1][conducting] an audit under that sub-section."

[1]Substituted for "the conduct" by Finance Ordinance, 2002 dated June 15, 2002.

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[1][(14)Notwithstanding anything contained in sub-sections (2) and (6), where a person fails to produce before the Commissioner or a special audit panel under sub-section (11) to conduct an audit, any accounts, documents and records, required to be maintained under section 174 or any other relevant document, electronically kept record, electronic machine or any other evidence that may be required by the Commissioner or the panel, the Commissioner may proceed to make best judgment assessment under section 121 and the assessment treated to have been made on the basis of return or revised return filed by the taxpayer shall be of no legal effect.

(15) If any one member of the special audit panel, other than the Chairman, is absent from conducting an audit, the proceedings of the audit may continue, and the audit conducted by the special audit panel shall not be invalid or be called in question merely on the ground of such absence.

(16) Functions performed by an officer or officers of Inland Revenue as members of the special audit panel, for conducting audit, shall be treated to have been performed by special audit panel.

(17) The Board may prescribe the mode and manner of constitution, procedure and working of the special audit panel.]

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[1]Sub-sections (11) to (17) inserted by Finance Act, 2015 dated June 30, 2015.

Mandatory Compliance with Statutory Audit Procedures under Section 177 of the Income Tax Ordinance, 2001 – Instructions & Advisory.– Following is the text of C. No. 3(8)SS(A&A)/2023 dated March 28, 2025:–

"The Honorable Appellate Tribunal Inland Revenue in its recent judgment in the case of Mr. CM Rafi, Maj. General (Rtd) Vs. DCIR AEOI Zone, Islamabad (Authored by Malik Muhammad Akram, JM) has dilated upon the procedure for conducting audit u/s 177 and subsequent steps for framing legally sound assessment orders. A brief summary of structured approach that has been formally, sanctioned by the Tribunal are as under:

1. Legal Imperatives for Audit Proceedings under Section 177 of the Income Tax Ordinance, 2001

A. Audit Report is Mandatory:

An audit report under Section 177(6) must be issued after completing the audit, detailing observations, findings, and proposed adjustments.

Non-compliance (e.g., omission of a formal audit report) renders the assessment void ab-initio (refer to 2018 PTO 1444 and 2022 125 TAX 354).

B. Confrontation of Findings:

Taxpayers must be given a clear opportunity to respond to all audit observations in writing before finalizing the report. Specific discrepancies (e.g., unexplained credits, unreported income) must be quantified and legally substantiated in the report.

2. Procedural Steps for Conducting Audits

Field formations must adhere to the following sequence:

A. Initiation of Audit

Issue an intimation letter under Section 177(1) specifying:

i. Reason for selection (random/parametric).
ii. Tax year under audit.
iii Documents/records required (books of accounts, bank statements, etc.).

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B. Examination & Audit Report

i. Document all proceedings on the order sheet (quasi-judicial requirement under Section 224.
ii. Issue a formal audit report under Section 177(6) containing:
iii. Executive summary of findings.
iv. Legal basis for each discrepancy (e.g., Section 111(1)(b) for unexplained assets).
v. Quantified adjustments with calculations (e.g. sectoral benchmarks for income estimation).

C. Taxpayer's Right to Explain

Allow the taxpayer to:

i. File revised returns under Section 114(6A) (with reduced penalties if compliance is timely).
ii. Submit rebuttal evidence before issuance of the show-cause notice under Section 122(9).

D. Best .Judgment Assessment (If Records Not Provided)

i. If the taxpayer fails to furnish records, proceed under Section 177(10) read with Section 121 (best judgment assessment).
ii. Do not continue audit proceedings without records-switch to Section 121 immediately.

3. Critical Deficiencies to Avoid

The ATIR highlighted the following common lapses leading to judicial annulment:

i. Audit reports Findings must be specific, legally grounded, and backed by evidence.
ii. Any new discrepancy (e.g., unreported foreign income) must be separately confronted via a supplementary notice (CIR vs. RYK Mills, 2023 SCMR 1856).
iii. Maintain a detailed order sheet for every interaction with the taxpayer.

4. Directives for Compliance

i. Training: Commissioners must conduct workshops on the proper drafting of audit reports and confrontation procedures.
ii. Review Mechanism: Chief Commissioners shall randomly audit 10% of closed audits to ensure procedural compliance.
iii. Accountability Non-compliance will attract disciplinary action under the FBR's performance rules.

5. Conclusion

Strict adherence to the above instructions is imperative to uphold the integrity of assessments and minimize litigation. The ATIR's order underscores that procedural lapses invalidate assessments, regardless of substantive merits.

Immediate action is expected to disseminate these instructions to all assessing officers under your jurisdiction."

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178. Assistance to Commissioner.– Every Officer of Customs, [1][], Provincial Excise and Taxation, District Coordination Officer, District Officers including District Officer – Revenue, the Police and the Civil Armed Forces is empowered and required to assist the Commissioner in the discharge of the Commissioner's functions under this Ordinance.

179. Accounts, documents, records and computer-stored information not in Urdu or English language.– Where any account, document, record or computer-stored information referred to in section 174, 175 or 176 is not in the Urdu or English language, the Commissioner may, by notice in writing, require the person keeping the account, document, record or computer-stored information to provide, at the person's expense, a translation into the Urdu or English language by a translator approved by the Commissioner for this purpose.

[1]Wores etc. "Federal Excise, Sales Tax," omitted by Finance Act, 2013 dated June 29, 2013. Earlier word "Federal" was substituted for "Central" by Finance Act, 2005 dated June 29, 2005 and Comma and word ", Sales Tax" was inserted by Finance Ordinance, 2002 dated June 15, 2002.

Substitution explained.– Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to substitute section 177 in order to authorize CBR to lay down criteria for selection of audit by the Commissioner."

Following is an extract from Circular No. 6 of 1987, dated July 5, 1987, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"Until now, a private company with paid up capital of three million rupees or more, was required to furnish with the return of income a copy of balance sheet and profit and loss account "duly certified" by a Chartered Accountant or a Cost and Management Accountant. Sub-Section (1) of Section 32A has now been amended to require such companies to furnish, alongwith a copy of balance sheet and profit and loss account, an auditors report in Form 35A of the Companies (General Provisions and Forms) Rules, 1985 which is to be prepared and signed by a Chartered Accountant or a Cost and Management Accountant."

Suggestion for compulsory audit in certain non-company cases.– Following is the text of letter No. SG/15/479 dated March 25, 1984 from Mr. S.A. Salam addressed to Member (Income Tax) CBR:–

"In continuation of my letter No. SG/15/449 dated 19-3-1984 enclosing therewith my suggestions I have to add that specific provision may be made for audit of accounts of certain persons carrying on business or profession. I have today received copy of the Indian Finance Bill 1984 presented on 29th February, 1984 wherein a new Section 44AB has been added to the Indian Income Tax Act, 1961 whereby every person (a) carrying on business shall if his total sales, turnover or gross receipts in business exceed 20 lac rupees or (b) carrying on profession shall if his gross receipts in profession exceed 10 lac rupees in any previous year, to get his accounts audited by a Chartered Accountant. I think that we can adopt the same measure with certain modifications w.e.f. the assessment year 1985-86. I am enclosing herewith the necessary extracts from the Indian Finance Bill 1984 for your kind perusal and reference."

S. 178-Assistance to Commissioner, changes by F. A. 2005.-Following is an extract from 'Notes on Clauses of Finance Bill 2005':-

"Seeks to give consequential effect to new Excise Law."

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180. Power to collect information regarding exempt income.– The [1][Board] may, by notification in the official Gazette, authorise any department or agency of the Government to collect and compile any data in respect of incomes from industrial and commercial undertakings exempt from tax under this Ordinance.

[2][PART IX
TAXPAYER'S REGISTRATION

181. Taxpayer's registration.- (1) Every taxpayer [3][including a person selling digitally ordered goods or services from within Pakistan using online marketplace or a courier service, as the case may be,] shall apply in the prescribed form and in the prescribed manner for registration.

[3][(1A) Every online marketplace or courier service, involved in e-commerce by supplying or delivering digitally ordered goods or services from within Pakistan, shall not allow any vendor to use its platform services to carry out e-commerce transactions unless such vendors have been registered under this Ordinance.]

(2) The Commissioner having jurisdiction over a case, where necessitated by the facts of the case, may also register a taxpayer in the prescribed manner.

(3) Taxpayers' registration scheme shall be regulated through the rules to be notified by the Board [4]*[.]*]

[5][ ]

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[1]Substiturted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.

[2]Part IX substituted by Finance Act, 2008 dated June 27, 2008.

[3]Words & sub-section (1A) inserted by Finance Act, 2025 in force from July 1, 2025.

[4]Substituted for colon by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted for full stop by Finance Act, 2013 dated June 29, 2013.

[5]Proviso omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by Finance Act, 2013 dated June 29, 2013.

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Part IX-Substitution- Before substitution by Finance Act, 2008 it read as follows:-

"PART IX

NATIONAL TAX NUMBER [1]**[CERTIFICATE]**

181. National Tax Number [2]**[Certificate].–** (1) Every taxpayer shall apply in the prescribed form and in the prescribed manner for a National Tax Number [3][Certificate].

(2) An application under sub-section (1) shall be accompanied by the prescribed fee.

(3) The Commissioner having jurisdiction over an applicant under sub-section (1) may after examination of all relevant documents and evidence, and after satisfying himself of the genuiness* of the application, may direct issuance of the National Tax Number [4][Certificate] for a period prescribed by Commissioner [5][:]

[6][Provided that the Board may in the case of individuals allow use of National Identity Card, issued by the National Database and Registration Authority, in place of National Tax Number.]"

[1]Substituted for "CARD" by Finance Act, 2003 dated June 17, 2003.
[2]Substituted for "Card" by Finance Act, 2005 dated June 29, 2005.
[3]Substituted for "Card" by Finance Act, 2003 dated June 17, 2003.
[4]Substituted for "Card" by Finance Act, 2003 dated June 17, 2003.
[5]Substituted for full stop by Finance Act, 2007 dated June 30, 2007.
[6]Proviso inserted by Finance Act, 2007 dated June 30, 2007.

*The apparently intended word is "genuineness".

S. 181(3)Pro-Omission.– Before omission by F. Act, 2015, it read as follows:-

"Provided that the Board may in case of individuals allow, in place of National Tax Number, use of Computerized National Identity Card issued by the National Database and Registration Authority."

S. 181-Taxpayer's Registration.– Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"Part IX section 181 has been substituted to provide procedure for registration of the taxpayers as against the procedure for issuance of National Tax Number Certificateprovided in the original section. The substituted section 181, also requires the existing taxpayers holding NTNC as well as the new taxpayers for registration on the prescribed form and in the prescribed manner. The purpose of this registration is to use the data so provided for issuance of a Common Tax Identifier in future which will be used for all the federal taxes i.e. Income Tax, Customs duty and Sales Tax. This step has been taken to facilitate the taxpayers. The existing National Tax Number Certificate will be used till the registration certificate is issued under the new scheme, which is being issue under Income Tax Rules."

Following is an extract from CBR's Circular No. 10 of 1996 dated 16th July, 1996, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"It has been made mandatory for every assessee to obtain a national tax number Card on paying the prescribed fee. A fine of up to Rs. 2000 can be imposed with the prior approval of Commissioner of Income Tax on the defaulters." [**ref:***96 ITC 10 p. 25*]

Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"For the purposes of Income Tax Ordinance all taxpayers are required to hold NTN for identification. It has been decided that use of CNIC may also be prescribed, as an alternate for identification. For this purpose amendment has been made in sub-section (3) of section 181 and the Board has been empowered to allow such use."

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[1][(4) From tax year 2015 and onwards, in case of individuals having Computerized National Identity Card (CNIC) issued by the National Database and Registration Authority, CNIC shall be used as National Tax Number.]

[2][**181A. Active Taxpayers' list.-** (1) The Board shall have the power to institute active taxpayers' list.

(2) Active taxpayers' list shall be regulated as may be prescribed.]

[3][**181AA. Compulsory registration in certain cases.-**(1) Notwithstanding anything contained in any law, for the time being in force , any application for commercial or industrial connection of electricity or natural gas, shall not be processed and such connection shall not be provided unless the person applying for electricity or gas connection is registered under section 181.]

[4][**181B. Tax Payer Card**.- Subject to this Ordinance, the Board may make a scheme for introduction of a tax-payer honour card for individual taxpayers, who fulfill a minimum criteria to be eligible for the benefits as contained in the scheme.]

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[1]Sub-section (4) inserted by Finance Act, 2015 dated June 30, 2015.
[2]Section 181A inserted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.
[3]Section 181AA inserted by Finance Act, 2014 dated June 26, 2014.
[4]Section 181B inserted by Finance Act, 2012 dated June 26, 2012.

S. 181A-Active Taxpayers' List.- Following is an extract from FBR's Circular No. 10, dated July 16, 2010:-

"A new section 181A has been inserted in the Income Tax Ordinance, 2001 to institute a list of taxpayers called "Active Taxpayers List" (ATL). Compliant taxpayers will be recognized by enlistment under this section. Also the noncompliant taxpayers shall be made eligible for placement on this list on completing the deficiencies in compliance requirements, as prescribed under the rules."

S. 181C-Displaying NTNo.-Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"Through Finance Act, 2013 a new section has been introduced by virtue of which every person deriving income from business chargeable to tax, who has been issued a National Tax Number, shall display his National Tax Number at a conspicuous place at every place of his business. If any person is found violating this provision he shall be liable for a penalty of five thousand rupees."

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S. 118B-Pakistan Honour Card.- Following is the text of SRO 469(I)/2024 dated April 03, 2024,:–

"In exercise of the powers conferred under section l81B of the Income Tax Ordinance, 2001(XLX of 2001), (hereinafter referred as 'the Ordinance') the Federal Board of Revenue is pleased to issue "Pakistan Honour Card" scheme for tax year 2023.

1. Short title and commencement.- (1) This scheme shall be called the Pakistan Honour Card scheme.

(2) This scheme shall come into force at once.

2. Scope of the scheme.- (1) The scheme applies to top taxpayers falling under each category specified in paragraph 3 and were recipients of awards by the Prime Minister of Pakistan on the twenty sixth day of March,2024 in the 'Tax Excellence Award' ceremony.

(2) The number of recipients in each category is provided against each entry in sub-paragraph (1) of paragraph 3.

(3) A person qualifying under the Scheme shall be issued a Pakistan Honour Card, hereinafter referred to as 'Card'.

3. Categories and entitled taxpayers.- (1) The following categories of taxpayers for the purpose of this Scheme and number of recipients as provided against each are entitled under the scheme, namely:-

(a) leading Exporters (top nine);

(b) sector wise exporters;

(i) chemical products (top two);

(ii) food products (top two);

(iii) leather (top two);

(iv) machinery (top two)

(v) paper & Plastic (highest);

(vi) pharmaceuticals (top two);

(vii) sports goods (top two);

(viii) steel & metal products (highest); and

(ix) other exporters (highest).

(c) exporters of non-traditional and innovative products;

(i) aluminum & Articles (highest);

(ii) spices (highest);

(iii) fish & crustaceans (highest); and

(iv) information Technology (top three).

(d) exporters with highest growth over last year (top two);

(e) first time Exporters (top three);

(f) women Exporters (top three);

(g) highest taxpayers in all taxes (top twelve);

(h) ighest taxpayers of income tax;

(i) companies (top five);

(ii) association of Persons (AOPs) (highest); and

(iii) individuals (top five).

(i) new taxpayers with highest tax paid (top two); and

(j) small and Medium Enterprises (SMEs) (top three).

(2) In respect of categories mentioned in sub-paragraph (1), only individual taxpayers shall be entitled to privileges mentioned in paragraph 4.

(3) In respect of AOPs, for the privileges mentioned in paragraph 4, the individual as designated by the AOP for the purpose of this Scheme, shall be entitled.

(4) In respect of companies, for the privileges mentioned in paragraph 4, the individual designated by such companies, shall be entitled.

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[1][**181C. Displaying of National Tax Number.**- Every person deriving income from business chargeable to tax, who has been issued a National Tax Number, shall display his National Tax Number at a conspicuous place at every place of his business.]

[2][**181D**. **Business licence scheme**.- [3][(1)] Every person engaged in any business, profession or vocation shall be required to obtain and display a business licence as prescribed by the Board.]

[4][(2) Where a person fails to obtain business licence under sub-section (1), the Commissioner may, in addition to and not in derogation of any punishment to which the person may be liable under this Ordinance or any other law, impose a fine of-

(a) twenty thousand Rupees, in case of a taxpayer deriving income chargeable to tax under this Ordinance; or

(b) five thousand Rupees, in all other cases.

[1]Section 181C inserted by Finance Act, 2013 dated June 29, 2013.

[2]Section 181D inserted by Finance Act, 2019 dated June 30, 2019.

[3]Section re-numbered as (1) by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same amendment was made by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

[4]Sub-sections (2) & (3) inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same were inserted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

4. **Entitlement criteria**.- A taxpayer is entitled for the card, only if:

(a) the taxpayer falls within any category specified inpara2;

(b) tax on the basis of the return or statement of final taxation has been fully paid;

(c) no arrear or current demand is outstanding against the individual, the AOP, or the company, as the case may be, unless the said demand is disputed in any court or stayed by any court; and

(d) no criminal proceedings are pending in any court.

5. **Privileges**.- The holder of the card shall be entitled to and enjoy the following privileges:

(a) the facilities and privileges as are provided at the CIP/VP lounges of airports managed by the Pakistan Airports Authority excluding lounges managed and maintained by Airlines for their passengers;

(b) fast track clearance at immigration counters;

(c) issuance of official passport; and

(d) invitation for Annual dinner by the Prime Minister.

6. **Selection mechanism**.- (1) The list of recipients in each category is based on the information provided by the Pakistan Revenue Automation Limited (PRAL) to the Federal Board of Revenue, along with a certificate regarding correctness and authenticity of the list.

(2) The selection of recipients is based on verification of particulars by Federal Board of Revenue's respective field formations.

7. **Validity of privileges**.- The validity of privileges under the scheme shall be for one year from the date of issuance of the card.

8. **Authorities to implement the scheme**.- Ministry of Interior, Federal Investigation Authority (FIA), Pakistan Airports Authority, Directorate General of Immigration and Passports and any other department or authority relevant or concerned, in any manner for the purpose of this scheme, are required to assist and implement the provisions of the scheme in providing privileges or facilities to the holders of the card as per the provisions of the said Ordinance."

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(3) The Commissioner may, by an order in writing, cancel a business licence issued under sub-section (1) after providing an opportunity of being heard to the person, if-

(a) such person fails to notify any change in particulars within thirty days of such change; or

(b) such person is convicted of any offence under any federal tax law.]

[1][**181E. Record of beneficial owners**.- (1) Every company and association of persons shall electronically furnish particulars of its beneficial owners in such form and manner as may be prescribed.

(2) Every company and association of persons shall update the particulars of its beneficial owners as and when there is a change in the particulars of the beneficial owners.]

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[1]Section 181E inserted by Finance Act, 2022 dated June 30, 2022.

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PART X

PENALTY

[1][**182. Offences and penalties.–** (1) Any person who commits any offence specified in column (2) of the Table below shall, in addition to and not in derogation of any punishment to which he may be liable under this Ordinance or any other law, be liable to the penalty mentioned against that offence in column (3) thereof:-

[1]Section 182 substituted by Finance Act, 2010 dated June 30, 2010.

S. 182-Substitution.- Before substitution by Finance Act, 2010, it read as follows:-

"182. Penalty for failure to furnish a return or statement.– (1) Any person who, without reasonable excuse, fails to furnish, within the time allowed under this Ordinance, [1][return of income [2]/or a statement as required under sub-section (4) of section 115 or wealth statement/ for any tax year] as required under this Ordinance shall be liable for a penalty equal to one-tenth of one per cent of the tax payable for each day of default subject to a minimum penalty of five hundred rupees and a maximum penalty of twenty-five per cent of the tax payable in respect of [6][that tax year].

(2) Any person who, without reasonable excuse, fails to furnish, within the time allowed under this Ordinance, any statement required under section 165 shall be liable for a penalty of two thousand rupees.

(3) Where a person liable to a penalty under sub-section (2) continues to fail to furnish the statement, the person shall be liable for an additional penalty of two hundred rupees for each day of default after the imposition of the penalty under sub-section (2)."

[1]Substituted for "any return of income" by Finance Ordinance, 2002 dated June 15, 2002.

[2]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.

[3]Substituted for "the return" by Finance Ordinance, 2002 dated June 15, 2002.

Penalties.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"Following amendments have been made in section 182 to rationalize the penalties provided for different offences in order to promote compliance to the relevant legal obligations:

(a) a minimum penalty of Rs.20,000/- and a maximum penalty of fifty percent of the tax payable has been provided for non-filing of return u/s 114 within the due date. In cases where no tax is payable a penalty of Rs.20,000/- shall be levied for non filing of return.

(b) Serial No. 1A has been introduced to prescribe penalty for non furnishing of statements u/s 115, 165 or 165A at Rs.2,500/- for each day of default subject to a minimum penalty of Rs.50,000/-

(c) Serial No. 1AA has been introduced to prescribe penalty for non-furnishing of wealth statement or wealth reconciliation at the rate of rupee 100 per day of default.

(d) The rates of penalty for non production of records and documents u/s section 177 have been rationalized. Now there shall be a penalty of twenty-five thousand rupees in case of non-compliance to first notice, a penalty of fifty thousand rupees in case of non-compliance to second notice, and a penalty of one hundred thousand rupees in case of non-compliance to third notice.

(e) The rates of penalty for non compliance to section 176 have been rationalized. Now there shall be a penalty of twenty-five thousand rupees in case of first default, and a penalty of fifty thousand rupees for the second and subsequent defaults.

(f) Serial No. 16 has been introduced to prescribe penalty for non display of NTN at the place of business has been prescribed. The rate of penalty is five thousand rupees."

8-100-31-07-13

Following is an extract from CBR's Circular No. 6 of 1997, dated the 15th July, 1997:–

"To rationalize the quantum of penalties, amendments have been made in sections 108, 109, 110 and 111 as under:–

a) Penalty for failure to furnish returns of income (Section 108).- Penalty can now be imposed @0.1% of the tax payable for each day of default subject to a minimum of Rs. 500 and the maximum of 25% of the tax payable." [**Ref:***97 ITC 6 p. 6*]

Following is an extract from Circular No. 4 of 1979, dated August 23,1979:–

"Provisions of this section are same as those of old Section 28(1)(a). However, penalty for not filing return of income under Sections 55, 56, 65(1), 72(3) or 81(3) for not furnishing statements/certificates/information under Sections 51, 139, 140, 141, 142, 143 or 144 is now only Rs. 100 per day. Previously under Section 28(1)(a), the penalty was Rs. 5,000/- plus Rs. 100 per day."

Following are extracts from CBR's Circular No. 6 of 1994 dated July 10, 1994:–

"Section 108 has been amended with the following consequences:

(i) The word "may" has been substituted by the word "shall". Thus, it will now be mandatory (and not discretionary) upon the assessing officer to impose penalty in case of default."

"(iii) Penalty for non-submission of any certificates, statement, or accounts or information (under sections 51, 139, 140, 141, 142, 143, 143A, 143B or 144) was also marginal i.e. only upto one hundred rupees for every day of default. This did not prove to be sufficient deterrent to enforce compliance. The amount of penalty has, therefore, been enhanced to two thousand rupees and a further sum of two hundred rupees for each day of default." [**Ref:***94 ITC 5 p. 5*]

Following is the text of CBR's Letter C. No. 108(1)DTB-1/94 dated January 9, 1995, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to enclose copy of letter No. HPFI/PIN/1-TAX/4444, dated January 4, 1995 received from Mr. Muhammad Nawaz, Deputy Manager (Finance). Hazara Phosphate Fertilisers (Pvt.) Ltd. Haripur on the subject wherein the correspondent has drawn attention of the Board towards hardship being faced in consequence of amendment of section 108, whereby, not only the imposition of penalty has been made mandatory, but also the amount of penalty has been enhanced. It has been requested that salaried class may be excluded from this clause "as these people are innocent and hardly meet their livelihood from salary income and are unable to pay penalties whereas they have paid the tax".

2. It appears that the substitution of word "may" by the word "shall" has created the impression that penalty has to be universally imposed, without any exception whatsoever, if there is a default. This is not the correct interpretation. The major prerequisite for imposition of penalty has always been a default committed "without reasonable cause". This precondition still persists. The only change effected is the extinguishment of assessing officer's discretion when the assessee fails to explain "reasonable cause". The position which emerges from judicial pronouncements is that the default should be willful. If the assessee is not guilty of gross or willful neglect, penalty is not leviable. *Addl. CIT* v. *Chattur Singh Taragi* (1980) 41 Tax 95. It is submitted that imposition of penalty is still discretionary in a way as the authority competent to impose penalty and exercise discretion if it is convinced that default was not willful. Inadvertent and bona fide mistake or omission need not even now be penalised because of the presence of precondition is "reasonable cause". Onus to prove that the assessee has committed a willful default lies with the department. "The authority competent to impose penalty proceedings must possess some incontrovertible evidence to initiate penalty proceedings." – *CIT* v. *L.H. Vora* (1968) 17 Tax 7 (Trib.).

3. In view of the above facts, if is requested that all officers may kindly be advised to be judicious in imposition of penalties and give due weightage to the explanation of default before imposition of penalty. This has become more important because of enhancement in the amount of penalties leviable."

Immunity-Tax Investment Scheme.–Following is the text of FBR's Circular No. 3 of 2008 dated July 1, 2008:-

8-100-31-07-13

"INVESTMENT TAX SCHEME, 2008.

In exercise of the powers conferred under section 120A of the Income Tax Ordinance, 2001 the Federal Board of Revenue is pleased to introduce the scheme for the declaration of moveable and immoveable assets and payment of "investment tax" thereon as under:-

1. TITLE AND SCOPE OF THE SCHEME

(i) This Scheme shall be called "Investment Tax Scheme (ITS) 2008".

(ii) The Scheme shall apply to all existing as well as new taxpayers.

2. DEFINITIONS

For the purposes of this Scheme,-

a) "Investment Tax" means tax as defined under clause (63) of section 2 of the Income Tax Ordinance, 2001.

b) "Unexplained income/assets" means any asset for which the taxpayer has no explanation regarding nature and source and was chargeable to tax but could not be so charged under Income Tax Ordinance, 2001, for any tax year or years ended on or before 30th day of June, 2008.

c) "Declaration" means declaration made on the prescribed form annexed to the Scheme (Annex-I).

d) "Declarant" means a person, as defined under section 80 of Income Tax Ordinance, 2001, who files declaration under the Scheme.

3. CHARGE OF TAX.

Investment tax shall be payable @ 2% of fair market value of the asset at the time of declaration of all moveable/immovable, undisclosed/unexplained investments/ assets, as declared by the taxpayer under this scheme, on the prescribed form any time from 1st July, 2008 to 31st December, 2008.

4. COMPULSORY FILING OF RETURN FOR NEW DECLARANTS.

New tax payers availing this scheme shall be obliged to file return of income for the tax year 2008 and subsequent three consecutive tax years. The department shall not question the source of acquisition of assets declared under the scheme for the past years and obligation of filing income tax return, if any, for the last five years.

5. INCORPORATION OF UNEXPLAINED INCOME/ASSETS IN BOOKS OF ACCOUNTS.

Where the declarant has paid tax on his unexplained income/assets in accordance with the Scheme, he shall be entitled to incorporate such income in his books of accounts.

6. FINALITY OF PROCEEDINGS UNDER THE SCHEME.

(i) Where a declaration in respect of undisclosed/unexplained income/assets has been made and the tax due thereon has been fully paid, such declaration shall be accepted by the department and the declarant shall be informed within one month of the date of receipt of the declaration.

(ii) Where any deficiency in calculation of tax or filling in the columns of the declaration form is noticed, the taxpayer shall be conveyed through a letter to make good the deficiency. The aforesaid letter shall be issued with the approval of Director General requiring the declarant to meet the deficiency within 10 days of the service of such letter.

7. DEPRECIATION ALLOWANCE

No depreciation allowance in respect of building, plant and machinery or other depreciable assets declared under the Scheme shall be admissible for any tax year prior to the tax year commencing on or before the 1stday of July, 2008.

8. VALUATION OF ASSETS

The Scheme of "Investment Tax – 2008" is a voluntary scheme through which government has reposed trust in the taxpayers and an opportunity has been provided to legitimize the unexplained/undisclosed assets at a nominal rate of 2% of the fair market value of the assets as declared."

8-167-15-07-2022

TABLE

S. No.	Offences.	Penalties.	Section of the Ordinance to which offence has reference
(1)	(2)	(3)	(4)
1.	[1][Where any person fails to furnish a return of income as required under section 114 within the due date].	[2][Such person shall pay a penalty equal to higher of– (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) rupees one thousand for each day of default: Provided that minimum penalty shall be- (i) rupees ten thousand in case of individual having seventy-five percent or more income from salary; or (ii) rupees fifty thousand in all other cases:	114 [3][and 118]

[1]Substituted for "Where any person fails to furnish a return of income or a statement as required under section 115 or wealth statement or wealth reconciliation statement or statement under section 165 within the due date" by Finance Act, 2013 dated June 29, 2013.

[2]Column (3) substituted by Finance Act, 2022 dated June 30, 2022. Earlier it was substituted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021. Before substitution column (3) read as follows:-

"[1][Such person shall pay a penalty equal to 0.1% of the tax payable in respect of that tax year for each day of default subject to a maximum penalty of 50% of the tax payable provided that if the penalty worked out as aforesaid is less than [2][forty] thousand rupees or no tax is payable for that tax year such person shall pay a penalty of [2][forty] thousand rupees [3][:]

[3][*Explanation*.- For the purposes of this entry, it is declared that the expression "tax payable" means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under sections 120, 121, 122 or 122C [4]*[:]*]

[5][Provided that If seventy-five percent of the income is from salary and the amount of income under salary is less than five million Rupees, the minimum amount of penalty shall be five thousand Rupees [6]*[:]*]

[7][Provided further that if taxable income is up-to eight hundred thousand Rupees, the minimum amount of penalty shall be five thousand Rupees:

Provided also that the amount of penalty shall be reduced by 75%, 50% and 25% if the return is filed within one, two and three months respectively after the due date or extended due date of filing of return as prescribed under the law.]"

[1]Substituted for"Such person shall pay a penalty equal to 0.1 %of the tax payable for each day of default subject to a minimum penalty of five thousand rupees and a maximum penalty of 25% of the tax payable in respect of that tax year" by Finance Act, 2013 dated June 29, 2013.

[2]Substituted for "twenty" by Finance Act, 2019 dated June 30, 2019.

[3]Substituted for full stop and explanation inserted by Finance Act, 2011 dated June 30, 2011.

[4]Substituted for full stop by Finance Act, 2019 dated June 30, 2019.

[5]Proviso inserted by Finance Act, 2019 dated June 30, 2019.

[6]Substituted for full stop by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

[7]Provisos inserted by Finance Act, 2021 dated June 30, 2021. Earlier was inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

[3]Substituted for", 115, 116 and 165" by Finance Act, 2013 dated June 29, 2013.

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		Provided further that maximum penalty shall not exceed two hundred percent of tax payable by the person in a tax year: Provided also that the amount of penalty shall be reduced by 75%, 50% and 25% if the return is filed within one, two and three months respectively after the due date or extended due date of filing of return as prescribed under the law; [1][*Explanation*.- For the purposes of this entry, it is declared that the expression "tax payable" means the higher of,- i) tax chargeable on the taxable income on the basis of assessment made or treated to have been made under sections 120, 121, 122, 122D, or 122E; or; (ii) the tax payable for the immediately preceding tax year for which a return of income was duly filed.]	
[2][1A	Where any person fails to furnish a statement as required under section [3][ ], [4][165, 165A, 165B or 165C] within the due date.	[5][Such person shall pay a penalty of Rs. [6][50000] if the person had already paid the tax collected or withheld by him within the due date for payment and the statement is filed within ninety days from the due date for filing the statement and, in all other cases, a penalty of Rs. 2500 for each day of default from the due date subject to a minimum penalty of Rs. 10,000 [7]*[;]*]	[3][ ], 165 and [4][165, 165A, 165B or 165C]

[1]Substituted for "*Explanation*.- For the purposes of this entry, it is declared that the expression "tax payable" means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under section 120, 121, 122 or 122D;" by Finance Act, 2026 dated June 26, 2026.
[2]S.Nos. 1A & 1AA inserted by Finance Act, 2013 dated June 29, 2013.
[3]Figure "115" omitted by Finance Act, 2020 dated June 30, 2020.
[4]Substituted for "165, or 165A, 165A or 165B" & "165 and 165A, 165A and 165B" respectively by Finance Act, 2025 in force from July 1, 2025. Earlier it was substituted for ", or 165A" by Finance Act, 2016 dated June 24, 2016, the Finance Act erroneously required insertion but it was obviously a substitution..
[5]Substituted for"Such person shall pay a penalty of Rs. 2500 for each day of default subject to a minimum penalty of [ten] thousand rupees." by Finance Act, 2018 dated May 23, 2018. Earlier word "fifty" substituted by Finance Act, 2015 dated June 30, 2015.
[6]Substituted for "5000" by Finance Act, 2025 in force from July 1, 2025.
[7]Substituted for full stop by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

8-190-15-07-2026

		[1]/Provided that where it stands established that no tax was required to be deducted or collected during the relevant period, minimum amount of penalty shall be ten thousand Rupees./	
1AA	Where any person fails to furnish wealth statement or wealth reconciliation statement.	Such person shall pay a penalty of [1a][0.1% of the taxable income per week or Rs.[2][100,000], whichever is higher.]	114, [3][ ] and 116]
[4][1AAA	Where any person fails to furnish a foreign assets and income statement within the due date.	Such persons shall pay a penalty of 2 percent of the foreign income or value of the foreign assets for each year of default	116A]
[5][1B	Where any person fails to furnish a return of income as required under sub-section (3) of section 117 within the time specified in the notice	Such person shall pay a penalty equal to higher of– (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) Rs.1,000 per day of default: Provided that minimum penalty shall be Rs.10,000 in case of an individual and Rs.50,000 in all other cases.	117(3)]
2.	Any person who fails to issue cash memo or invoice or receipt when required under this Ordinance or the rules made thereunder.	Such person shall pay a penalty of five thousand rupees or three per cent of the amount of the tax involved, whichever is higher.	174 and Chapter VII of the Income Tax Rules

[1]Provisos inserted by Finance Act, 2021 dated June 30, 2021. Earlier was inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[1a]Substituted for "Rs. 100 for each day of default." by Finance Act, 2015 dated June 30, 2015.
[2]Substituted for "20,000" by Finance Act, 2019 dated June 30, 2019.
[3]Figure "115" omitted by Finance Act, 2020 dated June 30, 2020.
[4]Inserted by Finance Act, 2018 dated May 23, 2018. Earlier the same was inserted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.
[5]S. No. 1B inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

8-190-15-07-2026

[1][2A	Where any person, having been required by the Board under sub-section (5) of section 174 to install and use an electronic resource of the type and description prescribed for the purpose of storing and accessing information regarding any transaction that has a bearing on the tax liability of such person, fails to install such electronic resource within the time specified, or having installed it, fails to use, maintain, or operate it in the prescribed manner, or tampers with, disables, or circumvents such electronic resource.	1% of the turnover or one million rupees for the first default whichever is higher and two million rupees for every subsequent quarterly default.	174(5)
[1][2B	Where any agency, authority, institution, or organization that is an integrated organisation within the meaning of section 175A, or has been notified as such by the Board, fails without reasonable cause to- (a) integrate its IT platform such data interface as notified by the Board within the time specified; or (b) share data of the categories and in the manner required under section 175A or the rules made thereunder; or	A penalty of five hundred thousand rupees for the first default and one million rupees for every subsequent default shall be imposed on the principal officer as defined in clause (44A) of section 2 of this Act or the chief executive officer of the company or member in case of an association of persons and individual in case of sole proprietorship	175A]

[1]S. Nos. 2A & 2B inserted by Finance Act, 2026 dated June 26, 2026.

8-191-15-09-2026

	(c) provide complete, accurate, and timely data as required; or (d) designate a focal person as required; or (e) remedy a deficiency or non-compliance within thirty days of a written notice by the Board identifying the deficiency.		
3.	Any person who is required to apply for registration under this Ordinance but fails to make an application for registration.	Such person shall pay a penalty of [1][ten] thousand rupees.	181

[1]Substituted for "five" by Finance Act, 2019 dated June 30, 2019.

S. 182.- Enhancement of Penalties.- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendments in the Table:-

"The Table in sub-section (1) of section 182 has been amended to strengthen the penalty regime, as follows:-

(i) The Explanation against S. No. t has been substituted to declare that the expression "tax payable" means the higher of the tax chargeable on the taxable income assessed under sections 120, 121,122, 122D or 1228, or the tax payable for the immediately preceding tax year for which a return of income was duly filed.

(ii) New S. Nos. 24, and 28 have been inserted prescribing penalties for failure to install, use, maintain or operate an electronic resource required under section 174(5) (one percent of the turnover or one million rupees, whichever is higher, for the first default and two million rupees for every subsequent quarterly default), and for failure by an integrated organisation under section 175A to integrate its IT platform or to share data (five hundred thousand rupees for the first default and one million rupees for every subsequent default, imposed on the principal officer or chief executive).

(iii) The penalties against S. Nos. 8 and 10 have been substantially enhanced.

(iv) Against S. No. 35, the word "company" has been substituted with "person, including a company", and an Explanation has been inserted providing that audited financial statements furnished as image files, scanned documents, or password-protected or otherwise illegible or inaccessible files shall be deemed to have been furnished as blank or incomplete documents.

(v) A new S. No. 36 has been added imposing a penalty equal to the amount of excess credit where a person claims credit for tax withheld at source in excess of the amount verifiably deducted and deposited by the withholding agent."

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[1][3A	Where any person being a trader or a shopkeeper who is required to apply for registration under this Ordinance but fails to register or fails to pay advance tax as specified in a scheme of special procedure prescribed under section 99B.	The shop of such person shall be sealed for seven days for first default and for twenty one days for each subsequent default	99B]
4.	Any person who fails to notify the changes of material nature in the particulars of registration.	Such person shall pay a penalty of five thousand rupees.	181
[2][			]
[2][4B.	Any person who contravenes the provisions of section 181AA.	Such a person shall pay a penalty at the rate of Rs. [3][100,000] for each connection provided to an unregistered person.	181AA]
5.	Any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Ordinance or rules made thereunder. [4][Provided that if the person opts to pay the tax due on the basis of an order under section 129 on or before the due date given in the notice under sub-section (2) of section 137 issued in consequence of the said order, and does not file an appeal under section 131 the penalty payable shall be reduced by 50%.]	Such person shall pay a penalty of five per cent of the amount of the tax in default. For the second default an additional penalty of 25% of the amount of tax in default. For the third and subsequent defaults an additional penalty of 50% of the amount of tax in default.	137

[1]S. No. 3A inserted by Finance Act, 2024 w.e.f. 1 July, 2024.
[2]S. No. 4A omitted by Finance Act, 2021 dated June 30, 2021. Earlier S. Nos. 4A & 4B inserted by Finance Act, 2020 dated June 30, 2020.
[3]Substituted for "10,000" by Finance Act, 2021 dated June 30, 2021.
[4]Proviso inserted by Finance Act, 2011 dated June 30, 2011.

S. No.4A-Omission.- Before omission it read as follows:-

"4A.	Any person who is required to furnish or update a taxpayer's profile but fails to furnish or update within the due date.	Such a person shall pay a penalty of Rs.2,500 for each day of default from the due date subject to a minimum penalty of Rs.10,000.	114A"

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6.	Any person who repeats erroneous calculation in the return for more than one year whereby amount of tax [1][paid is] less than the actual tax payable under this Ordinance [2][ ].	Such person shall pay a penalty of [3][thirty] thousand rupees or three per cent of the amount of the tax involved, whichever is higher [4][:] [4][Provided that no penalty shall be imposed to the extent of the tax shortfall occurring as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayer's position.]	137	
7.	Any person who fails to maintain records required under this Ordinance or the rules made thereunder.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax on income whichever is higher	174	[5][, 108]
8.	Where a taxpayer who, without any reasonable cause, in non compliance with the provisions of section 177-		177	
	(a) fails to produce the record or documents on receipt of first notice;	Such person shall pay a penalty of [6][one hundred] thousand rupees;		
	(b) fails to produce the record or documents on receipt of second notice; and	such person shall pay a penalty of [7][two hundred] thousand rupees; and		
	(c) fails to produce the record or documents on receipt of third notice	such person shall pay a penalty of [8][*[*three*]* hundred] thousand rupees.		

[1]Words inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[2]Words "is paid" omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[3]Substituted for "five" by Finance Act, 2019 dated June 30, 2019.
[4]Substituted for full stop and proviso inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[5]Inserted by Finance Act, 2017 dated June 20, 2017.
[6]Substituted for "twenty-five" by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted for "five" by Finance Act, 2013 dated June 29, 2013.
[7]Substituted for "fifty" by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted for "ten" by Finance Act, 2013 dated June 29, 2013.
[8]Substituted for "one" by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted for "fifty" by Finance Act, 2013 dated June 29, 2013.

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9.	Any person who fails to furnish the information required or to comply with any other term of the notice served under section 176	Such person shall pay a penalty of [1][twenty-five] thousand rupees for the first default and [2][fifty] thousand rupees for each subsequent default.	176 [3][or 108]
10.	Any person who- (a) makes a false or misleading statement to an Inland Revenue Authority either in writing or orally or electronically including a statement in an application, certificate, declaration, notification, return, objection or other document including books of accounts made ,prepared, given, filed or furnished under this ordinance; (b) furnishes or files a false or misleading information or document or statement to an Income tax Authority either in writing or orally or electronically; (c) omits from a statement made or information furnished to an Income tax Authority any matter or thing without which the statement or the information is false or misleading in a material particular.	Such person shall pay a penalty of [4][five hundred] thousand rupees or [5][100%] of the amount of tax shortfall whichever is higher: Provided that in case of an assessment order deemed under section 120, no penalty shall be imposed to the extent of the tax shortfall occurring as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayer's position.	114, [5][ ], 116, 174, 176, 177 [6][118].
[7][10A	Any person who fails to comply with income tax general order issued by the Board within fifteen days of issue of such order.	Such person shall pay penalty of fifty million rupees for first default and one hundred million for each subsequent default: Provided that said penalty shall be imposed effective from such date as the Board may notify.	114B]

[1]Substituted for "five" by Finance Act, 2013 dated June 29, 2013.
[2]Substituted for "ten" by Finance Act, 2013 dated June 29, 2013.
[3]Inserted by Finance Act, 2017 dated June 20, 2017.
[4]Substituted for "twenty-five" by Finance Act, 2026 dated June 26, 2026.
[5]Substituted for "50%" by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted for "100%" by Finance Act, 2021 dated June 30, 2021 and was substituted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[5]Figure "115" omitted by Finance Act, 2020 dated June 30, 2020.
[6]Substituted for "and general" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[7]S. No. 10A inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

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11.	Any person who denies or obstructs the access of the Commissioner or any officer authorized by the Commissioner to the premises, place, accounts, documents, computers or stocks.	Such person shall pay a penalty of [1][fifty] thousand rupees or [2][fifty] per cent of the amount of tax involved, whichever is higher.	175 and 177
12.	Where a person has concealed income or furnished inaccurate particulars of such income, including but not limited to the suppression of any income or amount chargeable to tax, the claiming of any deduction for any expenditure not actually incurred or any act referred to in sub-section (1) of section 111, in the course of any proceeding under this Ordinance before any Income tax authority or the appellate tribunal.	Such person shall pay a penalty of [3][one hundred] thousand rupees or an amount equal to the tax which the person sought to evade whichever is higher. However, no penalty shall be payable on mere disallowance of a claim of exemption from tax of any income or amount declared by a person or mere disallowance of any expenditure declared by a person to be deductible, unless it is proved that the person made the claim knowing it to be wrong.	20, 111 and General.
[4][12A	Where any person fails to pay tax at the time of making payment as consideration of shares or at the time of registration of shares by the Securities and Exchange Commission of Pakistan or the State Bank of Pakistan, whichever is earlier.	Such person shall pay a penalty equal to fifty percent of the amount of tax involved	37(6)]
[5][12B	Where a banking company or payment gateway or a courier service provider, as the case may be, fails to deduct tax at the time of making payment to a seller, or fails to pay the tax deducted as required under section 160, with respect to digitally ordered goods or rendering or providing of digitally delivered services using e-commerce platform.	Such person shall pay a penalty equal to hundred percent of the amount of tax involved.	153(2A)]

[1]Substituted for "twenty-five" by Finance Act, 2019 dated June 30, 2019.
[2]Substituted for "one hundred" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[3]Substituted for "twenty-five" by Finance Act, 2019 dated June 30, 2019.
[4]S. No. 12A inserted by Finance Act, 2024 w.e.f. 1 July, 2024.
[5]S. No. 12B inserted by Finance Act, 2025 in force from July 1, 2025.

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13	Any person who obstructs any Income tax Authority in the performance of his official duties.	Such person shall pay a penalty of twenty five thousand rupees.	209, 210 and General
[1][14.	Any person who contravenes any of the provision of this Ordinance for which no penalty has, specifically, been provided in this section.	Such person shall pay a penalty of five thousand rupees or three per cent of the amount of tax involved, whichever is higher.	General.]
15.	Any person who fails to collect or deduct tax as required under any provision of this Ordinance or fails to pay the tax collected or deducted as required under section 160.	Such person shall pay a penalty of [2][forty] thousand rupees or the 10% of the amount of tax whichever is higher.	[3][Division II or Division III [4][, excluding sub-section (2A) of section 153,] of Part V of Chapter X or Chapter XII]

[1]S. No.14 and entries relating thereto restored being lapsed Tax Laws (Third Amendment) Ordinance, 2021, earlier it was omitted and shall always be deemed to have been so omitted since the commencement of the Income Tax Ordinance, 2001 (XLIX of 2001) by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.
[2]Substituted for "twenty-five" by Finance Act, 2019 dated June 30, 2019.
[3]Substituted for "148, 149, 150, 151, 152, 153, 153A, 154, 155, 156, 156A, 156B, 158, 160, 231A, 231B, 233, 233A, 234, 234A, 235, 236, 236A." by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[4]Words etc. inserted by Finance Act, 2025 in force from July 1, 2025.

S. 182-Offences and Penalties.-Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"In order to clarify the term "tax payable" for a clear understanding and compliance, it has been defined that "tax payable" means "tax chargeable" on the taxable income on the basis of assessment made or treated to have been made under sections 120, 121, 122 or 122C of the Income Tax Ordinance, 2001.

Secondly, an incentive of fifty per cent reduction in penalty payable has been provided to a taxpayer where tax due is paid on the basis of an order u/s 129, on or before the due date given in the notice under sub-section (2) of section 137, issued in consequence of the said order and no appeal under section 131 is filed by the taxpayer."

S. 182- Exemption from entire amount of penalty for closure of audit on late filing for salaried persons.- Following is thetextof Order dated November27, 2018:-

"In exercise of the powers conferred by section 183 of the Income Tax Ordinance 2001 (XLIX of 2001), the Board in view of the hardship faced by salaried persons and to encourage and facilitate filers of returns, is pleased to direct that such persons who have filed return of income under section 114 of the aforesaid Ordinance declaring only income under the head "salary" with or without profit on debt and / or dividend income are exempted from payment of entire amount of penalty payable by them under section 214E read with entry at serial number 1 of the Table in sub-section (1) of section 182 of the aforesaid Ordinance for the tax years 2015, 2016 and 2017."

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[1][15A	Any seller supplying digitally ordered goods and digitally delivered services through online marketplace who is required to registered under Income Tax Ordinance, 2001 (XLIX of 2001) fails to register.	Such seller shall pay a penalty of five hundred thousand rupees for the first default and one million rupees for every subsequent default.	181]	
[2][16.	Any person who fails to display his NTN [3][or business licence] at the place of business as required under this Ordinance or the rules made thereunder.	Such person shal pay a penalty of five thousand rupees.	181C 181D]]	[3][and
[4][17.	Any reporting financial institution or reporting entity who fails to furnish information or country-by-country report to the Board as required under section 107, 108 or 165B within the due date.	Such reporting financial institution or reporting entity shall pay a penalty of two thousand rupees for each day of default subject to a minimum penalty of twenty five thousand rupees	107, 108 and 165B	
[4][18.	Any person who fails to keep and maintain document and information required under section 108 or Income Tax Rules, 2002.	1% of the value of transactions, the record of which is required to be maintained under section 108 and Income Tax Rules, 2002	108.]	

[1]S.No. 15A and entries relating thereto inserted by Finance Act, 2025 in force from July 1, 2025.
[2]S.No. 16 and entries relating thereto inserted by Finance Act, 2013 dated June 29, 2013.
[3]Words etc. inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[4]S.No. 17 & 18 and entries relating thereto inserted by Finance Act, 2017 dated June 20, 2017.

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[1][			]
[2][21.	Any person who purchases immovable property having fair market value greater than rupees five million through cash or bearer cheque	Such person shall pay a penalty of five percent of the value of property determined by the Board under sub-section (4) of section 68 or by the provincial authority for the purposes of stamp duty, whichever is higher.	75A]
[3][22.	Where an offshore tax evader is involved in offshore tax evasion in the course of any proceedings under this Ordinance before any Income Tax authority or the appellate tribunal.	Such person shall pay a penalty of one hundred thousand rupees or an amount equal to two hundred per cent of the tax which the person sought to evade, whichever is higher.	General]

[1]S.Nos. 19 & 20 omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021. Earlier it was inserted by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018.
[2]S.No.21 inserted by Finance Act, 2019 dated June 30, 2019.
[3]S.Nos.22 to 28 inserted by Finance Act, 2019 dated June 30, 2019.

Before omission S. 19 & 20 read as follows:-

"19.	Where any manufacturer of a motor vehicle accepts or processes any application for booking or purchase of a locally manufactured motor vehicle in violation of the provisions of clause (a) of section 227C	Such person shall pay a penalty of 5 percent of the value of the motor vehicle	227C
20.	(i) Where any registering authority of Excise and Taxation Department accepts, processes or registers any application for registration of a locally manufactured motor vehicle or for the first registration of an imported vehicle In violation of the provisions of clause (a) of section 227C (ii) Where any authority responsible for registering, recording or attesting the transfer of immovable property accepts or processes the registration or attestation of such property in violation of the provisions of clause (b) of section 227C	Such person shall pay a penalty of 3 percent of the value of the motor vehicle or immovable property.	227C"

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[1][23.	Where in the course of any transaction or declaration made by a person an enabler has enabled, guided, advised or managed any person to design, arrange or manage that transaction or declaration in such a manner which has resulted or may result in offshore tax evasion in the course of any proceedings under this Ordinance.	Such person shall pay a penalty of three hundred thousand rupees or an amount equal to two hundred per cent of the tax which was sought to be evaded, whichever is higher.	General
24.	Any person who is involved in asset move as defined in clause (5C) of section 2 of the Ordinance from a specified territory to an un-specified territory.	Such person shall pay a penalty of one hundred thousand rupees or an amount equal to one hundred per cent of the tax whichever is higher.	General
25.	Where a Reporting Financial Institution fails to comply with any provisions of section 165B of the Ordinance or Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002.	Such Reporting Financial Institution shall pay a penalty of Rs.10, 000 for each default and an additional Rs. 10,000 each month until the default is redressed.	
26.	Where a Reporting Financial Institution files an incomplete or inaccurate report under provisions of section 165B of the Ordinance and Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002.	Such Reporting Financial Institution shall pay a penalty of Rs.10, 000 for each default and an additional Rs. 10,000 each month until the default is redressed.	
27.	Where a Reporting Financial Institution fails to obtain valid self-certification for new accounts or furnishes false self-certification made by the Reportable Jurisdiction Person under Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002.	Such Reporting Financial Institution shall pay a penalty of Rs.10,000 for each default and an additional Rs. 10,000 each month until the default is redressed.	

[1]S.Nos.22 to 28 inserted by Finance Act, 2019 dated June 30, 2019.

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28.	Where a Reportable Jurisdiction Person fails to furnish valid self-certification or furnishes false self-certification under Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002.	Such Reportable Jurisdiction Person shall pay a penalty of Rs. 5,000 for each default and an additional Rs. 5,000 each month until the default is redressed.]	
[1][29.	Where any person fails to declare business bank account(s), in his registration application or fails to amend his registration profile to declare existing business bank account(s) willfully.	Such person shall pay a penalty of Rs. 10,000 for each day of default since the date of submission of application for registration or date of opening of undeclared business bank account whichever is later: Provided that if penalty worked out as aforesaid is less than Rs.100,000 for each undeclared bank account, such person shall pay a penalty of Rs.100,000 for each undeclared business bank account: Provided further that this provision shall be applicable from the first day of October, 2021 during which period the taxpayer may update their registration forms.	181]
[2][30.	Any company or Association of Persons who contravenes the provisions of Section 181E.	Such company or Association of Persons shall pay a penalty of Rs.1,000,000/- for each default.	181E
31.	Any person who fails to integrate or perform roles and functions as specified, after being duly notified by the Board as SWAPS Agent.	Such person shall pay a penalty of: (i) Rs.50,000 for first default of 07 days (ii) Rs.100,000 for second default of next 07 days (iii) Rs.50,000 for each week after the second consecutive week of default:	164A

[1]S.No.29 inserted by Finance Act, 2021 dated June 30, 2021.
[2]S.Nos.30 to 34 inserted by Finance Act, 2022 dated June 30, 2022.

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		Provided that no penalty shall be imposed for the period for which extension from integration is granted by the Commissioner subject to the condition that, if the SWAPS Agent fails to integrate within such extended time, penalties shall be imposed as if no extension was granted.	
32.	Any person, who is integrated for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or QR code or bears duplicate invoice number or counterfeit QR code, or defaces the prescribed invoice number or QR code, or any person who abets commissioning of such offence.	Such person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher.	237A
33.	Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under law.	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub-section (3) of section 237A, as the case may be.	237A

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34.	A person required to integrate his business as stipulated under sub-section (3) of section 237A, who fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under the law and rules made thereunder.	Such person shall be liable to pay- i) penalty of five hundred thousand rupees for first default; ii) penalty of one million rupees for second default after fifteen days of order for first default; iii) penalty of two million rupees for third default after fifteen days of order for second default; iv) penalty of three million rupees for fourth default after fifteen days of order for third default: Provided that if such person fails to integrate his business within fifteen days of imposition of penalty for fourth default, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub-section (3) of section 237A: Provided further that if the person integrates his business with the Board's computerized system before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner.]	237A
[1][35.	Any [2][person, including a company] and an association of persons who– (a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; (b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or (c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.	Such company, including a banking company and an association of persons shall pay a penalty of Rs.500,000 or 10% of the tax chargeable on the taxable income, whichever is higher.	114(2)]

[1]S. No. 35 inserted by Finance Act, 2024 w.e.f. 1 July, 2024.
[2]Substituted for "company" by Finance Act, 2026 dated June 26, 2026.

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	[1][*Explanation*.- For the purposes of this entry, audited financial statements furnished in the form of image files, scanned documents, or password-protected files that are illegible or otherwise inaccessible to the concerned Inland Revenue authority shall be deemed to have been furnished as blank or incomplete documents.]		
[2][36.	Where a person claims a credit in respect of tax withheld at source under any provision of this Ordinance in excess of the amount verifiably deducted and deposited by the withholding agent, as confirmed through the Board's computerized system or otherwise.	Such person shall pay a penalty equal to the amount of excess credit claimed	168]

[1]Explanation inserted by Finance Act, 2026 dated June 26, 2026.
[2]S. No.36 and entries relating thereto inserted by Finance Act, 2026 dated June 26, 2026.

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(2) The penalties specified under sub-section (1) shall be applied in a consistent manner and no penalty shall be payable unless an order in writing is passed by the Commissioner, Commissioner (Appeals) or the Appellate Tribunal after providing an opportunity of being heard to the person concerned [1][:]

[2][Provided that where the taxpayer admits his default he may voluntarily pay the amount of penalty due under this section.]

[3][*Explanation*.- For the removal of doubt, it is clarified that establishing mens rea is not necessary for levying of penalty under this section.]

(3) Where a Commissioner (Appeals) or the Appellate Tribunal makes an order under sub-section (2), the Commissioner (Appeals) or the Appellate Tribunal, as the case may be, shall immediately serve a copy of the order on the Commissioner and thereupon all the provision of this Ordinance relating to the recovery of penalty shall apply as if the order was made by the Commissioner.

(4) Where in consequence of any order under this Ordinance, the amount of tax in respect of which any penalty payable under sub-section (1) is reduced, the amount of penalty shall be reduced accordingly.]

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[1]Substitued for full stop by Finance Act, 2012 dated June 26, 2012.
[2]Proviso inserted by Finance Act, 2012 dated June 26, 2012.
[3]Explanation inserted by Finance Act, 2021 dated June 30, 2021.

S. 182.- Penalty. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"23.1 At present, no penalty or prosecution is provided in law where a person discontinues business and fails to file a return even in response to notice issued by the Commissioner concerned. Serial, 1B has been inserted in section 182 which states that in cases where business has been discontinued and the taxpayer fails to file return even in response to notice, penalty of the higher of 0.1% of the tax payable for the tax year for each day of default or Rs.1,000 per day of default subject to a minimum penalty of Rs.10,000/- or Rs.50,000/- respectively for individual or other persons, has been provided in law.

23:2 Another insertion in the table under section 182 (serial 3A) prescribes the penalty for non-compliance of section 99B. If a trader fails to register or fails to pay advance tax under Tajir Dost Special Procedure, 2024, his shop is liable to be sealed for seven days on first default and for twenty-one days for each subsequent default.

23.3 A new penalty (serial 10A) has been introduced for noncompliance of section 114B. If any person who fails to comply with income tax general order issued by the Board within 15 days, such person shall pay a penalty of fifty million rupees for the first default and one hundred million rupees for each subsequent default. The penalty is applicable from the date to be notified by the Board.

23.4 To address non-compliance of section 37(6), serial 12A has been introduced for any person who fails to pay tax at the time of making payment as consideration of shares or at the time of registration of shares by the Securities and Exchange Commission of Pakistan or by the State Bank of Pakistan, whichever is earlier, such person shall pay a penalty equal to fifty percent of the amount of tax involved.

23.5 In order to address filing of blank documents or annexures along with return, or attaching annexure, statement or document in the return form as blank or failing to fully state all relevant particulars or information in return form which are otherwise required as per sub-section (2) of section 114, penalty for a company including a banking company and an AOP has been provided through insertion of serial 35 in section 182, which is Rs.500,000 or 10% of the tax chargeable on the taxable income, whichever is higher."

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[1][**182A. Return not filed within due date.-** (1) Notwithstanding anything contained in this Ordinance, where a person fails to file a return of income under section 114 by the due date as specified in section 118 or by the date as extended by the Board under section 214A or extended by the Commissioner under section 119, as the case may be, such person shall-

(a) not be included in the active taxpayers' list for the year for which return was not filed within the due date [2][:]

[3][Provided that without prejudice to any other liability under this Ordinance, the person shall be included in the active taxpayers' list on filing return after the due date, if the person pays surcharge at Rupees-

(i) [4][one hundred] thousand in case of a company;

(ii) [5][fifty] thousand in case of an association of persons;

(iii) [6][twenty-five] thousand in case of an individual.]

"Explanation.- For the removal of doubt it is clarified that the provisions of this section shall apply from tax year 2018 and onwards for which the first Active Taxpayers List is to be issued on first day of March, 2019 under Income Tax Rules, 2002.; and

(b) not be allowed, for that tax year, to carry forward any loss under Part VIII of Chapter IV [7]*[;]*]

[8][(c) not be issued refund during the period the person is not included in the active taxpayers' list; and

(d) not be entitled to additional payment for delayed refund under section 171 and the period the person is not included in the active taxpayers' list, shall not be counted for computation of additional payment for delayed refund.]

[1]Section 182A inserted by Finance Act, 2018 dated May 23, 2018.
[2]Substitued for "; and" by Finance Act, 2019 dated June 30, 2019.
[3]Proviso inserted by Finance Act, 2019 dated June 30, 2019.
[4]Substituted for "twenty" by Finance Act, 2026 dated June 26, 2026.
[5]Substituted for "ten" by Finance Act, 2026 dated June 26, 2026.
[6]Substituted for "one" by Finance Act, 2026 dated June 26, 2026.
[7]Substituted full stop by Finance Act, 2019 dated June 30, 2019.
[8]Clauses inserted by Finance Act, 2019 dated June 30, 2019.

S. 182A.- Surcharge and Undertaking Option for Persons Not on the Active Taxpayers' List.- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"In the proviso to clause (a) of sub-section (1) of section 182A, the amounts of surcharge payable by persons not appearing on the active taxpayers' list have been substantially enhanced. A new sub-section (3) has been added providing that the conditions of payment of surcharge shall not apply to an individual who furnishes an undertaking before the Commissioner declaring that he shall not purchase, acquire or otherwise obtain ownership or beneficial interest in any property for a period of six months commencing from the date of furnishing such undertaking."

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[1][ ]

[2][(3) The conditions of payment of surcharge mentioned in sub-section (1), shall not apply to an individual who furnishes an undertaking before the Commissioner by declaring that he shall not purchase, acquire, or otherwise obtain ownership or beneficial interest in any property for a period of six months commencing from the date of furnishing such undertaking in such form as may be prescribed.]

[1]Sub-section (2) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2020 dated June 30, 2020.

[2]Sub-section (3) inserted by Finance Act, 2026 dated June 26, 2026.

S. 182A(2)–Omission.- Before omission by Finance Act, 2021, it read as follows:-

"(2) Where a person fails to furnish or update a taxpayer's profile within the due date or time period specified in sub-section (3) of section 114A or within the date as extended by the Board under section 214A, such person shall not be included in the active taxpayers' list for the latest tax year ending prior to the aforesaid due date or extended date:

Provided that without prejudice to any other liability under this Ordinance such person shall be included in the active taxpayers' list upon filing the taxpayer's profile after the due date or extended date, if the person pays surcharge at Rupees-

(a) twenty thousand in case of a company;

(b) ten thousand in case of an association of persons; and

(c) one thousand in case of an individual."

S. 182A–Return not filed within due date.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

"Section 182A was introduced through the Finance Act, 2018. As per this section, where a person fails to file a return of income under section 114 within the due date as specified in section 118 or by the date as extended by the Board or as extended by the Commissioner, such person shall not be included in the active taxpayers' list for the year for which return was not filed within due date and such person shall not be allowed to carry forward any loss under Part VIII of Chapter IV. As a result, persons who file return after the due date would be subjected to higher tax rate for not appearing in the ATL for the whole year whereas such persons had filed their return. Through the Finance Act, 2019, a proviso has been added in clause (a) of sub-section (1) of section 182A which allows inclusion in the ATL after the due date on payment of surcharge which is Rs.20,000 in case of a company, Rs.10,000 in case of an AOP and Rs.1,000 in case of an individual. Further, clauses (c) and (d) have been added in sub-section (1) stating that no refund shall be payable to a person during the period the person is not included in the ATL and shall also not be entitled to compensation for delayed refund for the period the person is not appearing in the ATL and such period shall not be counted for the purpose of computing additional payment for delayed refund. For example, a person has outstanding refund for the tax year 2018 but return for the tax year 2019 has not been filed even after expiry of due date. In such a situation neither refund for tax year 2018 shall be issued nor the period shall be counter for compensation for delayed refund for the period the person is not appearing in the ATL."

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[1][**183. Exemption from penalty and default surcharge.-** The Federal Government may, by notification in the official Gazette, or the Board by an order published in the official Gazette for reasons to be recorded in writing, exempt any person or class of persons from payment of the whole or part of the penalty and default surcharge payable under this Ordinance subject to such conditions and limitations as may be specified in such notification or, as the case may be, order.]

[2][ ]

[1]Section 183 substituted by Finance Act, 2010 dated June 30, 2010.
[2]Sections 184 to 190 omitted by Finance Act, 2010 dated June 30, 2010.

S. 183-Substitution.-Before substitution by Finance Act, 2010 it read as follows:-

"183. Penalty for non-payment of tax.– (1) A taxpayer who fails to pay any tax (other than penalty [1][imposed under this section]) due under this Ordinance by the due date shall be liable for a penalty equal to –

(a) in the case of the first default, five per cent of the amount of tax in default;

(b) in the case of a second default, an additional penalty of twenty per cent of the amount of tax in default;

(c) in the case of a third default, an additional penalty of twenty-five per cent of the amount of tax in default; and

(d) in the case of a fourth and subsequent default, an additional penalty of up to fifty per cent of the amount of tax in default as determined by the Commissioner, but the total penalty in respect of the amount of tax in default shall not exceed one hundred per cent of such amount of tax.

(2) Where, in consequence of any order under this Ordinance, the amount of tax in respect of which any penalty imposed under sub-section (1) is reduced, the amount of the penalty shall be reduced accordingly."

[1]Words inserted by Finance Act, 2003 dated June 17, 2003.

S. 184-Omission.-Before omission by Finance Act, 2010 it read as follows:-

"184. Penalty for concealment of income.– (1) Where, in the course of any proceedings under this Ordinance, the Commissioner, Commissioner (Appeals), or the Appellate Tribunal is satisfied that any person has [1][either in the said proceedings or in any earlier proceedings relating to an assessment in respect of the same tax year] concealed income or furnished inaccurate particulars of such income, the Commissioner, Commissioner (Appeals), or the Appellate Tribunal, as the case may be, may, by an order in writing, impose upon the person a penalty equal to the amount of tax which the person sought to evade by concealment of income or the furnishing of inaccurate particulars of such income.

(2) For the purposes of sub-section (1), concealment of income or the furnishing of inaccurate particulars of income shall include–

(a) the suppression of any income or amount chargeable to tax;

(b) the claiming of any deduction for any expenditure not actually incurred; or

(c) any act referred to in sub-section (1) of section 111.

(3) Where any income or amount declared by a taxpayer is claimed by the taxpayer to be exempt from tax or any expenditure declared by a taxpayer is claimed by the taxpayer to be deductible, the mere disallowance of such claim shall not constitute concealment of income or the furnishing of inaccurate particulars of income, unless it is proved that the taxpayer made the claim knowing it to be wrong.

[1]Words inserted by Finance Act, 2003 dated June 17, 2003.

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(4) Where a Commissioner (Appeals) or the Appellate Tribunal makes an order under sub-section (1), the [2][Commissioner (Appeals) or the Appellate Tribunal], as the case may be, shall immediately serve a copy of the order on the Commissioner and thereupon all the provisions of this Ordinance relating to the recovery of penalty shall apply as if the order were made by the Commissioner.

[3][(5) Where, in consequence of any order under this Ordinance, the amount of tax in respect of which any penalty imposed under sub-section (1) is reduced, the amount of the penalty shall be reduced accordingly.]"

[2]Substituted for "Commissioner or Tribunal" by Finance Ordinance, 2002 dated June 15, 2002.
[3]Sub-section (5) inserted by Finance Act, 2008 dated June 27, 2008.

S. 184(2)–Treatment of non-disclosure as concealment.– Following is an extract from CBR's Circular No. 6 of 1997, dated the 15th July, 1997, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In section 111(1)(a) the words, "or failure to disclose income chargeable to tax" have been inserted. With this amendment the failure to disclose income, for instance, by way of not filing a return of income where such income was chargeable to tax, now falls within the ambit of concealment of income." [**Ref:** *97 ITC 6 p. 6*]

Penalty for concealment of income.– Following is an extract from Circular No. 4 of 1979 dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The provisions of this section relate to penalty leviable for concealment of income and are more or less same as those of old Section 28(1A). However, previously when filing of return under self assessment scheme was optional for an assessee, in cases where assessments were completed under self-assessment scheme, the rate of penalty for concealment was 500% of tax sought to be evaded. This has now been reduced to 250%."

[1][ ]

[1]Sections 184 to 190 omitted by Finance Act, 2010 dated June 30, 2010.

S. 185 -Omission.-Before omission by Finance Act, 2010 it read as follows:-

"185. Penalty for failure to maintain records.– A person who, without reasonable excuse, fails to maintain records as required under this Ordinance shall be liable for a penalty equal to–

(a) in the case of the first failure, two thousand rupees;

(b) in the case of a second failure, five thousand rupees; and

(c) in the case of a third and subsequent failure, ten thousand rupees."

Penalty to be on 'tax sought to be evaded'.– Following is an extract from CBR's Circular No. 6 of 1987 dated July 5, 1987, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Until now penalty for concealment of income or furnishing of inaccurate particulars of income was leviable on the amount representing the difference in tax as calculated on the returned income and on the assessed income. In other words, penalty was also imposed in respect of that part of the assessed income which represented additions on account of application of a gross profit rate which is higher than the one declared or additions on account of disallowances, in part or whole, of some items of expenditure in the profit and loss accounts, etc. By an amendment in sub-section (1) of section 111, the penalty under the said section shall now be leviable only with reference to the amount of tax that the tax payer sought to evade by concealment of income or furnishing of inaccurate particulars of income. In other words, for purposes of penalty under section 11, only such income will be taken into consideration which is attributable to concealment of income or furnishing of inaccurate particulars of income by the assessee. The tax on the concealed income will be calculated at the average rate of tax applicable to the total assessed income of the assessee."

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Penalty for concealment, reduction in penalty.– Following is an extract from CBR's Circular No. 6 of 1997, dated the 15th July, 1997, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"(i) The penalty for concealment of income or furnishing of inaccurate particulars shall be equal to the tax sought to be evaded."

S. 184(5)–Consequential Relief in Penalty after Appellate Decision.–Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"Under section 184 of the Ordinance, the income tax authorities are empowered to impose penalty upon a person equal to the amount of tax which the person sought to evade by concealment of income. In some cases the appellate authorities reduce the quantum of concealed income resulting into reduction of tax on such income. However, no provision for consequential relief in the quantum of penalty was available in the Ordinance. So, a new sub-section (5) has been inserted to allow consequential, proportionate reduction in amount of penalty to taxpayers as a result of appellate decision, if required."

Unexplained investments, credits etc.– Following is an extract from Circular No. 7 of 1984, dated July 24, 1984, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The definition of concealment of income or furnishing of inaccurate particulars has been amended by the addition of a new clause (c) in sub-section (2) of section 111 and all acts referred to in Clauses (aa), (b) (c), (d) or (e) of sub-section (1) of section 13 shall now amount to concealment. Thus if any amount is deemed to be the income of an assessee by virtue of the provisions of sub-section (1) of section 13 as it applies to the aforesaid clauses, the said amount shall be considered as concealed income of the assessee."

Following is an extract from the text of 'Budget Speech 1984-85', explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"At present the value of undeclared assets and unexplained expenditure is treated as income of tax-payer. Since such assets and expenditure actually represent untaxed income, it has been decided that their value shall be treated as concealed income for purposes of the provisions of the Income-tax Law."

Concealment, meaning of.– Following is the text of Circular No. 2 of 1959, dated January 21, 1959, explaining corresponding provisions of the repealed Act, 1922:–

"Some misunderstanding seems to exist regarding the principles governing the imposition of penalty under Section 28(1)(c) of Income-tax Act. Assessment and penalty proceedings stand on two different footings. In a proceeding relating to assessment, the onus is on the assessee to prove that the income returned by him is his true income. In a proceedingfor imposition of penalty for concealment of income, the onus is on the Revenue to establish that the assessee has concealed his income. The well known decision of the House of Lords in Fattorini (Thomas) (Lancashire) Ltd. 1943 Supp.-ITR-50 contains some very pertinent observations on this issue. In course of this judgment Lord Atkin remarked:–

"The section is highly penal and I feel no doubt that the onus is originally and remains on the Revenue to show that the company acted unreasonably."

Another of the law-Lord Wright in his concurring judgment used stronger language and said, "It is obvious that the section is penal in character and in my opinion the onus is finally on the Crown to prove its right to impose what is a very severe penalty. At the end of the day it is for the Crown to establish the fact."

2. The High Courts in this sub-continent have also taken the same view in 1943-ITR-308 Sir Lionel Leach (C.J.) remarked: "The imposition of penalty under Section 28 is not a matter of guess work". In another case it was observed "fraud cannot be presumed. It must be proved".

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3. A decision of the Australian High Court contains some very interesting discussion on this issue. It was argued on behalf of the tax payer that a proceeding for the imposition of penalty for concealment of income was in the nature of a criminal proceeding and that the standard of proof which is required in a criminal case should be required here also to sustain an order imposing penalty. Therefore, it should be necessary for the appellate Court to be satisfied beyond reasonable doubt of the guilt of the tax-payer. Dixsen(J) delivering the judgment observed:

"In the view which I have ultimately taken of this case, this question does not appear to be important. But I may say that, in my opinion, the proceeding is civil and not criminal in character. The procedure is by action to recover a penalty and the rules of Civil Procedure apply..... But this, of course, does not affect the position that, when the law requires proof of any fact the tribunal must feel an actual persuasion of its occurrence or existence before it can be found. An intention to defraud the revenue is a seriousness of allegation made or the gravity of the consequences flowing from a particular finding are considerations which must affect answer to the question whether the issue has been proved to the reasonable satisfaction of the tribunal....In such matters reasonable satisfaction should not be produced by inexact proofs, indefinite testimony and indirect inferences."

4. It will thus be seen that all cases where the tax payers version of his profit or income is not accepted do not attract penalty under Section 28(1)(c). In cases of simple cash credit or in cases where the cash credit is co-related with the reasonable profit computed on a flat rate basis, penalty under Section 28 is not ordinarily eligible. For a sound order under Section 28, there must be evidence amounting to proof that the assessee deliberately omitted to account for some of his income or some of his transactions. The Board, therefore, desires that all cases where there is no adequate evidence to prove deliberate suppression of income through a specific transaction, proceedings under Section 28(1)(c) should not be initiated."

[1][ ]

[1]Sections 184 to 190 omitted by Finance Act, 2010 dated June 30, 2010.

S. 186 -Omission.-Before omission by Finance Act, 2010 it read as follows:-

"186. Penalty for non-compliance with notice.– (1) A person who, without reasonable excuse, fails to comply with any notice served on the person under section 116 or 176 shall be liable for a penalty equal to–

(a) in the case of the first failure, two thousand rupees;

(b) in the case of a second failure, five thousand rupees; or

(c) in the case of a third and subsequent failure, ten thousand rupees.

(2) Where a person liable for a penalty under sub-section (1) has an assessed tax liability for the tax year in which the failure occurred of less than twenty thousand rupees, the amount of the penalty imposed under sub-section (1) shall be reduced by seventy-five percent."

Penalty on wilful default only.– Following is an extract from Circular No. 2 of 1958 dated March 11, 1958, explaining the corresponding provisions of the Income Tax Act, 1922:–

"In supersession of all previous orders issued on the subject, the Board directs that penalty proceedings under Section 28 of the Income-tax Act should be started only when an Income-tax Officer has fairly strong reasons to believe that there was willful default or deliberate concealment and that such proceedings should be finalised immediately after the assessment is completed without waiting for the disposal of appeal, if any, filed by the assessee against the assessment."

Concealment cases, dealing with assessees.– Following is the text of RCIT Central Region's Circular letter No. 7442-219-5/RC dated March 30, 1986, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has come to the notice of this office that certain categories of assessees are not being handled with politeness and courtesy which they deserve. I am, therefore, directed to say that while the Officers must deal firmly with concealment cases, they should, in no circumstances, be impolite while dealing with the individual assessees.

Necessary instructions in this regard may kindly be issued to all Assessing Officers."

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S. 185–Failure to maintain accounts.– Following is an extract from CBR's Circular No. 6 of 1997, dated the 15th July, 1997, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"b) Penalty for failure to maintain prescribed accounts. (Section 109).

The penalty for the default has been fixed @15% of the tax payable subject to a minimum of Rs. 2000/-." [**Ref:***97 ITC 6 p. 6*]

FollowingisthetextofCBR'sLetterC.No. 4(20)DTP/94(D) dated December 31, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to draw your kind attention to the discussion during recent Commissioner's Conference of Northern Region about calculation of penalty under section 108 in the context of Circular No. 6 of 1994 and to say that amounts shown in the Circular were for the sake of initial qualification based on default for various periods, subject to additional liability with reference to the amount of tax. It is reaffirmed that the precise amount of penalty is to be calculated in each case, keeping in view the amount of tax in accordance with the relevant statutory provision i.e.–

(i)	Where period of default does not exceed six weeks:–	Rs. 500/- for each day of default in company cases and Rs. 200 per day in other cases;
(ii)	For the next three weeks.	The amount calculated at (i) above plus Rs. 100/- for each day of default and a further amount equal to 25% of the tax payable;
(iii)	For the next three weeks.	The amount calculated at (ii) above plus Rs.100/- for each day of default and further amount equal to 50% of the tax payable;
(iv)	For the remaining period.	The amount calculated at (iii) above plus Rs. 100/- for each day of default and a further amount equal to the tax payable."

Date of applicability of enhanced penalty.– Following is the text of CBR's Letter C. No. 108(I)DTP-I/94 dated October 18, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to refer to your letter No. SO.II. 50(61)/PAC.Vol.II/94-95/1621 dated October 12, 1994 on the subject and to confirm the interpretation that the amended provisions of section 108 of the Income Tax Ordinance, 1979 are applicable to the proceedings relevant to assessment year 1994-95 and onwards."

Failure to maintain prescribed accounts.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Under old section 28(1A), the penalty for such default was 150% of the tax payable. It has now been enhanced to 250%. The reason for harsher penalty is that despite levy of penalty @ 150% professionals who were required to maintain prescribed accounts were not maintaining such accounts."

S. 186-Penalty for non-compliance of notice.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Under the repealed Act, the only consequence of default of notice issued for filing wealth statement was an ex-parte assessment. This provision did not prove effective. Section 110 now provides for a penalty of 100% of the tax levied.

Further, previously for non-compliance of a notice issued under old Section 22(4) for production of books of accounts etc. the penalty was 100% of the difference between the tax on declared income and the tax assessed. Now for such default (of notice under Section 61), the penalty prescribed is 100% of the tax assessed. The increase in quantum of penalty is due to the fact that earlier penalty did not prove effective enough."

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However, it was soon realised by CBR that the increase in penalty was not justified. Following is an extract from Circular No. 10 of 1979 dated October 1, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Under Section 28(1)(b) of the repealed Act, the penalty for non-compliance of a notice under Section 22(4), 23(2) or 23(3) was 100% of the amount of income tax or super tax which would have been avoided if the income as returned had been accepted as correct income. Under Section 110 of the Ordinance, for the non-compliance of notice under Sections 58, 60 or 61 the penalty leviable can be 100% of the whole amount of the tax. Since the new provision creates difficulty and hardship, a notification under Section 167 has been issued reducing such penalty to 100% of the difference between the income tax and super tax leviable on the income declared and the income assessed."

The above referred Notification is SRO 885(I)/79, dated October 1, 1979, the amendmentwas later incorporated in Finance Ordinance, 1980. The omission of the figure "60" by the Finance Ordinance, 1980 was due to redrafting of sections 60, 61 and 62.

[1][ ]

[1]Sections 184 to 190 omitted by Finance Act, 2010 dated June 30, 2010.

S. 187 -Omission.-Before omission by Finance Act, 2010 it read as follows:-

"187. Penalty for making false or misleading statements.– (1) Where a person –

(a) makes a statement to [1][an income tax authority] that is false or misleading in a material particular or omits from a statement made to[1][an income tax authority] any matter or thing without which the statement is false or misleading in a material particular; and

(b) the tax liability (including the liability for advance tax under section 147) of the person computed on the basis of the statement is less than it would have been if the statement had not been false or misleading (the difference hereinafter referred to as the "tax shortfall"),

the person shall be liable for a penalty equal to –

(i) where the statement or omission was made knowingly or recklessly, two hundred per cent of the tax shortfall; or

(ii) in any other case (other than where sub-section (2) applies), twenty-five per cent of the tax shortfall.

(2) In the case of an assessment order under section 120, no penalty shall be imposed under sub-section (1) to the extent to which the tax shortfall arose as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayer's position.

[1]Substituted for "a taxation officer" by Finance Ordinance, 2002 dated June 15, 2002.

(3) A reference in this section to a statement made to [2][an income tax authority] is a reference to a statement made in writing or orally to that [3][authority] acting in the performance of the [4][authority's] duties under this Ordinance, and shall include a statement made –

(a) in an application, certificate, declaration, notification, return, objection or other document made, prepared, given, filed or furnished under this Ordinance;

(b) in information required to be furnished under this Ordinance;

(c) in a document furnished to [2][an income tax authority] otherwise than pursuant to this Ordinance;

(d) in answer to a question asked of a person by [2][an income tax authority]; or

(e) to another person with the knowledge or reasonable expectation that the statement would be conveyed to [2][an income tax authority]."

[2]Substituted for "a taxation officer" by Finance Ordinance, 2002 dated June 15, 2002.
[3]Substituted for "officer" by Finance Ordinance, 2002 dated June 15, 2002.
[4]Substituted for "officer's" by Finance Ordinance, 2002 dated June 15, 2002.

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Section 186(1) – Following is an extract from CBR's Circular No. 6 of 1997, dated the 15th July, 1997, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"c) **Penalty for non-compliance with statutory notices, etc. (Section 110).** Amended section provides for imposition of penalty equal to 50% of the tax that would have been avoided had the income been accepted as correct income." [**Ref:***97 ITC 6 p. 6*]

S. 189–Penalty for obstruction.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

[1][ ]

[1]Sections 184 to 190 omitted by Finance Act, 2010 dated June 30, 2010.

"Any person obstructing a public servant in the discharge of his official duty is punishable under the Pakistan Penal Code but the procedure was such that the case could not be prosecuted without considerable inconvenience and cost and the provision was seldom invoked. Keeping in view the increasing incidents of such obstructions, penalty of upto Rs. 10,000 has been provided for such obstruction."

S. 188 to 190 -Omission.-Before omission by F.A. 2010 these read as follows:-

"188. Penalty for failure to give notice.– (1) Where a person fails to give notice of the discontinuance of the person's business as required under section[1][117], the Commissioner may impose a penalty on the person not exceeding the amount of tax payable by the person for the tax year in which the business was discontinued.

(2) Where a person fails to give notice of the person's appointment as liquidator as required under section 141, the Commissioner may impose a penalty on the person not exceeding ten thousand rupees.

[1]Substituted for "124" by Finance Act, 2003 dated June 17, 2003.

"189. Penalty for obstruction.– Where any person obstructs the Commissioner or a taxation officer in discharge of the Commissioner or officer's functions under this Ordinance, the Commissioner may impose a penalty on the person not exceeding ten thousand rupees."

"190. Imposition of penalty.– (1) No penalty may be imposed under this Part on any person unless the person is given a reasonable opportunity of being heard.

(2) Subject to sub-section (3), the imposition of a penalty under this Part shall be without prejudice to any other liability incurred by the person under this Ordinance.

(3) The imposition of a penalty in relation to an act or omission shall be an alternative to prosecution under Part XI of this Chapter.

(4) If a penalty has been paid under this Part and the Commissioner institutes a prosecution proceeding under Part XI of this Chapter in respect of the same act or omission, the Commissioner shall refund the amount of penalty paid, and the penalty shall not be payable unless the prosecution is withdrawn.

[1][(5) A penalty under sections 182, 183, 185, 186 and 187 shall be imposed by the Commissioner.]

(6) The provisions of Parts III and IV of this Chapter shall apply to an assessment of penalty as if it were an assessment of tax."

[1]Sub-section (5) substituted by Finance Act, 2003 dated June 17, 2003.

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Revision against penalty for obstruction.– See notes to Section 127 and 135.

S. 190(1) & (2)–Time limit for penalty orders.– Following is an extract from CBR's Circular No. 6 of 1990 dated July 15, 1990, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Previously no time limit was laid down in the Ordinance for the finalisation of penalty proceedings for various defaults. A time limit of two years has now been prescribed for the finalisation of penalty order by amending section 116 of the Ordinance. As a consequence, no order of penalty shall be passed after the expiration of two years from the end of the financial year in which the notice of hearing under section 116 is given on or after July 1, 1990. In order words, penalty cases in which proceedings were initiated earlier will not be hit by this limitation."

S. 190(5)–Substitution.– Sub-section (5) before substitution by Finance Act, 2003, read as follows:–

"(5) The Commissioner shall make an assessment of any penalty imposed under this Part in accordance with the provisions of Part II of this Chapter as if the penalty were tax."

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PART XI

OFFENCES AND PROSECUTIONS

191. Prosecution for non-compliance with certain statutory obligations.– (1) Any person who, without reasonable excuse, fails to –

[1][(a) comply with a notice under sub-section (3)[2][and sub-section (4)] of section 114 [2][, sub-section (3) of section 117] or sub-section (1) of section 116;]

(b) pay advance tax as required under section 147;

(c) comply with the obligation under Part V of this Chapter [3][or Chapter XII] to collect or deduct tax and pay the tax to the Commissioner;

[4][(ca) furnish particulars or complete or accurate particulars of persons mentioned in sub-section (1) of section 165;]

(d) comply with a notice served under section 140 or 176;

(e) comply with the requirements of [5][sub-section (3) or sub-section (4) of] section 141; [6][ ]

(f) provide reasonable facilities and assistance as required under sub-section (3) of section 175 [7][;[7]*[ ]*]

[8][(g) declare business bank account(s) in the registration form or updated registration form or return of income or wealth statement [9]*[;]*]

[10][(h) integrate his business with Board's computerized system; or

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[1]Clause (a) substituted by Finance Act, 2003 dated June 17, 2003.
[2]Words inserted by Finance Act, 2024 w.e.f. 1 July, 2024.
[3]Words inserted by Finance Act, 2017 dated June 20, 2017.
[4]Clause (ca) inserted by Finance Act, 2019 dated June 30, 2019.
[5]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.
[6]Word "or" omitted by Finance Act, 2021 dated June 30, 2021.
[7]Word "or" omitted by Finance Act, 2022 dated June 30, 2022. Earlier comma substituted by Finance Act, 2021 dated June 30, 2021.
[8]Clause (g) inserted by Finance Act, 2021 dated June 30, 2021.
[9]Comma substituted by Finance Act, 2022 dated June 30, 2022.
[10]Clauses (h) & (i) inserted by Finance Act, 2022 dated June 30, 2022.

S. 191.-Prosecution for non-compliance of notice. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Section 191 has been amended so that any person who, without reasonable excuse, fails to file return, in response to notice under sub-section (3) of section 117 i.e., where the Commissioner has issued notice for filing of return to a person where the Commissioner has reason to believe that a person has discontinued business or is likely to discontinue, such person shall be treated to have committed an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both."

S. 191–Prosecution for non-compliance of obligations, substitution of clause (a) of sub-section (1).– Clause (a) before substitution by Finance Act, 2003, read as follows:–

"(a) furnish a return of income as required under section 114 or a wealth statement as required under section 116;"

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(i) generate tax invoice verifiable by the Board's system;]

shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

(2) If a person convicted of an offence under clause (a) of sub-section (1) fails, without reasonable excuse, to furnish the return of income or wealth statement to which the offence relates within the period specified by the Court, the person shall commit a further offence punishable on conviction with a fine [1][not exceeding fifty thousand rupees] or imprisonment for a term not exceeding two years, or both.

[2][**191A. Prosecution for failure to furnish information in return of income**.– Any company including a banking company and an association of persons who–

(a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer;

[1]Words inserted by Finance Act, 2009 dated June 30, 2009.
[2]Ss. 191A & 191B inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

S. 191–Prosecution for failure to furnish complete withholding statement.- Following is an extract from FBR's Circular No. 9 of 2019 dated July 30, 2019:-

The data contained in the withholding statements is essential for the purpose of expansion of tax base and to verify the declarations filed by the payees i.e. persons whose tax has been collected or deducted. Hence, it is of utmost importance that the withholding agents furnish accurate and complete particulars of persons whose tax has been deducted or collected. Accordingly, a new clause (ca) has been inserted in section 191 according to which any person who, without reasonable excuse, fails to furnish particulars or complete or accurate particulars of persons mentioned in sub-section (1) of section 165 shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both. Prior to the Finance Act, 2019, manufacturers, distributors, dealers, wholesalers or commercial importers of electronics, sugar, cement, iron and steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sectors were not required to give the name, CNIC, NTN and addresses of persons i.e., retailers in the withholding statement filed under section 165 due to clause (81) of Part IV of the Second Schedule. However, the said clause (81) has been omitted through the Finance Act, 2019 and now the particulars mentioned above are required to be completely furnished in the withholding statement as the failure to furnish the same or furnishing incomplete or inaccurate particulars is an offence under clause (ca) of sub-section (1) of section 191 . Similarly, the banking companies were not required to give particulars i.e name, CNIC, NTN and addresses of persons whose tax was deducted under section 231A (on cash withdrawal from bank) and section 151 (profit on debt) as per clause (81A), Part IV of the Second Schedule.

However, the said clause (81A) has been omitted through the Finance Act, 2019 and now the banks are required to furnish the name, CNIC, NTN and addresses of persons in the statement under section 165 of persons whose tax was deducted under section 231A and section 151 as the failure to furnish or to furnish inaccurate or incomplete particulars is a prosecutable offence as per clause (ca) of sub-section (1) of section 191."

Section 191A.-Prosecution for Failure to Furnish Information in Return of Income. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"A new section 191A has been inserted whereby any company including a banking company and an AOP, filing blank documents or annexures along with return, or attaching annexure, statement or document in the return form as blank or failing to fully state all relevant particulars or information in return form which are otherwise required as per sub-section (2) of section 114, shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both."

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(b) furnishes blank or incomplete particulars or information as specified in the return of income; or

(c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed, shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both.]

[1][**191B. Prosecution for non-registration**.– Any person specified in section 99B who is required to apply for registration but fails to do so shall commit an offence punishable on conviction with imprisonment for a term not exceeding six months or fine or both.]

192. Prosecution for false statement in verification.– Any person who makes a statement in any verification in any return or other document furnished under this Ordinance which is false and which the person knows or believes to be false, or does not believe to be true, the person shall commit an offence punishable on conviction with a fine [2][upto hundred thousand rupees] or imprisonment for a term not exceeding three years, or both.

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[1]Ss. 191A & 191B inserted by Finance Act, 2024 w.e.f. 1 July, 2024.
[2]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.

S. 191&192-Prosecution for non-compliance with certain statutory obligations.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"42.1 Section 191 lists offences where a person shall be treated as punishable on conviction with a fine or imprisonment for a term not exceeding one year or both. However, the quantum of fine was not provided. Now by virtue of amendment made through Finance Act, 2009, the court is empowered to impose a fine not exceeding Rs. 50,000/-.

42.2 Similarly as a result of amendment made in section 192, the amount of fine upto 100,000/- has been notified in case a person is convicted for making false statement in verification."

S. 191B.- Prosecution for Non-Registration. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Section 191B has been introduced according to which any person specified in section 99B who is required to apply for registration but fails to do so shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both."

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[1][**192A. Prosecution for concealment of income.**- (1) Where, in the course of any proceedings under this Ordinance, any person has either in the said proceedings or in any earlier proceedings concealed income or furnished inaccurate particulars of such income and revenue impact of such concealment or furnishing of inaccurate particulars of such income is five hundred thousand rupees or more shall commit an offence punishable on conviction with imprisonment upto two years or with fine or both.

(2) For the purposes of sub-section (1), concealment of income or the furnishing of inaccurate particulars of income shall include-

(a) the suppression of any income or amount chargeable to tax;

(b) the claiming of any deduction for any expenditure not actually incurred; or

(c) any act referred to in sub-section (1) of section 111.]

[1][**192B. Prosecution for concealment of an offshore asset**.- (1) Any person who fails to declare an offshore asset to the Commissioner or furnishes inaccurate particulars of an offshore asset and revenue impact of such concealment or furnishing of inaccurate particulars is ten million rupees or more shall commit an offence punishable on conviction with imprisonment up to three years or with a fine up to five hundred thousand Rupees or both.]

193. Prosecution for failure to maintain records.– A person who fails to maintain records as required under this Ordinance shall commit an offence punishable on conviction with–

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[1]Section 192A inserted by Finance Act, 2009 dated June 30, 2009.
[2]Section 192B inserted by Finance Act, 2019 dated June 30, 2019.

S. 192A-Prosecution for Concealment of Income.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"43.1 In order to overcome the menace of concealment of income by the taxpayers, a new section 192A has been inserted which provides that where a person in any proceedings or in any earlier proceedings concealed income or furnished inaccurate particulars of such income and the revenue impact of such concealment or furnishing of inaccurate particulars of such income is five hundred thousand rupees or more shall be treated as committing an offence punishable on conviction with imprisonment upto two years or with fine or both.

43.2 For the purpose of this section concealment of income or the furnishing of inaccurate particulars has been defined to include:

a) the suppression of any income or amount chargeable to tax.

b) the claiming of any deduction for any expenditure not actually incurred; or

c) any act referred to in sub-section (1) of section 111."

S. 193&194- Fixation of penalty limit for prosecution for Non-Maintenance of record and improper use of NTN.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Amendment has been made in sections 193 and 194 to fix the limit of fine upto Rs. 50,000/- in case of prosecution for failure to maintain records and improper use of N.T.N."

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(a) where the failure was deliberate, a fine [1][not exceeding fifty thousand rupees] or imprisonment for a term not exceeding two years, or both; or

(b) in any other case, a fine [2][not exceeding fifty thousand rupees].

194. Prosecution for improper use of National Tax Number [3][Certificate].– A person who knowingly or recklessly uses a false National Tax Number [3][Certificate] including the National Tax Number [3][Certificate] of another person on a return or other document prescribed or used for the purposes of this Ordinance shall commit an offence punishable with a fine [4][not exceeding fifty thousand rupees] or imprisonment for a term not exceeding two years, or both.

195. Prosecution for making false or misleading statements.– (1) A person who–

(a) makes a statement to [5][an income tax authority] that is false or misleading in a material particular; or

(b) omits from a statement made to [5][an income tax authority] any matter or thing without which the statement is misleading in a material particular,

shall commit an offence punishable on conviction–

(i) where the statement or omission was made knowingly or recklessly, with a fine or imprisonment for a term not exceeding two years, or both; or

(ii) in any other case, with a fine.

(2) A person shall not commit an offence under sub-section (1) if the person did not know and could not reasonably be expected to have known that the statement to which the prosecution relates was false or misleading.

(3) [6][Entry against S.No 10 in column (2) of the Table in sub-section (1) of section 182] shall apply in determining whether a person has made a statement to [7][an income tax authority].

[8][**195A**. **Prosecution for non-compliance with notice under section 116A.-** Any person who, without reasonable excuse, fails to comply with a notice under sub-section (2) of section 116A; shall commit an offence punishable on conviction with imprisonment up to one year or with a fine up to fifty thousand Rupees or both.]

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[1]Words inserted by Finance Act, 2009 dated June 30, 2009.
[2]Words inserted by Finance Act, 2008 dated June 27, 2008.
[3]Substituted for "Card" by Finance Act, 2005 dated June 29, 2005.
[4]Words inserted by Finance Act, 2009 dated June 30, 2009.
[5]Substituted for "a taxation officer" by Finance Ordinance, 2002 dated June 15, 2002.
[6]Substituted for "Sub-section (3) of section 187" by Finance Act, 2015 dated June 30, 2015.
[7]Substituted for "a taxation officer" by Finance Act, 2003 dated June 17, 2003.
[8]Sections 195A & 195B inserted by Finance Act, 2019 dated June 30, 2019.

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[1][**195B**. **Prosecution for enabling offshore tax evasion**.- Any enabler who enables, guides or advises any person to design, arrange or manage a transaction or declaration in such a manner which results in offshore tax evasion, shall commit an offence punishable on conviction with imprisonment for a term not exceeding seven years or with a fine up to five million Rupees or both.]

196. Prosecution for obstructing [2][**an income tax authority**]**.–** A person who obstructs [3][an income tax authority] in discharge of functions under this Ordinance shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

197. Prosecution for disposal of property to prevent attachment.– Where the owner of any property, or a person acting on the owner's behalf or claiming under the owner, sells, mortgages, charges, leases or otherwise deals with the property after the receipt of a notice from the Commissioner with a view to preventing the Commissioner from attaching it, shall commit an offence punishable on conviction with a fine [4][upto hundred thousand rupees] or imprisonment for a term not exceeding three years, or both.

[5][**198. Prosecution for unauthorised disclosure of information by a public servant.–** A person who discloses any particulars in contravention of [6][sub-section 1B of section 107 or] section 216 shall commit an offence punishable on conviction with a fine [7][of not less than five hundred thousand rupees] or imprisonment for a term not exceeding [8][one year]', or both.]

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[1]Sections 195A & 195B inserted by Finance Act, 2019 dated June 30, 2019.
[2]Substituted for "a taxation officer" by Finance Act, 2003 dated June 17, 2003.
[3]Substituted for "a taxation officer" by Finance Ordinance, 2002 dated June 15, 2002.
[4]Words inserted by Finance Act, 2009 dated June 30, 2009.
[5]S. 198 restored being lapsed Tax Laws (Third Amendment) Ordinance, 2021. Earlier it was omitted and shall always be deemed to have been so omitted since the commencement of the Income Tax Ordinance, 2001 (XLIX of 2001) by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.
[6]Words etc. inserted by Finance Act, 2016 dated June 24, 2016.
[7]Words inserted by Finance Act, 2013 dated June 29, 2013.
[8]Substituted for "six months" by Finance Act, 2013 dated June 29, 2013. The amendment is erroneously worded as "in section 198…..for the word the words "one year" shall be substituted."

S. 197–Disposal of property to prevent attachment.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Previously the maximum imprisonment [under old Section 51(4)] was 5 years. It has been reduced to 3 years."

S. 197-Imposition of penalty for conviction in prosecution proceedings relating to disposal of property to prevent attachment.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Under section 197 a person is punishable on conviction with a fine or imprisonment or both in the matters relating to disposal of property after the receipt of the notice from the Commissioner, so as to prevent attachment of property. As a result of amendment the court is now empowered to impose a fine upto Rs. 100,000/- as previously no limit of fine was specified."

S. 198-Omission.- Before omission by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021, it read as follows:-

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199. Prosecution for abetment.– Where a person [1][knowingly and wilfully] aids, abets, assists, incites or induces another person to commit an offence under this Ordinance, the first-mentioned person shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding three years, or both.

200. Offences by companies and associations of persons.– (1) Where an offence under this Part is committed by a company, every person who, at the time the offence was committed, was–

(a) the principal officer, a director, general manager, company secretary or other similar officer of the company; or

(b) acting or purporting to act in that capacity,

shall be, notwithstanding anything contained in any other law, guilty of the offence and all the provisions of this Ordinance shall apply accordingly.

(2) Where an offence under this Part is committed by an association of persons, every person who, at the time the offence was committed, was a member of the association shall be, notwithstanding anything contained in any other law, guilty of the offence and all the provisions of this Ordinance shall apply accordingly.

(3) Sub-sections (1) and (2) shall not apply to a person where –

(a) the offence was committed without the person's consent or knowledge; and

(b) the person has exercised all diligence to prevent the commission of the offence as ought to have been exercised having regard to the nature of the person's functions and all the circumstances.

201. Institution of prosecution proceedings without prejudice to other action.– Notwithstanding anything contained in any law for the time being in force, a prosecution for an offence against this Ordinance may be instituted without prejudice to any other liability incurred by any person under this Ordinance.

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[1]Words inserted by Finance Act, 2003 dated June 17, 2003.

S. 198–Unauthorised disclosure of information.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Previously under Section 54 (2) of the repealed Act, the unauthorised disclosure of information was punishable with imprisonment up to 6 months and fine. Under the new provision the punishment is imprisonment up to 6 months or fine or both."

S. 199–Abetment.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Previously abetment was punishable with imprisonment extending to 3 years and a fine extending to Rs. 1,000. The maximum limit on fine has been abolished."

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[1][**202. Power to compound offences.**- Notwithstanding any provisions of this Ordinance, where any person has committed any offence, the [2][Chief Commissioner] may, with the prior approval of the Board, either before or after the institution of proceedings, compound such offence subject to payment of tax due along with [3][default surcharge] and penalty as is determined under the provisions of this Ordinance.]

203. Trial by Special Judge.–[4][(1) The Federal Government may, by notification in the official Gazette, appoint as many special judges as it may consider necessary, and where it appoints more than one Special Judge, it shall specify in the notification the territorial limits within which each of them shall exercise jurisdiction [5]*[:]*]

[6][Provided that the Federal Government may, by, notification in official Gazette, declare that a Special Judge appointed under section 185 of the Customs Act 1969 (IV of 1969) shall have jurisdiction to try offences under this Ordinance.]

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[1]Section 202 substituted by Finance Act, 2009 dated June 30, 2009.
[2]Substituted for "Director General" by Finance Act, 2012 dated June 26, 2012.
[3]Substituted for "additional tax" by Finance Act, 2010 dated June 30, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance 2009 dated October 28 2009.
[4]Sub-section (1) substituted by Finance Act, 2010 dated June 30, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance 2009 dated October 28 2009.
[5]Substituted for full stop by Finance Act, 2014 dated June 26, 2014.
[6]Proviso inserted by Finance Act, 2014 dated June 26, 2014.

S. 201 and 202–Initiation of prosecution proceedings and compounding of offences.– Following is the text of Circular letter C. No. 6(1)IT-3/81, dated January 25, 1981, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In supersession of Board's Letter No. 6(4)IT-4/77, dated 24-7-1977 it has been decided that in future the Commissioner would determine on the basis of the circumstances of each case whether prosecution should be filed or not. The prosecution may be filed only in such cases where chances of success of conviction of defaulters are very strong.

In other cases the Commissioner may compound the offence either before or after the initiation of proceedings for prosecution. In such cases the C.I.T. may fix appropriate amount of composition fee according to the circumstances of each case."

S.202-Substitution.-Before substitution it read as follows:-

"202. Power to compound offences.– Where any person has committed any offence under this Part, the Commissioner may either before or after the institution of proceedings, compound such offence and order that such person pay the amount for which the offence may be compounded."

Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Section 202 has been substituted to empower the Director General of Income Tax with the prior approval of Board, instead of Commissioner, to compound offence subject to payment of tax alongwith additional tax and penalty to be determined under the provisions of the Ordinance."

S. 203(1)–Substitution.– Before substitution by F.A. 2010 &Finance (Amendment) Ordinance, 2009, it read as follows:-

"(1) Notwithstanding anything contained in the Code of Criminal Procedure, 1898 (Act V of 1898) or in any other law, an offence punishable under this Part (other than an offence referred to in section 198) shall be tried exclusively by a Special Judge appointed by the Federal Government under the Pakistan Criminal Law (Amendment) Act, 1958 (XL of 1958), as if such offence were an offence specified in the Schedule to that Act."

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[1][(1A) A Special Judge shall be a person who is or has been a Sessions Judge and shall, on appointment, have the jurisdiction to try exclusively an offence punishable under this Part other than an offence referred to in section 198.

(1B) The provisions of the Code of Criminal Procedure, 1898 (Act V of 1898), except those of Chapter XXXVIII, thereof shall apply to the proceedings of the court of a Special Judge and, for the purposes of the said provisions, the court of Special Judge shall be deemed to be a Court of Sessions trying cases, and a person conducting prosecution before the court of a Special Judge shall be deemed to be a Public Prosecutor.]

(2) A Special Judge shall take cognisance of, and have jurisdiction to try, an offence triable under sub-section (1) only upon a complaint in writing made by the Commissioner [2][:]

[2][Provided that where the offence of concealment of income which has resulted in non-payment of tax of rupees one hundred and above in case of a filer and rupees twenty five million or above in case of non-filer, the procedure provided in section 203B shall be applicable.]

[3][(3) The Federal Government may, by order in writing, direct the transfer, at any stage of the trial, of any case from the court of one Special Judge to the court of another Special Judge for disposal, whenever it appears to the Federal Government that such transfer shall promote the ends of justice or tend to the general convenience of parties or witnesses.

(4) In respect of a case transferred to a Special Judge by virtue of sub-section (1) or under sub-section (3), such Judge shall not, by reason of the said transfer, be bound to recall and record again any witness who has given evidence in the case before the transfer and may act on the evidence already recorded by or produced before the court which tried the case before the transfer.]

[1]Sub-sections (1A) & (1B) inserted by Finance Act, 2010 dated June 30, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance 2009 dated October 28 2009.
[2]Substituted for full stop and proviso inserted by Finance Act, 2021 dated June 30, 2021.
[3]Sub-sections (3) & (4) inserted by Finance Act, 2010 dated June 30, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance 2009 dated October 28 2009.

Documents to accompany the prosecution proposals.– Following is an extract from Circular letter C. No. 6(9)-IT-3/80, dated September 27, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has therefore been decided that the prosecution proposals submitted to the Board must be accompanied by the following documents:–

(i) Attested copy of the relevant assessment order.

(ii) Attested copy of the legal advisers opinion.

(iii) Attested copy of the show-cause notice.

(iv) Attested copy of the reply to show-cause notice.

(v) Brief statement of the case and Commissioners recommendation."

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[1][**203A**. **Appeal against the order of a Special Judge.**- An appeal against the order of a Special Judge shall lie to the respective High Court of a Province within thirty days of the passing of the order and it shall be heard as an appeal under the Code of Criminal Procedure, 1898 (Act V of 1898) by a single Judge of the High Court.]

[2][**203B. Power to arrest and prosecute**.- (1) Where on the basis of material evidence brought on record, as a result of audit conducted by the auditors in terms of sub-section (8) of section 177 read with section 214C of this Ordinance, an assessment is made or amended under section 121 or 122 of this Ordinance, as the case may be, and the assessing officer records a finding that the taxpayer has committed the offence of concealment of income which has resulted in non-payment of tax of Rupees one hundred million and above in case of a filer and rupees twenty five million or above in case of non-filer, the taxpayer may be arrested after obtaining written approval of the committee specified under sub-section (2).

(2) The committee under sub-section (1) shall comprise the Minister for Finance and Revenue, the Chairman of the Board and the senior most member of the Board.

(3) All arrests made under this Ordinance shall be carried out in accordance with the relevant provisions of the Code of Criminal Procedure, 1898 (Act V of 1898).

(4) Notwithstanding anything contained in sub-sections (1) and (2) or any other provision of this Ordinance, where any person has committed offence of concealment of income or any offence warranting prosecution under this Ordinance, the Chief Commissioner with the prior approval of the Board may, either before or after the institution of any proceedings for recovery of tax, compound the offence if such person pays the amount of tax due along with such default surcharge and penalty as is determined under the provisions of this Ordinance.

(5) Where the person suspected of offence of concealment of income or any offence warranting prosecution under this Ordinance is a company, every director or officer of that company whom the authorised officer has reason to believe is personally responsible for actions of the company contributing to offence of concealment of income or any offence warranting prosecution under this Ordinance shall be liable to arrest:

Provided that any arrest under this sub-section shall not absolve the company from the liabilities of payment of tax, default surcharge and penalty imposed under this Ordinance.]

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[1]S. 203A inserted by Finance Act, 2010 dated June 30, 2010.
[2]Ss. 203B to 203I inserted by Finance Act, 2021 dated June 30, 2021.

[1][**203C. Procedure to be followed on arrest of a person**.- (1) When an officer of Inland Revenue authorized under sub-section (1) of section 203B in this behalf arrests a person under section 203B, he shall immediately intimate the fact of the arrest of that person to the Special Judge who may direct such officer to produce that person at such time and place and on such date as the Special Judge considers expedient and such Officer shall act accordingly.

(2) Notwithstanding anything contained in the sub-section (1), any person arrested under this Ordinance shall be produced before the Special Judge or, if there is no Special Judge within a reasonable distance, to the nearest Judicial Magistrate, within twenty-four hours of such arrest, excluding the time necessary for the journey from the place of arrest to the Court of the Special Judge or, as the case may be, of such Magistrate.

(3) When any person is produced under sub-section (2) before the Special Judge, he may, on the request of such person, after perusing the record, if any and after giving the prosecution an opportunity of being heard, admit him to bail on his executing a bond, with or without sureties, or refuse to admit him to bail and direct his detention at such place as he deems fit:

Provided that nothing herein contained shall preclude the Special Judge from cancelling the bail of any such person at a subsequent stage if, for any reason, he considers such cancellation necessary, but before passing such order he shall afford such person an opportunity of being heard, unless for reasons to be recorded he considers that the affording of such opportunity shall defeat the purposes of this Ordinance.

(4) When such person is produced under sub-section (2) before a Judicial Magistrate, such Magistrate may, after authorising his detention in such custody at such place and for such period as he considers necessary or proper for facilitating his earliest production before the Special Judge, direct his production before the Special Judge on a date and time to be fixed by him or direct such person to be forthwith taken to, and produced before, the Special Judge and he shall be so taken.

(5) Nothing in sub-section (3) or sub-section (4) shall preclude the Special Judge or the Judicial Magistrate from remanding any such person to the custody of an officer of Inland Revenue holding inquiry against that person if such officer makes a request in writing to that effect, and the Special Judge or the Judicial Magistrate, after perusing the record, if any, and hearing such person, is of the opinion that for the completion of inquiry or investigation it is necessary to make such order:

[1]Ss. 203B to 203I inserted by Finance Act, 2021 dated June 30, 2021.

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Provided that the period of such custody shall not exceed more than fourteen days.

(6) When any person is arrested under this Ordinance, an officer of Inland Revenue shall record the fact of arrest and other relevant particulars in the register specified in sub-section (10) and shall immediately proceed to inquire into the charge against such person and if he completes the inquiry within twenty four hours of his arrest, excluding the time necessary for journey as aforesaid, he may, after producing such person before the Special Judge or the nearest Judicial Magistrate, make a request for his further detention in his custody.

(7) While holding an inquiry under sub-section (6), an officer of Inland Revenue shall exercise the same powers as are exercisable by an officer in charge of a police station under the Code of Criminal Procedure, 1898 (Act V of 1898), but such officer shall exercise such powers subject to the foregoing provisions of this section while holding an inquiry under this Ordinance.

(8) If an officer of Inland Revenue, after holding an inquiry as aforesaid, is of the opinion that there is no sufficient evidence or reasonable ground for suspicion against such person, he shall release him on his executing a bond, with or without sureties, and shall direct such person to appear, as and when required, before the Special Judge, and make a report to the Special Judge for the discharge of such person and shall make a full report of the case to his immediate superior.

(9) The Special Judge to whom a report has been made under sub-section, (8) may, after the perusal of record of the inquiry, and hearing the prosecution, agree with such report and discharge the accused or, if he is of the opinion that there is sufficient ground for proceedings against such person, proceed with his trial and direct the prosecution to produce evidence.

(10) An officer of Inland Revenue empowered to hold inquiry under this section shall maintain a register to be called “Register of Arrests and Detentions” in the prescribed form in which he shall enter the name and other particulars of every person arrested under this Ordinance, together with the time and date of arrest, the details of the information received, the details of things, goods or documents, recovered from his custody, the name of the witnesses and the explanation, if any, given by him and the manner in which the inquiry has been conducted from day to day and, such register or authenticated copies of its aforesaid entries shall be produced before the Special Judge, whenever such Officer is so directed by him.

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(11) After completing the inquiry, an officer of Inland Revenue shall, as early as possible, submit to Special Judge a complaint in the same form and manner in which the officer in-charge of a police station submits a report, before a court.

(12) Magistrate of the first class may record any statement or confession during inquiry under this Ordinance, in accordance with the provisions of section 164 of the Code of Criminal Procedure, 1898 (Act V of 1898).

(13) Without prejudice to the foregoing provisions of this section, Board, with the approval of the Federal Minister-in-charge, may, by notification in the official Gazette, authorize any other officer working under the Board to exercise the powers and perform the functions of an officer of Inland Revenue under this section, subject to such conditions, if any, that it may deem fit to impose.]

[1][**203D. Special Judges**.- (1) The Federal Government shall by notification in the official Gazette, appoint as many Special Judges as it considers necessary and, where it appoints more than one Special Judge, it shall specify in the notification the headquarter of each Special Judge and the territorial limits within which he shall exercise jurisdiction under this Ordinance.

(2) No person shall be appointed as a Special Judge unless he is or has been a Sessions Judge.

203E. Cognizance of offences by Special Judges.- (1) Notwithstanding anything contained in this Ordinance or any other law for the time being in force, a Special Judge may, within the limits of his jurisdiction, take cognizance of any offence punishable under this Ordinance upon-

(a) a report in writing made by an officer of Inland Revenue or by any other officer especially authorized in this behalf by the Federal Government; or

(b) receiving a complaint or information of facts constituting such offence made or communicated by any person; or

(c) his own knowledge acquired during any proceeding before him under this Ordinance or under any other law for the time being in force.

(2) Upon the receipt of report under clause (a) of sub-section (1), the Special Judge shall proceed with the trial of the accused.

[1]Ss. 203B to 203I inserted by Finance Act, 2021 dated June 30, 2021.

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(3) Upon the receipt of a complaint or information under clause (b), or acquired in the manner referred to in clause (c) of subsection (1), the Special Judge may, before issuing a summon or warrant for appearance of the person complained against, hold a preliminary inquiry for the purpose of ascertaining the truth or falsehood of the complaint, or direct any magistrate or any officer of Inland Revenue or any police officer to hold such inquiry and submit a report, and such Magistrate or officer shall conduct such inquiry and make report accordingly.

(4) If, after conducting such inquiry or after considering the report of such Magistrate or officer, the Special Judge is of the opinion that there is-

(a) no sufficient ground for proceeding, he may dismiss the complaint, or

(b) sufficient ground for proceeding, he may proceed against the person complained against in accordance with law.

(5) A special Judge or a Magistrate or an officer holding inquiry under sub-section (3) may hold such inquiry, as early as possible, in accordance with the provision of section 202 of the Code of Criminal Procedure, 1898 (Act V of 1898).]

[1][**203F. Special Judge, etc. to have exclusive jurisdiction.**- Notwithstanding anything contained in this Ordinance or in any other law for the time being in force no,–

(a) court other than the Special Judge having jurisdiction, shall try an offence punishable under this Ordinance;

(b) other court or officer, except in the manner and to the extent specifically provided for in this Ordinance, shall exercise any power, or perform any function under this Ordinance;

(c) court, other than the High Court, shall entertain, hear or decide any application, petition or appeal under chapters XXXI and XXXII of the Code of Criminal Procedure, 1898 (Act V of 1898), against or in respect of any order or direction made under this Ordinance; and

(d) no court, other than the Special Judge or the High Court, shall entertain any application or petition or pass any order or give any direction under chapters XXXVII, XXXIX, XLIV or XLV of the aforesaid Code.]

[1]Ss. 203B to 203I inserted by Finance Act, 2021 dated June 30, 2021.

8-159-15-07-2021

203G. Provisions of Code of Criminal Procedure, 1898, to apply.- (1) The provision of the Code of Criminal procedure, 1898 (Act V of 1898), so far as they are not inconsistent with the provisions of this Ordinance, shall apply to the proceedings of the court of a Special Judge and such court shall be deemed to be a court of Sessions for the purpose of the said Code and the provisions of Chapter XXIIA of the foresaid Code, so far as applicable and with the necessary modifications, shall apply to the trial of cases by the Special Judge under this Ordinance.

(2) For the purposes of sub-section (1), the Code of Criminal Procedure, 1898 (Act V of 1898), shall have effect as if an offence punishable under this Ordinance were one of the offences referred to in sub-section (1) of section 337 of the said Code.

203H. Transfer of cases.- (1) Where more than one Special Judge are appointed within the territorial jurisdiction of a High Court, the High Court, and where not more than one Special Judge is so appointed, the Federal Government, may by order in writing direct the transfer, at any stage of the trial, of any case from the court of one Special Judge to the Court of another Special Judge for disposal, whenever it appears to the High Court or, as the case may be, the Federal Government, that such transfer may promote the ends of justice or tend to the general convenience of the parties or witnesses.

(2) In respect of a case transferred to a Special Judge under subsection (1), such Special Judge shall not by reason of the said transfer, be bound to recall and rehear any witness whose evidence has been recorded in the case before the transfer and may act upon the evidence already recorded or produced before the court which tried the case before the transfer.

203I. Place of sittings.- A Special Judge shall ordinarily hold sittings at his headquarters but, keeping in view the general convenience of the parties or the witnesses, he may hold sittings at any other place.]

[1]Ss. 203B to 203I inserted by Finance Act, 2021 dated June 30, 2021.

8-159-15-07-2021

204. Power to tender immunity from prosecution.– (1) The [1][Board with the approval of the Minister-in-charge] may, for the purpose of obtaining the evidence of any person appearing to have been directly or indirectly concerned in, or privy to the concealment of income or to the evasion of tax, tender to such person immunity from prosecution for any offence under this Ordinance or under the Pakistan Penal Code (Act XLV of 1860), or under any other Federal Law on condition of the person making full and true disclosure of the whole circumstances relating to the concealment of income or evasion of tax.

(2) A tender of immunity made to, and accepted by, the person concerned shall render the person immune from prosecution for any offence in respect of which the tender was made and to the extent specified in the immunity.

(3) If it appears to the [1][Board with the approval of the Minister-in-charge] that any person to whom immunity has been tendered under this section has not complied with the conditions on which the tender was made or is concealing anything or giving false evidence, the [1][Board with the approval of the Minister-in-charge] may withdraw the immunity, and any such person may be tried for the offence in respect of which the tender of immunity was made or for any other offence of which the person appears to have been guilty in connection with the same matter.

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[1]Substituted for "Federal Government" by Finance Act, 2021 dated June 30, 2021.

S. 204(1)–Power to tender immunity from prosecution.– Following is an extract from Circular no. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It is a new provision and the reason of its insertion is that the Department was unable to obtain information or evidence of concealment of income from persons who possessed such information or evidence as giving of such information or evidence made these persons liable to prosecution under this Ordinance or any other Federal Law. The new provision enables the Federal Government to tender immunity to such persons."

Delegation of powers of federal government.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Certain powers of the Federal Government, as per direction of the Cabinet have been delegated. The powers in respect of taxes, rates of tax and exemptions have been delegated to Board with the approval of the Federal Minister in charge in pursuant to the decision of the Economic coordination committee of the Cabinet from time to time. Necessary changes have been made in section 53 of the Ordinance. Powers in relation to procedures have been delegated to the Board with the approval of the Federal Minister in charge and necessary changes have been made in sections 2, 99B, 99C, 114 and 204 of the Ordinance."

Discouraging "on" money on vehicles.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"In order to discourage "on" money, additional tax of Rs.50,000, Rs.100,000 and Rs.200,000 for vehicles upto 1000cc, between 1000cc and 2000cc and beyond 2000cc respectively was imposed where a vehicle is sold within 90 days of its ownership. This was introduced vide Tax Laws (Amendment) Ordinance, 2021. It was applicable till 30.06.2021. Due to its positive impact, it has been continued. Further, the period of 90 days has been withdrawn. Now the persons buying motor vehicles would be required to get them registered in their own names otherwise, this tax would be collectable."

8-159-15-07-2021

PART XII

[1][**DEFAULT SURCHARGE**]

205. [1][**Default surcharge**].– (1) A person who fails to pay –

[2][(a) any tax, excluding the advance tax under section 147 and [1]/default surcharge/ under this section;]

(b) any penalty; or

(c) any amount referred to in section 140 or 141,

on or before the due date for payment shall be liable for [1][default surcharge] at a rate equal to [3][[3a]/twelve percent or KIBOR plus three percent per annum, whichever is higher] on the tax, penalty or other amount unpaid computed for the period commencing on the date on which the tax, penalty or other amount was due and ending on the date on which it was paid [4][:]

[5][Provided that if the person opts to pay the tax due on the basis of an order under section 129 on or before the due date given in the notice under sub-section (2) of section 137 issued in consequence of the said order, and does not file an appeal under section 131, he shall not be liable to pay default surcharge for the period beginning from the due date of payment in consequence of an order appealed against to the date of payment in consequence of notice under sub-section (2) of section 137.]

[6][(1A) a* person who fails to pay advance tax under section 147 shall be liable for [1][default surcharge] at a rate equal to [3][[3a**]/twelve percent or KIBOR plus three percent per annum, whichever is higher] on the amount of tax unpaid computed for the period commencing on the date on which it was due and ending on the date on which it was paid or date on which the return of income for the relevant tax year was due, whichever is earlier.]

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[1]Substituted for "additional tax" by Finance Act, 2010 dated June 30, 2010 and the amendment shall be deemed to have taken effect from June 05, 2010.Earlier the amendment was made by Finance (Amendment) Ordinance 2009 dated October 28 2009.

[2]Clause (a) substituted by Finance Act, 2003 dated June 17, 2003.

[3]Substituted for "KIBOR plus three per cent per quarter" by Finance Act, 2012 dated June 26, 2012. Earlier it was substituted for "twelve per cent per annum" by Finance Act, 2009 dated June 30, 2009 & "twelve" was substituted for "eighteen" by Finance Act, 2004, w.e.f. July 1, 2004.

[3a]Substituted for "12 percent per annum" by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier it was substituted for "18" by Finance Act, 2015 dated June 30, 2015.

[4]Colon substituted for full stop by Finance Act, 2012 dated June 26, 2012.

[5]Proviso inserted by Finance Act, 2012 dated June 26, 2012.

[6]Sub-section (1A) inserted by Finance Act, 2003 dated June 17, 2003.

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*should have been in capital letter.

**Substituted for "12 per cent per annum" by Finance Act 2024 w.e.f. 1 July 2024. Though the amendment as stated in the Finance Act is only in sub-section (1) but it would apparently have been intended for all sub-sections of section 205, wherever the wording appeared. This is fortified by the changes made in the FBR's amended version of the Income Tax Ordinance as on 30 June 2024. It is with this qualification and understanding that this amendment is being incorporated in all sub-sections.

S. 205.- Default Surcharge. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"After amendment in section 205, the rate of default surcharge is 12 percent or KIBOR plus 3 percent, whichever is higher, in order to make the default surcharge comparable to the, policy rate."

8-180-10-09-2024

[1][(1B) Where, in respect of any tax year, any taxpayer fails to pay tax under sub-section [2][4A or] (6) of section 147 or the tax so paid is less than [3][ninety] percent of the tax chargeable for the relevant tax year, he shall be liable to pay [4][default surcharge] at the rate of [5][[6*]/twelve percent or KIBOR plus three percent per annum, whichever is higher] on the amount of tax so chargeable or the amount by which the tax paid by him falls short of the [3][ninety] percent, as the case may be; and such [4][default surcharge] shall be calculated from the first day of April in that year to the date on which assessment is made or the thirtieth day of June of the financial year next following, whichever is the earlier [7]/:/]

[8][Provided that in the case of person having a special tax year, the default surcharge shall be calculated on and from the first day of the fourth quarter of the special tax year till the date on which assessment is made or the last day of special tax year, whichever is earlier.]

(2) Any [9][default surcharge] paid by a person under sub-section (1) shall be refunded to the extent that the tax, penalty or other amount to which it relates is held not to be payable.

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[1]Sub-section (1B) inserted by Finance Act, 2004, w.e.f. July 1, 2004.
[2]Inserted by Finance Act, 2006 dated July 01, 2006.
[3]Substituted for "eighty" by Finance Act, 2006 dated July 01, 2006.
[4]Substituted for "additional tax" by Finance Act, 2010 dated June 30, 2010 and the amendment shall be deemed to have taken effect from June 05, 2010.Earlier the amendment was made by Finance (Amendment) Ordinance 2009 dated October 28 2009.
[5]Substituted for "KIBOR plus three per cent per quarter" by Finance Act, 2012 dated June 26, 2012. Earlier it was substituted for "twelve per cent per annum" by Finance Act, 2009 dated June 30, 2009 & "twelve" was substituted for "eighteen" by Finance Act, 2004, w.e.f. July 1, 2004.
[6]Substituted for "12 percent per annum" by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier it was substituted for "18" by Finance Act, 2015 dated June 30, 2015.
[7]Substituted for full stop by Finance Act, 2017 dated June 20, 2017.
[8]Proviso inserted by Finance Act, 2017 dated June 20, 2017.
[9]Substituted for "additional tax" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance 2009 dated October 28 2009.

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*Substituted for "12 per cent per annum" by Finance Act 2024 w.e.f. 1 July 2024. Though the amendment as stated in the Finance Act is only in sub-section (1) but it would apparently have been intended for all sub-sections of section 205, wherever the wording appeared. This is fortified by the changes made in the FBR's amended version of the Income Tax Ordinance as on 30 June 2024. It is with this qualification and understanding that this amendment is being incorporated in all sub-sections.

S. 205-Additional tax for delayed payment.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Previously a person who failed to pay any tax or penalty etc. was liable to pay additional tax @ 12% per annum of the tax not paid. After amendment, now the additional tax is to be levied at KIBOR plus 3%."

S. 205–Additional tax, substitution of clause (a) to sub-section (1).– Clause (a) before substitution by Finance Act, 2003, read as follows:–

"(a) any tax, including any advance payment of tax under section 147;"

Rate of additional tax on delay in tax payment.–

"The rate of additional tax for delayed-payment of tax demand has been reduced from 18% to 12%. Corresponding amendment in section 205 of the Income Tax Ordinance, 2001 has been made."

"These amendments would be applicable with effect from July 1, 2004 and onwards."

Rate of compensation for delayed refund.–

"Similarly, the rate of compensation for delayed payment of refunds under sub-section (1) of section 171 has also been reduced from 15% to 6%. These amendments would be applicable with effect from July 1, 2004 and onwards."

S. 205(1B)–Following are extracts from 'Notes on Clauses of Finance Bill, 2006':–

"Seeks to extend the scope of additional tax in case of default in payment of advance tax."

"Seeks to enforce payment of advance tax with minimum deviation from the exact liability."

8-180-10-09-2024

(3) A person who fails to [1][collect tax, as required under Division II of Part V of this Chapter or Chapter XII or deduct tax as required under Division III of Part V of

this Chapter or Chapter XII or fails to] pay an amount of tax collected or deducted as required under section 160 on or before the due date for payment shall be liable for [2][default surcharge] at a rate equal to [3][[3]/twelve percent or KIBOR plus three percent per annum, whichever is higher] on the amount unpaid computed for the period commencing on the date the amount was required to be collected or deducted and ending on the date on which it was paid to the Commissioner [4][:]

[5][Provided that if the person opts to pay the tax due on the basis of an order under section 129 on or before the due date given in the notice under sub-section (2) of section 137 issued in consequence of the said order and does not file an appeal under section 131, he shall not be liable to pay default surcharge for the period beginning from the date of order under section 161 to the date of payment.]

[6][ ]

(5) The Commissioner shall make an assessment of any [7][default surcharge] imposed under this Part in accordance with the provisions of Part II of this Chapter as if the [7][default surcharge] were tax.

(6) The provisions of Parts III and IV apply to an assessment of [7][default surcharge] as if it were an assessment of tax.

[8][(7) Where a person is liable for default surcharge under this Part, the Commissioner may, at his discretion, make assessment of default surcharge for the period of default or part thereof, notwithstanding that the tax due has not actually been paid.]

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[1]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.
[2]Substituted for "KIBOR plus three per cent per quarter" by Finance Act, 2012 dated June 26, 2012. Earlier it was substituted for "twelve per cent per annum" by Finance Act, 2009 dated June 30, 2009 & "twelve" was substituted for "eighteen" by Finance Act, 2004, w.e.f. July 1, 2004.
[3]Substituted for "12 percent per annum" by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier it was substituted for "18" by Finance Act, 2015 dated June 30, 2015.
[4]Colon substituted for full stop by Finance Act, 2012 dated June 26, 2012.
[5]Proviso inserted by Finance Act, 2012 dated June 26, 2012.
[6]Sub-section (4) omitted by Finance Act, 2003 dated June 17, 2003.
[7]Substituted for "additional tax" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance 2009 dated October 28 2009.
[8]Sub-section (7) inserted by Finance Act, 2020 dated June 30, 2020.

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"(a) Seeks to reduce the rate of additional tax for delayed payment of tax from 18% to 12%.

(b) Seeks to provide charge of additional tax at rate of 12% where estimates are filed and the advance tax paid falls short of 80% of actual tax liability finally determined on assessment."

S. 205(4)–Omission.– Sub-section (4) before omission by Finance Act, 2003, read as follows:–

"(4) Additional tax imposed under sub-section (3) shall be borne personally by the person obliged to collect or deduct the tax, and no part shall be recoverable from the taxpayer."

8-179-05-07-2024

[1][**205A. Reduction in** [2][**default surcharge**]**, consequential to reduction in tax or penalty.–** Where, in consequence of any order made under this Ordinance, the amount of tax or penalty in respect of which [2][default surcharge] is chargeable under section 205 is reduced, the [2][default surcharge], if any, levied under the aforesaid section shall be reduced accordingly.]

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[1]Section 205A inserted by Finance Act, 2003 dated June 17, 2003.

[2]Substituted for "additional tax" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. Earlier this amendment was made by Finance (Amendment) Ordinance 2009 dated October 28 2009.

Additional tax for failure to pay tax or penalty.– Following is an extract from Circular No. 4 of 1979 dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Under Section 45A of the repealed Act, additional tax was payable in respect of non payment of advance tax under Section 18A or tax deducted under Section 18 alongwith similar additional tax payable under Section 18A(8) and 18(7). No interest would be payable in such case under the new Section 89 of the Ordinance. The other provisions of this new section are same as those of old Section 45A."

Following is an extract from Circular Letter C. No. 6(1)-ITP/3/66, dated April 25, 1966, explaining the provisions of corresponding Section 45A of the repealed Act, 1922:–

"(i) Additional tax under Section 45A is to be paid from the date on which the tax was originally made payable to the date of its actual payment. In case of instalments, the additional tax may be calculated and demanded after the payment of each instalment or more conveniently after all the instalments have been paid.

(ii) Where tax has been stayed till decision of appeal, additional tax is payable only on the amount of tax which is confirmed in appeal and should be charged from the date on which the demand was originally made payable (before the appeal was filed) to the date of its actual payment."

Procedure to be followed.– Following is the text of CBR's Letter C. No. 9(16)Insp/98, dated February 14, 1998, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been observed by the Audit Authorities that at the time of assessment and preparation of IT-30 forms, additional tax is not charged for various defaults under Income Tax Ordinance, 1979. As a result of this lapse on the part of the assessing officers there is huge revenue loss which also creates additional work in the retrieval of the loss.

2. Board's Circular No. 6 of 1991 dated March 18, 1991 is quite clear on the subject. The field officers were required invariably in all the cases to record in the footnote of each assessment order under their signatures that additional tax, leviable under the Ordinance, has been duly charged.

3. It has been noticed that the instructions as contained in the Circular mentioned above and other such instructions on the subject, have not been adhered to in letter and spirit. In the first instance the IACs concerned may be instructed to conduct periodical inspections and intimate the cases where these instructions have not been followed by the assessing officers so that disciplinary proceedings can be initiated against them. Secondly this exercise should be followed more meticulousty by the corporate regions. They should ensure that the formalities in the form and procedure of levy of additional taxes is observed strictly.

4. The additional taxes being charged u/s 87 and 88 should be made a part of the main order and additional taxes u/s 86 and 89 should be regularly charged where ever applicable.

5. The assessing officers should be advised to compute the additional taxes on the IT-30s themselves and not to leave the same on to the Peshi Clerk."

Following is an extract from CBR's Circular No. 6 of 1991 dated March 18, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been reported by the Audit Authorities that at the time of assessment and preparation of IT-30 Forms additional tax is not charged for various defaults under the Income Tax Ordinance, 1979. This lapse on the part of assessing officers results not only in revenue loss but also creates a lot of additional work involved in its retrieval.

2. It has therefore, been decided that in future all the assessing officers should invariably record in the foot note of each assessment order, under their signatures, that additional tax, leviable under the Ordinance, has been duly charged. If, in any such case, discrepancy in the charging of additional tax is noticed, the Income Tax Officer passing the order will be personally held responsible."

8-179-05-07-2024

PART XIII
CIRCULARS

206. Circulars.– (1) To achieve consistency in the administration of this Ordinance and to provide guidance to taxpayers and officers of the [1][Board], the [1][Board] may issue Circulars setting out the Board's interpretation of this Ordinance.

[2][(2) A circular issued by the [1][Board] shall be binding on all Income Tax Authorities and other persons employed in the execution of the Ordinance, under the control of the said Board other than Commissioners of Income Tax (Appeals).]

(3) A Circular shall not [3][be] binding on a taxpayer.

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[1]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.
[2]Sub-section (2) substituted by Finance Act, 2006 dated July 01, 2006.
[3]Word inserted by Finance Ordinance, 2002 dated June 15, 2002.

Additional tax for failure to deduct and pay tax.– Following is an extract of CBR's Circular No. 7 of 1996, dated July 1, 1996, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"According to section 86 of Income Tax Ordinance, 1979, where any person fails to deduct or having deducted, fails to pay/deposit any tax, as required by section 50, such person, without prejudice to any other liability which he may incur, is also liable to pay additional tax on the delayed payment. This provision has been amended through the Finance Act, 1996, as a result of which the rate of additional tax has been increased from 15% to 24% per annum."

S. 206–CBR's circulars, publishing in official Gazette.– Section 20A of the General Clauses Act, 1897, introduced vide General Clauses (Amendment) Ordinance, 2002 dated July 27, 2002, read as follows:–

"**20A. Rules and Order*, etc. to be published.–** All rules, *Orders, regulations and circulars having the effect of law made or issued under any enactment shall be published in the official Gazette."

*should have been "orders"

S. 206(2) Substitution.– Sub-section (2) before substitution read as follows:–

"(2) A Circular shall be binding on the *Central Board of Revenue, other than the Commissioner (Appeals)."

*This is a serious drafting error as the Circular issued by the CBR should be binding on someone else, as well like the Commissioner and taxation officers.

Following is an extract from 'Notes on Clauses of Finance Bill, 2006':–

"Seeks to make circulars issued by CBR binding on all income tax authorities."

Circulars binding on officers.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:-

"Sub-section (2) of section 206 has been re-written to reiterate, in line with the directions contained in the judgments of the superior courts, that circular issued by the CBR shall be binding on all income tax authorities and other persons employed in the execution of the order under the control of the Board other than CIT (Appeals)."

8-149-15-07-2020

CBR's circulars, validity of.– Provisions of section 206 give sanctity to CBR's circulars interpreting provisions of law. This somewhat upsets the previous position but upholding the basic concept that these are not binding on appellate authorities and assessees.

The contents of circulars, instructions etc., issued by the Central Board of Revenue from time to time are not binding on the assessees and are merely "orders, instructions and directions" of the CBR to officers and persons employed in the execution of the Ordinance, subject to proviso to Section 8. The exceptions are schemes etc. like the Self Assessment Scheme of Assessment made by the CBR in exercise of the authority conferred on it under Section 59 of the repealed Act.

The most recent view, before the new law, on the validity of CBR's instructions has been expressed by the Supreme Court of Pakistan in a case reported as *Central Insurance Co. etc.* v. *CBR* (1993) *68 Tax 86 (S.C. Pak)* in the following words:–

"It is evident from the above provisions that though the Central Board of Revenue has administrative control over the functionaries discharging their functions under the Ordinance, but it does not figure in the hierarchy of the forums provided for adjudication of assessee's liability as to the tax. In this view of the matter, any interpretation placed by the Central Board of Revenue on a statutory provisions cannot be treated as a pronouncement by a forum competent to adjudicate upon such a acquisition judicially or quasi-judicially. We may point out that the Central Board of Revenue cannot issue any administrative direction of the nature which may interfere with the judicial or quasi-judicial functions entrusted to the various functionaries under statute. The instructions and directions of the Central Board of Revenue are binding on the functionaries discharging their functions under the Ordinance in view of Section 8 so long as they are confined to the administrative matters. The interpretations of any provisions of the Ordinance can be rendered judicially by the hierarchy of the forums provided for under the above provisions of the Ordinance, namely, the Income Tax Officer, Appellate Assistant Commissioner, Appellate Tribunal, the High Court and this Court, and not by the Central Board of Revenue. In this view of the matter, the interpretation placed by the Central Board of Revenue on the relevant provisions of the Ordinance in the Circular, can be treated as administrative interpretation and not judicial interpretation."

The Indian Courts have expressed a different view as follows:–

(1971) 82 ITR 913 (S.C. India):

"The fact that the proviso to section 10(2)(vib) was incorporated into the Act after the Board issued its instructions cannot affect either the validity of rule 33 or the force of the instructions issued by the Board of Revenue because neither rule 33 nor the instructions issued were strictly in accordance with section 10(2). They merely lay down certain just and fair methods of approach to a difficult problem.

The learned Solicitor-General appearing for the revenue at one stage of his arguments contended that the instructions issued by the Board of Revenue cannot have any binding effect and those instructions cannot abrogate or modify the provisions of the Act. But he did not contend that rule 33 is *ultra vires* of the Act. The instructions in question merely lay down the manner of applying rule 33. Now, coming to the question as to the effect of instructions issued under section 5(8) of the Act, this Court observed in Navnit Lal C. Javeri v. K.K. Sen, Appellate Assistant Commissioner, Bombay:

"It is clear that a circular of the kind which was issued by the Board would be binding on all officers and persons employed in the execution of the Act under section 5(8) of the Act. This circular pointed out to all the officers that it was likely that some of the companies might have advanced loans to their shareholders as a result of genuine transactions of loans, and the idea was not to affect such transactions and not to bring them within the mischief of the new provision."

The directions given in that circular clearly deviated from the provisions of the Act, yet this Court held that the circular was binding on the Income Tax Officer."

(1982) 136 ITR 652 (H.C. Delhi, India):

"Though the circulars of the Central Board are not binding on the court, yet, in general, circulars are binding on the income tax authorities. Through them, the Board cannot impose a burden on the taxpayer greater than what the statute provides but it can relax the rigour of the law. The Supreme Court has recognized the validity of beneficent circulars and the right of the taxpayer to enforce these and get relief even in court."

8-149-15-07-2020

[1][**206A. Advance ruling**.– (1) The [2][Board] may, on application in writing by a non-resident taxpayer, issue to the taxpayer an advance ruling setting out the Commissioner's position regarding the application of this Ordinance to a transaction proposed or entered into by the taxpayer.

(2) Where the taxpayer has made a full and true disclosure of the nature of all aspects of the transaction relevant to the ruling and the transaction has proceeded in all material respects as described in the taxpayer's application for the ruling, the ruling is [3][binding] on the Commissioner with respect to the application to the transaction of the law as it stood at the time the ruling was issued.

(3) Where there is any inconsistency between a circular and an advance ruling, priority shall be given to the terms of the advance ruling [4][.]

[5][ ]

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[1]Section 206A inserted by Finance Act, 2003 dated June 17, 2003.
[2]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.
[3]Substituted for "blinding" by Finance Act, 2005 dated June 29, 2005 to make an editorial correction as per 'Notes on clauses of Finance Bill 2005'. This error was earlier pointed out in this book.
[4]Substituted for colonby Finance Act, 2017 dated June 20, 2017. Earlier it was substituted for full stop by Finance Act, 2011 dated June 30, 2011.
[5]Proviso omitted by Finance Act, 2017 dated June 20, 2017. Earlier it was inserted by Finance Act, 2011 dated June 30, 2011.

Violation of administrative instructions.– Following is the text of CBR's Letter C. No. 5(2)/91-AIT.I dated March 9, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The Income tax Wing of Central Board of Revenue has been issuing instructions from time to time to enforce administrative discipline in the Department in order to eliminate a variety of irregularities committed by the various functionaries of the Department generally attributed to their personal motives.

2. Of late, CBR has been taking a lenient view on cases where such kind of irregularities were noticed (like fragmentation of refunds, passing orders without certain required approvals etc.) and minor penalties as provided in E&D Rules of 1973 were imposed on the establishment of charges.

3. Now it has been decided by the Competent Authority that hence-forth in all such cases where officers/officials of the Income Tax Department are found ignoring instructions of the Board or their supervisory authorities and act beyond their jurisdiction or commit anything contrary to their assigned duties and laid down functions shall be dealt with severally under E&D Rules, 1973 and major penalty of **"Removal from service"** shall be imposed.

4. It may also be further clarified that no laxity on any count amounting to misconduct, inefficiency and loss of revenue shall be tolerated.

5. This issues with the approval of the Secretary Revenue Division."

S. 206A–Introducing the concept of advance ruling.– Following is an extract from CBR's Circular No. 7 of 2003 dated July 11, 2003:–

"On persistent demand of non-residents and in line with international practice the concept of advance ruling has been introduced through insertion of new section 206A in the Income Tax Ordinance, 2001. The object is to provide to non-resident companies an advance ruling on disclosures of full facts in the matters on which advance ruling is requested. Such advance rulings would be binding on the Commissioner."

S. 206A(3)Proviso-Omission.– Before omission by F. Act, 2017 it read as follows:-

"Provided that this section shall not apply to a non-resident taxpayer having a permanent establishment in Pakistan."

Procedure and Committee.-See Rule 231A of the I.T. Rules 2002.

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S. 206A-Advance Ruling.–Following is an extract from FBR;s Circular No. 7 of 2011 dated July 01, 2011:–

"The concept of "Advance Ruling" was brought to facilitate foreign investors. However a foreign company with a permanent establishment in Pakistan is taxed as a "resident company" and Advance Ruling in such cases is likely to be attracted in the cases of resident companies also. Therefore, in order to bring clarity in the application of "Advance Ruling" regime, non-resident taxpayer with permanent establishment in Pakistan shall not be entitled to "Advance Ruling"."

Advance Ruling committee.– Following is the text of Notification No. SRO 209(I)/2004 dated April 8, 2004: –

"In exercise of the powers conferred by section 237 of the Income Tax Ordinance 2001 (XLIX of 2001) the Central Board of Revenue (CBR) is pleased to notify the constitution of following committee under rule 231A of the Income Tax Rules 2002 for the purpose of section 206A of the aforesaid Ordinance, namely:–

1.	Chairman CBR	Chairman
2.	Member Direct Taxes	Member
[1][3.	Muhammad Jahandar, Senior Consultant/Additional Secretary Law, Justice and Human Rights (Nominee of the Law Division)	Member]

[1]S. No. 3 and related entries substituted by SRO 1032(I)/2006 dated October 3, 2006

Advance Ruling Procedure.– Following is the text of a brochure published by the CBR and placed on its website:–

ADVANCE RULING

- Introduction
- Composition of the Advance Ruling Committee
- Procedure
- Signing of Application
- Authorized Representative
- Payment of Fee
- Withdrawal of application
- Advantages of Advance Ruling
- Who can seek advance ruling?
- Who is a non-resident person?
- Questions on which advance ruling can be sought
- Time limit for issuing the advance ruling?
- Is advance ruling binding?
- Where to get assistance?

Introduction

With a view to remove any confusion and to avoid disputes in respect of determination of the income tax liability of a non-resident person, a procedure of Advance Rulings has been brought on statute by way of incorporating Section 206A into the Income Tax Ordinance, 2001, w.e.f. 1.7.2003. Through this facility non-residents can obtain, in advance, a binding ruling on the issues that could arise in determining their tax liabilities at a later stage. Therefore, time consuming and expensive legal disputes can be avoided. The Centre Board of Revenue is empowered to determine any question of law or of fact as specified in the application made before it in respect of a transaction which has been undertaken or is proposed to be undertaken by a non-resident in Pakistan on its own or in combine with a resident concern.

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The detailed procedures for obtaining an advance ruling are contained in Rule 231A and 231B of the Income Tax Rules, 2002. An application form for the purpose has also been prescribed in Rule 231B, stipulating the information required to be divulged and the documents to be attached.

Composition of the Advance Ruling Committee

The application for advance ruling is considered and decided upon by a committee head by the Chairman, Central Board of Revenue, after giving due opportunity to the applicant of explaining his case. Other members of the committee are Member (Direct Taxes), Central Board of Revenue, and Additional Secretary, Law, Justice, and Human Rights Division, Government of Pakistan.

Procedure

The applicant may seek advance ruling by making an application to the Central Board of Revenue in the prescribed form and manner.

- The application for advance ruling should be presented in the form prescribed for the purpose by the applicant in person or by an authorized representative to the Secretary, International Taxes Operations, Room No. 503, 5th Floor, CBR House, Constitution Avenue, Islamabad.
- The application and the accompanying annexures may be neatly typed on one side of plain paper of A-4 size leaving a minimum margin of 30mm on all the four sides and may be duly indexed. Legible photocopies of the relevant documents may be attached.
- No information as required in the prescribed application form may be withheld. Provision of complete and correct information would help the applicant in getting an early decision.
- The question(s) of law or fact on which advance ruling is sought may be stated clearly in the application using a text box.

Signing of Application

The application, its verification and the annexures, statements and documents accompanying it, are required to be signed by a person competent to do so. Where a person signing the application and other documents claims to have been duly authorized to do so, the application must be accompanied by a power of attorney authorizing him to sign.

Authorized Representative

The applicant is entitled to present his case before the Advance Ruling Committee either personally or through an authorized representative. If the applicant desires to be represented by an authorized representative, a duly authenticated document authorizing him to appear for the applicant should be enclosed.

Payment of Fee

There is no fee for seeking an advance ruling from the Central Board of Revenue.

Withdrawal of application

The applicant may withdraw his application at any time before the ruling is issued.

Advantages of Advance Ruling

- Helps non-residents in planning their income tax affairs well in advance.
- Gives clarity to the local partners of non-residents vis-à-vis their liabilities under the tax laws.
- Brings certainty in determination of the tax liability.
- Helps in avoiding long drawn and expensive litigation.
- It is inexpensive, expeditious and binding.
- Who can seek advance ruling?

Presently, only a non-resident person as defined in the Income Tax Ordinance, 2001, can seek advance ruling.

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Who is a non-resident person?

- Under the existing scheme of tax laws, the taxable entities are broadly divided into three groups i.e. Individual, Association of Persons, and Company.
- These taxable entities are divided into two categories depending upon their residential status. These categories are :-
- Resident, and
- Non-Resident

  An individual is a resident individual if he is present in Pakistan for a period of, or periods amounting in aggregate to, 182 days or more during the tax year. A company is a resident company for a tax year if it is incorporated or formed by or under any law in force in Pakistan; or the control and management of the affairs of the company is situated wholly in Pakistan at any time during the year. An association of persons is a resident association of persons for a tax year if the control and management of the affairs of the association is situated wholly or partly in Pakistan at any time during the year.

Questions on which advance ruling can be sought

The advance ruling can be sought on any question of law or fact specified in the application in relation to a transaction that has been undertaken, or is proposed to be undertaken, by the non resident applicant.

Time limit for issuing the advance ruling

The advance ruling is required to be issued by the Central Board of Revenue within 3 months of the receipt of a valid application.

Is advance ruling binding?

Advance ruling issued by the Central Board of Revenue is binding in respect of the transaction(s) in relation to which ruling has been sought on the Commissioner and the income tax authorities subordinate to him in respect of the applicant. However, the advance ruling would cease to be binding, if it is subsequently found to have been obtained by fraud or misrepresentation of facts about the nature of the transaction on which advance ruling was issued.

Where to get assistance?

Mail: Secretary, International Taxes Operations, Room No. 503, CBR House, Constitution Avenue, Islamabad

E-Mail: muhammed.ashfaq@cbr.gov.pk; Ph: 92-51-9215129 Fax: 92.51.9211194

8-149-1-S-07-2020

Advance Rulings issued.–A list of advance rulings issued so far, as placed by the CBR on its web site is as follows:–

S.NO.	QUESTION	RULING	DATE OF ISSUE
AR No. 01	Whether the payment of Rs. 50 million received by a non-resident as a result of amalgamation with resident concern is taxable in Pakistan or not?	The assessee being non-resident, the income accruing or arising on account of merger and transfer of bank operations with the new entity is revenue receipts in the hands of the applicant, and being Pakistan source income, is liable to tax under the Income Tax Ordinance, 2001.	01.12.2004
AR No. 02	Whether the amount to be received by non-resident company for rendering seismic data processing services is chargeable to tax in Pakistan or not?	The assessee being non-resident, the amount received against seismic data processing/re-processing services as a result of contract executed in Pakistan is liable to tax in Pakistan under the head "business income" in view of the provisions of section 6 of the Income Tax Ordinance, 2001.	05.01.2005
AR No. 03	Whether the amount of Rs.373 million received from the State Bank of Pakistan by a non-resident on conversion of excess amount of capital account to Pak rupees for setting off against accumulated losses is chargeable to tax?	The amount received from the State Bank of Pakistan by a non-resident on conversion of capital account (maintained in Euros) to Pakistan rupees for off setting accumulated losses is not chargeable to tax.	27.04.2005
AR No. 04	Whether the income of non-resident person not having any permanent establishment in Pakistan will be taxable or not?	Income of non-resident person is taxable in Pakistan irrespective of the fact whether it is having PE or not. Treatment of tax deducted, in both the situations, will, however, be different accordingly to provisions of section 153 of Income Tax Ordinance, 2001.	31.05.2005

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CHAPTER XI

ADMINISTRATION

PART I

GENERAL

[1][**207. Income tax authorities.-** (1) There shall be the following Income Tax authorities for the purposes of this Ordinance and rules made thereunder, namely:-

(a) Board;

(b) Chief Commissioner Inland Revenue;

(c) Commissioner Inland Revenue;

(d) Commissioner Inland Revenue (Appeals);

(e) Additional Commissioner Inland Revenue;

(f) Deputy Commissioner Inland Revenue;

(g) Assistant Commissioner Inland Revenue;

[2][(ga) special audit panel;]

(h) Inland Revenue Officer;

(i) Inland Revenue Audit Officer;

[3][(ia) District Taxation Officer Inland Revenue;]

[3][(ib) Assistant Director Audit.]

(j) Superintendent Inland Revenue;

(k) Inspector Inland Revenue; [4][ ]

(l) Auditor Inland Revenue [5][; and]

[5][(m) auditor appointed under section 222.]

(2) The Board shall examine, supervise and oversee the general administration of this Ordinance.

[6][(3) income tax authorities specified in sub-section (1) except in clause (a) shall be subordinate to the Board

[1]Section 207 substituted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009 (except for sub-section (4A)). The section was earlier substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Clause (ga) inserted by Finance Act 2015 dated June 30, 2015.
[3]Clauses (ia) & (ib) inserted by Finance Act 2017 dated June 20, 2017.
[4]Word "and" omitted by Finance Act 2025 in force from 1 July, 2025.
[5]Substituted for full stop and clause (m) inserted by Finance Act 2025 in force from 1 July, 2025.
[6]Sub-section (3) substituted by Finance Act 2012 dated June 26, 2012.

S. 207(3)-Substitution.- Before substitution by F.A. 2012, it read as follows:-

"(3) The Chief Commissioners Inland Revenue and Commissioners Inland Revenue (Appeals) shall be subordinate to the Board and Commissioners Inland Revenue, shall be subordinate to the Chief Commissioner Inland Revenue."

8-184-10-07-2025

[1][(3A) Commissioners Inland Revenue, Additional Commissioners Inland Revenue, Deputy Commissioners Inland Revenue, Assistant Commissioners Inland Revenue, Inland Revenue Officers, Inland Revenue Audit [2][Officers , District Taxation Officer Inland Revenue, Assistant Director Audit], Superintendents Inland Revenue, Auditors Inland Revenue and Inspectors Inland Revenue, shall be subordinate to the Chief Commissioners Inland Revenue.]

(4) Subject to sub-section (5), Additional Commissioners Inland Revenue, Deputy Commissioners Inland Revenue, Assistant Commissioners Inland Revenue, Inland Revenue Officers, Inland Revenue Audit Officers [3][, District Taxation Officer Inland Revenue, Assistant Director Audit], Superintendents Inland Revenue, Auditors Inland Revenue and Inspectors Inland Revenue shall be subordinate to the Commissioners Inland Revenue.

(4A) Deputy Commissioners Inland Revenue, Assistant Commissioners Inland Revenue, Inland Revenue Officers, Inland Revenue Audit Officers [3][, District Taxation Officer Inland Revenue, Assistant Director Audit], Superintendents Inland Revenue, Auditors Inland Revenue and Inspectors Inland Revenue shall be subordinate to the Additional Commissioners Inland Revenue.

(5) An officer vested with the powers and functions of Commissioner shall be subordinate to the Chief Commissioner Inland Revenue.]

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[1]Sub-section (3A) inserted by Finance Act 2012 dated June 26, 2012.
[2]Substituted for "Officer" by Finance Act 2017 dated June 20, 2017.
[3]Inserted by Finance Act 2017 dated June 20, 2017.

S. 207-Substitution.- Before substitution by F.A. 2010 & Finance (Amendment) Ordinance, 2009, it read as follows:-

"**207. Income tax authorities.–** (1) There shall be the following income tax authorities for the purposes of this Ordinance, namely:–

(a) [1][Board];
(b) Regional Commissioners of Income Tax;
(c) Commissioners of Income Tax;
(d) Commissioners of Income Tax (Appeals); and
(e) taxation officers.

(2) The [1][Board] shall exercise the general administration of this Ordinance.

(3) The Regional Commissioners of Income Tax and the Commissioners of Income Tax (Appeals) shall be subordinate to the [1][Board] and the Commissioners of Income Tax shall be subordinate to the Regional Commissioners.

(4) Subject to sub-section (5), the taxation officers shall be subordinate to the Commissioners of Income Tax.

(5) A taxation officer invested with the powers and functions of the Commissioner, under sub-section (2) of section 209, shall be subordinate to the Regional Commissioner of Income tax."

[1]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.

Section 207 before substitution by Finance Ordinance, 2002, read as follows:–

8-184-10-07-2025

"207. Income tax authorities.– (1) There shall be the following income tax authorities for the purposes of this Ordinance, namely:–

(a) the Central Board of Revenue;

(b) Regional Commissioners of Income Tax; and

(c) Commissioners of Income Tax.

(2) The Commissioners of Income Tax shall be subordinate to the Regional Commissioners of Income Tax within whose jurisdiction they perform their functions."

Enforcement of Federal Board of Revenue Act, 2007.- Following is the text of S.R.O. 1064(I)/2007, dated November 01, 2007:-

"In exercise of the powers conferred by sub-section (3) of section 1 of the Federal Board of Revenue Act, 2007, the Federal Government is pleased to appoint the 1st day of November, 2007, to be the date on which the remaining provisions of the aforesaid Act shall come into force."

Appointments of Members in Federal Board of Revenue.- Following is the test of S.R.O. 1066(I)/2007, dated November 01, 2007.-

"In Pursuance of clause (i) of section 2 of the Federal Board of Revenue Act, 2007, read with sections 3 and 17 thereof, the Federal Government is pleased to appoint the following members of the Central Board of Revenue to be the Members of the Federal Board of Revenue, till further orders, and in case of members appointed on contract basis, they shall hold their office in accordance with the terms and conditions specified in contract(s), unless the terms are revised by the competent authority, namely:-

(a)	Mr. Usman Khalid Mirza	Member (Income Tax);
(b)	Ms. Musarrat Jabeen	Member (Sales Tax & Federal Excise);
(c)	Mr. Shahid Rahim Sheikh	Member (Customs);
(d)	Mr. Mumtaz Ahmad	Member (Legal);
(e)	Maj. Gen(R) Muhammd Yasin	Member Administration);
(f)	Mr. Habib Fakhruddin	Member (Tax Policy & Reforms);
(g)	Mr. Abdur Razzaq	Member (Audit with additional charge of Facilitation and Taxpayers Education);
(h)	Mr. Mohammad Talha	Member (HRM);
(i)	Mr. Ather Maqsood Ahmed	Member (Fiscal Research & Statistics);
(j)	Mr. Amir Z. Chaudhry	Member (Information Management Systems)."

Delegation of Powers of the Federal Board of Revenue to Members.- Following is the text of S.R.O. 1071(I)/2007, dated November 01, 2007.-

"In exercise of the powers conferred by rule 3 of the Federal Board of Revenue Rules, 2007, read with section 8 and 17 of the Federal Board of Revenue Act, 2007, the Chairman in pursuance of the powers and functions entrusted/delegated to him by the Board, is pleased to distribute the necessary powers and functions and business of the Board to the following members, namely:-

1. Member (Direct Tax), shall perform all statutory powers and functions of the Board as provided under the Income Tax Ordinance, 2001 (XLIX of 2001), and transact business related thereto.
2. Member (Sales Tax and Federal Excise), shall perform all statutory powers and functions of the Board as provided under the Sales Tax Act, 1990 and the Federal Excise Act, 2005 and transact business related thereto.
3. Member (Customs), shall perform all statutory powers and functions of the Board as provided under the Customs Act, 1969 (Act IV of 1969), and transact business related thereto.

All other Members shall continue to perform functions, exercise powers and transact business of the Board as provided for in section 17 of the Federal Board of Revenue Act, 2007."

8-128-31-07-17

Regional Tax Offices.- Please see various jurisdiction orders relating to Regional Tax Offices reproduced in companion book Income Tax Ready Reference.

Re-designation.– Following is an extract from CBR's Circular No. 11 of 1993 dated July 7, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The designations in the income tax department have been changed as under:–

From:	To:
Assistant Income Tax Officer (B-16).	Income Tax Officer
Income Tax Officer (B-17).	Assistant Commissioner of Income Tax.
Income Tax Officer (B-18).	Deputy Commissioner of Income Tax.
Appellate / Inspecting Assistant Commissioner of Income Tax (B-19).	Appellate / Inspecting Additional Commissioner of Income Tax.

Amendments made in the Income Tax Ordinance, 1979, for this purpose are:–

i) The income tax authority "Income Tax Officer" has been renamed as "Deputy Commissioner of Income Tax". Similarly Assistant Commissioner, whether Appellate or Inspecting, will now be known as Additional Commissioner.

ii) In order to define the income tax authority "Deputy Commissioner" a new clause (17A) has been inserted in section 2. According to this definition a "Deputy Commissioner" means a person appointed to be a Deputy Commissioner of Income Tax under section 4 and, to accommodate other officers also, an Assistant Commissioner of Income Tax, an Income Tax Officer, a Special Officer and a Tax Recovery Officer, have been included in the definition of a Deputy Commissioner.

iii) Clause (25) of section 2 containing definition of "Income Tax Officer" has accordingly been omitted.

iv) Since for purposes of registration as an ITP, a period of service of 10 years or more in the rank of Income Tax Officer or above was required for former Departmental officers, in section 157 for the words "Income Tax Officer" the words "Assistant Commissioner of Income Tax" have been substituted." [**Ref:** *93 ITC 11 p. 38*]

8-128-31-07-17

[1][**208. Appointment of income tax authorities.–** [2][(1) The Board may appoint as many Chief Commissioners Inland Revenue, Commissioners Inland Revenue, Commissioners Inland Revenue (Appeals), Additional Commissioners Inland Revenue, Deputy Commissioners Inland Revenue, Assistant Commissioners Inland Revenue, Inland Revenue Officers, Inland Revenue Audit Officers [3][, District Taxation Officer Inland Revenue, Assistant Director Audit], Superintendents Inland Revenue, Inspectors Inland Revenue, Auditors Inland Revenue and such other executive or ministerial officers and staff as may be necessary.].

(2) Subject to such orders or directions as may be issued by the Central Board of Revenue, any income tax authority may appoint any income tax authority subordinate to it and such other executive or ministerial officers and staff as may be necessary.

(3) All appointments, other than of valuers, chartered accountants or experts, made under this Ordinance, shall be subject to rules and orders of the Federal Government regulating the terms and conditions of persons in public services and posts.]

[1]Section 208 substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Sub-section (1) substituted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.
[3]Inserted by Finance Act 2017 dated June 20, 2017.

Commissioner (Appeals).– The Finance Ordinance, 1980, empowers the CBR, through amendment in Section 5(1)(b), to delegate the powers of the AAC to the Commissioner, such Commissioner is referred to by the CBR as 'Commissioner (Appeals)', however, this designation does not appear in section 3(1) which enumerates the income-tax authorities.

S. 208–Central Board of Revenue, substitution.– Section 208 before substitution by Finance Ordinance, 2002, read as follows:–

"208. Central Board of Revenue.– The Central Board of Revenue shall exercise the general administration of this Ordinance."

S. 208(1)–substitution.–Before substitution by F. Act, 2010, it read as follows:–

"(1) The [1][Board] may appoint as many Regional Commissioners of Income Tax, Commissioners of Income Tax, Commissioners of Income Tax (Appeals), taxation officers and such other executive or ministerial officers and staff as may be necessary."

[1]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.

8-128-31-07-17

[1][**209. Jurisdiction of income tax authorities.–** [2]*[*](1) Subject to this Ordinance, the [3][Chief Commissioners], the Commissioners and the Commissioners (Appeals) shall perform all or such functions and exercise all or such powers under this Ordinance as may be assigned to them in respect of such persons or classes of persons or such areas as the [4][Board] may direct [5][:]*]*

[5][Provided that the Board or the Chief Commissioner, as the case may be, may transfer jurisdiction in respect of cases or persons from one Commissioner to another.]

(2) The [4][Board] or the [3][Chief Commissioner] may, by an order, confer upon or assign to any [6][Officer of Inland Revenue] all or any of the powers and functions conferred upon or assigned to the Commissioner, under this Ordinance, in respect of any person or persons or classes of persons or areas [7][as may be specified in the order] [8][:]

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[1]Section 209 substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Sub-section (1) substituted by Finance Act, 2003, dated June 17, 2003.
[3]Substituted for "Regional Commissioners" & "Regional Commissioner" respectively by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.
[4]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.
[5]Substituted for full stop and proviso inserted by Finance Act, 2011 dated June 30, 2011.
[6]Substituted for "taxation officer" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.
[7]Words inserted by Finance Act, 2003 dated June 17, 2003.
[8]Substituted for full stop by Finance Act, 2020 dated June 30, 2020.

S. 209–Jurisdiction of income tax authorities, substitution of sub-section (1).– Sub-section (1) before substitution by Finance Act, 2003 read as follows:–

"(1) Subject to this Ordinance, the Regional Commissioners, the Commissioners and the Commissioners (Appeals) shall perform all or such functions and exercise all or such powers, under this Ordinance, in respect of such persons or classes of persons or such areas, as may be assigned to them by orders or directions issued by the Central Board of Revenue."

S. 209–Substitution.– The section before substitution by Finance Ordinance, 2002 read as follows:–

"209. Appointment of Regional Commissioners of Income Tax and Commissioners of Income Tax.– (1) The Central Board of Revenue may appoint as many Regional Commissioners of Income Tax and Commissioners of Income Tax as may be necessary.

(2) Subject to such orders or directions as may be issued by the Central Board of Revenue, any Regional Commissioner of Income Tax may appoint any subordinate income tax authority [*]subordinate and such other executive or ministerial officers and staff as may be necessary.

(3) Subject to such orders or directions as may be issued by the Central Board of Revenue, any Commissioner of Income Tax may appoint such executive or ministerial officers and staff as may be necessary.

(4) All appointments under this Ordinance shall be subject to the rules and orders of the Federal Government regulating the terms and conditions of service of persons in public services and posts."

[*]Word "subordinate" appears to be superfluous.

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[1][Provided that the Board may also confer upon or assign to any Officer of Inland Revenue the aforesaid powers and functions through Automated Case Selection System:

Provided further that the Board may make rules for conferment or assignment of such powers and functions through Automated Case Selection System.]

[2][*Explanation.*- For the purpose of this sub-section, the expression "Automated Case Selection System" means an algorithm for randomized allocation of cases by using suitable technological modes.]

(3) An order under sub-section (2) by the [3][Chief Commissioner] shall be made only with the approval of the [4][Board].

(4) The [5][Officer of Inland Revenue] referred to in sub-section (2) shall, for the purposes of this Ordinance, be treated to be the Commissioner.

(5) Within the area assigned to him, the Commissioner shall have jurisdiction,–

(a) in respect of any person carrying on business, if the person's place of business is within such area, or where the business is carried on in more than one place, the person's principal place of business is within such area; or

(b) in respect of any other person, if the person resides in such area.

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[1]Provisos inserted by Finance Act, 2020 dated June 30, 2020.
[2]Explanation inserted by Finance Act, 2020 dated June 30, 2020.
[3]Substituted for "Regional Commissioners" & "Regional Commissioner" respectively by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.
[4]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.
[5]Substituted for "taxation officer" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

Medium Tax Payer Unit, Lahore.– Following is the text of CBR's Order C. No. 2(1).S.Asstt/2002, dated October 15, 2002:–

"ORDER

In exercise of the powers conferred by sub-section (1) of section 209 of the Income Tax Ordinance, 2001, the Central Board of Revenue is pleased to direct that the Commissioner of Income Tax, Medium Taxpayer Unit, Lahore shall exercise all powers and perform all the functions under the said Ordinance, in respect of the persons, classes of persons, areas specified in the Table below:–

TABLE

S. No.	
1.	All persons employed by the Government of Pakistan whose place of posting is in Civil Districts of Lahore, Sheikhupura or Kasur.
2.	All employees of M/s. Nestle Pakistan whose place of posting is in Civil Districts of Lahore, Sheikhupura or Kasur.

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(6) Where a question arises as to whether a Commissioner has jurisdiction over a person, the question shall be decided by the [1][Chief Commissioner] or [1][Chief Commissioners] concerned and, if they are not in agreement, by the [2][Board].

(7) No person shall call into question the jurisdiction of a Commissioner after that person has furnished a return of income to the Commissioner or, where the person has not furnished a return of income, after the time allowed by any notice served on the person for furnishing such return has expired.

(8) Notwithstanding anything contained in this section, every Commissioner shall have all the powers conferred by, or under, this Ordinance on him in respect of any income arising within the area assigned to him.

[3][(8A) The power to confer jurisdiction under this section shall include the power to transfer jurisdiction from one income tax authority to another.]

(9) Where, in respect of any proceedings under this Ordinance, an income tax authority is succeeded by another, the succeeding authority may continue the proceedings from the stage it was left by that authority's predecessor.]

[1]Substituted for "Regional Commissioner" & "Regional Commissioners" respectively by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.
[2]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.
[3]Sub-section (8A) inserted by Finance Act, 2003, dated June 17, 2003.

3. A. All cases of persons, excluding the Companies, whose residence or place of business/vocation is in the following areas;

(i) bounded by the left flank of Ganda Nala starting from Ferozepur road upto the point where it touches the PECO road, left flank of PECO road upto the point of Gazanfar Block crossing and right flank of Ferozepur road from Ganda Nala point upto the outer limits of Lahore Distt the South and all lanes and streets connected there. The area includes;

Township, Kot Lakhpat, Green Town, PTA Housing Society, WAPDA Town, Peco Road, College Road

(ii) bounded by Cavalary ground including Sultan Park and Academy road, both flanks of the Walton Road and lanes, streets, colonies linked thereto. Going towards/Kasur left side of Ferozepur road, from Railway crossing Kot Lakhpat upto Bai-Asal including lanes streets, Bazars situated on the left side of the Ferozepur Road. The areas includes;

Cavallery Ground, Sultan Park, Main Bazar Chungi Amaarsidhu, Main Bazar Kahna Nau.

(iii) starting from Walton road, both flanks of Main Boulevard Defence include Iqbal Park, DHA, Nishat Colony, Ara Bazar, Ghazi Road, Badian road.

Provided that the cases which are specifically assigned to any Taxation Officer by class or by name shall be excluded from the above jurisdiction.

B. Cases of Members of AOPs falling in Para (A)(i), (ii) & (iii) above.

8-149-15-07-2020

[1][ ]

[1]Sub-para (c) omitted by Corrigendum C. No. 2(1)S.Asstt/2002, dated October 18, 2002. The omitted sub-para (c) read as follows:–

"C. All cases of persons, excluding the Companies, whose residence or place of business/vocation is in the areas falling under the territories assigned to Zone-B, Lahore apart from the cases of Distt Kasur who derive income from following class/category;

Ice Factories, Cold Storages."

Powers and functions of CITs Large Taxpayer Unit.– Following is the text of CBR's Administrative Order No. 1 of 2002 dated July 1, 2002:–

"In exercise of the powers conferred by sub-section (2) of section 207 of the Income Tax Ordinance, 2001 the Central Board of Revenue is pleased to direct that the Commissioners of Income tax specified in Column (2) of Table-I hereunder shall exercise the powers and perform the functions, under the said Ordinance, specified in column (3) of Table-I.

TABLE-I

S. No.	Commissioner of Income Tax	Powers and functions
(1)	(2)	(3)
1.	Commissioner of Income Tax (Information Processing Division) Large Taxpayer Unit, Karachi	[1][a) Selection and audit of cases, amendment of assessment under Part-II of Chapter-X including provisional assessment, computation of taxable income under Chapter-III, giving effect to an appeal order under Part-III of Chapter-X arising out of such orders, rectification of mistakes relating to computation of income arising out of an order of assessment or amended assessment, and exercise of powers and functions under any specific provision of law and rules provided in the Ordinance and Schedules thereto n respect fo audit and assessment;]

[1]Para "a)" substituted for "a) Maintenance of physical and electronic records" by Corrigendum dated December 13, 2002.

		[1][bb) Rectification of mistakes relating to calculation of tax payable determined in consequence of an order of assessment or amended assessment.] b) Receipt of communication from Service Division, Enforcement Division, Legal Division and Audit Division; c) Data entry of receipts and information contained in the communication from service division, enforcement division, and Audit Division; d) Cross matching of information collected from taxpayers and other sources and issuance of discrepancy report to Audit Division; e) Dispatch of hard copies to different Divisions on demand; and
		f) Storage of information, documents, statements, returns and all other communications received from other Divisions, authorities, sources;

[1]Para "bb)" inserted by Corrigendum dated December 13, 2002.

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[1][ ]

[2][**209B. Faceless jurisdiction of income-tax authorities**.- (1) Notwithstanding anything contained in this Ordinance, the Inland Revenue tax authorities appointed in National faceless center shall perform all or such functions, and exercise all or such powers under this Ordinance as may be assigned to them in respect of such persons, or classes of persons, for such tax years of a person through algorithms developed by the Board.

(2) The jurisdiction so assigned under this Ordinance may be exclusive or concurrent. In case of concurrent jurisdiction, the powers and functions not assigned to the National faceless centre shall remain with the Commissioner having jurisdiction under section 209 of this Ordinance.

(3) The Board may transfer jurisdiction in respect of persons or classes of persons, for a specific tax year, for which the jurisdiction has already been assigned under this section, from the National faceless center to the Commissioner having jurisdiction under section 209 of this Ordinance, on recommendation of the Chief Commissioner or on its own accord.

(4) The Chief Commissioner appointed in the National faceless center may request the Board to direct the Commissioner having jurisdiction under section 209 or any other Income Tax Authority, as it may deem fit to conduct physical verification including nature and size of the business, assets, investments, expenditures, and any other information or verification required by the Chief Commissioner for conducting any proceedings assigned to the National faceless centre:

Provided that the Board may exercise its power of allocation of verification through an algorithm-based system.

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[1]Section 209A omitted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2022 dated June 30, 2022.

[2]Section 209B inserted by Finance Act, 2026 dated June 26, 2026.

2.	Commissioner of Income Tax (Human Resource Management (HRM) Division) Large Taxpayer Unit, Karachi.	a) Recruitment; b) Training and Career planning; c) Employees profiles; d) Job descriptions, job specifications, matching competence and skills; e) Attitude building; f) Regulation of performance-related pecuniary incentives; g) Arranging seminars / workshops and lectures; and h) Arranging training courses"

S. 209A-Omission.– Before substitution by F. Act, 2026, it read as follows:-

"209A. Uniform.- The Board may by notification in the official gazette, prescribe rules for wearing of uniform by officers and staff of Inland Revenue Service of Pakistan."

S. 209B.- Faceless Regime for Audit, Assessment, Appeals and Jurisdiction [Sections 2(5), 2(35)(1A), 122E, 129A, 209B and 227D**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new section 209B provides for faceless jurisdiction of the Inland Revenue authorities appointed in the National faceless canter. Such jurisdiction may be exclusive or concurrent; the identity of the authority is to be kept confidential from the taxpayer; and no notice, order, demand or assessment passed by such authority can be called in question merely on the ground of lack of jurisdiction under section 209 or the confidentiality of the authority's identity."

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(5) Notwithstanding anything contained in any law for the time being in force, the identity of the authority exercising jurisdiction in the National faceless centre shall be kept confidential from the taxpayer, the authorized representative of the taxpayer, and any unauthorized person.

(6) No notice, order, demand, or assessment passed by an authority appointed at the National faceless centre shall be called in question or set aside merely on the ground that such authority did not have jurisdiction over the taxpayer under section 209 of this Ordinance, or lack of notified delegation of power under section 210 of this Ordinance, or because of the fact that identity of the authority has been kept confidential from the taxpayer as per sub-section (5).]

[1][**210. Delegation.–** (1) The Commissioner [2][*subject to sub-section (1A),] may, by an order in writing, delegate to any [3][officer of Inland Revenue, subordinate to the Commissioner] all or any of the powers or functions conferred upon or assigned to the Commissioner under this Ordinance, other than the power of delegation.

[4][(1A) The Commissioner shall not delegate the powers of amendment of assessment contained in sub-section (5A) of section 122 [5][and amendment of an order of recovery under sub-section (3) of section 161] to **a [6][an officer of Inland Revenue below the rank of Additional Commissioner of Inland Revenue].]

[1]Section 210 substituted by Finance Ordinance, 2002 dated June 15, 2002.

[2]Words etc. inserted by Finance Act, 2004, w.e.f. July 1, 2004. In the Finance Act, the insertion is stated as after the word "Commissioner", this word however appears twice. Insertion here has been made after the word appearing for the first time which appears to be the intention.

[3]Substituted for "taxation officer" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[4]Sub-section (1A) inserted by Finance Act, 2004, w.e.f. July 1, 2004.

[5]Words inserted by Finance Act, 2020 dated June 30, 2020.

[6]Substituted for "taxation officer below the rank of Additional Commissioner of Income Tax" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

*the wording of the Finance Act is for insertion of "commas" whereas only one comma appears in the actual insertion, it appears that a comma was intended to be placed here as well.

**Letter "a" has become superfluous after the amendment.

S. 210(1B)-Substitution.– Before substitution by F. Act, 2015 it read as follows:-

"(1B) The Commissioner may delegate the powers to a firm of chartered accountants [1][or a firm of Cost and Management Accountants] appointed by the [2][Board or the Commissioner] to conduct the audit of persons [3][ ] for audit under section 177."

[1]Words inserted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

[2]Substituted for "Board," by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.

[3]Word "selected" omitted by Finance Act, 2012 dated June 26, 2012.

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[1][(1B) The Commissioner may, by an order in writing, delegate to a special audit panel appointed under sub-section (11) of section 177, or to a firm of chartered accountants or a firm of cost and management accountants appointed by the Board or the Commissioner to conduct an audit of person under section 177, all or any of the powers or functions to conduct an audit under this Ordinance.]

[1]Sub-section (1B) substituted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by Finance Act, 2009 dated. June 30, 2009.

S. 210-Delegation for upward revision.– Following is an extract from CBR's Circular No. 17 dated July 17, 2007:–

"Section 210 of the Income Tax Ordinance, 2001 has been amended whereby the Commissioner cannot delegate the powers of amendment of assessment under sub-section (5A) of section 122 of the Income Tax Ordinance, 2001 to an officer lower than the rank of Additional Commissioner of Income Tax."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004':–

"Seeks to restrict delegation of powers to Additional Commissioner only for amendment of assessment under section 122 (5A) where assessment order erroneous in so far as it is prejudicial to the interest of revenue."

S. 210(1B)- Appointment of Chartered Accountants for Income Audit.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"By addition of a new sub-section (1B) to section 210 of the Income Tax Ordinance, 2001, Commissioner has been empowered to delegate powers of carrying out audit under section 177, to a firm of Chartered Accountants appointed by the Board. The amendment seeks to complete the legal requirements necessary for Chartered Accountants to perform their audit functions under the Ordinance."

S. 210–Jurisdiction of RCsIT, CsIT, substitution.– Section before substitution by Finance Ordinance, 2002 read as follows:–

"210. Jurisdiction of Regional Commissioners of Income Tax and Commissioners of Income Tax.– (1) Subject to this Ordinance, the Regional Commissioners of Income Tax and the Commissioners of Income Tax shall perform such functions in respect of such persons or classes of person*, or such areas, as may be assigned to them by directions issued by the Central Board of Revenue.

(2) Where any directions issued under sub-section (1) have assigned to two or more income tax authorities the same function in respect of the same persons or class of persons, or the same areas, they shall perform their functions in accordance with such orders as the Central Board of Revenue, or any other authority to whom they are

* It should have been "persons"

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(2) An order under sub-section (1) may be in respect of all or any of the persons, classes of persons or areas falling in the jurisdiction of the Commissioner.

(3) The Commissioner shall have the power to cancel, modify, alter or amend an order under sub-section (1).]

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subordinate, may make for the allocation of functions and the distribution of the work performed.

(3) Within a Commissioner's assigned area, the Commissioner shall have jurisdiction,–

(a) in respect of any person carrying on business, if the person's place of business is within such area, or where the business is carried on in more than one place, the person's principal place of business is within such area; or

(b) in respect of any other person, if the person resides within such area.

(4) Where a question arises as to whether a Commissioner has jurisdiction over any person, the question shall be decided by the Regional Commissioner or Regional Commissioners concerned and, if they are not in agreement, by the Central Board of Revenue.

(5) No person shall call into question the jurisdiction of a Commissioner after the person has furnished a return of income to the Commissioner or, where the person has not furnished a return, after the time allowed by any notice served on the person for furnishing such return has expired.

(6) Notwithstanding anything contained in this section, every Commissioner shall have all the powers conferred by, or under this Ordinance on a Commissioner in respect of any income arising within the Commissioner's assigned area.

(7) Where any application may be made by a person under this Ordinance, the application shall be made to the Commissioner with jurisdiction over the person or to the taxation officer with delegated power in respect of the application."

Distribution of CBR's work.– See CBR's Office Order C. No. 1(3)DT(Org)/93 dated October 2, 1993 [**ref:** *93 ITL 107 p. 73*]

Legal Cell– See CBR's Circular No. 4(33) Admn-I/93 dated October 26, 1993 for creation and functioning of CBR's Legal Cell. [**ref:** *93 ITL 108 p. 76*]

Appointment of Regional Commissioners.– Following is an extract from Circular No. 15 of 1980, dated June 26, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979: –

"In order to decentralise the supervisory functions of the Board, Regional Commissioners are being appointed. They will supervise the work of Zonal Commissioners and perform such functions as may be assigned to them by the Board. This measure will enable the tax-payers to obtain administrative remedies locally and they shall be saved from coming to the Board for this purpose."

Revision by Regional Commissioner.– See section 135.

Write off of irrecoverable demands.– See CBR's Letter C. No. 3(61)IT-7/74 dated October 22, 1984 for RCIT's powers of write off at Rs. 2,00,000 and Letter No. ITB-4(61)/74 dated February 16, 1986 for powers of various income tax authorities as A.I.T.O. (B.P.S. 16) Rs. 1,000; I.T.O. (B.P.S. 17) Rs. 5,000; I.T.O. (B.P.S. 18) Rs. 10,000; and I.A.C. (B.P.S. 19) Rs. 50,000 and Circular Letter No. 4(61)/74-ITB dated October 14, 1985 for Committees at various levels to write off tax demands.

Jurisdiction of Commissioners over companies.– Following is the text of CBR's letter C. No. 2(1)S.Asstt/2002(I) dated May 27, 2003:–

"I am directed to refer to the above subject and to state that as a part of restructuring efforts, it was thought appropriate to harmonize the jurisdiction of Income Tax and Sales

Tax Departments. At present on income tax side, the jurisdiction of Public Limited Companies, whether listed or not, is determined on the basis of location of their registered offices. To the contrary, Sales Tax Department assigns jurisdiction on the basis of the location of the business premises.

2. The matter was examined in the Board at length and in concurrence with the Federal Minister for Finance and Revenue, it has been decided that the jurisdiction of company cases in Income Tax and Sales Tax Departments will be as under:–

a) In case of Public Limited Companies, quoted on stock exchange, the jurisdiction shall be determined on the basis of their registered offices;

b) In case of Public Limited Companies, not quoted on stock exchange and Private Limited Companies, the jurisdiction shall be determined, in cases of manufacturers/processors, on the basis of location of their factories and in cases of companies engaged in the business other than manufacturing/ processing, on the basis of location of their business premises. In case of companies conducting manufacturing/processing and other business at more than one place, the jurisdiction shall be assigned on the basis of principal place where such manufacturing/processing and other business is carried on.

3. On the basis of above decision, the earlier jurisdiction order of even number dated 1st July, 2002, has accordingly been amended vide Order of even number dated 27-05-2003 (copy enclosed). This order has been made effective from the first day of July 2003. It is requested that all Zonal CsIT may be advised to identify all such companies whose location of assessments would be affected by the above order. I am further directed to request that for an effective and smooth transfer of all such cases to their new jurisdictions, the RCsIT may closely monitor the whole exercise and ensure that all such cases are transferred by 15-07-2003. A certificate to this effect may also be provided to the Board by the same date."

Following is the text of CBR's ORDER dated May 27, 2003:–

"In exercise of the powers conferred by sub-section (1) of Section 209 of the Income Tax Ordinance, 2001, and in partial modification of Board's order of even number dated 1st July, 2002, the Central Board of Revenue is pleased to substitute the "Explanation" as provided at the end of the First Schedule to the above referred order with the following:–

"**EXPLANATION:–**

The expression "place of business" as used in the Schedule means;

a) In the case of Public Limited Companies, quoted on stock exchange, the "place" where the registered offices of such companies are situated.

b) In the case of other companies;

(i) If the company is primarily engaged in manufacturing or processing, the "place" where the factory is situated;

(ii) If the company is primarily engaged in business other than manufacturing or processing, the "place" where such business is actually carried-on.

Provided that in the case at (b) (i) & (ii) above, if the manufacturing/ processing/other business is carried on at more than one place, the expression "place of business" shall mean the principal place where such manufacturing/ processing/other business is carried on".

2. The above order shall be effective from 01-07-2003."

Following is the text of Letter No. SG/15/235, dated February 10, 1980 from M/s. S. A. Salam & Co., CAs, Lahore, addressed to the Member (Taxes), Central Board of Revenue, Islamabad:–

"In the light of Central Board of Revenue's Notification No. S.R.O. 711(I)/79 dated 4.8.1979 as amended by Notification No. 768(I)/79, dated 30.8.1979, the position of jurisdiction is that:–

(i) Public companies are to be assessed according to the location of their Registered Offices, and

(ii) Private companies are to be assessed according to the location of their "place of business" as defined in the "Explanation" to your Notification.

If the impugned notifications of jurisdiction over companies continue to be effective then there will be great confusion and development of the industry and business will be retarded. In this connection the following points may be stated:–

(i) The registered offices of companies are invariably situated in big cities of Pakistan, like Lahore, Karachi, Hyderabad, Peshawar etc., whereas the factories may be situated in distant places and rural areas. Thus the registered office of a private company may be situated in one province and the factory in another province. To illustrate: A private company having its registered office at Lahore, where all the directors reside, has factories at Abbottabad, Hyderabad and Jhelum. Does it mean that the ITOs of Companies Circles of Peshawar, Hyderabad and Rawalpindi will have jurisdiction over the case?

(ii) For wealth-tax purposes it is the registered office of a company that matters and amendments to this effect have been made to the Wealth-tax Act/Rules, 1963. Therefore, for income-tax assessments too the registered office should be taken into account otherwise a private company, say, will be assessed to wealth-tax at Lahore and assessed to income-tax at Rawalpindi.

(iii) Legally a company is resident where its registered office is located. The situation of registered office or any change therein is to be notified to the Assistant Registrar of Joint Stock Companies under the provisions of the Companies Act, 1913, which does not make any distinction between a private company and a public company as far as provision relating to situation of Registered Office is concerned.

(iv) The development of industry will be retarded especially that of under-developed areas. For instance, according to item 80 of the Second Schedule to the Income Tax Ordinance, 1979, tax holiday for 5 years has been granted in respect of industrial undertakings set up in Baluchistan. One of the conditions is that such an undertaking be owned and managed by a company having its registered office anywhere in Pakistan, whether it is a private or a public company. This clearly means that industrialists who are resident in industrially developed areas of Pakistan should come forward and set up industries in Baluchistan. All such ventures start with the incorporation of a private company especially at Lahore (i.e. in the case of an industrialist from Punjab). According to your Notification the assessment of such a company will be in Karachi. So the industrialist will be controlling the undertaking from Lahore, going to Baluchistan to look after the factory and proceed to Karachi for the income-tax assessment of the company.

(v) The present thinking of the CBR is that the ITO (Companies) nearest to the factory should have the jurisdiction to keep an eye on the "activities" (Para 6 of page 105 "Taxation" Vol. 40, 1979). This is a myth because: (a) All big undertakings which are invariably controlled by public companies have already been excluded, (b) The ITOs, say, of Companies Circles, Lahore, are much nearer to the factories situated between Gujranwala and Lalamusa than the ITOs (Companies) of Rawalpindi who have now been given jurisdiction over private companies and (c) The offices of ITOs of Companies Circles are situated in some big cities only whereas the factories are spread all over Pakistan including distant rural areas.

(vi) It is invariably at the registered office of the company that its office bearers (Directors, Secretary etc), Legal Adviser, Auditors, Income-tax Adviser etc. are available, and the record is also kept there. Going to another city or province for

the purpose of tax assessment involves expenditure, inconvenience, waste of time etc. The declared policy of our present Government is to give more facilities to the assessees and not that hurdles should be put in their way.

(vii) For the last 58 years the jurisdiction over companies has been on the basis of their registered offices and this is the position in other countries also.

It is, therefore, requested that time honoured position may be restored and fresh orders of jurisdiction may be issued so that the jurisdiction over companies, whether private or public, is on the basis of situation of their Registered Offices."

Appellate powers to Commissioners.– Following is an extract from CBR's Circular No. 15 of 1980, dated June 26, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979: –

"In cases selected for detailed scrutiny, the IAC and sometimes the Commissioner is also associated with completion of assessment and often these senior officers approve such orders. Propriety demands that appeals in such cases are also heard by senior officers. Similarly it has since long been represented that in cases where large additions have been made, the A.A.Cs are reluctant to grant relief.

Provision has been made for appointment of Commissioners as appellate authorities. The jurisdiction of these authorities and the date from which it shall be effective shall be notified by the Board."

Following is the text of CBR's Notification No. SRO 1055(I)/99, dated 17th September, 1999, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In exercise of the powers conferred by clause (a) of sub-section (1) of section 5 of the Income Tax Ordinance, 1979 (XXXI of 1979), the Central Board of Revenue is pleased to direct that the Director General of Tax Withholding shall perform the following functions in respect of all persons responsible for deducting or collecting tax and the persons from whom tax is deductible or collectable under section 50 of the Income Tax Ordinance, 1979:–

(a) To check, supervise and ascertain, audit and reconcile withholding of taxes.

(b) To adopt ways and means to ensure correct deduction of tax and its timely deposit in the Government Treasury/SBP/NBP and to prevent leakage in respect of withholding taxes.

(c) To educate tax withholding agents and the taxpayers.

(d) To identify and register tax withholding agents under section 143E.

(e) To obtain the prescribed statements of tax withheld and take appropriate action under the law in case of defaulters.

(f) To ensure issuance of deduction certificates by withholding agents to the persons from whom tax is withheld.

(g) To pass orders under section 52 or 52A of the Income Tax Ordinance, 1979, and to impose additional tax/penalty and to invoke measures in accordance with law to recover the tax not deducted by withholding agents.

(h) To reconcile the receipts of withholding taxes.

(i) Any other work incidental or necessary for the performance of above functions and to perform such other functions as may be assigned by Central Board of Revenue/Pakistan Revenue Authority."

Determination of jurisdiction of appellate and zonal CITs by RCIT.– The amendment made by Finance Ordinance, 1981 has been explained in Circular No. 7 of 1981, dated July 6, 1981, an extract wherefrom is as follows:–

"The CBR through this amendment has been authorised to delegate its powers, for reasons of administrative convenience, to the Regional Commissioner or the Commissioner to determine the jurisdiction of Appellate Assistant Commissioners."

The amendment made by Finance Act, 1986 has been explained in Circular No. 16 of 1986, dated July 22, 1986 an extract wherefrom, explaining the corresponding provisions of the Income Tax Ordinance, 1979, is as follows:–

"(i) Previously, the proviso to clause (b) of sub-section (1) of section 5 empowered the Central Board of Revenue to authorise the Regional Commissioners of Income Tax and the Commissioners of Income Tax to determine the jurisdiction of the Appellate Assistant Commissioners. The said proviso has been amended to make the following two changes, namely:–

(a) The Board is now empowered to authorise the Regional Commissioner of Income Tax to also determine the Jurisdiction of the Commissioners of Income Tax exercising the functions of an Appellate Assistant Commissioner [administratively designated as Commissioner of Income Tax (Appeals)]

(b) The Commissioners of Income Tax can no longer be authorised by the Board to determine jurisdiction of the Appellate Assistant Commissioners.

(ii) The Central Board of Revenue is empowered to determine the jurisdiction of the Commissioners of Income Tax or to transfer jurisdiction in respect of persons or classes of persons or areas from one Commissioner of Income Tax to another. By addition of a second proviso to clause (b) of sub-section (1) of section 5, the Regional Commissioner of Income Tax has been empowered to transfer jurisdiction in respect of cases or persons from one Commissioner sub-ordinate to him to another. However, it may be clarified that the Regional Commissioner cannot transfer jurisdiction in respect of classes of cases or classes of persons or areas."

The CBR vide Notification No. SRO 734(I)/86, dated July 23, 1986, has directed "that the Regional Commissioners of Income Tax shall determine the jurisdiction of Commissioners of Income Tax exercising the powers of an Appellate Assistant Commissioner and the Appellate Assistant Commissioners."

Assessing powers to I.A.C.– Following is an extract from Circular No. 15 of 1980, dated June 26, 1980, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Under the repealed Act, an IAC could be appointed as an assessing officer in respect of specified cases, classes of cases, persons or classes of persons. These provisions, which did not exist in the Ordinance have been inserted."

Additional Commissioner of Income Tax appointed as 'Special Officer'.– Following is the text of RCIT Central Region's letter No. RCIT/3/88-89/250, dated July 14, 1988, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A number of Assistant Commissioners have been appointed by the Central Board of Revenue as "Special Officers" for disposal of assessment work. A question has been raised about the I.A.C. in respect of these Special Officers who will be authorised to grant statutory approvals.

Legally, a Special Officer is included in the definition of the Income Tax Officer under section 2(25) of the Income Tax Ordinance, 1979. There is no qualification about the status of the person appointed as Special Officer. Therefore, whatever the status of the person, he will be subordinate to an I.A.C. The Commissioners should, therefore, assign cases to the Special Officer and place him under the supervision of an I.A.C. who will be granting all the statutory approvals required in respect of those cases.

The position of an I.A.C. acting as Income Tax Officer under the provisions of section 5(1)(c) is totally different. In their case the Ordinance specifically requires that the Commissioner shall act as I.A.C. There is no such provision in the case of the Special Officer."

Approval power to RCIT.– Following is an extract from Circular No. 7 of 1984, dated July 24, 1984, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In the matter of granting approval under Clause (c) of Sub-section (1) of Section 5, the Central Board of Revenue may now authorise the Regional Commissioner to exercise this power."

Creation of Income Tax Panels.– For the abolished I.T. panel system of assessment, please see CBR's (i) Circular No. 20 of 1988 dated October 8, 1988 (ii) Circular Letter C. No. ITO-3(3)/88 dated October 12, 1988 (iii) Circular No. 2 of 1989 dated January 12, 1989 (iv) Circular Letter C. No. ITO-3(3)/88 (Cir-8) and Circular Letter C. No. ITO-3(3)/88 (Cir-9) both dated August 3, 1988 (v) Circular No. 3 of 1989 dated January 23, 1989, Circular No. 4 of 1989 dated January 26, 1989 and Circular No. 5 of 1989 dated January 31, 1989. Also see Sections 2(25A), 4(1A) & (1B) of the repealed Ordinance and Rule 35A of the Income Tax Rules, 1982.

Re-organisation of Income Tax Department.– Following is the text of CBR's Circular Letter C. No. 3681-C(DTA)/93 dated February 19, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In order to make arrangements for proper administration of different taxes and adequate utilization of information generated through capital value tax for the purpose of extending tax net of income tax and wealth-tax to new tax-payers, it has been decided to make marginal expansion and reorganization in the Income Tax Department.

1. PURPOSE OF REORGANIZATION:

Following are the purposes among others:–

(a) To provide facilities to the tax-payers through one window service;

(b) To broaden tax base of both Income Tax and Wealth tax;

(c) To improve quality of orders passed by officers;

(d) To streamline recovery of capital value tax and strengthen collections and deductions at source; and

(e) To properly monitor and control performance of subordinate offices.

2. METHODOLOGY TO BE ADOPTED:

(a) Functions of wealth-tax, income tax and capital value tax will be merged with the same office. This will facilitate the public as well as the tax department in extending the tax net;

(b) Existing work force in the functional zones i.e. Survey and Registration and Wealth-tax zones will also be utilized for the purposes of assessment and collection etc. of all direct taxes;

(c) Jurisdiction will be assigned on territorial basis except in respect of classes of persons who are essentially registered with some authority so as to ensure that all persons of that class are on our tax record. A few classes of persons of this type may be advocates, doctors, Chartered Accountants etc;

(d) An effort has to be made to place an assessing officer as near to the tax payer as possible and similarly supervisory officer would be stationed close to the assessing officer;

(e) At Lahore and Karachi one Range at each station shall be dealing with the functions of internal survey, matching of information with tax records and monitoring of withholding taxes in respect of these stations only. In territorial zones the Commissioners will have a cell of Inspectors headed by a staff officer attached with him to deal with the functions of internal survey at the headquarters, matching of information with the tax records and monitoring proper utilization of information as received from different quarters. The Commissioner may utilize this

cell for the purpose of administering withholding taxes at the headquarters only, whereas such monitoring of taxes in Mufassil areas will be responsibility of the assessing officer having jurisdiction over the territory;

(f) Powers of Tax Recovery Officer may be exercised by the assessing officer himself. Whereas the Commissioner may at his discretion deviate from this policy at headquarters of Ranges or the Zone, the officers in Mufassil areas will in any case be exercising the powers as TROs as well;

(g) Work load of the assessing officers will be rationalized and it is proposed that:–

(i) a company circle may have 150 live company cases alongwith the cases of their Directors;

(ii) a non-company circle may have maximum 2000 live cases;

(iii) the salary circle may have 3000 to 5000 live cases but the number of cases may go upto say 8000, if the assessment is made through computerisation; and

(iv) Every zone may have one special circle dealing with not more than 50 complicated cases specially assigned to this circle.

(h) The officers will be responsible for revenue targets of each tax separately. Targets for officers will be rationally fixed by the Commissioner.

3. ORGANIZATION OF HEADQUARTERS OF A TERRITORIAL ZONE:

CIT AND CWT

Special Assistant (BS-17, 18)	Staff Officer (BS-16, 17)	Admn. Officer (BS-16).
– Judicial Branch	Cell of Inspectors	– Administration
– Inspection Branch.	– Internal Survey	– Expenditure Budget
– Revenue Budget and Statistical branch	– Matching of Information,	
	– Withholding taxes.	

4. PROPOSED REORGANIZATION:

On the basis of these criteria, 28 revenue zones, 24 appellate zones and 4 offices of Appellate Additional Commissioners are being re-organized. Administrative orders have been issued regarding creation/redesignation of new zones and Appellate offices (Annex-I). Jurisdiction to be exercised by these authorities has been notified separately (Annex-II). The Regional Commissioners may balance work-load of different Zones while exercising powers vested in them under second proviso to clause (b) of sub-section (1) of section 5 of the Income Tax Ordinance. Annex-III to this letter gives the locations where the ranges headquarters and circles offices will be situated in respect of each zone. The jurisdiction order has been so framed that it does not break a circle and therefore there would practically be no shifting of income tax records. Wealth-tax papers will have to be shifted to the relevant income tax authority in cases of Muffassil areas and also in big towns as well if the CWT decides to immediately assign jurisdiction over wealth-tax cases to the relevant income tax authority.

Annex-IV to this letter indicates sanctioned strength of each zones. It may be appreciated that sanctioned strength of the officers in each zone is in-variably more than the present working strength and the assessment & recovery job which is presently distributed among the working strength will not be disturbed at all. Efforts are being made to recruit/promote and train officers in order to fill in the vacant posts as early as possible & their services may be utilized in such a manner that they become a source of strength & not a source of disturbance to the organization. Partial adjustments in jurisdiction as envisaged in Para 2 may be started/made forthwith and gradually enlarged so that the complete scheme of reorganization become fully operative w.e.f. 1.7.1994.

5. SENIORITY LIST/RECRUITMENT AND PROMOTION OF STAFF AND DISCIPLINARY PROCEEDINGS.

Every revenue Commissioner will maintain seniority list of staff posted in his zone or with the appellate authorities or other income tax offices situated in his territorial

jurisdiction. While constituting departmental selection or promotion committees for different cadres of the staff, the said Commissioner will ensure representation of other offices as well on these committees. At Lahore and Karachi which are multizonal/office stations, combined seniority list will be maintained by the regional offices in respect of staff posted in all the zones or with the appellate authorities or other income tax offices situated within the territorial jurisdiction of the Commissioners at the respective stations. Departmental selection committees (DSCs) and departmental promotion committees (DPCs) for different cadres will be so constituted that all zones/offices at the respective station are duly represented in one or the other committee. CONSTITUTION OF DSCS AND DPCS FOR DIFFERENT CADRES HAS TO BE APPROVED BY THE SECRETARY REVENUE DIVISION. PROPOSALS IN THIS REGARD NOMINATING OFFICERS BY DESIGNATION MAY BE SENT TO THE BOARD IMMEDIATELY.

For the purposes of Efficiency and Discipline Rules, every zone and the regional office shall be construed to be a department with the relevant officers functioning as Authorised Officers or Authorities, as the case may be. Also for the financial matters each zone/Regional office will be a department, with the Commissioner/Regional Commissioner having all the powers as exercisable by a head of the department.

6. THINGS TO DO:

Necessary arrangements including the following for establishing the required offices are to be completed expeditiously by the present RCsIT/CsIT who have been given charges/additional charges for the time being:–

(i) The sanctioned strength of each Zone as given in Annex-IV, on the basis of definite formula for each office may be provided to each office. While sanctioning posts we have tried to provide one post each of Armed guard, Chowkidar, Mali and sweeper for each building, which may be distributed accordingly.

(ii) New respectable buildings for the purposes of offices are to be acquired on rent;

(iii) Intentions of the staff members are to be ascertained regarding their choice of zones in which they want to be included so that they are accommodated in accordance with their choice as far as possible. Where it is absolutely not possible to accommodate staff in accordance with the choice as far as possible. Where it is absolutely not possible to accommodate staff in accordance with the choice Zone/cadre, then junior members of the staff are to be disturbed. Seniority lists of officials may accordingly be compiled by every CIT/RCIT., on the basis of dates of joining of the members in their respective grades.

(iv) Vacancies of staff in different cadres may be calculated on revenue zonal basis as discussed at S. No. 5 above and necessary steps may be taken for filling in the posts before May, 1994 through promotion, transfer or recruitment as prescribed in the relevant schemes.

(v) Jurisdiction orders may be prepared in line with the methodology as at S. No. 2 above. However, for the time being these jurisdictions orders may have some deviations which are considered inevitable so as to avoid massive transfer of records but with effect from July 1, 1994, there will be no deviation in jurisdiction order from the methodology given at S. No. 2 above.

(vi) Annex-V indicates code numbers assigned to different Zones. These may be given wide publicity."

[*The annexures have not been reproduced here for the sake of brevity*] [**ref:** *[94 ITL 14]*]

Earlier the CBR had issued Circular Letter No. ITO-3(3)/88, dated June 28, 1988, Telex No. 2688/CH/88, dated July 4, 1988, Circular No. 8 of 1988 dated August 3, 1988, Circular No. 9 of 1988 dated August 3, 1988, Circular Letter C. No. IT-0/3(3)88, dated August 25, 1988, Circular Letter C. No. IT-IV-3(3)/88 dated March 8, 1989 regarding reorganisation of the Department.

[1][**211. Power or function exercised.–** (1) Where, by virtue of an order under section 210, [2][an Officer of Inland Revenue] [3][or by a special audit panel appointed under sub-section (11) of section 177] exercises a power or performs a function of the Commissioner, such power or function shall be treated as having been exercised or performed by the Commissioner.

(2) The exercise of a power, or the performance of a function, of the Commissioner by [2][an Officer of Inland Revenue] shall not prevent the exercise of the power, or the performance of the function, by the Commissioner.]

[4][(3) the Board or with the approval of the Board an authority appointed under this Ordinance, shall be competent to exercise all powers conferred upon any authority subordinate to it.]

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[1]Section 211 substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "a taxation officer" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.
[3]Words etc. inserted by Finance Act, 2015 dated June 30, 2015.
[4]Sub-section (3) inserted by Finance Act, 2012 dated June 26, 2012.

Following is the text of CBR's Letter No. 7(8)DT-14/94 dated May 16, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"As you are aware the department has been recently reorganized with a view to merge certain vital functions in once office. The objective was twofold-(a) the convenience of the taxpayer and (b) improvement in efficiency and consequent enhancement in revenue. The Deputy commissioner of Income Tax would therefore be responsible for the administration of the Income Tax, Wealth Tax and Capital Value Tax within his territorial jurisdiction. The restruction of the Department has made it possible for him to keep a close watch on the growth of Incomes and assets within the area assigned to him. This would however not be without corresponding accountability. The Deputy Commissioner would be held responsible for the level of assessed incomes proper taxation of Wealth particularly in the form of commercial buildings, luxury houses expensive cars and others manifestation of conspicuous consumption. Besides his response to taxable events occurring within his jurisdiction would also be measured and the officer would be responsible for persons who do not file their return although they are otherwise liable to tax.

2. The above mentioned tasks offer a formidable challenge particularly in view of the ever increasing budget targets. It is a situation where we have to prove our metal. I am quite clear that the very high targets that the government has set for us cannot be achieved with the administrative style that we have followed in the past years to requires re-thinking and a totally new approach. The government has provided us most of the resources that we needed and it is now our turn to go ahead with the task with all the energy and zeal.

3. I, strongly urge you to make the best use of the time available till the commencement of next financial year and devise specific strategy for achievement of the objectives that you are expected to realise in the next fiscal year.

4. I would be meeting you more frequently in the next month to discuss these matters and to review the progress made in this direction."

S. 211–Delegation, substitution.– Section 211 before substitution by Finance Ordinance, 2002, read as follows:–

"211. Delegation.– The Commissioner may delegate to any taxation officer any duty, power, or function conferred or imposed on the Commissioner under this Ordinance, other than the power of delegation under this section."

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[1][**212. Authority of approval.–** The [2][Board] may, by a general or special order, authorise the [3][Chief Commissioner Inland Revenue] or the Commissioner to grant approval in any case where such approval is required from the [2][Board] under any provision of this Ordinance.]

[4][**213. Guidance to income tax authorities.–** In the course of any proceedings under this Ordinance, the Commissioner or any taxation officer may be assisted, guided or instructed by any income tax authority to whom he is subordinate or any other person authorised in this behalf by the [2]*[*Board*]*.]

[5][**214. Income tax authorities to follow orders of the [3][Board].–** (1) Subject to sub-section (2), all income tax authorities and other persons employed in the execution of this Ordinance shall observe and follow the orders, instructions and directions issued by the [2][Board].

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[1]Section 212 substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.
[3]Substituted for "Regional Commissioner" by Finance Act, 2021 dated June 30, 2021.
[4]Section 213 substituted by Finance Ordinance, 2002 dated June 15, 2002.
[5]Section 214 substituted by Finance Ordinance, 2002 dated June 15, 2002.

S. 212–Authority of approval, substitution.– Section 212 before substitution by Finance Ordinance, 2002, read as follows:–

"212. Authority of approval.– The Central Board of Revenue may, by general or special order, in writing, authorise the Regional Commissioner or the Commissioner to grant approval in any case where such approval is required from the Central Board of Revenue under any provision of this Ordinance."

RCITs and CITs authorized for certain approvals.–Following is the text of CBR's Notification No. SRO 126(I)/2004, dated February 19, 2004:–

"In exercise of the powers conferred by section 212 of the Income Tax Ordinance, 2001 (XLI of 2001), the Central Board of Revenue is pleased to authorize the Regional Commissioners or the Commissioners, specified in column (3) of the table below, to grant approvals specified in column (2) of the said table, namely:–

S. No.	Approvals	Regional Commissioners/ Commissioners
1.	Training scheme for the purposes of section 27(c) of the Income Tax Ordinance, 2001.	Regional Commissioner.
2.	Modaraba or Leasing company for the purposes of section 28(1)(b) read with section 28(3) of the Income Tax Ordinance, 2001.	Regional Commissioner.
3.	Pension scheme for the purposes of clause (12) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.	Commissioner.
4.	Gratuity scheme for the purposes of clause (13)(iii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.	Commissioner."

S. 213–Exercise of jurisdiction by successor, substitution.– Section 213 before substitution by Finance Ordinance, 2002, read as follows:–

"213. Exercise of jurisdiction by successor.– Where, in respect of any proceedings under this Ordinance, an income tax authority is succeeded by another, the succeeding authority may continue the proceedings from the stage at which it was left by that authority's predecessor.

S. 214–Guidance to Commissioner or taxation officer, substitution.– Section 214 before substitution read as follows:–

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(2) No orders, instructions or directions shall be given by the [1][Board] that will interfere with the discretion of the Commissioner (Appeals) in the exercise of his appellate function.]

[2][**214A. Condonation of time limit**.– Where any time or period has been specified under any of the provisions of the Ordinance or rules made there-under within which any application is to be made or any act or thing is to be done, the Board may, [3][at any time before or after the expiry of such time or period,] in any case or class of cases, permit such application to be made or such act or thing to be done within such time or period as it may consider appropriate [4][.]

[5][*Explanation*,- For the purpose of this section, the expression "any act or thing is to be done" includes any act or thing to be done by the taxpayer or by the authorities specified in section 207.]

Provided that the Board may, by notification in the official Gazette, and subject to such limitations or conditions as may be specified therein, empower any Commissioner or [6][Chief Commissioner] under this Ordinance to exercise the powers under this section in any case or class of cases [7][:]

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[1]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.
[2]Sections 214A & 214B inserted by Finance Act, 2009 dated June 30, 2009.
[3]Words inserted by Finance Act, 2022 dated June 30, 2022.
[4]Substituted for colon by Finance Act, 2012 dated June 26, 2012.
[5]Explanation inserted by Finance Act, 2012 dated June 26, 2012.
[6]Substituted for "Director General" by Finance Act, 2012 dated June 26, 2012.
[7]Substituted for full stop by Finance Act, 2025 in force from 1 July, 2025.

"214. Guidance to Commissioner or taxation officer.– In the course of any proceedings under this Ordinance, the Commissioner or any taxation officer with delegated power under section 211 may be assisted, guided or instructed by any income tax authority to whom he is subordinate or any other person authorised in this behalf by the Central Board of Revenue."

S. 214–CBR's Circulars.– See section 206 for validity of CBR's circulars.

S. 214A-Condonation of time limit.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"49.1 A new section 214A has been inserted which provides that where any time or period has been specified under any provisions of the Ordinance or rules made there-under within which any application is to be made or any act or thing is to be done, the Board may, in any case or class of cases, permit such application to be made or such act or thing to be done within such time or period as it may consider appropriate.

49.2 The Board is also empowered to allow any Commissioner or Director General to exercise the powers under this section in any case or class of cases by issuing notification in the official gazette and subject to such limitation or condition as may be specified therein."

S. 214A.- Condonation of Time Period by the Board.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [section 214A]

"The power of the Board to grant condonation for unlimited period have been curtailed to a period of two years through Finance Act, 2025. However, in case of certain exigencies involving significant revenue loss to exchequer or the taxpayer have been caused due to an act of omission or commission by the person or the Commissioner, a committee will be constituted by the Board which can condone time limitation beyond period of two year after providing an opportunity of heard to the person concerned."

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[1][Provided further that regardless of anything stipulated in this section, or any provision of this Ordinance, or any other applicable law currently in force, and notwithstanding any decision, order or judgment issued by any forum, authority or court, the maximum period of extension under this section by the Board or the Commissioner, as the case may be, shall not exceed two years in aggregate:

Provided also that where there are reasons to believe that significant loss to exchequer or the taxpayer has been caused by an act of omission or commission by the person or by the Commissioner, a committee of members as notified by the Board may further condone the limitation specified for a period as it may deem fit, after providing a reasonable opportunity of being heard to the person concerned.]

214B. Power of the Board to call for records.- (1) The Board may, of its own motion, call for and examine the record of any departmental proceedings under this Ordinance or the rules made there-under for the purpose of satisfying itself as to the legality or propriety of any decision or order passed therein and may pass such order as it may think fit:

Provided that no order imposing or enhancing any tax or penalty than the originally levied shall be passed unless the person affected by such order has been given an opportunity of showing cause and of being heard.

(2) No proceeding under this section shall be initiated in a case where an appeal is pending.

(3) No order shall be made under this Section after the expiry of three years from the date of original decision or order.]

[1][**214C. Selection for audit by the Board,-** (1) The Board may select persons or classes of persons for audit of Income Tax affairs through computer ballot which may be random or parametric as the Board may deem fit.

[2][(1A) Notwithstanding anything contained in this Ordinance or any other law, for the time being in force, the Board shall keep the parameters confidential.]

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[1]Provisos inserted by Finance Act, 2025 in force from 1 July, 2025.
[2]Section 214C inserted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.
[3]Sub-section (1A) inserted by Finance Act, 2013 dated June 29, 2013.

S. 214B-Power of the Board to call for records.-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"A new section 214B has been introduced which empowers the Board to call for and examine record of any departmental proceedings under this Ordinance or the rules made there under for the purpose of satisfying itself as to the legality or propriety of any decision or order passed therein and may pass such order as it may think fit.

The Board shall, however, not pass any order imposing or enhancing any tax or penalty, unless the concerned person has been given an opportunity of being heard. A limitation period of 3 years starting from the date of original decision or order has been provided to pass such order by the Board."

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(2) Audit of Income Tax affairs of persons selected under sub-section (1) shall be conducted as per procedure given in section 177 and all the provisions of the Ordinance, except the first proviso to sub-section (1) of section 177, shall apply accordingly.

(3) For the removal of doubt it is hereby declared that Board shall be deemed always to have had the power to select any persons or classes of persons for audit of Income Tax affairs.]

[1][*Explanation*.- For the removal of doubt, it is declared that the powers of the Commissioner under section 177 are independent of the powers of the Board under this section and nothing contained in this section restricts the powers of the Commissioner to call for the record or documents including books of accounts of a taxpayer for audit and to conduct audit under section 177.]

[2][ ]

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[1]Explanation inserted by Finance Act, 2013 dated June 29, 2013.

[2]Section 214D omitted by Finance Act, 2018 dated May 23, 2018. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.

S. 214C–Selection for audit by the Board.– Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"The Federal Board of Revenue may select persons or classes of person for audit of Income Tax affairs through computer ballot which may be random or parametric. Whenever there is a parametric selection of cases the Board shall keep the parameters confidential. For the removal of doubt it has been clarified that the powers of the Commissioner under section 177 are independent of the powers of the Board under section 214C to select a case for audit of the income tax affairs and there is no restriction in section 214C that restricts the powers of the Commissioner to call for the record or documents including books of accounts of taxpayer for audit and to conduct audit under section 177 of the Income Tax Ordinance, 2001."

S. 214D-Omission.- Before omission by F. Act, 2018, it read as follows:-

"214D. Automatic selection for audit.- (1) A person shall be automatically selected for audit of its income tax affairs for a tax year, if-

(a) the return is not filed within the date it is required to be filed as specified in section 118, or, as the case may be, not filed within the time extended by the Board under section 214A or further extended for a period not exceeding thirty days by the Commissioner under section 119; or

(b) the tax payable under sub-section (1) of section 137 has not been paid.

(2) Audit of income tax affairs of persons automatically selected under sub-section (1) shall be conducted as per procedure given in section 177 and all the provisions of the Ordinance shall apply accordingly:

Provided that audit proceedings shall only be initialed after the expiry of ninety days from the date as mentioned in sub-section (1).

(3) Subject to section 182, 205 and 214C, sub-section (1) shall not apply if the person files the return within ninety days from the date as mentioned in sub-section (1) and-

(a) twenty-five percent higher tax, than the tax paid during immediately preceding tax year, has been paid by a person on the basis of taxable income and had declared taxable income in the return for immediately preceding tax year; or

(b) tax at the rate of two percent of the turnover or the tax payable under Part I of the First Schedule, whichever is higher, has been paid by a person alongwith the return and in the immediately preceding tax year has either not filed a return or had declared income below taxable limit:

Provided that where return has been filed for the immediately preceding tax year, turnover declared for the tax year is not less than the turnover declared for the immediately preceding tax year.

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[1][**214E. Closure of audit.-** [2][(1)] Notwithstanding the omission of section 214D, audit of income tax affairs of a taxpayer under sub-section (2) of section 214D shall be deemed to have been concluded, if-

(i) taxpayer has been selected for audit under sub-section (1) of the omitted section 214D;

(ii) notice under section 122 has not been issued;

(iii) the taxpayer has revised return voluntarily, by thirty first day of December, 2018, along with payment of 25% higher tax than the tax paid with return on the basis of taxable income and where no tax is payable 2% of the turnover and where no turnover is declared penalty under entry at Serial No. 1 of sub-section (1) of section 182 has been paid voluntarily:

Provided that the condition of revision, 25% higher tax or 2% of the turnover shall not apply, if the taxable income of the taxpayer includes only salary income or income subject to final taxation under sub-section (1) of section 169 or subject to taxation under section 5, 5AA, 6, 7, 7A or 7B.

Explanation.- For the removal of doubt it is clarified that only audit initiated as a result of automatic selection under the omitted section 214D shall stand abated under this section and audit initiated or to be initiated on the basis of definite information or otherwise as per provisions of section 177 or 214C shall be conducted independently.]

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[1]Section 214E inserted by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018.

[2]Section 214E re-numbered by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was re-numbered by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

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(4) The provisions of sub-section (1) and sections 177 and 214C shall not apply, for a tax year, to a person registered as retailer under rule (4) of the Sales Tax Special Procedure Rules, 2007 subject to the condition that name of the person registered under rule (4) of the Sales Tax Special Procedure Rules, 2007 remained on the sales tax active taxpayers' list throughout the tax year.

(5) Sub-section (4) shall have effect from the date as the Board may, by notification in official Gazette, appoint."

Following is an extract from FBR's Circular No. 10 of 2010 dated July 16, 2010:-

"Through introduction of new section 214C in the Income Tax Ordinance, 2001 Federal Board of Revenue has been empowered to select person or classes of persons for audit through random or parametric computer ballot. Audit in such cases shall be conducted in accordance with the provisions of section 177 [except the first proviso to sub-section (1) of section 177] of the Income Tax Ordinance, 2001 and the Board shall be deemed always to have had such powers."

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[1][(2) Notwithstanding anything contained in sub-section (1), the Board may prescribe procedure for conclusion of audit of income tax affairs of a person automatically selected for audit under omitted section 214D.

(3) The prescribed procedure under sub-section (2) may include acceptance of declared income of a taxpayer for a tax year subject to conditions specified therein.]

[2][**215. Furnishing of returns, documents etc.–** (1) Where, by virtue of an order under section 210, the Commissioner has delegated to any [3][officer of Inland Revenue] the function and power to receive, or to call for and receive, any returns of income, certificates, documents, accounts and statements from any person [4][ ], the [5][person] shall furnish such returns, certificates, documents, accounts and statements to that [6][officer of Inland Revenue] and, when furnished, shall be treated as having been furnished to the Commissioner.

(2) Where a person is allowed, under any provision of this Ordinance, to make an application to the Commissioner and the Commissioner has delegated to any [6][officer of Inland Revenue] the function or power to receive the application, such application, when made, shall be treated as having been made to the Commissioner.]

[1]Sub-sections (2) & (3) inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was inserted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

[2]Section 215 substituted by Finance Ordinance, 2002 dated June 15, 2002.

[3]Substituted for "taxation officer" by Finance Act, 2010 dated June 30, 2010. This amendment was [4]Words "or persons or class of persons (hereinafter called 'filer')" omitted by Finance Act, 2019 dated June 30, 2019.

[5]Substituted for "filer" omitted by Finance Act, 2019 dated June 30, 2019.

[6]Substituted for "taxation officer" by Finance Act, 2010 dated June 30, 2010. This amendment was earlier made by Finance (Amendment) Ordinance, 2009 dated October 28, 2009.

S. 215–Taxation officers to follow orders of CBR, substitution.– Section 215 before substitution by Finance Ordinance, 2002, read as follows:–

"215. Taxation officers to follow orders of Central Board of Revenue.– (1) Subject to sub-section (2), all taxation officers and other persons employed in the execution of this Ordinance shall observe and follow the orders, instructions and directions of the Central Board of Revenue.

(2) No orders, instructions or directions shall be given by the Central Board of Revenue that will interfere with the discretion of the Commissioner (Appeals) in the exercise[*] the appellate function of the Commissioner (Appeals)."

[*]The word "of" seems to be omitted.

8-148-30-05-2020

216. Disclosure of information by a public servant.– (1) All particulars contained in–

(a) any statement made, return furnished, or accounts or documents produced under the provisions of this Ordinance;

(b) any evidence given, or affidavit or deposition made, in the course of any proceedings under this Ordinance, other than proceedings under Part XI of Chapter X; or

(c) any record of any assessment proceedings or any proceeding relating to the recovery of a demand,

shall be confidential and no public servant save as provided in this Ordinance may disclose any such particulars.

[1][(2) Notwithstanding anything contained in the *Qanune-Shahadat*, 1984 (P.O. No. 10 of 1984), the National Accountability Ordinance, 1999 (XVIII of 1999), the Federal Investigation Agency Act, 1974 (VIII or 1975) and the Right of Access to Information Act, 2017 (XXXIV of 2017), or any other law for the time being in force, no court or any other authority shall, save as provided in the Ordinance, require any public servant to produce before it any return, accounts, or documents contained in, or forming a part of the records relating to any proceedings under the Ordinance, or declarations made under the Voluntary Declaration of Domestic Assets Act, 2018, the Foreign Assets (Declaration and Repatriation) Act, 2018 or the Assets Declaration Act, 2019 or any records of the Income Tax Department generally, or any part thereof, or to give evidence before it in respect thereof;]

(3) Nothing contained in sub-section (1) shall preclude the disclosure of any such particulars–

(a) to any person acting in the execution of this Ordinance, where it is necessary to disclose the same to him for the purposes of this Ordinance;

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[1]Sub-section (2) substituted by Finance Act, 2022 dated June 30, 2022. Earlier it was substituted by Income Tax (Amendment) Ordinance, 2022 dated March 03, 2022.

S. 216(2)–Substitution.– Before substitution, it read as follows:-

"(2) Notwithstanding anything contained in the Qanun-e-[1][Shahadat], 1984 (P.O. Order No. 10 of 1984), or any other law for the time being in force, no court or other authority shall be, save as provided in this Ordinance, entitled to require any public servant to produce before it any return, accounts, or documents contained in, or forming a part of the records relating to any proceedings under this Ordinance, or any records of the Income Tax Department generally, or any part thereof, or to give evidence before it in respect thereof."

[1]Substituted for "Shadat" by Finance Act, 2005 dated June 29, 2005 to make an editorial correction as per 'Notes on clauses of Finance Bill 2005'. This error was earlier pointed out in this book.

S. 216–Disclosure to certain persons.– Following is an extract from Circular No. 7 of 1984 dated July 24, 1984, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A new clause (aa) has been inserted in sub-section (3) of section 150, to permit the Central Board of Revenue to authorise disclosure of information necessary for purposes of processing of data and preparation of computer printouts relating to returns of income or calculation of tax. This is intended to facilitate the computerisation of information by the Computer Wing of the Survey and Collation Zone.

Clause (j) has also been amended to permit disclosure of information to the Corporate Law Authority with which the Securities and Exchange Authority has since been merged."

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(b) to any person authorised by the Commissioner in this behalf, where it is necessary to disclose the same to such person for the purposes of processing of data and preparation of computer printouts relating to returns of income or calculation of tax;

[1][(ba) to an auditor, audit mentors and sectoral experts appointed on contractual basis or engaged through a third party including a payroll firm in the Federal Board of Revenue, after a non-disclosure agreement is made with such auditor as may be prescribed, to assist any authority mentioned in clauses (b) to (g) of sub-section (1) of section 207;]

(c) where the disclosure is occasioned by the lawful employment under this Ordinance of any process for the service of any notice or the recovery of any demand;

(d) to the Auditor-General of Pakistan for the purpose of enabling the Auditor-General to discharge his functions under the Constitution;

(e) to any officer appointed by the Auditor-General of Pakistan or the Commissioner to audit income tax receipts or refunds;

(f) to any officer of the Federal Government or a Provincial Government authorised by such Government in this behalf as may be necessary for the purpose of enabling that Government to levy or realise any tax imposed by it;

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[1]Clause (ba) substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2025 in force from 1 July, 2025.

S. 216(3)(ba)-Substitution.- Before substitution by F. Act, 2026, it read as follows:-

"(ba) to an auditor appointed on contractual basis or engaged through a third party including a payroll firm in the Federal Board of Revenue, after a non-disclosure agreement is made with such auditor as may be prescribed, to assist any authority mentioned in clauses (b) to (g) of sub-section (1) of section 207."*

*There should have been a semi-colon instead of the full stop.

Disclosure to FIA/Police officials.– Following is the text of CBR's Circular No. 11 of 1987 dated December 28, 1987, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The Federal Investigation Agency vide Circular Order No. XVI, dated 8th October, 1988 (reproduced below) have emphasised upon all concerned for cooperation with FIA/Police officials in carrying out the investigations freely and to refrain from creating an impediment in their way in as much as production of record etc. is concerned.

2. The matter has been considered in the Board and it is requested that the instructions contained in FIA's above quoted circular may be complied with keeping in view the provisions contained in section 150 of the Income Tax Ordinance. In case of any doubt, matter be referred to the Board for advice."

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(g) to any authority exercising powers under [1][the [1]/Federal Excise Act. 2005*/*], the Sales Tax Act, 1990, the Wealth Tax Act, 1963 (XV of 1963), or the Customs Act, 1969 (IV of 1969), as may be necessary for the purpose of enabling its duty to exercise such powers;

(h) occasioned by the lawful exercise by a public servant of powers under the Stamp Act, 1899 (II of 1899) to impound an insufficiently stamped document;

(i) to the State Bank of Pakistan to enable it to compile financial statistics of international investment and balance of payment;

(j) as may be required by any order made under sub-section (2) of section 19 of the Foreign Exchange Regulation Act, 1947 (VII of 1947), or for the purposes of any prosecution for an offence under section 23 of that Act;

(k) to the Securities and Exchange Commission or the Monopolies Control Authority for the purposes of the Securities and Exchange Ordinance, 1969 (XVII of 1969), the Monopolies and Restrictive Trade Practices (Control and Prevention) Ordinance, 1970 (VI of 1970), the [2][Companies Act, 2017 (XIX of 2017)] or the Securities and Exchange Commission of Pakistan Act, 1997, as the case may be;

[3][(ka) Employees Old Age Benefit Institution in respect of information regarding salaries in statements furnished under section 165;]

[4][ ]

[5][(kc) to National Database and Registration Authority to process and analyze such data for the purposes of broadening of tax base;]

[6][(kd) to the Tax Policy Office for the purpose of processing and analyzing data for research and policy analysis; and

[1]"Federal Excise Act, 2005" substituted for "Central Excises Act, 1944 (I of 1944)" by Finance Act, 2005 dated June 29, 2005. As per 'Notes on Clauses of Finance Bill 2005' this: "Seeks to replace reference to old Central Excise Act, by the new one". Earlier "the Central Excises Act, 1944 (I of 1944)" was substituted for "the Central Excises and Salt Act, 1944 (I of 1944), the Estate Duty Act, 1950 (X of 1950)" by Finance Ordinance, 2002 dated June 15, 2002.

[2]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.

[3]Clause (ka) inserted by Finance Act, 2017 dated June 20, 2017.

[4]Clause (kb) omitted by Finance Act, 2022 dated June 30, 2022. Earlier it was omitted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021 and was inserted by Finance Act, 2018 dated May 23, 2018.

[5]Clause (kc) inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

[6]Clauses (kd) & (ke) inserted by Finance Act, 2025 in force from 1 July, 2025.

Clause (kb)-Omission.– Before omission by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021, it read as follows:–

"(kb) to National Database and Registration Authority for the purpose of broadening of the tax base;"

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(ke) to the recognized universities [1][, international research institutions and international] donor agencies subject to the conditions that before sharing, the taxpayer's data shall be anonymized.]

(l) relevant to any inquiry into a charge of misconduct in connection with income tax proceedings against a legal practitioner or an accountant;

(m) to a Civil Court in any suit or proceeding to which the Federal Government or any income tax authority is a party which relates to any matter arising out of any proceedings under this Ordinance;

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[1]Substituted for "and international" by Finance Act, 2026 dated June 26, 2026.

S. 216-Disclosure of Information in Respect of Public Officials.-Following is an extract from FBR's Circular No. 12 of 2022 dated January 12, 2022:-

"The legislation seeks to allow disclosure of information u/s 216 of the Ordinance in respect of any high-level public officials and public servants in BPS-17 and above, their spouses, children or benamidars, or any person in relation to whom the afore-mentioned persons are beneficial owner."

Following is the text of the FIA's Order dated October 8, 1988 referred to above, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Various complaints made by the FIA/Police Officials have come to notice that during criminal Investigations, some Departments and the custodians of the relevant record hesitate or decline to hand over the necessary and relevant record in criminal investigations requisitioned by the FIA/Police officials and have hereby been instrumental in hampering the investigation.

2. These officials or agencies are perhaps not aware of the legal position, which is brought to their notice for future guidance. An FIA/Police Officer is empowered to take into possession or require the custodian of such record to appear before him alongwith the requisite documents under section 94 Cr.P.C. which is reproduced below for ready reference:–

"Summons to produce document or other thing.– (1) Whenever any court or any officer-in-charge of a Police Station considers that the Production of any document or other thing is necessary or desirable for the purpose of any investigation inquiry, trial or other proceedings under this Code by or before such Court, or officer, such Court may issue a summon, or such officer a written order, to the person in whose possession or power such document or thing is believed to be required by him to attend and produce it, or to produce it, at the time and place stated in the summon or order."

3. It is further pointed our that any person who disobeys the order of a Police Officer in this regard, can be prosecuted as explained in Section 74 of PPC. Relevant portion is quoted below for ready reference:–

"Non-attendance in obedience to an order from public servant:– Whoever, being legally bound to attend in person or by an agent at a certain place and time in obedience to a summon, notice, order or proclamation proceeding from any public servant legally competent, as such public servant, to issue the same, intentionally omits to attend at the place or time, or departs from the place whether he is bound to attend before the time which it is lawful for him to depart, shall be punished with simple imprisonment for a term which

may extend to one month, or with fine which may extend to five hundred rupees or with both; or if the summons, notice order or proclamation is to attend in person or by agent in a Court of Justice, with simple imprisonment which may extend to six months or with fine which may extend to one thousand rupees, or with both".

4. In order to obviate any ugly situation, all concerned are requested to cooperate with the FIA/Police officials in carrying out the investigations freely and refrain from creating any impediments in their way."

Publication of directories of taxpayers.– Following is an extract from CBR's Circular No. 8 of 1999, dated July 27, 1999, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Section 150 has been amended to authorize disclosure of information about a taxpayer to the Federal Tax Ombudsman. The amended section also authorizes the Federal Government to publish particulars of income and the amount of tax paid by holders of a public office as defined in the Ehtesab Act, 1997 (IX of 1997)." [**Ref:** *99 ITC 9*]

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(n) for the purposes of a prosecution for any offence under the Pakistan Penal Code, 1860 (XLVI of 1860), in respect of any such statement, returns, accounts, documents, evidence, affidavit or deposition, or for the purposes of a prosecution for any offence under this Ordinance;

(o) relevant to any inquiry into the conduct of an official of the Income Tax Department to any person or officer appointed to hold such inquiry, or to a Public Service Commission, established under the Federal Public Service Commission Ordinance, 1977 (XLV of 1977), when exercising its functions in relation to any matter arising out of such inquiry;

(p) as may be required by any officer or department of the Federal Government or of a Provincial Government for the purpose of investigation into the conduct and affairs of any public servant, or to a Court in connection with any prosecution of the public servant arising out of any such investigation;

(q) to an authorised officer of the government of any country outside Pakistan with which the Government has entered into an agreement under section 107 for the avoidance of double taxation and the prevention of fiscal evasion as may be required to be disclosed in pursuance of that agreement; or

(r) to the Federal Tax Ombudsman appointed under the Establishment of the Office of Federal Tax Ombudsman Ordinance, 2000 (XXXV of 2000) [1][; or]

[2][(s) to the Financial Monitoring Unit (FMU) for the purposes of performing functions as laid down in the Anti-Money Laundering Act, 2010 (VII of 2010) [3]*[*or*]*]

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[1]Substituted for full stop by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was substituted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

[2]Clause (s) inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was inserted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

[3]Substituted for full stop by Finance (Supplementary) Act, 2022 dated January 15, 2022.

Disclosure of particulars of tax payers.– Following is an extract from CBR's Circular No. 7 of 1981, dated July 6, 1981, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The law has been amended to empower the CBR to disclose with the prior approval of the Government particulars of income, assets, liabilities, expenses and taxes, etc., in respect of taxpayers to the general public. This power has been given to the CBR only."

Communication to Narcotics Board.– Following is the text of CBR's Letter C. No. 6(3)/93-DT-8 dated January 10, 1994, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"In partial modification of the order No. 6(3)/93-DT.8 dated 16th October, 1993, the Federal Government, in exercise of the powers conferred by sub section (5) of section 150 of the Income Tax Ordinance, 1979, has been pleased to approve the communication of particulars/information about income tax and wealth tax assessees to the Anti-Narcotics Task Force.

It has been further decided that the Narcotics Control Board and the Anti-Narcotics Task Force may requisition the necessary information direct from the concerned Commissioner of Income Tax and Wealth Tax."

S. 216.- Information sharing with NADRA. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"For the purposes of broadening of tax base, clause (kc) has been added to sub-section (3) of section 216 to enable FBR to share data with National Database and Registration Authority (NADRA)."

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[1][(t) in respect of any high-level public officials and public servants in BPS-17 and above, their spouses, children or benamidars, or any person in relation to whom the aforementioned persons are beneficial owner:

Provided that nothing in clause (t) shall apply to those who are expressly excepted under clause (iv) of sub-section (m) of section 5 of the National Accountability Ordinance, 1999 (Ordinance No. XVIII of 1999).

Explanation.– "High-level public officials" mean politically exposed persons as defined by a rule, regulation, executive order or instrument; or under any law for the time being in force.]

(4) Nothing in this section shall apply to the production by a public servant before a Court of any document, declaration, or affidavit filed or the giving of evidence by a public servant in respect thereof.

(5) Nothing contained in sub-section (1) shall prevent the [1][Board] from publishing, with the prior approval of the Federal [2][Government], any such particulars as are referred to in that sub-section.

(6) Nothing contained in sub-section (1) shall prevent the Federal Government from publishing particulars and the amount of tax paid by a holder of a public office as defined in the [3][National Accountability Bureau Ordinance, 1999 (XVIII of 1999)].

[4][(6A) Nothing contained in sub-section (1) shall prevent the Board from providing data to any person approved by the Federal Government to process and analyze such data for broadening of tax base or for checking evasion:

Provided that such data shall be anonymized before transmission to the person and identifying particulars of the taxpayers shall be kept confidential.]

[5][(6B) Nothing contained in sub-section (1) shall prevent the Board from publishing the names of offshore evaders, in the print and electronic media who have evaded offshore tax equal to or exceeding rupees two and half million Rupees.

(6C) Nothing contained in sub-section (1) shall prevent the Board from publishing the names of offshore tax enablers, in the print and electronic media who have enabled offshore tax evasion.]

[1]Clause (t) inserted by Finance (Supplementary) Act, 2022 dated January 15, 2022 and shall always be deemed to have been so added.
[1a]Substituted for "Commissioner" by Finance Act, 2011 dated June 30, 2011.
[2]Substituted for "Minister-in-charge" by Finance Act, 2018 dated May 23, 2018. Earlier it was substituted for "Government" by Finance Act, 2017 dated June 20, 2017.
[3]Substituted for "Ehtesab Act, 1997 (IX of 1997)" by Finance Ordinance, 2002 dated June 15, 2002.
[4]Sub-section (6A) inserted by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018.
[5]Sub-sections (6B) & (6C) inserted by Finance Act, 2019 dated June 30, 2019.

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(7) Any person to whom any information is communicated under this section, and any person or employee under the first-mentioned person's control, shall be, in respect of that information, subject to the same rights, privileges, obligations, and liabilities as if the person were a public servant and all the provisions of this Ordinance, so far as may be, shall apply accordingly.

(8) No prosecution may be instituted under this section except with the previous sanction of the [1][Board].

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[1]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.

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[1][ ]

217. Forms and notices; authentication of documents.– (1) Forms, notices, returns, statements, tables and other documents required under this Ordinance may be in such form as determined by the [2][Board] for the efficient administration of this Ordinance and publication of such documents in the official Gazette shall not be required.

(2) The Commissioner shall make the documents referred to in sub-section (1) available to the public in the manner prescribed.

(3) A notice or other document issued, served or given by the Commissioner under this Ordinance shall be sufficiently authenticated if the name or title of the Commissioner, or authorised [3][Officer of Inland Revenue], is printed, stamped or written on the notice or document [4][or if it is computer generated and bears the authentication in the manner prescribed by the Board].

218. Service of notices and other documents.– (1) Subject to this Ordinance, any notice, order or requisition required to be served on a resident individual (other than in a representative capacity) for the purposes of this Ordinance shall be treated as properly served on the individual if–

(a) personally served on the individual or, in the case of an individual under a legal disability or a non-resident individual, the representative of the individual;

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[1]Section 216A omitted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Finance Act, 2019 dated June 30, 2019.

[2]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.

[3]Substituted for "taxation officer" by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.

[4]Words inserted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.

S. 216A-Omission.– Before omission by F. Act, 2022, it read as follows:–

"216A. Proceedings against authority and persons.- (1) Subject to section 227, the Board shall prescribe rules for initiating criminal proceedings against any authority mentioned in section 207 and officer of the Directorates General mentioned in Part II and Part III of Chapter XI including any person subordinate to the aforesaid authorities or officers of the Directorates General who willfully and deliberately commits or omits an act which results in undue benefit or advantage to the authority or the officer or official or to any other person.

(2) Where proceedings under sub-section (1) have been initiated against the authority or officer or official, the Board shall simultaneously intimate the relevant Government agency to initiate criminal proceedings against the person referred to in sub-section (1).

(3) The proceedings under this section shall be without prejudice to any other liability that the authority or officer or official or the person may incur under any other law for the time being in force."

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(b) sent by registered post or courier service to the place specified in clause (b) [1][of sub-section (2)] or to the individual's usual or last known address in Pakistan; [2][ ]

(c) served on the individual in the manner prescribed for service of a summons under the Code of Civil Procedure, 1908 (V of 1908) [3][; or]

[4][(d) served on the [5][person] electronically in the prescribed manner.]

(2) Subject to this Ordinance, any notice, order or requisition required to be served on any person (other than a resident individual to whom sub-section (1) applies) for the purposes of this Ordinance shall be treated as properly served on the person if–

(a) personally served on the representative of the person;

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[1]Words etc. inserted by Finance Act, 2003 dated June 17, 2003.
[2]Word "or" omitted by Finance Act, 2022 dated June 30, 2022.
[3]Substituted for full stop by Finance Act, 2018 dated May 23, 2018.
[4]Clause (d) inserted by Finance Act, 2018 dated May 23, 2018.
[5]Substituted for "individual" by Finance Act, 2025 in force from 1 July, 2025.

S. 218(1)–Service of notices, service by affixture.– Following is the text of Circular No. 20(33)IT-3/73, dated May 5, 1973, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Attention is invited to the provisions contained in Section 63 of the Income-tax Act and Rules 17 and 20 of Order V of the Code of Civil Procedure, 1908. These Rules are reproduced as under:

"RULE 17. Where the defendant or his agent or such other person as aforesaid refuses to sign the acknowledgment or where the serving officer, after using all due and reasonable diligence, cannot find the defendant and there is no agent empowered to accept service of the summons on his behalf, nor any other person on whom service can be made, the serving officer shall affix a copy of the summons on the outer door or some other conspicuous part of the house in which defendant ordinarily resides or carries on business or personally works for gain, and shall then return the original to the Court from which it was issued, with a report endorsed thereon or annexed thereto stating that he has so affixed the copy, the circumstances under which he did so, and the name and address of the person (if any) by whom the house was identified and in whose presence the copy was affixed.

RULE 20(1) Where the Court is satisfied that there is reason to believe that the defendant is keeping out of the way for the purpose of avoiding service, or that for any other reason the summons cannot be served in the ordinary way, the Court shall order the summons to be served by affixing a copy thereof in some conspicuous place in the Court house, and also upon some conspicuous part of the house (if any) in which the defendant is known to have last resided or carried on business or personally worked for gain, or in such other manner as the Court thinks fit.

(2) Service substituted by order of the Court shall be as effectual as if it had been made on the defendant personally.

(3) Where service is substituted by order of the Court, the Court shall fix such time for the appearance of the defendant as the case may require."

2. Cases are sometimes, lost in appeal just because service of notice by affixture is not made strictly according to Rules. While ordering service by affixture under Rule 20 of the Code of Civil Procedure it may be ensured that besides affixing the notice at the last known address of the assessee, a copy of the notice is also affixed in a conspicuous place in the Income-tax Office and that this fact is mentioned in the order sheet as well as in the assessment order."

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(b) sent by registered post or courier service to the person's registered office or address for service of notices under this Ordinance in Pakistan, or where the person does not have such office or address, the notice is sent by registered post to any office or place of business of the person in Pakistan; [1][ ]

(c) served on the person in the manner prescribed for service of a summons under the Code of Civil Procedure, 1908 (V of 1908) [2][; or]

[3][(d) served on the individual electronically in the prescribed manner.]

(3) Where an association of persons is dissolved, any notice, order or requisition required to be served under this Ordinance on the association may be served on any person who was [4][the principal officer or] a member of the association immediately before such dissolution.

(4) Where section 117 applies, any notice, order or requisition required to be served under this Ordinance on the person discontinuing the business may be served on the person personally or on any individual who was the person's representative at the time of discontinuance.

(5) The validity of any notice issued under this Ordinance or the validity of any service of a notice under this Ordinance shall not be called into question after the return to which the notice relates has been furnished or the notice has been otherwise complied with.

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[1]Word "or" omitted by Finance Act, 2023 dated June 26, 2023.
[2]Substituted for full stop by Finance Act, 2018 dated May 23, 2018.
[3]Clause (d) inserted by Finance Act, 2018 dated May 23, 2018.
[4]Words inserted by Finance Ordinance, 2002 dated June 15, 2002.

Service of Notice.– Following is the text of RCIT, Eastern Region, Lahore's Letter No. RCIT/J/S/154/SO-II/3544, dated November 4, 1996, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"A notice under the Ordinance may be served on the person therein named either by post or in the manner provided for service of a summon issued by a Court under the Code of Civil Procedure, 1908. In the CBR Circular No. 20(33) IT-3/73, dated May 5, 1973 relevant rules of the CPC were reproduced for guidance of the officers. Now an amendment has been made in the Order V of Civil Procedure Code 1908 through the Act of 1994, which has gone unnoticed. Therefore, it would be appropriate that salient point of the intact and amended CPC are again explained for guidance of assessing officers. The following modes of service have been recognized by the Civil Procedure Code.

1. Service on the person named in the notice or his authorized agent or adult male member of the family residing with the person named in the notice.

2. **Service by post.** In the Income Tax Ordinance the word "post" only has been used whereas in the Code the words of "registered post, acknowledgement due" has been used. As per Rule 10-A(2) even refusal to receive notice, endorsed by postal employee is deemed as service.

3. Service by affixture by the serving officer when there is refusal to accept service or person cannot be found.

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4. Amended Rule 20 of the CPC regarding "substituted service" is reproduced as under:

"Rule 20. Substituted Service – (1) Where the Court is satisfied that there is reason to believe that the defendant is keeping out of the way for the purpose of avoiding service, or that for any other reason the summons cannot be served in ordinary way, the Court shall order for service of summons by–

(a). affixing a copy of the summons at some conspicuous part of the house, if any in which the defendant is known to have last resided or carried on business or personally worked for gain; or

(b). any electronic device of communication which may include telegram, telephone, phonogram, telex, fax, radio and television; or

(c). urgent mail service or public courier services; or

(d). beat of drum in the locality where the defendant resides; or

(e). publication in press; or

(f). any other manner or mode as it may think fit; Provided that the Court may order the use of all or any of the aforesaid manners and modes of service simultaneously; and

(2). Service substituted by order of the Court shall be as effectual as if it had been made on the defendant personally.

(3). Where service is substituted by order of the Court, the Court shall fix such time for appearance of the defendant as the case may require which shall not ordinarily exceed fifteen days."

It is note worthy that for upholding the validity of service of notice at appellate stage it is essential that the order sheet entry should not only indicate the order for making substituted service but should also record reason for resorting to this mode."

Instructions re: service of notices.– Following is the text of RCIT Central Region, Lahore's Circular No. 9 of 1987 dated March 31, 1987, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"It has been brought to my notice by the Legal Advisers that very often where the service of notice on the assessee is contested by the assessees in appeal, the record shows just two signatures on the office-copy of the notice: one by the assessee and the other by the notice server, and it is often not clear who is the assessee and who is the process server. In such circumstances, it is difficult to defend proper service of notice before the Court.

The proper course should be that the Notice server should briefly state that the notice has been served on such and such person and then he should sign it and affix his designation with his name and date. In any case every Notice Server should write his designation with his name.

In case the notice is served by affixture, the official serving the notice should record the complete particulars of the witnesses whose signatures are obtained."

S. 221(1)–Rectification of mistakes where no order is passed.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The provisions of this section are same as those of the old Section 35. There had been persistent complaints that mistakes brought to the notice of income tax authorities were not rectified over long periods causing unnecessary hardship to the assessees. A provision has been made in sub-section (3) that where no order is passed on any mistake brought to the notice of an income tax authority by the end of the financial year next following the date on which it was brought to its notice, the mistake sought to be rectified shall be deemed to have been so rectified. For example if no order is passed on an application made on 1-1-1979 by 30-6-1980 the mistake shall be deemed to have been rectified as on 1-7-1980 even if the application had no merit."

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219. Tax or refund to be computed to the nearest Rupee.– In the determination of any amount of tax or refund payable under this Ordinance, fractions of a rupee less than fifty paisa shall be disregarded and fractions of a rupee equal to or exceeding fifty paisa shall be treated as one rupee.

220. Receipts for amounts paid.– The Commissioner shall give a receipt for any tax or other amount paid or recovered under this Ordinance.

221. Rectification of mistakes.– (1) The Commissioner, the Commissioner (Appeals) or the Appellate Tribunal may, by an order in writing, amend any order passed by [1][him] to rectify any mistake apparent from the record on [2][his or its] own motion or any mistake brought to [2][his or its] notice by a taxpayer or, in the case of the Commissioner (Appeals) or the Appellate Tribunal, the Commissioner.

[3][(1A) The Commissioner may, by an order in writing, amend any order passed under the repealed Ordinance by the Deputy Commissioner, or an Income Tax Panel, as defined in section 2 of the repealed Ordinance to rectify any mistake apparent from record on his own motion or any mistake brought to his notice by a taxpayer and the provisions of sub-section (2), sub-section (3) and sub-section (4) shall apply in like manner as these apply to an order under sub-section (1).]

(2) No order under sub-section (1) which has the effect of increasing an assessment, reducing a refund or otherwise applying adversely to the taxpayer shall be made unless the taxpayer has been given a reasonable opportunity of being heard.

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[1]Substituted for "them" by Finance Act, 2003, dated June 17, 2003.

[2]Substituted for "their" by Finance Act, 2003, dated June 17, 2003.

[3]Sub-section (1A) inserted by Finance Act, 2003, dated June 17, 2003. Earlier, vide Notification No. SRO 633(I)/2002 dated September 14, 2002 issued u/s 240, it was provided that in making any assessment for the year beginning on the first day of July 2002 or making any deduction or collection of tax for the year beginning on the first day of July 2002, the Ordinance shall have effect as if after sub-section (1), sub-section (1A), as under, was inserted,:–

"(1A) The Commissioner may amend by an order in writing, any order passed under the repealed Ordinance by the DCIT, or an Income Tax Panel, as defined in section 2 of the repealed Ordinance.".

This notification was later rescinded by Notification No. SRO 608(I)/2003, dated June 24, 2003.

Disposal of applications u/s 221.– Following is the text of CBR's Letter C. No. 4(6) IT.3/88 dated February 17, 1991, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"I am directed to say that inordinate delay in passing rectification orders, wherever called for, not only irritates the tax payers but also proves to be a hurdle in clearance of tax liabilities, issuance of refunds etc. Although the statutory provisions require passing of an order on an application for rectification by the end of the financial year next following the year in which such application is received, yet it is not necessary that such order must be delayed till that date.

2. It is requested that field officers may be directed to speedily dispose of applications for rectification. For ensuring the same, regular inspections by the concerned IACs and also recording of reasons for pendency of such applications beyond three months, may be considered."

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(3) Where a mistake apparent on the record is brought to the notice of the Commissioner [1][or] Commissioner (Appeals) [2][ ], as the case may be, and no order has been made under sub-section (1) before the expiration of the financial year next following the date on which the mistake was brought to their notice, the mistake shall be treated as rectified and all the provisions of this Ordinance shall have effect accordingly.

(4) No order under sub-section (1) may be made after five years from the date of the order sought to be rectified.

222. Appointment of expert.– [3][(1)] The Commissioner may appoint any expert as the Commissioner considers necessary for the purposes of this Ordinance, including for the purposes of audit or valuation.

[3][(2) The Board may also appoint as many auditors [4][, audit mentors and sectoral experts] on contractual basis or through a third-party arrangement, as the case may be, as it deems fit for carrying out the purposes of this Ordinance:

Provided that the total number of auditors appointed under this section shall not be more than two thousand.]

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[1]Substituted for comma by Finance Act, 2003 dated June 17, 2003.
[2]Words "or the Appellate Tribunal" omitted by Finance Act, 2003 dated June 17, 2003.
[3]Re-numbered as sub-section (1) and sub-section (2) inserted by Finance Act, 2025 in force from 1 July, 2025.
[4]Words etc. inserted by Finance Act, 2026 dated June 26, 2026.

S. 221(1A)–Allowing the Commissioner to rectify orders passed under the repealed Ordinance.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"The Commissioner has been empowered to rectify mistake apparent from record where an order under the repealed Ordinance was passed by the Deputy Commissioner of Income Tax or the Income Tax Panels. For this purpose sub-section (1A) has been inserted in section 221 restricting powers to rectify the order on account of a mistake apparent from the record within the period specified in the said section and requirement of issuing a notice where rectification is to result in increase of assessment, reduction in refund or otherwise applies adversely to the taxpayer."

Scope of section 221.– Following are extracts from Circular No. 10 of 1960, dated July 14, 1960, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"The Board have noticed that some officers give a very narrow meaning to Section 35 of the Income-tax Act. They think that only mistakes apparent on the face of the records and errors of clerical or arithmetical nature can be rectified under Section 35. This is wrong. Section 35 is much wider in its application."

"Equally wide meaning was given to the Section by the Supreme Court of India in M.K. Vankatachalam, Income tax Officer and another vs. Bombay Dying & Manufacturing Company Limited-1958(34)-ITR-143-Gajengragadkar (J) who delivered judgment of the Supreme Court remarked "If a mistake of fact apparent from the record of assessment order can be rectified under Section 35, we see no reason why a mistake of law which is glaring and obvious cannot be similarly rectified."

"The Board directs that these instructions should be carefully studied by all Officers of the Department. They should not hesitate to make proper use of Section 35 in all cases calling for action under this section and not only in cases where the mistakes 'apparent from the record' are against the revenue."

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S. 222–Appointment of CA firms for audit.– Following is an extract from CBR's Circular No. 11 of 1998 dated July 25, 1998, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Section 4A of the Ordinance has been substituted by a new section. The new provision authorises CBR to appoint a firm of chartered accountants to conduct the audit of cases assigned to such firm. The scope of audit shall be determined by the CBR. The law authorises the firm so appointed to enter the premises of the person being audited, call for and inspect and seize books of accounts or documents and when authorised by the Commissioner, exercise powers under Section 144, 145, 146 and 148 of the Ordinance. These powers can be exercised by a person authorised by such firms." [**Ref:** *98 ITC 11 p. 13*]

Valuation by valuer.– Following is an extract from Circular No. 4 of 1979, dated August 23, 1979, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Previously it was the Income Tax Officer who, if he was not satisfied with valuation of an asset by the assessee, could refer the matter to a valuer. Now an assessee can also apply to Income Tax Officer to refer the matter to a valuer. Further, previously only such assets could be referred to a valuer as were declared in a wealth statement. Now any asset mentioned in any return, statement or other document can be so referred."

S. 223–Registration of Income Tax Practitioners.– Following is an extract from CBR's Circular No. 6 of 1997, dated the 15th July, 1997, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Retired Income Tax Officers of the Department can also themselves registered as Income Tax Practitioners. Sub-section (2) of section 157 has been amended accordingly." [**Ref:** *97 ITC 6 p. 6*]

Following is an extract from CBR's Circular No. 11 of 1998 dated July 25, 1998, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Subject to the conditions specified in section 157, now retired officers of the Department, who have put in satisfactory service of at least ten years, in a post not below the rank of an Income Tax Officer, would also be eligible for registration as an income tax practitioner." [**Ref:** *98 ITC 11 p. 13*]

Following is an extract from CBR's Circular No. 4 of 1995 dated July 9, 1995, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Section 157 prescribed only 'educational or accountancy' qualification for registration as an ITP. In order to improve the professional base of the ITPs, besides the qualification of B. Com/B.B.A (Second Class) or ACMA (Part-III), apprenticeship with a senior ITP/Accountant (of at least 10 years standing) for a minimum period of 6 months is also being prescribed. Necessary amendment in Income Tax Rules, 1982 is accordingly being made." *[***ref:** *95 ITC 4 p. 3]*

Registration of retired officers.– Following is an extract from CBR's Circular No. 11 of 1993 dated July 7, 1993, explaining the corresponding provisions of the Income Tax Ordinance, 1979:–

"Since for purposes of registration as an ITP, a period of service of 10 years or more in the *rank* of Income Tax Officer or above was required for former departmental officers, in section 157 for the words "Income Tax Officer" the words "Assistant Commissioner of Income Tax" have been substituted." *[***ref:** *93 ITC 11 p. 38]*

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[1][**222A. Fee and service charges.-** [2][(1)] The [3][Board with the approval of Federal Minister-in-charge] may, by notification in the official Gazette, and subject to such conditions, limitations or restrictions as it may deem fit to impose, levy fee and service charges for valuation or in respect of any other service or control mechanism provided by any formation under the control of the Board, including ventures of public-private partnership at such rates as may be specified in the notification.]

[4][(2) The Board may authorize and prescribe the manner in which fee and service charges collected including by ventures of public-private partnership under this section are expended.]

223. Appearance by authorised representative.– (1) Any taxpayer who is entitled or required to attend before the Commissioner, the Commissioner (Appeals) or the Appellate Tribunal in connection with any proceeding under this Ordinance may, except when required under section 176 to attend personally, attend by an authorised representative.

(2) For the purposes of this section and subject to sub-section (3), an authorised representative of a taxpayer shall be a person who is a representative of the person under section 172 and any of the following persons, namely:–

(a) A relative of the taxpayer;

(b) a current full-time employee of the taxpayer;

(c) any officer of a scheduled bank with which the taxpayer maintains a current account or has other regular dealings;

(d) any legal practitioner entitled to practice in any Civil Court in Pakistan;

(e) any accountant; or

(f) any income tax practitioner.

(3) For the purposes of this section–

(a) no person who has been dismissed or removed from service in the Income Tax Department shall be entitled to represent a taxpayer under sub-section (1);

(b) no person having resigned from service after having been employed in the Income Tax Department for not less than two years shall be entitled to represent a taxpayer under sub-section (1) for a period of two years from the date of resignation;

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[1]Section 222A inserted by Finance Act, 2019 dated June 30, 2019.
[2]Renumbered as (1) by Finance Act, 2021 dated June 30, 2021.
[3]Substituted for "Federal Government" by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was substituted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.
[4]Sub-section (2) inserted by Finance Act, 2021 dated June 30, 2021.

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(c) no person having retired from service in the Income Tax Department shall be entitled to represent a taxpayer under sub-section (1) for a period of one year from the date of retirement in any case in which the person had made or approved, as the case may be, any order of assessment, refund or appeal within one year before the date of retirement; or

(d) no person who has become insolvent shall be entitled to represent a taxpayer under sub-section (1) for so long as the insolvency continues;

(e) no person who has been convicted of an offence in relation to any income tax proceedings under this Ordinance shall be entitled to represent a taxpayer under sub-section (1) for such period as the Commissioner may, by order in writing, determine.

(4) Where any legal practitioner or accountant is found guilty of misconduct in a professional capacity by any authority entitled to take disciplinary action against the legal practitioner or accountant, an order passed by that authority shall have effect in relation to any right to represent a taxpayer under sub-section (1) as it has in relation to the person's right to practice as a legal practitioner or accountant.

(5) Where any person (other than a person to whom sub-section (4) applies) is found guilty of misconduct in relation to any income tax proceeding, the Commissioner may, by an order in writing, direct that the person cease to represent a taxpayer under sub-section (1) before the Commissioner, Commissioner (Appeals) or Appellate Tribunal.

(6) The Commissioner shall not make an order under clause (e) of sub-section (3) or sub-section (5) in respect of any person, unless the Commissioner has given the person a reasonable opportunity to be heard.

(7) Any person against whom an order under clause (e) of sub-section (3) or sub-section (5) has been made may, within thirty days of service of notice of the order, appeal to the [1][Board] to have the order cancelled.

(8) The [1][Board] may admit an appeal after the expiration of the period specified in sub-section (7) if satisfied that the appellant was prevented by sufficient cause from lodging the appeal within the period.

(9) No order made under clause (e) of sub-section (3) or sub-section (5) shall take effect until thirty days after notice of the order is served on the person or, where an appeal has been lodged under sub-section (7), until the disposal of the appeal.

[1]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.

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(10) The [1][Board] may make rules under section [2][237] for the registration of income tax practitioners and related matters, including establishing a code of conduct for such practitioners.

(11) In this section–

"accountant" means–

(a) a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961);

(b) a cost and management accountant within the meaning of the Cost and Management Accountants Act, 1966 (XIV of 1966); or

(c) a member of any association of accountants recognised for the purposes of this section by the [1][Board]; and

"income tax practitioner" means a person who is registered as such by the [1][Board], being a person who possesses such qualifications as may be prescribed for the purposes of this section or who has retired after putting in satisfactory service in the Income Tax Department for a period of not less than ten years in a post or posts not below that of Income Tax Officer.

224. Proceedings under the Ordinance to be judicial proceedings.– Any proceedings under this Ordinance before the Commissioner, Commissioner (Appeals) or Appellate Tribunal shall be treated as judicial proceedings within the meaning of sections 193 and 228 of the Pakistan Penal Code, 1860 (Act XLV of 1860), and for the purposes of section 196 of the Pakistan Penal Code, 1860 (Act XLV of 1860).

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[1]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.
[2]Substituted for "232" by Finance Ordinance, 2002 dated June 15, 2002.

S. 224–Judicial proceedings, sections of the Pakistan Penal Code.– Sections 193 and 228 of the Pakistan Penal Code, 1860 referred to in Section 224 above are reproduced hereunder:–

"193. *Punishment for false evidence.*– Whoever intentionally gives false evidence in any stage of a judicial proceeding, or fabricates false evidence for the purposes of being used in any stage of a judicial proceeding, shall be punished with imprisonment of either description for a term which may extend to seven years, and shall also be liable to fine; and whoever intentionally gives or fabricates false evidence in any other case, shall be punished with imprisonment of either description for a term which may extend to three years, and shall also be liable to fine.

Explanation 1– A trial before a Court-martial is a judicial proceeding.

Explanation 2– An investigation directed by law preliminary to a proceeding before a Court of Justice, is a stage of a judicial proceeding, though that investigation may not take place before a Court of Justice.

Illustration.– A, in an enquiry before a Magistrate for the purpose of ascertaining whether Z ought to be committed for trial makes on oath a statement which he knows to be false. As this enquiry is a stage of a judicial proceeding, A has given false evidence.

Explanation 3.– An investigation directed by a Court of Justice according to law, and conducted under the authority of a Court of Justice, is a stage of a judicial proceeding, though that investigation may not take place before a court of Justice.

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225. Proceedings against companies under liquidation.– Notwithstanding anything contained in [1][section 310 of the Companies Act, 2017 (XIX of 2017)], leave of the Court shall not be required for continuing with or commencing any proceeding under this Ordinance against a company in respect of which a winding up order has been made or Provisional Liquidator appointed.

[1]Substituted for "section 316 of the Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.

Illustration.– A, in an enquiry before an officer deputed by a Court of Justice to ascertain on the spot the boundaries of land, makes on oath a statement which he knows to be false. As this enquiry is a stage of a judicial proceeding, A has given false evidence."

"196. *Using evidence known to be false.*– Whoever corruptly uses or attempts to use as true or genuine evidence any evidence which he knows to be false or fabricated, shall be punished in the same manner as if he gave or fabricated false evidence."

"228. *Intentional insult or interruption to public servant sitting in judicial proceeding.*– Whoever, intentionally offers any insult, or causes any interruption to any public servant, while such public servant is sitting in any stage of a judicial proceeding, shall be punished with simple imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both."

8-159-15-07-2021

226. Computation of limitation period.– In computing the period of limitation, there shall be excluded–

(a) in the case of an appeal or an application under this Ordinance, the day on which the order complained of was served and, if the taxpayer was not furnished with a copy of the order when the notice of the order was served on the taxpayer, the time requisite for obtaining a copy of such order; and

[1][(b) in the case of an assessment or other proceeding under this Ordinance,-

(i) the period, if any, for which such proceedings were stayed by any Court, Appellate Tribunal or any other authority; or

(ii) the period, if any, for which any proceeding for the tax year remained pending before any Court, Appellate Tribunal [2][, Alternate Dispute Resolution Committee (ADRC)] or any other authority.]

[1]Clause (b) substituted by Finance Act, 2010 dated June 30, 2010 and this amendment shall be deemed to have taken effect from June 05, 2010.
[2]Words inserted by Finance Act, 2025 in force from 1 July, 2025.

S. 226(b)-Substitution- Before substitution by Finance Act, 2010 it read as follows:-

(b) in the case of an assessment or other proceeding under this Ordinance, the period, if any, for which such proceedings were stayed by [1][any Court, [2]/Appellate/ Tribunal or any other authority].

[1]Substituted for "the Commissioner (Appeals), the Tribunal or any Court" by Finance Ordinance, 2002 dated June 15, 2002.
[2]Word inserted by Finance Act, 2003, dated June 17, 2003.

S. 226–Limitation where a stay has been granted.– Following is the text of RCIT Central Region, Lahore's letter No. 3252 dated December 30, 1986, explaining the corresponding provisions of Income Tax Ordinance, 1979:–

"On a petition filed by the assessee, the Hon'ble High Court sometimes stays the assessment/re-assessment proceedings under the Ordinance. Article 199(4A) of the Constitution places a limit on the period of operation of such order. The relevant provision is as under:–

199(4A) "An interim order made by a High Court on an application made to it to question the validity or legal effect of any order made, proceeding taken or act done by any authority or person which relates to, or is connected with assessment or collection of public revenue shall cease to have effect on the expiration of a period of six months following the day on which the order is made unless the case is finally decided, or the interim order is withdrawn by the Court earlier."

2. As is evident from the provision, unless the case is finally disposed of or the stay order is withdrawn by the High Court earlier, such an order automatically expires after expiry of six months from the date of the order and in such a case no formal order by the High Court is required.

3. Whereas such a stay order poses no problem in the case of collection of tax except that the recovery is postponed during the period of stay, it does create complication in the matter of assessment or re-assessment etc. These proceedings are governed by the provisions of limitation stipulated in section 64, 65, 66, 66A, 156 etc. Action under all these sections is to be completed within a stipulated period. A stay by the High Court interrupts the period of limitation.

8-184-10-07-2025

227. Bar of suits in Civil Courts.– [1][(1)] No suit or other legal proceeding shall be brought in any Civil Court against any order made [2][or any notice issued] under this Ordinance, and no prosecution, suit or other proceedings shall be made against any person for anything which is in good faith done or intended to be done under this Ordinance or any rules or orders made [2][or any notice issued] thereunder.

[3][*Explanation.*- For the removal of doubt, it is clarified that Civil Court includes any court exercising power of the civil court.]

[4][(2) Notwithstanding anything contained in any other law for the time being in force, no investigation or inquiry shall be undertaken or initiated by any governmental agency against any officer or official for anything done in his official capacity under this Ordinance, rules, instructions or direction made or issued there-under without the prior approval of the Board.]

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[1]S. 227 renumbered as sub-section (1) and sub-section (2) inserted by Finance Act, 2010 dated June 30, 2010.
[2]Words inserted by Finance Act, 2018 dated May 23, 2018.
[3]Explanation inserted by Finance Act, 2018 dated May 23, 2018.
[4]S. 227(2) inserted by Finance Act, 2010 dated June 30, 2010.

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4. Under Section 160(b) of the Ordinance as well as section 15(1) of the Limitation Act, while computing the period of limitation, the period beginning on the date of Stay Order and ending on the date of vacation (both dates included) would be excluded. For example, where the limitation was to expire on 30.6.1986 and the stay order was made on 15.4.1986 and vacated on 25.4.1986, the limitation would now expire on 11.7.1986.

5. In a case where a notice under section 65 is served on say 15.4.1985, the limitation for completion of assessment expires on 30.6.1986. In case the High Court stays the proceedings say on 10.7.1985 and the stay is not cancelled by the High Court, it would automatically cease to be effective after expiry of 6 months i.e. 9.1.1986. The period of limitation in this case would expire on 1-1-1987 (Adding six calendar months + the date of order to 30.6.1986).

6. The assessing Officers are directed to keep a watch on cases where assessment/ re-assessment proceedings etc. are stayed by the High Court in order to preclude the possibility of the action getting barred by time."

S. 226-Computation of Limitation Period.- Following is an extract from FBR's Circular No. 10 of 2010 dated July 16, 2010:-

"Clause (b) of section 226 of the Income Tax Ordinance, 2001 has been substituted to provide for exclusion of the period from the period of limitation for assessment purposes, for which proceedings for a taxpayer remained stayed or pending before any Court, Appellate Tribunal or any other authority."

8-184-10-07-2025

[1][**227A. Reward to officers and officials of Inland Revenue.**- (1) In cases [2][(i)] involving concealment or evasion of income tax and other taxes, cash reward shall, only after realization of part or whole of the taxes involved in such cases, be sanctioned to the officers and officials of Inland Revenue for their meritorious conduct in such cases [6][and (ii) for other meritorious services] and to the informer providing credible information leading to such detection.

(2) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf and also specify the apportionment of reward sanctioned under this section for individual performance or to collective welfare of the officers and officials of Inland Revenue.]

[3][**227B. Reward to whistleblowers**.- (1) The Board may sanction reward to whistleblowers in cases of concealment or evasion of income tax, fraud, corruption or misconduct providing credible information leading to such detection of tax.

(2) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf and also specify the apportionment of reward sanctioned under this section for whistleblowers.

(3) The claim for reward by the whistleblower shall be rejected, if-

(a) the information provided is of no value;

[4][(aa) the information is not supported by any evidence;]

(b) the Board already had the information;

(c) the information was available in public records; or

(d) no collection of taxes is made from the information provided from which the Board can pay the reward.

(4) For the purpose of this section, "whistleblower" means a person who reports concealment or evasion of income tax leading to detection or collection of taxes, fraud, corruption or misconduct, to the competent authority having power to take action against the person or an income tax authority committing fraud, corruption, misconduct, or involved in concealment or evasion of taxes.]

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[1]S. 227A inserted by Finance Act, 2013 dated June 29, 2013.
[2]Words etc inserted by Finance Act, 2017 dated June 20, 2017.
[3]S. 227B inserted by Finance Act, 2015 dated June 30, 2015.
[2]Inserted by Finance Act, 2017 dated June 20, 2017.

8-159-15-07-2021

[1][**227BA. Reward and benefits for certain persons**.- (1) The Board may sanction rewards to e-intermediaries for filing of returns of new taxpayers.

(2) The Board with the approval of Federal Minister in-charge may announce benefits, rebates, tax credits, allowances and any other incentive in cash or otherwise for class or classes of persons.

(3) The Board with the approval of the Federal Minister in-charge may, by notification in the official Gazette, prescribe the procedure in this behalf and also notify the class or classes of persons eligible under this section. The provisions of this section shall take effect from the date notified by the Board.]

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[1]S. 227BA inserted by Finance Act, 2021 dated June 30, 2021.

Rewards and Benefits.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Enabling provisions for reward s and benefits have been introduced for e-intermediaries for filing of returns of new taxpayers by insertion of new section 227BA in the Ordinance."

8-159-15-07-2021

[1][ ]

[1]S. 227C omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2018 dated May 23, 2018.

S. 227C-Omission.- Before omission by F. Act, 2019, it read as follows:-

"**227C. Restriction on purchase of certain assets**.- Notwithstanding anything contained in any law, for the time being in force,-

(a) any application for booking, registration or purchase of a new locally manufactured motor vehicle or for first registration of an imported vehicle shall not be accepted or processed by any vehicle registering authority of Excise and Taxation Department or a manufacturer of a motor vehicle respectively, unless the person is a filer.; and

(b) any application or request by a person to any authority responsible for registering, recording or attesting transfer of any immovable property, exceeding five million rupees, for registering or attesting the transfer shall not be accepted or processed by such authority, unless the person is a filer [2]*[:]*]

[3][Provided that the provisions of clause (a) shall not apply in respect of,-

[4][(i) locally manufactured motor vehicle; or]

(ii) a person holding a Pakistan origin card or a national identity card for overseas Pakistanis [5][or a non-resident Pakistani citizen holding international passport] who produces a certificate from a scheduled bank of receipt of foreign exchange remitted from outside Pakistan through normal banking channels during a period of sixty days prior to the date of booking, registration or purchase of motor vehicle:

Provided further that the provisions of clause (b) shall not apply to,-

(i) a legal heir acquiring property in inheritance; or

(ii) a person holding a Pakistan origin card or a national identity card for overseas Pakistanis [5][or a non-resident Pakistani citizen holding international passport] who produces a certificate from a scheduled bank for receipt of foreign exchange remitted from outside Pakistan through normal banking channels during a period of sixty days prior to the date of registering, recording or attesting transfer."

[2]Substituted for full stop by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018.
[3]Provisos inserted by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018.
[4]Clause (i) substituted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.
[5]Words inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

S. 227C(b)(i)-Substitution.– Before substitution it read as follows:–

"(i) motorcycle having engine capacity of less than 200cc, motorcycle-rickshaw, agricultural tractor or any other motor vehicle having engine capacity of less than 200cc; or"

8-191-15-09-2026

[1][**227D. National faceless centre**.- (1) Notwithstanding anything to the contrary contained in any of the provisions of this Ordinance, the Board may, for the purposes of proceedings under this Ordinance in faceless manner, establish a National faceless center (hereinafter referred to as "the centre") and specify its jurisdiction, powers and functions.

(2) The centre shall comprise a Director General and as many Chief Commissioners, Commissioners, Additional Commissioners, Deputy Commissioners, Assistant Commissioners, and any of the Income Tax Authorities mentioned in section 207 along with support staff, as the Board may deem fit for the purposes of this section.

(3) The Board may design algorithms for assigning any function or jurisdiction under this section to any of the authorities mentioned in sub-section (2).

(4) The Centre shall comprise as many wings and units as may be prescribed by the Board.

(5) The functions of audit, assessment, and quality control in a specific case for a specific tax year shall be performed by separate officers.

(6) All communications, among the units, or with the taxpayer, or an authorized representative of the taxpayer, or with any other person with respect to the information or documents or evidence or any other details, as may be necessary, shall be through electronic means.]

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[1]S. 227D substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2019 dated June 30, 2019.

S. 227D-Substitution.- Before substituted by F. Act, 2026, it read as follows:-

"227D. Automated impersonal tax regime.- (1) The Board may design an alternate impersonal taxation regime whereby personal interaction will be minimized.

(2) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf.

(3) This section shall be applicable only for low risk and compliant taxpayers as may be prescribed."

E-hearing.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"In order to provide face less tax administration, reducing compliance cost and saving precious time of the taxpayers, the mechanism of e-hearing has been devised. Enabling legal provisions for admissibility of evidence collected during e-hearing have been introduced through 227E of the Ordinance."

S. 227D.- Faceless Regime for Audit, Assessment, Appeals and Jurisdiction [Sections 2(5), 2(35)(1A), 122E, 129A, 209B and 227D**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Section 227D has been substituted to empower the Board to establish a National faceless centre (the centre) for conducting proceedings under the Ordinance in a faceless manner and to specify its jurisdiction, powers and functions. The centre shall comprise a Director General and such Chief Commissioners, Commissioners and other Income Tax Authorities and support staff as the Board may deem fit, organized into such wings and units as may be prescribed. The functions of audit, assessment and quality control for a specific case and tax year are required to be performed by separate officers, and all communications, whether among the units or with the taxpayer or his authorized representative, shall be through electronic means."

2026-09-15-16:18-8

[1][**227E. E-hearing**.- (1) The Board may design and prescribe e-hearing module for the purpose of conducting hearings, granting opportunity of being heard and electronically receiving any information for the purpose of this Ordinance.

(2) The recording of e-hearing proceedings shall be admissible as evidence before any forum or court of law for the purpose of this Ordinance.

(3) The Board may make rules for the purpose of this section.]

[1]S. 227E inserted by Finance Act, 2021 dated June 30, 2021.

8-191-15-09-2026

PART II

[1][DIRECTORATES-GENERAL]

[2][**228. The Directorate General of** [3][ ] **Internal Audit.**– (1) The Directorate General of [3][ ] Internal Audit shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate General of [3][ ] Internal Audit.]

[4][ ]

[1]Substituted for "DIRECTORATE-GENERAL OF INTERNAL AUDIT" by Finance Act, 2013 dated June 29, 2013. Earlier words INTERNAL AUDIT" were substituted for "INSPECTION" by Finance Act, 2007, dated June 30, 2007.
[2]Section 228 substituted by Finance Act, 2005, dated June 29, 2005.
[3]Words "Inspection and" omitted by Finance Act, 2007, dated June 30, 2007.
[4]Sections 229, 230 and 231 omitted by Finance Act, 2005, dated June 29, 2005.

Part II, changes by F.A. 2005.-Following are extracts from 'Notes on Clauses of Finance Bill 2005':–

"Seeks to provide for reorganization of The Directorate General of Inspection and Internal Audit."

"Seeks to omit certain provision of law relating to Jurisdiction and functions of the Directorate General of Inspection."

S. 228-Substitution.– Section 228 before substitution by Finance, Act, 2005, read as follows:–

"**228. Appointment of Directorate-General of Inspection.-**(1) The Federal Government shall appoint a Directorate-General of Inspection to exercise the powers and discharge the functions conferred on it under this Part.

(2) The Directorate-General shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors, Extra-Assistant Directors and Inspectors, as the Director-General may consider necessary to be appointed from among the officers of the Income Tax Group."

S. 229, 230 and 231– Omission.– Sections 229, 230 and 231 before omission by Finance Act, 2005, read as follows:–

"229. Inspection authorities.–(1) There shall be the following classes of inspection authorities for the purposes of this Ordinance, namely:–

(a) The Director-General of Inspection; and

(b) Directors of Inspection.

(2) The Directors of Inspection shall be subordinate to the Director-General of Inspection.

230. Jurisdiction of Inspection Authorities.– (1) Subject to the provisions of this Chapter, the Directors of Inspection shall perform their functions in respect of such persons or classes of persons or such areas as may be assigned to them by the Director-General.

(2) The Director-General or a Director of Inspection may assign any function in respect of any area, or office or offices located within an area, case, class of cases, person or classes of persons to any inspection officer working under his control.

(3) In this section, "inspection officer" means an Additional Director of Inspection, a Deputy Director of Inspection, an Assistant Director and an Extra-Assistant Director.

8-159-13-07-2021

Functions, powers and jurisdiction of the officers.–Following is the text of SRO 660(I)/2005, dated 30 June 2005:–

"SRO. 660(I)/2005, Islamabad, the 30th June, 2005.– In exercise of the powers conferred by sub-section (2) of section 228 of the Income Tax Ordinance, 2001 (XLIX of 2001), the Central Board of Revenue is pleased to specify functions, jurisdiction and powers of Directorate General of Inspection (Direct Taxes) as under namely:–

1. **Inspection authorities.-** (1) The Directorate General of Inspection shall consist of the following, namely:-

(a) Director General of Inspection.

(b) Directors of Inspection.

(c) Additional Directors.

(d) Deputy Directors.

(e) Assistant Directors.

(f) Extra Assistant Directors.

(2) The Directors, Additional Directors, Deputy Directors, Assistant Directors and Extra Assistant Directors of Inspection shall be subordinate to the director General of Inspection.

(3) Additional Directors, Deputy Directors, Assistant Directors and Extra Assistant Directors of Inspection shall be subordinate to the Director of Inspection within whose jurisdiction they perform their functions.

(4) Deputy Directors, Assistant Directors and Extra Assistant Directors of Inspection shall be subordinate to the Additional Director of Inspection within whose jurisdiction they perform their functions.

(5) Assistant Directors of Inspection shall be subordinate to the Deputy Director of Inspection within whose jurisdiction they perform their functions.

(6) Extra Assistant Directors of Inspection shall be subordinate to the Assistant Director of Inspection within whose jurisdiction they perform their functions.

2. **Functions and powers.–** (1) The functions of Directorate General of Inspection shall be, as under, namely:-

(a) to carry out inspections of income tax cases and offices;

(b) to investigate or cause investigation to be carried out in respect of cases involving leakage of revenue or evasion of taxes;

(c) to carry out internal audit of cases or offices involving income tax revenues and expenditure.

(d) to furnish an annual report about the working of income tax offices to the Central Board of Revenue by the thirty-first day of December, following the end of the financial year to which it relates; and

(e) to carry out any other work or function that may be assigned to it by the Federal Government.

(2) In discharge of its functions under (1) above, the Directorate General of Inspection shall have the powers specified in section 176 of the Income Tax Ordinance, 2001.

3. **Jurisdiction.–** (1) The Directors of Inspection shall perform their functions in respect of such persons or classes of persons or such areas as may be assigned to them by the Director General of Inspection.

(2) The Director General or a Director of Inspection may assign any function in respect of any area, or office or offices located within an area, case, class of cases, persons or classes of persons to any inspection officer working under his control.

Explanation.-"Inspection Officer" means an Additional Director, a Deputy Director, an Assistant Director and an Extra Assistant Director.

4. The notification shall take effect from 1st July, 2005."

8-159-15-07-2021

[1][**228A. Directorate General (Field Compliance), Inland Revenue**.- (1) The Directorate General (Field Compliance) Inland Revenue shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette,-

(a) specify the functions and jurisdiction of the Directorate General and its officers; and

(b) confer the powers of authorities specified in section 207 upon the Directorate General and its officers.]

[2][**229.** [3][**Inland Revenue Service Academy**].-(1) The [3][Inland Revenue Service Academy] shall consist of a Director-General, Additional Director-General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such officers as the Board, may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the [3][Inland Revenue Service Academy] and its officers.]

[4][**230. Directorate General (Intelligence and Investigation), Inland Revenue**.- (1) The Directorate General (Intelligence and Investigation) Inland Revenue shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette,-

(a) specify the functions and jurisdiction of the Directorate General and its officers; and

(b) confer the powers of authorities specified in section 207 upon the Directorate General and its officers.]

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[1]Section 228A inserted by Finance Act, 2026 dated June 26, 2026.
[2]Section 229 inserted by Finance Act, 2010 dated June 30, 2010.
[3]Substituted for "Directorate General of Training and Research" by Finance Act, 2022 dated June 30, 2022.
[4]Section 230 inserted by Finance Act, 2012 dated June 26, 2012.

S. 228A.- Directorate General (Field Compliance) and Disclosure of Information [Sections 216, 222 & 228A]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"A new section 228A has been inserted establishing the Directorate General (Field Compliance). Inland Revenue, comprising a Director General and such Directors. Additional Directors. Deputy Directors, Assistant Directors and other officers as the Board may appoint, with functions, jurisdiction and powers to be specified and conferred by the Board. In section 216, clause (ba) of sub-section (3) has been substituted to permit disclosure of information to auditors, audit mentors and sectoral experts appointed on a contractual basis or engaged through a third party, after a non-disclosure agreement is made, and clause (ke) has been broadened to include international research institutions. Section 222 has been amended to recognize audit mentors and sectoral experts alongside auditors."

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[1][PART III

[2][**DIRECTORATES-GENERAL**]

230A. Directorate-General of Withholding Taxes.- (1) The Directorate-General of Withholding Taxes shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate-General of Withholding Taxes.]

[3][**230B. Directorate-General of Law.**- (1) The Directorate- General of Law shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors, Law Officers and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate- General of Law.

230C. Directorate-General of Research and Development.- (1) The Directorate-General of Research and Development shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate-General of Research and Development.]

[4][**230D. Directorate-General of Broadening of Tax Base**.- (1) The Directorate-General of Broadening of Tax Base shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate-General of Broadening of Tax Base.]

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[1]Part III comprising of s. 230A inserted by Finance Act, 2008 dated June 27, 2008.
[2]Substituted for "DIRECTORATE-GENERAL OF WITHHOLDING TAXES" by Finance Act, 2013 dated June 29, 2013.
[3]Ss. 230B & 230C inserted by Finance Act, 2013 dated June 29, 2013.
[4]Ss. 230D & 230E inserted by Finance Act, 2017 dated June 20, 2017.

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[1][**230E. Directorate General of International** [2][**Tax**] **Operations.**- (1) The Directorate General of International Tax Operations shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette,-

(a) specify the functions and jurisdiction of the Directorate General and its officers; and

(b) confer the powers of authorities specified in section 207 upon the Directorate General and its officers.

(3) The functions and powers of the Directorate General of International Tax Operations shall include but nor limited to-

(a) receive and send information from other jurisdictions under spontaneous, automatic and on demand exchange of information under exchange of information agreements;

(b) levy and recover tax by passing an assessment order under section 123(1A) in case of undeclared off-shore assets and incomes;

(c) receive, transmit and exchange country by country reports to the jurisdictions that are parties to international agreements with Pakistan; and

(d) conduct transfer pricing audit in cases selected for such audit by the Director General of International Tax Operations.

(4) The Board may, by notification in the official Gazette, specify the criteria for selection of the taxpayer for transfer pricing audit.

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[1]S. 230E substituted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019. Earlier it was inserted by Finance Act, 2017 dated June 20, 2017.
[2]Substituted for "Tar" by Finance Act, 2019 dated June 30, 2019.

S. 230E-Substitution.– Before substitution it read as follows:–

"230E. Directorate-General of Transfer Pricing.- (1) The Directorate-General of Transfer Pricing shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The functions of the Directorate General of Transfer Pricing shall be to conduct transfer pricing audit.

Explanation: For the removal of doubt, it is clarified that transfer pricing audit refers to the audit for determination of transfer price at arm's length in transactions between associates and is independent of audit under section 177, 214C or 214D which is audit of the income tax affairs of the taxpayer.

(3) The Board may, by notification in the official Gazette, specify the criteria for selection of the taxpayer for transfer pricing audit and may further specify functions, jurisdiction and powers of the Directorate-General of Transfer Pricing."

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Explanation.- For the removal of doubt, it is clarified that transfer pricing audit refers to the audit for determination of transfer price at arm's length in transactions between associates and is independent of audit under section 177 and 214C which is audit of the income tai affairs of the taxpayer.]

[1][(5) Transfer pricing audit of cases selected under clause (d) of sub-section (3) shall be conducted as per procedure given in section 177 and all the provisions of the Ordinance, except the first proviso to sub-section (1), sub-sections (6A), (10) and (14) of section 177, shall apply accordingly.

(6) Nothing contained in this section shall prevent the Commissioner from determination of transfer price at arm's length in transactions between associated while conducting audit of income tax affairs of a taxpayer under section 177 or 214C or during proceedings under section 122.]

[2][**230F. Directorate General of Immovable Property**.- (1) The Directorate-General of Immovable Property, (hereinafter referred to as Directorate-General in this section, shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions and jurisdiction of the Directorate-General and its officers.

(3) The Directorate-General may, subject to the provisions and conditions as may be prescribed, initiate proceedings for the acquisition of property for the reasons and purposes specified in sub-section (4).

(4) The proceedings under sub-section (3) shall be initiated, where the Directorate-General, on the basis of valuation made by it, has reason to believe that any immovable property of a fair market value has been transferred by a person, hereinafter referred to as the transferor, to another person, hereinafter referred to as the transferee, for a consideration which is less than the fair market value of the immovable property and that the consideration for such transfer as agreed to between the transferor and transferee has been understated in the instrument of transfer for the purposes of-

(a) the avoidance or reduction of withholding tax obligations under this Ordinance;

[1]Sub-sections (5) & (6) inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same were inserted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.
[2]S. 230F inserted by Finance Act, 2018 dated May 23, 2018.

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(b) concealment of unexplained amount referred to in sub-section (1) of section 111 representing investment in immovable property; or

(c) avoidance or reduction of capital gains tax under section 37.

(5) The Directorate-General may appoint any valuer or expert as it considers necessary for the purposes of determination of valuation including fair market value of immovable property.

(6) The mode and manner of appointment of a valuer or expert shall be as may be prescribed.

(7) The valuation made under sub-section (4) and reasons that consideration is less than the fair market value shall be recorded in writing.

(8) No proceedings shall be initiated in respect of any immovable property after expiration of a period of six months from the end of the month in which the instrument of transfer in respect of such property is registered, recorded or attested.

(9) The mode and manner of initiation of proceedings and acquisition of immovable property under this section shall be as may be prescribed:

Provided that the proceedings shall not be initiated unless the transferee is provided with an opportunity of being heard and where the objection by the transferee, if any, is rejected by the Directorate-General, it shall record in writing the reasons for rejection through an order.

(10) If the Directorate-General is satisfied with the objections or reasons furnished by the transferee or the transferor, it shall, by order in writing, declare that the property shall not be acquired under this section.

(11) If after hearing the objections, if any, and after taking into account all the relevant material on record, the Directorate-General is satisfied that the fair market value of such property exceeds the consideration by more than fifty per cent of such consideration and that transfer as agreed to between the transferor and the transferee has not been truly stated in the instrument of transfer it may, after obtaining approval of the Board, make an order for acquisition of the immovable property under this section.

(12) The transferee may prefer express appeal to the Appellate Tribunal of Immovable Property against the order of acquisition of any immovable property under sub-section (11) within sixty days of service of a copy of such order.

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(13) There shall be established an Appellate Tribunal of Immovable Property to exercise the powers conferred on the Tribunal under this section.

(14) The appointment of members of the Tribunal, powers, functions, constitution of the Tribunal and mode and manner of disposal of appeals shall be as may be prescribed.

(15) The Appellate Tribunal may, after giving the appellant and the Directorate-General an opportunity of being heard, pass such order as it thinks fit.

(16) The transferee or the Directorate-General aggrieved by any order of the Tribunal may, within sixty days of the date on which the order under sub-section (15) is served, prefer an appeal against such order to the High Court.

(17) As soon as may be after the order for acquisition of immovable property made under sub-section (11) becomes final, the Directorate-General may, by notice in writing, order the transferee or any other person who may be in possession of the immovable property to surrender or deliver possession thereof to the Directorate-General within thirty days of the date of the service of the notice.

(18) The order referred to in sub-section (11) becomes final if either no appeal has been there against filed or on appeal filed before the Tribunal, the order is confirmed and no appeal is filed before the High Court or on appeal filed before the High Court the order is confirmed.

(19) Notwithstanding anything contained in any law or any agreement for the time being in force, where order referred to in sub-section (11) becomes final, the immovable property and all rights including ownership rights thereof shall be vested in the Federal Government and shall be treated to be in the same position in relation to such rights as the person in whom such rights would have continued to vest if such order had not become final.

(20) Where any immovable property is acquired under this section, the Board shall make the payment of consideration for acquisition to the person or persons entitled thereto, as soon as may be, after the property becomes vested in the Federal Government.

(21) Notwithstanding the provisions of section 68, for the purpose of this section,-

(a) "consideration for acquisition" means a sum equal to the aggregate of the amount of the consideration for the transfer of immovable property and hundred per cent of such consideration;

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(b) "fair market value" in relation to an immovable property means the price that the immovable property would ordinarily fetch on sale in the open market on the date of execution of the instrument of transfer of such property;

(c) "immovable property" means any land with or without a superstructure or any building or part of a building or any rights therein and includes, where any land or any building or part of a building is transferred along-with any machinery, plant, equipment, furniture and fittings; and

(d) "transfer" in relation to any immovable property means transfer of such property by way of sale or exchange or lease for a term of not less than ten years.

(22) The provisions of this section shall come into force on such date as the Federal Government may, by notification in official Gazette, appoint.

[1][ ]

[2][**230G. Directorate General of Special Initiative.-** (1) The Directorate General of Special Initiative shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette,-

(a) specify the functions, jurisdiction and powers of the Directorate General of Special Initiative and its officers; and

(b) confer the powers of authorities specified in section 207 upon the Directorate General and its officers.

230H. Directorate General of Valuation.- (1) The Directorate General of Valuation shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette,-

(a) specify the functions, jurisdiction and powers of the Directorate General of Valuation and its officers; and

(b) confer the powers of authorities specified in section 207 upon the Directorate General and its officers.]

[1]Sub-section (23) omitted by Finance Act, 2019 dated June 30, 2019.
[2]Sections 230G & 230H inserted by Finance Act, 2019 dated June 30, 2019.

8-159-15-07-2021

[1][**230I. Directorate General of Compliance Risk Management**.- (1) The Directorate General of Compliance Risk Management shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette-

(a) specify the functions, jurisdiction and powers of the Directorate General of Compliance Risk Management and its officers; and

(b) confer the powers of authorities specified in section 207 upon the Directorate General and its officers.]

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[1]Section 230I inserted by Finance Act, 2021 dated June 30, 2021.

S. 230F(23)-Omission.– Before omission by F. Act, 2019, it read as follows:–

"(23) From the date of appointment as mentioned in sub-section (22), rates mentioned in column (3) of the Table in Division XVIII shall be 1% and provisions of clause (c) of sub-section (4) of section 111, section 236C, section 236W and Division X of Part IV of the First Schedule shall not apply."

Establishment of compliance risk management.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"FBR is undergoing reforms in consultation with different development partners. Although the mechanism of compliance risk management is already present but it required a properly structured and dedicated organization. In order to provide structured mechanism, Directorate General of Compliance Risk Management shall be established for which governing provisions have been made available in section 230I of the Ordinance."

8-173-10-07-2023

[1][**230J. International Centre of Tax Excellence**.- (1) There shall be established an Institute to be known as International Centre of Tax Excellence.

(2) The functions of the Institute shall be to help contribute to the development of tax policy, prepare model national tax policy, deliver interdisciplinary research in tax administration and policy, international tax cooperation, revenue forecasting, conduct international seminars, workshops and conferences on the current issues faced by tax authorities in the field of international taxation, capacity building of Inland Revenue Officers, tax analysis, improve the design and delivery of tax administration for maximising revenue within existing provisions to close the tax gap or any other function as directed by the Board or the Federal Government.

(3) There shall be a Nominating Committee comprising the Minister-in-Charge, Secretary Revenue Division and Secretary Finance which shall be responsible for recommending a panel to the Federal Government for the appointment of an Executive Director and independent members of the Executive Committee.

(4) There shall an Executive Committee comprising Chairman, Federal Board of Revenue, Member (IR-Policy), Member (IR-Operations) and two independent members to be appointed by the Federal Government. Executive Director shall act as Secretary of the Executive Committee.

(5) The Nominating Committee shall apply the prescribed criteria for making recommendations of the panel for Executive Director and independent members of the Executive Committee.

(6) Executive Director and independent members of the Executive Committee shall be appointed by the Federal Government.

(7) Executive Director shall also be the Chief Executive of the Institute and shall work to ensure efficient functioning and day to day administrative functions of the Institute and shall be independent in the discharge of its functions specified under sub-section (8).

(8) Executive Committee, for every fiscal year, shall assign the requirements of the Board to be undertaken by the Institute, during the year.

(9) The Executive Committee shall prescribe rules for recruitment of the employees of the Institute and Executive Director shall act in accordance with the rules. At least fifty per cent of the employees shall be serving Inland Revenue officers having at least 5 years of experience of tax policy or tax administration.

8-173-10-07-2023

[1]Section 230J inserted by Finance Act, 2023 dated June 26, 2023.

(10) The remuneration and term of employment of the employees of the Institute shall be as prescribed by the Federal Government.

(11) The Board may establish a committee to monitor the establishment of the Institute including appointment of the Project Director for the purpose.

(12) The Board may, provide such data to the Institute as is necessary for processing and analysis and for discharging its obligations under sub-section (8):

Provided that such data shall be anonymized before transmission to the Institute and identifying particulars of the taxpayers shall be kept confidential and provisions of sub-section (7) of section 216 shall apply accordingly.

(13) The Executive Committee may by notification in the official gazette make rules for carrying out the purposes of this section.]

[1][**230K. Tax Fraud Investigation Wing Inland Revenue**.– (1) There shall be established a wing to be known as Tax Fraud Investigation Wing Inland Revenue.

(2) The functions of the Tax Fraud Investigation Wing Inland Revenue shall be to detect, analyze, investigate, combat and prevent tax evasion and fraud.

(3) The Tax Fraud Investigation Wing Inland Revenue shall comprise Fraud Intelligence and Analysis Unit, Fraud Investigation Unit, Legal Unit, Accountants Unit, Digital Forensic and Scene of Crime Unit, Administrative Unit or any other Unit as may be approved by the Board or the Federal Government.

(4) The Tax Fraud Investigation Wing Inland Revenue shall consist of a Chief Investigator and as many following officers, as may be notified by the Board–

(a) Senior Investigators, Investigators, Junior Investigators or any other officer of Inland Revenue with any other designation;

(b) a Senior Forensic Analyst and as many Forensic Analysts and Junior Forensic Analysts; and

(c) a Senior Data Analyst and as many Data Analysts and Junior Data Analysts.

[1]Section 230K inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

S. 230K.- Tax Fraud Investigation Wing Inland Revenue. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"Through insertion of section 230K, the Tax Fraud Investigation Wing Inland Revenue has been established to detect, analyse, investigate, combat, and prevent tax evasion and fraud."

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(5) The Board may, by notification in the official Gazette,-

(a) specify the functions and jurisdiction of the Tax Fraud Investigation Wing Inland Revenue and its officers; and

(b) confer the powers of authorities specified in section 207 upon the Tax Fraud Investigation Wing Inland Revenue and its officers in clause (a) of sub-section 4.

(6) Nothing contained in this section shall prevent the authorities appointed under sections 207 and 208 or any other authority or officer conferred with the power of authorities under sections 207 and 208 from conducting prosecution Part XI of Chapter X of the Ordinance.]

[1][ ]

[1]Section 231 omitted by Finance Act, 2005 dated June 29, 2005.

S. 231-Omission.– Before omission by F. Act, 2005, it read as follows:–

231. Functions and Powers of Directorate.–(1) The functions of the Directorate-General of Inspection shall be, namely:–

(a) To carry out inspections of income tax cases and offices;

(b) to investigate or cause investigation to be carried out in respect of –

(i) cases involving leakage of revenue or evasion of taxes; and

(ii) Regional Commissioners of Income Tax, Commissioners of Income Tax, taxation officers and any other staff of income tax offices allegedly involved in corruption and malpractice, and recommend to the competent authority appropriate disciplinary action;

(c) to carry out audit of cases or offices involving income tax revenues;

(d) to recommend to the Central Board of Revenue in matters of tax policy, tax administration and tax operations;

(e) to furnish an annual report about the workings of Income Tax Offices to the Central Board of Revenue by the thirty-first day of December, following the end of the financial year to which it relates; and

(f) to carry out any other work or function that may be assigned to it by the Federal Government.

(2) In discharge of its functions under sub-section (1), the Directorate-General shall have the powers specified in section 176."

24-09-2012

THE FIRST SCHEDULE

PART I

RATES OF TAX

(See Chapter II)

[1][**Division I**

[**Rates of Tax for Individuals and Association of Persons**]

(1) Subject to clause (2), the rates of tax imposed on income of every individual and association of persons except a salaried individual shall be as set out in the following Table, namely:-

[1][Table

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.600,000/-	0%
2.	Where taxable income exceeds Rs.600,000 but does not exceed Rs.1,200,000	15% of the amount exceeding Rs.600,000
3.	Where taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,600,000	Rs.90,000 + 20% of the amount exceeding Rs.1,200,000
4.	Where taxable income exceeds Rs.1,600,000 but does not exceed Rs.3,200,000	Rs.170,000 + 30% of the amount exceeding Rs.1,600,000
5.	Where taxable income exceeds Rs.3,200,000 but does not exceed Rs.5,600,000	Rs.650,000 + 40% of the amount exceeding Rs.3,200,000
6.	Where taxable income exceeds Rs.5,600,000	Rs.1,610,000 + 45% of the amount exceeding Rs.5,600,000:

Provided that in the case of an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating their profession, the 45% rate of tax mentioned against serial number 6 of the Table shall be 40%.]

[1]Division I Table substituted by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier it was substituted by Finance Act, 2023 dated June 26, 2023, it was substituted by Finance Act, 2022 dated June 30, 2022, Div. I substituted by Finance Act, 2019 dated June 2019, it was substituted by Finance Act, 2018 dated May 23, 2018 and was substituted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.

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Substitution of the Table of Div. I– Before substitution by F. Act, 2024, it read as follows:–

"Table

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.600,000/-	0%
2.	Where taxable income exceeds Rs.600,000 but does not exceed Rs.800,000	7.5% of the amount exceeding Rs.600,000
3.	Where taxable income exceeds Rs.800,000 but does not exceed Rs.1,200,000	Rs.15,000 + 15% of the amount exceeding Rs.800,000
4.	Where taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs.75,000 + 20% of the amount exceeding Rs.1,200,000
5.	Where taxable income exceeds Rs.2,400,000 but does not exceed Rs.3,000,000	Rs.315,000 + 25% of the amount exceeding Rs.2,400,000
6.	Where taxable income exceeds Rs.3,000,000 but does not exceed Rs.4,000,000	Rs.465,000 + 30% of the amount exceeding Rs.3,000,000
7.	Where taxable income exceeds Rs.4,000,000	Rs.765,000 + 35% of the amount exceeding Rs.4,000,000."

Substitution of the Table of Div. I– Before substitution by F. Act, 2023, it read as follows:–

"Table

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.600,000/-	0%
2.	Where taxable income exceeds Rs.600,000 but does not exceed Rs.800,000	5% of the amount exceeding Rs.600,000
3.	Where taxable income exceeds Rs.800,000 but does not exceed Rs.1,200,000	Rs.10,000 + 12.5% of the amount exceeding Rs.800,000
4.	Where taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs.60,000 + 17.5% of the amount exceeding Rs.1,200,000
5.	Where taxable income exceeds Rs.2,400,000 but does not exceed Rs.3,000,000	Rs.270,000 + 22.5% of the amount exceeding Rs.2,400,000
6.	Where taxable income exceeds Rs.3,000,000 but does not exceed Rs.4,000,000	Rs.405,000 + 27.5% of the amount exceeding Rs.3,000,000
7.	Where taxable income exceeds Rs.4,000,000 but does not exceed Rs.6,000,000	Rs.680,000 + 32.5% of the amount exceeding Rs.4,000,000
8	Where taxable income exceeds Rs.6,000,000	Rs.1,330,000 + 35% of the amount exceeding Rs.6,000,000."

Substitution of the Table of Div. I– Before substitution by F. Act, 2022, it read as follows:–

"Table

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where taxable income exceeds Rs.400,000 but does not exceed Rs.600,000	5% of the amount exceeding Rs.400,000
3.	Where taxable income exceeds Rs.600,000 but does not exceed Rs.1,200,000	Rs.10,000 plus 10% of the amount exceeding Rs.600,000
4.	Where taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs.70,000 plus 15% of the amount exceeding Rs.1,200,000
5.	Where taxable income exceeds Rs.2,400,000 but does not exceed Rs.3,000,000	Rs.250,000 plus 20% of the amount exceeding Rs.2,400,000
6.	Where taxable income exceeds Rs.3,000,000 but does not exceed Rs.4,000,000	Rs.370,000 plus 25% of the amount exceeding Rs.3,000,000
7.	Where taxable income exceeds Rs.4,000,000 but does not exceed Rs. 6,000,000	Rs.620,000 plus 30% of the amount exceeding Rs.4,000,000

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8	Where taxable income exceeds Rs.6,000,000	Rs.1,220,000 plus 35% of the amount exceeding Rs.6,000,000"

Substitution of the Division I– Before substitution by F. Act, 2019, it read as follows:–

"Division I

Rates of Tax for Individuals

[1][(1) The rates of tax imposed on the taxable income of every individual, not being an individual to which paragraph (1A) of this Division applies, shall be as set out in the following table, namely:-

[1]Para (1) of Division I substituted by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018. Earlier it was substituted by Income Tax (Amendment) Ordinance, 2018 dated April 08, 2018.

Table

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.800,000	Rs.1,000
3.	Where the taxable income exceeds Rs.800,000 but does not exceed Rs.1,200,000	Rs.2,000
4.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	5% of the amount exceeding Rs.1,200,000
5.	Where the taxable income exceeds Rs.2,400,000 but does not exceed Rs.3,000,000	Rs. 60,000 + 15% of the amount exceeding Rs.2,400,000
6.	Where the taxable income exceeds Rs.3,000,000 but does not exceed Rs.4,000,000	150,000 + 20% of the amount exceeding Rs. Rs.3,000,000
7.	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.5,000,000	350,000 + 25% of the amount exceeding Rs.4,000,000
4	Where the taxable income exceeds Rs.5,000,000	600,000 + 29% of the amount exceeding Rs.5,000,000

Provided that where the taxable income exceeds eight hundred thousand rupees the minimum tax payable shall be two thousand rupees."

[1][(1A) Where the income of an individual chargeable under the head "salary" exceeds fifty per cent of his taxable income, the rates of tax to be applied shall be as set out in the following table, namely:-

Table

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 800,000	Rs.1,000
3.	Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs.2,000
4.	Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,500,000	5% of the amount exceeding Rs.1,200,000
5.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs. 4,000,000	65,000 + 15% of the amount exceeding Rs.2,500,000
6.	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 8,000,000	290,000 + 20% of the amount exceeding Rs.4,000,000
7.	Where the taxable income exceeds Rs. 8,000,000	1,090,000 + 25% of the amount exceeding Rs.8,000,000

Provided that where the taxable income exceeds eight hundred thousand rupees the minimum tax payable shall be two thousand rupees.]

[1]Para (1A) of Division I inserted by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018.

8-190-15-07-2026

(2) Where the income of an individual chargeable under the head "salary" exceeds seventy-five per cent of his taxable income, the rates of tax to be applied shall be as set out in the following Table, namely:-

[1][Table

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.600,000/-	0%
2.	Where taxable income exceeds Rs.600,000/- but does not exceed Rs.1,200,000	1% of the amount exceeding Rs.600,000/-
3.	Where taxable income exceeds Rs.1,200,000/- but does not exceed Rs.2,200,000	Rs.6,000 + 11% of the amount exceeding Rs.1,200,000/-
4.	Where taxable income exceeds Rs.2,200,000/- but does not exceed Rs.3,200,000	Rs.116,000 + 20% of the amount exceeding Rs.2,200,000/-
5.	Where taxable income exceeds Rs.3,200,000/- but does not exceed Rs.4,100,000	*316,000 + 25% of the amount exceeding Rs.3,200,000/-
6.	Where taxable income exceeds Rs.4,100,000/- but does not exceed Rs.5,600,000	Rs.541,000 + 29% of the amount exceeding Rs.4,100,000/-
7.	Where taxable income exceeds Rs.5,600,000/- but does not exceed Rs.7,000,000	Rs.976,000 + 32% of the amount exceeding Rs.5,600,000/-
8.	Where taxable income exceeds Rs.7,000,000/-	Rs.1,424,000 + 35% of the amount exceeding Rs.7,000,000/-:]

[1]Division I Clause (2) Table substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted by Finance Act, 2025 in force from 1 July, 2025, it was substituted by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier it was substituted by Finance Act, 2023 dated June 26, 2023. Earlier it was substituted by Finance Act, 2022 dated June 30, 2022. *There should be "Rs."

8-190-15-07-2026

Provided that pension received by an individual from a former employer in a tax year, the rate of tax on such income shall be set out in the Table namely:-

S. No.	Description	Rate of tax
(1)	(2)	(3)
1.	Where the amount of pension received does not exceed rupees ten million	0% of the amount
2.	Where the amount of pension received exceeds rupees ten million	5% of the amount exceeding rupees ten million]

Substitution of the Table Cl. (2) of Div. I– Before substitution by F. Act, 2026, it read as follows:–

"Table

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.600,000/-	0%
2.	Where taxable income exceeds Rs.600,000/- but does not exceed Rs.1,200,000/-	1% of the amount exceeding Rs.600,000/-
3.	Where taxable income exceeds Rs.1,200,000/- but does not exceed Rs.2,200,000/-	Rs.6,000/- + 11% of the amount exceeding Rs.1,200,000/-
4.	Where taxable income exceeds Rs.2,200,000/- but does not exceed Rs.3,200,000/-	Rs.116,000/- + 23% of the amount exceeding Rs.2,200,000/-
5.	Where taxable income exceeds Rs.3,200,000/- but does not exceed Rs.4,100,000/-	Rs.346,000/- + 30% of the amount exceeding Rs.3,200,000/-
6.	Where taxable income exceeds Rs.4,100,000/-	Rs.616,000/- + 35% of the amount exceeding Rs.4,100,000/-"

Substitution of the Table Cl. (2) of Div. I– Before substitution by F. Act, 2025, it read as follows:–

"Table

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.600,000/-	0%
2.	Where taxable income exceeds Rs.600,000 but does not exceed Rs.1,200,000	5% of the amount exceeding Rs.600,000
3.	Where taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,200,000	Rs.30,000 + 15% of the amount exceeding Rs.1,200,000
4.	Where taxable income exceeds Rs.2,200,000 but does not exceed Rs.3,200,000	Rs.180,000 + 25% of the amount exceeding Rs.2,200,000
5.	Where taxable income exceeds Rs.3,200,000 but does not exceed Rs.4,100,000	Rs.430,000 + 30% of the amount exceeding Rs.3,200,000
6.	Where taxable income exceeds Rs.4,100,000	Rs.700,000 + 35% of the amount exceeding Rs.4,100,000"

8-190-15-07-2026

Substitution of the Table Cl. (2) of Div. I– Before substitution by F. Act, 2024, it read as follows:–

"Table

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.600,000/-	0%
2.	Where taxable income exceeds Rs.600,000 but does not exceed Rs.1,200,000	2.5% of the amount exceeding Rs.600,000
3.	Where taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs.15,000 + 12.5% of the amount exceeding Rs.1,200,000
4.	Where taxable income exceeds Rs.2,400,000 but does not exceed Rs.3,600,000	Rs.165,000 + 22.5% of the amount exceeding Rs.2,400,000
5.	Where taxable income exceeds Rs.3,600,000 but does not exceed Rs.6,000,000	Rs.435,000 + 27.5% of the amount exceeding Rs.3,600,000
6.	Where taxable income exceeds Rs. 6,000,000	Rs.1,095,000 + 35% of the amount exceeding Rs.6,000,000."

Substitution of the Table Cl. (2) of Div. I– Before substitution by F. Act, 2023, it read as follows:–

"Table

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.600,000	0
2.	Where taxable income exceeds Rs.600,000 but does not exceed Rs.1,200,000	2.5% of the amount exceeding Rs.600,000
3.	Where taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs.15,000 + 12.5% of the amount exceeding Rs.1,200,000
4.	Where taxable income exceeds Rs.2,400,000 but does not exceed Rs.3,600,000	Rs.165,000 + 20% of the amount exceeding Rs.2,400,000
5.	Where taxable income exceeds Rs.3,600,000 but does not exceed Rs.6,000,000	Rs.405,000 + 25% of the amount exceeding Rs.3,600,000
6.	Where taxable income exceeds Rs.6,000,000 but does not exceed Rs.12,000,000	Rs.1,005,000 + 32.5% of the amount exceeding Rs.6,000,000
7.	Where taxable income exceeds Rs.12,000,000	Rs.2,955,000 + 35% of the amount exceeding Rs.12,000,000"

8-190-15-07-2026

Substitution of the Table Cl. (2) of Div. I– Before substitution by F. Act, 2022, it read as follows:–

"Table

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.600,000	0%
2.	Where taxable income exceeds Rs.600,000 but does not exceed Rs.1,200,000	5% of the amount exceeding Rs.600,000
3.	Where taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,800,000	Rs.30,000 plus 10% of the amount exceeding Rs.1,200,000
4.	Where taxable income exceeds Rs.1,800,000 but does not exceed Rs.2,500,000	Rs.90,000 plus 15% of the amount exceeding Rs.1,800,000
5.	Where taxable income exceeds Rs.2,500,000 but does not exceed Rs.3,500,000	Rs.195,000 plus 17.5% of the amount exceeding Rs.2,500,000
6.	Where taxable income exceeds Rs.3,500,000 but does not exceed Rs.5,000,000	Rs.370,000 plus 20% of the amount exceeding Rs.3,500,000
7.	Where taxable income exceeds Rs.5,000,000 but does not exceed Rs.8,000,000	Rs.670,000 plus 22.5% of the amount exceeding Rs.5,000,000
8.	Where taxable income exceeds Rs.8,000,000 but does not exceed Rs.12,000,000	Rs.1,345,000 plus 25% of the amount exceeding Rs.8,000,000
9.	Where taxable income exceeds Rs.12,000,000 but does not exceed Rs.30,000,000	Rs.2,345,000 plus 27.5% of the amount exceeding Rs.12,000,000
10.	Where taxable income exceeds Rs.30,000,000 but does not exceed Rs.50,000,000	Rs.7,295,000 plus 30% of the amount exceeding Rs.30,000,000
11.	Where taxable income exceeds Rs.50,000,000 but does not exceed Rs.75,000,000	Rs.13,295,000 plus 32.5% of the amount exceeding Rs.50,000,000
12.	Where taxable income exceeds Rs.75,000,000	Rs.21,420,000 plus 35% of the amount exceeding Rs.75,000,000"

"Rates of Tax for Association of Persons

(2) The rates of tax imposed on the taxable income of every Association of Persons shall be as set out in the following table, namely:-

TABLE

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.1,200,000	5% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs.40,000 + 10% of the amount exceeding Rs.1,200,000
4.	Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs.3,600,000	Rs.160,000 + 15% of the amount exceeding Rs.2,400,000
5.	Where the taxable income exceeds Rs. 3,600,000 but does not exceed Rs.4,800,000	Rs.340,000 + 20% of the amount exceeding Rs.3,600,000
6.	Where the taxable income exceeds Rs. 4,800,000 but does not exceed Rs.6,000,000	Rs.580,000 + 25% of the amount exceeding Rs.4,800,000
7	Where the taxable income exceeds Rs.6,000,000	Rs.880,000 + 30% of the amount exceeding Rs.6,000,000;"

8-190-15-07-2026

Substitution of the Division I-Para (1) – Before substitution by Finance Supplementary (Amendment) Act, 2018, it read as follows:–

"(1) The rates of tax imposed on the taxable income of every individual shall be as set out in the following table, namely:-

TABLE

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.800,000	Rs.1,000
3.	Where the taxable income exceeds Rs.800,000 but does not exceed Rs.1,200,000	Rs.2,000
4.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	5% of the amount exceeding Rs.1,200,000
5.	Where the taxable income exceeds Rs.2,400,000 but does not exceed Rs.4,800,000	Rs. 60,000 + 10% of the amount exceeding Rs.2,400,000
4	Where the taxable income exceeds Rs.4,800,000	Rs. 300,000 + 15% of the amount exceeding Rs.4,800,000

Provided that where the taxable income exceeds eight hundred thousand rupees the minimum tax payable shall be two thousand rupees."

Cl. (2)-Tax Relief for Salaried Persons.– Following is an extract from FBR's Circular No. 1 of 2025-26 dated August 02, 2025:– [clause (2) Div. I of Part I]

"To provide relief to lower and middle tier salary income as well as reduce tax liability in a significant way for upper tier salaried individuals the following changes have been introduced:

S#	Taxable Income	Rate of Tax
(1)	**(2)**	**(3)**
1.	Where taxable income does not exceed Rs.600,000/-	0%
2.	Where taxable income exceeds Rs.600,000/- but does not exceed Rs.1,200,000/-	1% of the amount exceeding Rs.600,000/-
3.	Where taxable income exceeds Rs.1,200,000/- but does not exceed Rs.2,200,000/-	Rs.6,000/- + 11% of the amount exceeding Rs.1,200,000/-
4.	Where taxable income exceeds Rs.2,200,000/- but does not exceed Rs.3,200,000/-	Rs.116,000/- + 23% of the amount exceeding Rs.2,200,000/-
5.	Where taxable income exceeds Rs.3,200,000/- but does not exceed Rs.4,100,000/-	Rs.345,000/- + 30% of the amount exceeding Rs.3,200,000/-
6.	Where taxable income exceeds Rs.4,100,000/-	Rs.615,000/- + 35% of the amount exceeding Rs.4,100,000/-"

8-190-15-07-2026

Substitution of the Division I – The Table before substitution by Income Tax (Amendment) Ordinance, 2018, it read as follows:–

"Division I

Rates of Tax for Individuals [1][**and Association of Persons**]

1. Subject to [2][[3]*[clause]* (1A) [4]*[ ]*], the rates of tax imposed on the taxable income of every individual [5][and Association of Persons] [6][except a salaried taxpayer] [1][ ] [7][ ] shall be as set out in the following table, namely:–

[8][TABLE

S. No.	Taxable income	Rate of tax.
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.500,000	7% of the amount exceeding Rs 400,000
3.	Where the taxable income exceeds Rs 500,000 but does not exceed Rs 750,000	Rs 7,000 + 10% of the amount exceeding Rs 500,000
4.	Where the taxable income exceeds Rs 750,000 but does not exceed Rs 1,500,000	Rs 32,000 + 15% of the amount exceeding Rs 750,000
5.	Where the taxable income exceeds Rs 1,500,000 but does not exceed Rs 2,500,000	Rs 144,500 + 20% of the amount exceeding Rs 1,500,000
6.	Where the taxable income exceeds Rs 2,500,000 but does not exceed Rs 4,000,000	Rs 344,500 + 25% of the amount exceeding Rs 2,500,000
7.	Where the taxable income exceeds Rs 4,000,000 but does not exceed Rs 6,000,000	Rs 719,500 + 30% of the amount exceeding Rs 4,000,000
8.	Where the taxable income exceeds Rs 6,000,000	Rs 1,319,500 + 35% of the amount exceeding Rs 6,000,000]

[9][ ]

[10][Provided that in the case of an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating their profession, the 35% rate of tax mentioned against serial number 8 of the Table shall be 32% for tax year 2016 and onwards.]"

[1]Words inserted by Finance Act, 2012 dated June 26, 2012. Earlier words "and Association of Persons" and "or Association of Persons", respectively, omitted by Finance Act, 2010 dated June 30, 2010.

[2]Substituted for "clauses 2 and 3" by Finance Ordinance, 2002 dated June 15, 2002.

[3]Substituted for "clauses" by Finance Act, 2006 dated July 01, 2006. Earlier it was substituted for "clause (2)" by Finance Act, 2005 dated June 29, 2005.

[4]Word etc. "and (2)" omitted by Finance Act, 2006 dated July 01, 2006.

[5]Words inserted by Finance Act, 2012 dated June 26, 2012.

[6]Words inserted by Finance Act, 2005 dated June 29, 2005.

[7]Word etc. "to which sub-section (1) of section 92 applies" omitted by Finance Act, 2011 dated June 30, 2011.

[8]Table substituted by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted by Finance Act, 2013 dated June 29, 2013, substituted by Finance Act, 2012 dated June 26, 2012, by Finance Act, 2011 dated June 30, 2011, by Finance Act, 2010 dated June 30, 2010, by Finance Act, 2006 dated July 01, 2006, by Finance Act, 2004, w.e.f. July 1, 2004 and by Finance Ordinance, 2002 dated June 15, 2002.

[9]Proviso omitted by Finance Act, 2011 dated June 30, 2011. Earlier the proviso was inserted by Finance Act, 2009 dated June 30, 2009.

[10]Proviso substituted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by Finance Act, 2009 dated June 30, 2009.

"[1][(1A) Where the income of an individual chargeable under the head "salary" exceeds fifty percent of his taxable income, the rates of tax to be applied shall be as set out in the following table namely:–

[2][TABLE

S.No.	Taxable Income	Rate of tax
1.	Where the taxable income does not exceed Rs 400,000	0%
2.	Where the taxable income exceeds Rs 400,000 but does not exceed Rs 500,000	2% of the amount exceeding Rs 400,000
3.	Where the taxable income exceeds Rs 500,000 but does not exceed Rs 750,000	Rs 2,000 + 5% of the amount exceeding Rs 500,000
4.	Where the taxable income exceeds Rs 750,000 but does not exceed Rs 1,400,000	Rs 14,500 + 10% of the amount exceeding Rs 750,000
5.	Where the taxable income exceeds Rs 1,400,000 but does not exceed Rs 1,500,000	Rs 79,500 + 12.5% of the amount exceeding Rs 1,400,000
6.	Where the taxable income exceeds Rs 1,500,000 but does not exceed Rs 1,800,000	Rs 92,000 + 15% of the amount exceeding Rs 1,500,000
7.	Where the taxable income exceeds Rs 1,800,000 but does not exceed Rs 2,500,000	Rs 137,000 + 17.5% of the amount exceeding Rs 1,800,000
8.	Where the taxable income exceeds Rs 2,500,000 but does not exceed Rs 3,000,000	Rs 259,500 + 20% of the amount exceeding Rs 2,500,000
9.	Where the taxable income exceeds Rs 3,000,000 but does not exceed Rs 3,500,000	Rs 359,500 + 22.5% of the amount exceeding Rs 3,000,000
10.	Where the taxable income exceeds Rs 3,500,000 but does not exceed Rs 4,000,000	Rs 472,000 + 25% of the amount exceeding Rs 3,500,000
11.	Where the taxable income exceeds Rs 4,000,000 but does not exceed Rs 7,000,000	Rs 597,000 + 27.5% of the amount exceeding Rs 4,000,000
12.	Where the taxable income exceeds Rs 7,000,000	Rs 1,422,000 + 30% of the amount exceeding Rs 7,000,000]

[1]Clause (1A) inserted by Finance Act, 2005 dated June 29, 2005.
[2]Table substituted by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted by Finance Act, 2013 dated June 29, 2013, substituted by Finance Act, 2012 dated June 26, 2012, by Finance Act, 2011 dated June 30, 2011, by Finance Act, 2010 dated June 30, 2010, by Finance Act, 2009 dated June 30, 2009 and by F.A. 2008 and F.A. 2006.

[1][ ]
[2][ ]
[3][ ]

[4][(1B) Where the taxable income in a tax year, other than income on which the deduction of tax is final, does not exceed one million rupees of a person-

(i) holding a National Database Registration Authority's Computerized National Identity Card for disabled persons; or

[5][(ii) a taxpayer of the age of not less than sixty years on the first day of that tax year, the tax liability on such income shall be reduced by fifty per cent.]

[6][ ]"

[1]Proviso omitted by Finance Act, 2010 dated June 30, 2010.
[2]Proviso omitted by Finance Act, 2013 dated June 29, 2013.
[3]Proviso and words "; and" omitted by Finance Act, 2015 dated June 30, 2015.
[4]Paragraph (1B) inserted by Finance Act, 2014 dated June 26, 2014.
[5]Sub-paragraph (ii) substituted by Finance Act, 2015 dated June 30, 2015.
[6]Paragraph (2) omitted by Finance Act, 2014 dated June 26, 2014.

8-136-25-10-18
8-133-20-04-18

Substitution of the Table – The Table before substitution by Finance Act, 2015, it read as follows:–

"TABLE

S. No.	Taxable income	Rate of tax.
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.750,000	10% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,500,000	Rs.35,000+15% of the amount exceeding Rs.750,000
4.	Where the taxable income exceeds Rs.1,50,000 but does not exceed Rs.2,500,000	147,500+20% of the amount exceeding Rs.1,500,000
5.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.4,000,000	Rs.347,500+25% of the amount exceeding Rs.2,500,000
6.	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.6,000,000	Rs.722,500+30% of the amount exceeding Rs.4,000,000
7.	Where the taxable income exceeds Rs.6,000,000	Rs.1,322,500+35% of the amount exceeding Rs.6,000,000"

Substitution of proviso.–Before substitution by F. Act, 2015, it read as follows:-

"Provided further that Internally Displaced Persons Tax (IDPT), treated as income tax, on the tax payable on the taxable income of one million rupees or more, shall be levied at the rate of 5% of such tax, for tax year 2009."

Substitution of the Table – The Table before substitution by Finance Act, 2013, it read as follows:–

"TABLE

S. No.	Taxable income	Rate of tax.
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.750,000	10% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,500,000	Rs. 35,000+15% of the amount exceeding Rs. 750,000
4.	Where the taxable income exceeds Rs.1,50,000 but does not exceed Rs.2,500,000	147,500+20% of the amount exceeding Rs. 1,500,000
5.	Where the taxable income exceeds Rs.2,500,000	Rs. 347,500+25% of the amount exceeding Rs. 2,500,000"

Substitution of the Table – The Table before substitution by Finance Act, 2012, it read as follows:–

"TABLE

S. No.	Taxable income	Rate of tax.
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.350,000	0%
2.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.500,000	7.50%
3.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.750,000	10%"
4.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,000,000	15%
5.	Where the taxable income exceeds Rs.1,000,000 but does not exceed Rs.1,500,000	20%
6.	Where the taxable income exceeds Rs.1,500,000.	25."

8-136-25-10-18

Substitution of the Table – The Table before substitution by Finance Act, 2011, it read as follows:–

"TABLE

S. No.	Taxable income	Rate of tax.
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.300,000	0%
2.	Where the taxable income exceeds Rs.300,000 but does not exceed Rs.500,000	7.50%
3.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.750,000	10%
4.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,000,000	15%
5.	Where the taxable income exceeds Rs.1,000,000 but does not exceed Rs.1,500,000	20%
6.	Where the taxable income exceeds Rs.1,500,000.	25."

Omission of proviso.–Before omission by F. Act, 2011, it read as follows:-

"Provided that where income of a woman taxpayer is covered by this clause, no tax shall be charged if the taxable income does not exceed Rs.125,000/-"

Substitution of the Table – The Table before substitution by Finance Act, 2010, it read as follows:–

"TABLE

S. No.	Taxable income	Rate of tax.
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.100,000	0%
2.	Where the taxable income exceeds Rs.100,000 but does not exceed Rs.110,000	0.50%
3.	Where the taxable income exceeds Rs.110,000 but does not exceed Rs.125,000	1.00%
4.	Where the taxable income exceeds Rs.125,000 but does not exceed Rs.150,000	2.00%
5.	Where the taxable income exceeds Rs.150,000 but does not exceed Rs.175,000	3.00%
6.	Where the taxable income exceeds Rs.175,000 but does not exceed Rs.200,000	4.00%
7.	Where the taxable income exceeds Rs.200,000 but does not exceed Rs.300,000	5.00%
8.	Where the taxable income exceeds Rs.300,000 but does not exceed Rs.400,000	7.50%
9.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.500,000	10.00%
10.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.600,000	12.50%
11.	Where the taxable income exceeds Rs.600,000 but does not exceed Rs.800,000	15.00%
12.	Where the taxable income exceeds Rs.800,000 but does not exceed Rs.10,00,000	17.50%
13.	Where the taxable income exceeds Rs.10,00,000 but does not exceed Rs.13,00,000	21.00%
14.	Where the taxable income exceeds Rs.13,00,000	25.00%"

8-136-25-10-18

Before substitution by Finance Act, 2006, it read as follows:–

"TABLE

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 100,000	0%
2.	Where taxable income exceeds Rs. 100,000 but does not exceed Rs. 150,000	7.5% of the amount exceeding Rs. 100,000.
3.	Where taxable income exceeds Rs. 150,000 but does not exceed Rs. 300,000	3,750 plus 12.5% of the amount exceeding Rs. 150,000.
4.	Where taxable income exceeds Rs. 300,000 but does not exceed Rs. 400,000	22,500 plus 20% of the amount exceeding Rs. 300,000.
5.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 700,000	42,500 plus 25% of the amount exceeding Rs. 400,000.
6.	Where taxable income exceeds Rs. 700,000.	117,500 plus 35% of the amount exceeding Rs. 700,000."

The Table before substitution by Finance Act, 2004, it read as follows:–

"***TABLE***

S. No.	Taxable income.	Rate of tax.
(1)	**(2)**	**(3)**
1.	Where taxable income does not exceed Rs. 80,000	0%
2.	Where taxable income exceeds Rs. 80,000 but does not exceed Rs. 150,000	7.5% of the amount exceeding Rs. 80,000.
3.	Where taxable income exceeds Rs. 150,000 but does not exceed Rs. 300,000	5,250 plus 12.5% of the amount exceeding Rs. 150,000.
4.	Where taxable income exceeds Rs. 300,000 but does not exceed Rs. 400,000	24,000 plus 20% of the amount exceeding Rs. 300,000.
5.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 700,000	44,000 plus 25% of the amount exceeding Rs. 400,000.
6.	Where taxable income exceeds Rs. 700,000.	119,000 plus 35% of the amount exceeding Rs. 700,000."

Table, original position.– The Table before substitution by Finance Ordinance, 2002, it read as follows:–

"TABLE

S. No.	Taxable income.	Rate of tax.
(1)	**(2)**	**(3)**
1.	Where taxable income does not exceed Rs. 60,000	0%
2.	Where taxable income exceeds Rs. 60,000 but does not exceed Rs. 150,000	7.5% of the amount exceeding Rs. 60,000
3.	Where taxable income exceeds Rs. 150,000 but does not exceed Rs. 300,000	Rs. 6,750 plus 12.5% of the amount exceeding Rs. 150,000
4.	Where taxable income exceeds Rs. 300,000 but does not exceed Rs. 400,000	Rs. 25,500 plus 20% of the amount exceeding Rs. 300,000
5.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 700,000	Rs. 45,500 plus 25% of the amount exceeding Rs. 400,000
6.	Where taxable income exceeds Rs. 700,000	Rs. 120,500 plus 35% of the amount exceeding Rs. 700,000"

Clause (1A)-Proviso.–Before omission by Finance Act, 2010, it read as follows:-

"Provided that where income of a woman taxpayer is covered by this clause, no tax shall be charged if the taxable income does not exceed Rs. 260,000:"

Clause (1A)-Proviso.–Before omission by Finance Act, 2013, it read as follows:-

"Provided further that where the total income of a taxpayer marginally exceeds the maximum limit of a slab in the table, the income tax payable shall be the tax payable on the maximum of that slab plus an amount equal to–

(i) 20% of the amount by which the total income exceeds the said limit where the total income does not exceed Rs. 550,000.
(ii) 30% of the amount by which the total income exceeds in each slab but total income does not exceed Rs.1,050,000.
(iii) 40% of the amount by which the total income exceeds in each slab but total income does not exceed Rs. 2,250,000.
(iv) 50% of the amount by which the total income exceeds in each slab but total income does not exceed Rs. 4,550,000.
(v) 60% of the amount by which the total income exceeds in each slab but the total income does *not exceed Rs. 4,550,000:"

*for the words "does not exceed" the apparently intended word is "exceeds", this is how it appears in the Finance Bill 2009.

Proviso (1A)-Omission.–Before omitted by F. Act, 2015, it read as follows:-

"Provided further that Internally Displaced Persons Tax (IDPT), treated as income tax, on the tax payable on the taxable income of one million rupees or more, shall be levied at the rate of 5% of such tax, for tax year 2009"

Paragraph (1B)(ii)-substitution.–Before substitution by F. Act, 2015, it read as follows:-

"(ii) a taxpayer of the age of not less than sixty years on the first day of that tax year, the tax liability on such income shall be reduced by 50%."

Paragraph (2) omission.- Before omission by F.A. 2014, it read as follows:–

"(2) The rate of tax payable on bonus as IDPT as income tax shall be 30% for the tax year 2010."

8-136-25-10-18

Clause (1A)-Table–Before substitution by Finance Act, 2015, it read as follows:–

"TABLE

S.No.	Taxable Income	Rate of tax
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.750,000	5% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,400,000	Rs.17,500+10% of the amount exceeding Rs.750,000
4.	Where the taxable income exceeds Rs.1,400,000 but does not exceed Rs.1,500,000	Rs.82,500+12.5% of the amount exceeding Rs.1,400,000
5.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.1,800,000	Rs.95,000+15% of the amount exceeding Rs.1,500,000
6.	Where the taxable income exceeds Rs.1,800,000 but does not exceed Rs.2,500,000	Rs.140,000+17.5% of the amount exceeding Rs.1,800,000
7.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.3,000,000	Rs.262,500+20% of the amount exceeding Rs.2,500,000
8.	Where the taxable income exceeds Rs.3,000,000 but does not exceed Rs.3,500,000	Rs.362,500+22.5% of the amount exceeding Rs.3,000,000
9.	Where the taxable income exceeds Rs.3,500,000 but does not exceed Rs.4,000,000	Rs.475,000+25% of the amount exceeding Rs.3,500,000
10.	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.7,000,000	Rs.600,000+27.5% of the amount exceeding Rs.4,000,000
11.	Where the taxable income exceeds Rs.7,000,000	Rs.1,425,000+30% of the amount exceeding Rs.7,000,000"

Clause (1A)-Table–Before substitution by Finance Act, 2013, it read as follows:–

"TABLE

S.No.	Taxable Income	Rate of tax
1.	Rs.0 to Rs. 400,000	0%
2.	Rs.400,000 to Rs.750,000	5% of the amount exceeding Rs.400,000
3.	Rs.750,000 to Rs.1,500,000	Rs.17,500+10% of the amount exceeding Rs.750,000
4.	Rs.1,500,000 to Rs.2,000,000	Rs.95,000+15% of the amount exceeding Rs.1,500,000
5.	Rs.2,000,000 to Rs.2,500,000	Rs.175,000+17.5% of the amount exceeding Rs.2,000,000
6.	Rs.2,500,000 and above	Rs.420,000+20% of the amount exceeding Rs.2,500,000"

Clause (1A)-Table–Before substitution by Finance Act, 2012, it read as follows:–

"TABLE

S.No.	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.350,000,	0%
2.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.400,000,	1.50%

3.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.450,000,	2.50%
4.	Where the taxable income exceeds Rs.450,000 but does not exceed Rs.550,000,	3.50%
5.	Where the taxable income exceeds Rs.550,000 but does not exceed Rs. 650,000,	4.50%
6.	Where the taxable income exceeds Rs.650,000 but does not exceed Rs.750,000,	6.00%
7.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.900,000,	7.50%
8.	Where the taxable income exceeds Rs.900,000 but does not exceed Rs.1,050,000,	9.00%
9.	Where the taxable income exceeds Rs.1,050,000 but does not exceed Rs.1,200,000,	10.00%
10.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,450,000	11.00%
11.	Where the taxable income exceeds Rs.1,450,000 but does not exceed Rs.1,700,000,	12.50%
12.	Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs.1,950,000,	14.00%
13.	Where the taxable income exceeds Rs.1,950,000 but does not exceed Rs.2,250,000,	15.00%
14.	Where the taxable income exceeds Rs.2,250,000 but does not exceed Rs.2,850,000,	16.00%
15.	Where the taxable income exceeds Rs.2,850,000 but does not exceed Rs.3,550,000,	17.50%
16.	Where the taxable income exceeds Rs.3,550,000 but does not exceed Rs.4,550,000,	18.50%
17.	Where the taxable income exceeds Rs.4,550,000.	20.00%”

8-115-10-07-15

Clause (1A)-Table–Before substitution by Finance Act, 2011, it read as follows:–
"TABLE

S.No.	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.300,000,	0%
2.	Where the taxable income exceeds Rs.300,000 but does not exceed Rs.350,000,	0.75%
3.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.400,000,	1.50%
4.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.450,000,	2.50%
5.	Where the taxable income exceeds Rs.450,000 but does not exceed Rs.550,000,	3.50%
6.	Where the taxable income exceeds Rs.550,000 but does not exceed Rs. 650,000,	4.50%
7.	Where the taxable income exceeds Rs.650,000 but does not exceed Rs.750,000,	6.00%
8.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.900,000,	7.50%
9.	Where the taxable income exceeds Rs.900,000 but does not exceed Rs.1,050,000,	9.00%
10.	Where the taxable income exceeds Rs.1,050,000 but does not exceed Rs.1,200,000,	10.00%
11.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,450,000	11.00%
12.	Where the taxable income exceeds Rs.1,450,000 but does not exceed Rs.1,700,000,	12.50%
13.	Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs.1,950,000,	14.00%
14.	Where the taxable income exceeds Rs.1,950,000 but does not exceed Rs.2,250,000,	15.00%
15.	Where the taxable income exceeds Rs.2,250,000 but does not exceed Rs.2,850,000,	16.00%
16.	Where the taxable income exceeds Rs.2,850,000 but does not exceed Rs.3,550,000,	17.50%
17.	Where the taxable income exceeds Rs.3,550,000 but does not exceed Rs.4,550,000,	18.50%
18.	Where the taxable income exceeds Rs.4,550,000.	20.00%"

Clause (1A)-Table–Before substitution by Finance Act, 2010, it read as follows:–

"TABLE

S.No.	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.200,000,	0%
2.	Where the taxable income exceeds Rs.200,000 but does not exceed Rs.250,000,	0.50%
3.	Where the taxable income exceeds Rs.250,000 but does not exceed Rs.350,000,	0.75%
4.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.400,000,	1.50%
5.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.450,000,	2.50%
6.	Where the taxable income exceeds Rs.450,000 but does not exceed Rs. 550,000,	3.50%
7.	Where the taxable income exceeds Rs.550,000 but does not exceed Rs.650,000,	4.50%
8.	Where the taxable income exceeds Rs.650,000 but does not exceed Rs.750,000,	6.00%
9.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.900,000,	7.50%
10.	Where the taxable income exceeds Rs.900,000 but does not exceed Rs.1,050,000,	9.00%
11.	Where the taxable income exceeds Rs.1,050,000 but does not exceed Rs.1,200,000	10.00%
12.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,450,000,	11.00%
13.	Where the taxable income exceeds Rs.1,450,000 but does not exceed Rs.1,700,000,	12.50%
14.	Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs.1,950,000,	14.00%
15.	Where the taxable income exceeds Rs.1,950,000 but does not exceed Rs.2,250,000,	15.00%
16.	Where the taxable income exceeds Rs.2,250,000 but does not exceed Rs.2,850,000,	16.00%
17.	Where the taxable income exceeds Rs.2,850,000 but does not exceed Rs.3,550,000,	17.50%
18.	Where the taxable income exceeds Rs.3,550,000 but does not exceed Rs.4,550,000,	18.50%
19.	Where the taxable income exceeds Rs.4,550,000 but does not exceed Rs.8,650,000,	19.00%
20.	Where the taxable income exceeds Rs.8,650,000.	20.00%"

8-115-10-07-15

Clause (1A)-Table–Before substitution by Finance Act, 2009, it read as follows:–

"TABLE

S.No.	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.180,000,	0%
2.	Where the taxable income exceeds Rs.180,000 but does not exceed Rs.250,000,	0.50%
3.	Where the taxable income exceeds Rs.250,000 but does not exceed Rs.350,000,	0.75%
4.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.400,000,	1.50%
5.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.450,000,	2.50%
6.	Where the taxable income exceeds Rs.450,000 but does not exceed Rs. 550,000,	3.50%
7.	Where the taxable income exceeds Rs.550,000 but does not exceed Rs.650,000,	4.50%
8.	Where the taxable income exceeds Rs.650,000 but does not exceed Rs.750,000,	6.00%
9.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.900,000,	7.50%
10.	Where the taxable income exceeds Rs.900,000 but does not exceed Rs.1,050,000,	9.00%
11.	Where the taxable income exceeds Rs.1,050,000 but does not exceed Rs.1,200,000	10.00%
12.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,450,000,	11.00%
13.	Where the taxable income exceeds Rs.1,450,000 but does not exceed Rs.1,700,000,	12.50%
14.	Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs.1,950,000,	14.00%
15.	Where the taxable income exceeds Rs.1,950,000 but does not exceed Rs.2,250,000,	15.00%
16.	Where the taxable income exceeds Rs.2,250,000 but does not exceed Rs.2,850,000,	16.00%
17.	Where the taxable income exceeds Rs.2,850,000 but does not exceed Rs.3,550,000,	17.50%
18.	Where the taxable income exceeds Rs.3,550,000 but does not exceed Rs.4,550,000,	18.50%
19.	Where the taxable income exceeds Rs.4,550,000 but does not exceed Rs.8,650,000,	19.00%
20.	Where the taxable income exceeds Rs.8,650,000.	20.00%

Provided that where income of a woman taxpayer is covered by this clause, no tax shall be charged if the taxable income does not exceed Rs.240,000/-:

Provided further that where the total income of a taxpayer marginally exceeds the maximum limit of a slab in the table, the income tax payable shall be the tax payable on the maximum of that slab plus an amount equal to –

(i) 20% of the amount by which the total income exceeds the said limit where the total income does not exceed Rs.500,000.

(ii) 30% of the amount by which the total income exceeds in each slab but total income does not exceed Rs. 1,050,000.

(iii) 40% of the amount by which the total income exceeds in each slab but total income does not exceed Rs.2,000,000.

(iv) 50% of the amount by which the total income exceeds in each slab but total income does not exceed Rs.4,450,000.

(v) 60% of the amount by which the total income exceeds in each slab but the total income exceeds Rs.4,450,000.]

[1][ ]

[2][ ]

[1]Clause 2 omitted by Finance Act 2006 dated July 1, 2006.

[2]Clause 3 omitted by Finance Ordinance, 2002 dated June 15, 2002.

Simplified Tax Regime For Non-Salaried Taxpayers.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"A simple rate card has been evolved for non-salaried taxpayers and flat rates have been introduced to be applied to the taxable income of non-salaried individuals, depending upon the level of income."

Following is an extract from 'Notes on Clauses of Finance Act, 2006':–

"Seeks to prescribe a new rate card for non-salaried taxpayers and salaried taxpayers."

Following is an extract from salient features of budget 2006:–

"Tax rates for non-salaried persons proposed to be rationalized. Rates proposed to range from 0.5% to 25%."

Simplification of Salary Taxation.–Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Following the policy of making tax laws simpler wherever possible, the method of valuation and taxation of perquisites etc. has been rationalized. The basic exemption limit has been enhanced from Rs.100,000 to Rs.150,000. However, where the taxpayer is a woman the basic exemption limit will be Rs.200,000/-. All allowances and perquisites shall be added to the salary income.

(i) The value of house shall be taken at the amount equal to the allowance which the employee would have received in cash if accommodation was not provided, or 45% of minimum time scale (or basic salary) whichever is less;

(ii) The valuation of conveyance facility is restricted to 10% and 5% of value of car where the car is for totally personal use or partly personal use, respectively.

The additions of all allowances and perquisites will be grossed up and tax rate as per Division I of Part I of the First Schedule will be applied to determine the tax liability of the salaried taxpayer."

Following is an extract from 'Salient Features of Budget 2006':–

"Simplification of salary taxation proposed by applying effective rate on gross salary. Basic exemption limit proposed to be raised to Rs. 150,000/- with tax rates ranging from 0.25% to 20% on the gross salary."

8-115-10-07-15

Clause (1A)-Table–Before substitution by Finance Act, 2008, it read as follows:–

"TABLE

S. No.	Taxable income	Rate of tax.
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.150,000	0%
2.	Where the taxable income exceeds Rs.150,000 but does not exceed Rs.200,000	0.25%
3.	Where the taxable income exceeds Rs.200,000 but does not exceed Rs.250,000	0.50%
4.	Where the taxable income exceeds Rs.250,000 but does not exceed Rs.300,000	0.75%
5.	Where the taxable income exceeds Rs.300,000 but does not exceed Rs.350,000	1.50%
6.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.400,000	2.50%
7.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.500,000	3.50%
8.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.600,000	4.50%
9.	Where the taxable income exceeds Rs.600,000 but does not exceed Rs.700,000	6.00%
10.	Where the taxable income exceeds Rs.700,000 but does not exceed Rs.850,000	7.50%
11.	Where the taxable income exceeds Rs.850,000 but does not exceed Rs.950,000	9.00%
12.	Where the taxable income exceeds Rs.950,000 but does not exceed Rs.1,050,000	10.00%
13.	Where the taxable income exceeds Rs.1,050,000 but does not exceed Rs.1,200,000	11.00%
14.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,500,000	12.50%
15.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.1,700,000	14.00%
16.	Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs.2,000,000	15.00%
17.	Where the taxable income exceeds Rs.2,000,000 but does not exceed Rs.3,150,000	16.00%
18.	Where the taxable income exceeds Rs.3,150,000 but does not exceed Rs.3,700,000,	17.50%
19.	Where the taxable income exceeds Rs.3,700,000 but does not exceed Rs.4,450,000,	18.50%
20.	Where the taxable income exceeds Rs.4,450,000 but does not exceed Rs.8,400,000,	19.00%
21.	Where the taxable income exceeds Rs.8,400,000.	20.00%

Provided that where income of a woman taxpayer is covered by this clause, no tax shall be charged if the taxable income does not exceed Rs.200,000/-."

8-115-10-07-15

The table before substitution by Finance Act, 2006, it read as follows:–

"TABLE

S. No.	Taxable income.	Rate of tax.
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.100,000	Nil.
2.	Where taxable income exceeds Rs.100,000 but does not exceed Rs.200,000	3.5% of the amount exceeding Rs.100,000
3.	Where taxable income exceeds Rs.200,000 but does not exceed Rs.400,000	Rs.3,500 plus 12% of the amount exceeding Rs.200,000
4.	Where taxable income exceeds Rs.400,000 but does not exceed Rs.700,000	Rs.27,500 plus 25% of the amount exceeding Rs.400,000
5.	Where taxable income exceeds Rs.700,000	Rs.102,500 plus 30% of exceeding Rs.700,000."

Clause 2-Omission.– Clause 2 before omission by F.A. 2006, it read as follows:–

"2. Where, for a tax year, an individual or association of persons to which sub-section (1) of section 92 applies derives income from agriculture to which section 41 applies and the gross amount of such income for the year exceeds Rs.80,000, the rates of tax imposed on the taxable income of the individual or association of persons for the year shall be as set out in the following table, namely:–

TABLE

S. No.	Taxable income.	Rate of tax.
(1)	(2)	(3)
1	Where taxable income does not exceed Rs.150,000	7.5%
2.	Where taxable income exceeds Rs.150,000 but does not exceed Rs.300,000	Rs.11,250 plus 12.5% of the amount exceeding Rs.150,000
3.	Where taxable income exceeds Rs.300,000 but does not exceed Rs.400,000	Rs.30,000 plus 20% of the amount exceeding Rs.300,000
4.	Where taxable income exceeds Rs.400,000 but does not exceed Rs.700,000	Rs.50,000 plus 25% of the amount exceeding Rs.400,000
5.	Where taxable income exceeds Rs.700,000	Rs.25,000 plus 35% of the amount exceeding Rs.700,000"

Clause 3–Omission.– Clause 3 before omission by Finance Ordinance, 2002, it read as follows:–

"3. The rates of tax applicable to a legal representative of a deceased individual liable for tax under clause (b) of sub-section (1) of section 87 shall be –

(a) in the tax year in which the deceased died and the following tax year, the rates applicable under clause 1; or

(b) in any subsequent year, 35%."

Div I-Rate of tax for retailers.–Following is an extract from 'Notes on Clauses of Finance Bill, 2007':-

"Seeks to reduce rate of tax on retailers from 0.75% to 0.50%."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004':-

"Seeks to provide for rate of tax at 0.75% for individuals and AOPs, being retailers."

Special tax concession for women. – Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"In line with the Government policy of women empowerment, the basic threshold in the case of salaried and non salaried women taxpayers has been enhanced to Rs. 200,000 and Rs. 125,000 respectively for tax year 2007."

Changes by F. A. 2005.- Following is an extract from 'Notes on Clauses of Finance Bill 2005':–

"Seeks to clarify that the existing rate card for personal tax rates shall henceforth apply only to non-salaried individual and AOPs;"

8-115-10-07-15

8-58-10-07-08

[1&2][ ]

[3][Division II

Rates of Tax for Companies

The rate of tax imposed on the taxable income of a company shall be as set out in the following Table, namely:-

[4][Type of Company	Rate of Tax		
(1)	(2)		
	Tax Year 2025	Tax Year 2026	Tax Year 2027 and onwards
Banking Company	44%	43%	42%
Small Company	20%		
Any other company	29%]		

[1]Division IA omitted by Finance Act, 2013 dated June 29, 2013. Earlier it was inserted by Finance Act, 2004, w.e.f. July 1, 2004.
[2]Division IB omitted by Finance Act, 2012 dated June 26, 2012. Earlier it was inserted by Finance Act, 2010 dated June 30, 2010.
[3]Division II substituted by Finance Act, 2022 dated June 30, 2022. Earlier it was substituted by Finance Ordinance, 2002 dated June 15, 2002.
[4]Table substituted by Income Tax (Amendment) Bill, 2025 dated May 25, 2025. Earlier it was substituted by Income Tax (Amendment) Ordinance, 2024 dated December 29, 2024.

Div IA-Omission.-Before Omission by F.A. 2013, it read as follows:-

"**Division IA**

Rate of Tax on certain persons

The rate of tax to be paid under sub-section (1) of section 113A shall be [1][one per cent] of the turnover.]"

[1]Substituted for "0.50%" by Finance Act, 2010 dated June 30, 2010. Earlier this was substituted for "0.75%" by Finance Act, 2007, June 30, 2007 and with effect from tax year 2007.

Div IB-Omission.-Before Omission by F.A. 2012, it read as follows:-

"Division IB

Rate of Tax for Association of Persons

The rate of tax imposed on the taxable income of Association of Persons for the tax year 2010 and onward shall be 25%."

Div II(Table)-Substitution.-Before substitution by IT (Amendment) Ord. 2024, it read as follows:-

"Type of Company	**Rate of Tax**
Small company	20%
Banking company	39%
Any other company	29%."

Div II-Substitution.-Before substitution by F.A. 2022, it read as follows:-

"Division II

Rates of Tax for Companies

[1][(i) The rate of tax imposed on the taxable income of a company for the tax year 2007 and onward shall be 35% [2][:]

[1]Substituted by Finance Act, 2007, June 30, 2007.
[2]Substituted for full stop by Finance Act, 2013 dated June 29, 2013.

8-186-10-11-2025

[3][Provided that the rate of tax imposed on the taxable income of a company other than a banking company, shall be 34% for the tax year 2014 [4]*[:]*]

[5][Provided further that the rate of tax imposed on the taxable income of a company, other than a banking company shall be 33% for the tax year 2015 [6]*[:]*]

[7][Provided further that the rate of tax imposed on taxable income of a company, other than banking company shall be 32% for the tax year 2016, 31% for tax year 2017 [8][,] 30% for tax year 2018 and [9]*[*29% for tax year 2019 and onwards.*]*.]

[10][ ]

[11][(iii) where the taxpayer is a small company as defined in section 2, tax shall be payable at the rate of [12][25]% [13][:]

[13][Provided that for tax year 2019 and onwards tax rates shall be as set out in the following Table, namely:-

Tax Year	Rate of Tax
2019	24%
2020	23%
2021	22%
2022	21%
2023 and onwards	20%"

[3]Proviso inserted by Finance Act, 2013 dated June 29, 2013.
[4]Substituted for full stop by Finance Act, 2014 dated June 26, 2014.
[5]Proviso inserted by Finance Act, 2014 dated June 26, 2014.
[6]Substituted for full stop by Finance Act, 2015 dated June 30, 2015.
[7]Proviso inserted by Finance Act, 2015 dated June 30, 2015.
[8]Substituted for "and" by Finance Act, 2019 dated June 30, 2019.
[9]Substituted for "thereafter as set out in the following Table, namely:- "& table omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was substituted "onwards" & Table inserted by Finance Act, 2018 dated May 23, 2018.
[10]Paragraph (ii) omitted by Finance Act, 2008 dated June 27, 2008. It was inserted by F.A. 2003.
[11]Clause (iii) inserted by Finance Act, 2005 dated June 29, 2005.
[12]Substituted for "20" by Finance Act, 2010 dated June 30, 2010.
[13]Proviso inserted by Finance Act, 2018 dated May 23, 2018. Earlier proviso omitted by Finance Act, 2009 dated June 30, 2009. Earlier colon preceding the Proviso was substituted by full stop and Proviso inserted by Finance Act, 2008 dated June 27, 2008.

Div II-Table-Omission.-Before Omission table by F.A. 2019, it read as follows:-

"TABLE

Tax Year	Rate of Tax
2019	29%
2020	28%
2021	27%
2022	26%
2023 and onwards	25%"

Div II-Rate of tax for companies, substitution of cl. (i).–Following is an extract from 'Notes on Clauses of Finance Bill, 2007':-

"Seeks to continue corporate tax rate of 35% for the Tax Year 2007 onward."

Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"At present corporate tax rate of 35% is applicable for tax year 2007. This rate shall continue to be applicable for subsequent years also. For this purpose, an amendment has been made in Part III, Division II of the First Schedule to the Income Tax Ordinance, 2001."

8-186-10-11-2025

Before substitution by Finance Act, 2007, clause (i) it read as follows:–

"(i) The rates of tax imposed on the taxable income of a company shall be as set out in the following table, namely:–

TABLE

Tax Year	Banking Company	Public Company other than a banking Company	Private Company other than a banking Company
(1)	(2)	(3)	(4)
2003	47%	35%	43%
2004	44%	35%	41%
2005	41%	35%	39%
2006	38%	35%	37%
2007	35%	35%	35%"

Div. II, Part I.-Tax Rates for Banking Companies.- Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"Tax rates for banking companies are enhanced as explained hereunder:

(i) The taxable income arising from additional income of banking companies earned from additional investment in Federal Government securities for tax year 2020 and 2021 was taxable at the rate of 37.5% instead of rates provided in Division II of Part I of First Schedule. This provision was further amended through Finance Act, 2021, whereby income attributable to investment in the Federal Government securities of banking companies was made taxable on the basis of advances to deposit ratios at graduated tax rates of 40%, 37.5% and 35%, if ratio was upto 40%, 40-50% and above 50% respectively.

The Finance Act, 2022 has introduced enhanced rates of tax on taxable income of banks attributable to investment in Federal Government securities. The enhanced rates for tax year 2022 are 55%, 49% and 35% if gross advances to deposit ratio was upto 40%, 40-50% or above 50% respectively. For tax year 2023, and onwards tax rates will be 55%, 49% and 39% if gross advances to deposit ratio is upto 40%, 40 -50% or above 50% respectively. The changes have been incorporated by substituting sub-rule (6A) of rule 6C of Seventh Schedule to the Ordinance.

(ii) The tax rate on income of banking companies has been enhanced to 39% for tax year 2023 from current 35% through amendment in Division II of Part I of First Schedule of the Ordinance. Additionally, the application of section 4B has been restricted upto tax year 2022 in case of banking companies."

8-184-10-07-2025

Division II-Substitution.–Before substitution by F.O. 2002, it read as follows:–

"Division II

Rates of Tax for Companies

The rates of tax imposed on the taxable income of a company shall be as set out in the following table, namely: –

TABLE

Banking company.	Public company, other than a banking company.	Private company, other than a banking company.
(1)	(2)	(3)
50%	35%	45%"

Reduction in corporate tax rates.–Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Through the Finance Act 2002, a five year rate card was introduced which contemplated a gradual reduction culminating into a uniform 35% rate for all the three categories of companies w.e.f. tax year 2007. For the tax year 2006 the rates in force are:

Banking companies	38%
Public Companies	35%
Private Companies	37%"

Division II(ii)-Omission-Before omission by Finance Act, 2008 it read as follows:-

"(ii) Where the taxpayer is a society or a cooperative society, the tax shall be payable at the rates applicable to [1][a] company or an individual, whichever is beneficial to the taxpayer."

[1]Substituted for "the public" by Finance Act, 2007, dated June 30, 2007.

Division II(iii)Proviso-Omission-Before omission by Finance Act, 2009 it read as follows:-

"Provided where the turnover exceeds the prescribed limit of Rs. 250 million, tax shall be payable at the following rates, namely:-

	Turnover	**Rate**
(i)	Income attributable to turnover exceeding Rs.250 million but does not exceed Rs.350 million	25% plus
(ii)	Income attributable to turnover exceeding Rs.350 million but does not exceed Rs.500 million	30% plus
(iii)	On the income attributable to turnover exceeding Rs.500 million.	35% plus"

Banking companies.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"The income of banking companies earned from additional investment in federal government securities for tax year 2020 and onwards was taxable at the rate of 37.5% instead of rates provided in Division II of Part I of First Schedule. This provision has been further streamlined for prospective application. For tax year 2022 and onwards, the income arising from federal government securities shall be taxable on the basis of advances to deposit ratios of banks as under:

(i) 40% instead of rate provided in Division II of Part I of the First schedule if advances to deposit ratio as on last day of the tax year is upto 40%

(ii) 37.5% instead of rate provided in Division II of Part I of the First schedule if the advances to deposit ratio as on last day of the tax year exceeds 40% but does not exceed 50%

(iii) at the rates provided in Division II of Part I of the First schedule if advances to deposit ratio as on last day of the tax year exceeds 50%.

The amendments would reduce disputes regarding the calculation of additional investment and additional earning. Furthermore, the cut off rate to calculate advances to deposit ratio has been specified as last day of tax year. These changes have been incorporated by amending Rule 6C of the Seventh Schedule."

8-167-15-07-2022

[1][**Division IIA**

Table

S. No.	Person	Rate of super tax			
		Rate (percentage of income)			
		Tax Year 2018	Tax Year 2019	Tax Year 2020	[2][Tax Years 2021 and 2022]
(1)	(2)	(3)	(4)	(5)	(6)
1.	Banking company	[3][4]%	4%	[4][4]%	[4][4]%
2.	Person other than a banking company, having income equal to or exceeding Rs.500 million	3%	2%	[5][0]%	0%

Provided that in case of a banking company, super tax for tax year 2019 shall be payable, on estimate basis, by thirtieth day of June, 2018.]

[1]Division IIA substituted by Finance Act, 2018 dated May 23, 2018. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.

[2]Substituted for "Tax Year 2021 [and onwards]" by Finance Act, 2022 dated June 30, 2022. Earlier words inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

[3]Substitution for "0" by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

[4]Substitution for "3" & "2" respectively by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

[5]Substitution for "1" by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

Division IIA-Substitution.–Before substitution by F. Act, 2018, it read as follows:–

"Division IIA

Rate of Super Tax

Person	**Rate of super tax**
Banking Company	4% of the income
Person, other than a banking company, having income equal to or exceeding Rs.500 million	3% of the income"

8-167-15-07-2022

[1][Division IIB

Super Tax on high earning persons

The rate of tax under section 4C shall be-

[2][Table

S. No.	Income under section 4C and person	Rate of Tax
1.	Income of a banking company exceeding Rs.150 million	10% of the income
2.	Income of a person, which is computed as per Part I of the Fifth Schedule, exceeding Rs.150 million, so far as it does not exceed the limit specified in rule 4 of that Part	10% of the income
3.	Income of a person, engaged in deriving income from sale of any kind of fertilizer, exceeding Rs.150 million.	10% of the income
4.	Income of a person other than those mentioned in S. No. 1, 2 and 3, exceeding Rs.500 million	8% of the income]

Provided that for tax year 2022 for persons engaged, whether partly or wholly, in the business of airlines, automobiles, beverages, cement, chemicals, cigarette and tobacco, fertilizer, iron and steel, LNG terminal, oil marketing, oil refining, petroleum and gas exploration and production, pharmaceuticals, sugar and textiles the rate of tax shall be 10% where the income exceeds Rs.300 million:

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[1]Division IIB inserted by Finance Act, 2022 dated June 30, 2022.

[2]Table of Division IIB substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted by Finance Act, 2025 in force from 1 July, 2025, it was substituted by Finance Act, 2023 dated June 26, 2023 and inserted by Finance Act, 2022 dated June 30, 2022.

Super Tax on High Earning Persons [Division IIB of Part I of the First Schedule and clause (104B) of Part IV of the Second Schedule]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"The rates of super tax under section 4C contained in Division IIB of Part I of the First Schedule have been amended as under:-

S. No.	Income under section 4C and person	Rate of Tax
1.	Income of a banking company exceeding Rs.150 million	10% of the income
2.	Income of a person, which is computed as per Part I of the Fifth Schedule, exceeding Rs.150 million, so far as it does not exceed the limit specified in rule 4 of that Part	10% of the income
3.	Income of a person, engaged in deriving income from sale of any kind of fertilizer. exceeding Rs.150 million	10% of the income
4.	Income of a person other than those mentioned in S. No. 1, 2 and 3, exceeding Rs.500 million	8% of the income

Aforesaid amendment signifies that super tax has been abolished for every person having income up to Rs.500 million except the persons specified in the above table. However, by introducing a new clause (104B) in Part IV of the Second Schedule, super tax has been totally abolished for exporters deriving income exceeding Rs.500 million if the export proceeds realized for the tax year represent more than eighty percent of exporter's total turnover for that year.

Further, the rate of super tax has been reduced from 10% to 8% where income of a person exceeds Rs.500 million, other than the persons mentioned in S.# 1 to 3 of the above table."

8-191-15-09-2026

Provided further that in case of banking companies for tax year 2023, the rate of tax shall be 10% where the income exceeds Rs.300 million.]

Division IIB-Table-Substitution.–Before substitution by F. Act, 2026, it read as follows:–

"**Table**

S. No	Income under section 4C	Rate of tax		
		For tax year 2022	For tax years 2023, 2024 and 2025	For tax year 2026 and onwards
(1)	(2)	(3)	(4)	(5)
1.	Where income does not exceed Rs.150 million	0% of the income	0% of the income	0% of the income
2.	Where income exceeds Rs.150 million but does not exceed Rs.200 million	1% of the income	1% of the income	1% of the income
3.	Where income exceeds Rs.200 million but does not exceed Rs.250 million	2% of the income	2% of the income	1.5% of the income
4.	Where income exceeds Rs.250 million but does not exceed Rs.300 million	3% of the income	3% of the income	2.5% of the income
5.	Where income exceeds Rs.300 million but does not exceed Rs.350 million	4% of the income	4% of the income	3.5% of the income
6.	Where income exceeds Rs.350 million but does not exceed Rs.400 million	4% of the income	6% of the income	5.5% of the income
7.	Where income exceeds Rs.400 million but does not exceed Rs.500 million	4% of the income	8% of the income	7.5% of the income
8.	Where income exceeds Rs.500 million	4% of the income	10% of the income:	10% of the income]

Division IIB-Table-Substitution.–Before substitution by F. Act, 2025, it read as follows:–

"Table

S. No	Income under section 4C	Rate of tax	
		For tax year 2022	For tax year 2023 and onwards
(1)	(2)	(3)	(4)
1.	Where income does not exceed Rs.150 million	0% of the income	0% of the income
2.	Where income exceeds Rs.150 million but does not exceed Rs.200 million	1% of the income	1% of the income
3.	Where income exceeds Rs.200 million but does not exceed Rs.250 million	2% of the income	2% of the income
4.	Where income exceeds Rs.250 million but does not exceed Rs.300 million	3% of the income	3% of the income
5.	Where income exceeds Rs.300 million but does not exceed Rs.350 million	4% of the income	4% of the income
6.	Where income exceeds Rs.350 million but does not exceed Rs.400 million	4% of the income	6% of the income
7.	Where income exceeds Rs.400 million but does not exceed Rs.500 million	4% of the income	8% of the income
8.	Where income exceeds Rs.500 million	4% of the income	10% of the income:"

Division IIB-Table-Substitution.–Before substitution by F. Act, 2023, it read as follows:–

"S. No	Income under section 4C	Rate of Tax
(1)	(2)	(3)
1.	Where income does not exceed Rs.150 Million	0% of the income
2.	Where income exceeds Rs.150 million but does not exceed Rs.200 million	1% of the income
3.	Where income exceeds Rs.200 million but does not exceed Rs.250 million	2% of the income
4.	Where income exceeds Rs.250 million but does not exceed Rs.300 million	3% of the income
5.	Where income exceeds Rs.300 million	4% of the income:"

8-191-15-09-2026

[1][Division III

Rate of Dividend Tax

The rate of tax imposed under section 5, on dividend received from a company shall be-

(a) 7.5% in case of dividend paid by Independent Power [2][Producers] where such dividend is a pass through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be re-imbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.

[3][(b) 15% in the case of Real Estate Investment Trust and cases other than those mentioned in clauses (a), (ba), (c) and (d); and

(ba) 25% and 15%, in case of mutual funds, contingent upon proportional income derived from average annual investments in debt securities and equities respectively:

Provided that where the corporate entity is recipient of the dividend, the component derived from the debt securities shall be taxed at the rate of twenty-nine percent.]

[4][(c) 0% in case of dividend received by a REIT scheme from Special Purpose Vehicle and 35% in case of dividend received by others from Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015.]

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[1]Division III substituted by Finance Act, 2019 dated June 30, 2019. Earlier it was substituted by Finance Act, 2014 dated June 26, 2014.

[2]Substituted for "Purchasers" by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was substituted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

[3]Clause (b) substituted & clause (ba) inserted by Finance Act, 2025 in force from 1 July, 2025. Earlier it was substituted by Finance Act, 2024 w.e.f. 1 July, 2024.

[4]Clause (c) inserted by Finance (Supplementary) Act, 2022 dated January 15, 2022.

Division III(b)-Substitution.–Before substitution by F. Act, 2025, it read as follows:–

"(b) 15% in the case of mutual funds, Real Estate Investment Trusts and cases other than those mentioned in clauses (a), (c) and (d):

Provided that the rate of tax on dividend received from mutual funds deriving fifty percent or more income from profit on debt shall be 25%."

Division III(b)-Substitution.–Before substitution by F. Act, 2024, it read as follows:–

(b) 15% in mutual funds [1][, Real Estate Investment Trusts] and cases other than those mentioned in clauses (a) [2][, (c) and (d)].

[1]Words inserted by Finance Act, 2021 dated June 30, 2021.

[2]Substituted for "and (c)" by Finance (Supplementary) Act, 2022 dated January 15, 2022.

1st Sch. Pt. I-Div I, Cl. (b) and Div III, Cl. (b).- Tax rate on dividend received from mutual funds deriving 50% or more income from profit on debt.-Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"The tax rate on dividend received from a mutual fund is 15%. Through the Finance Act, 2024, in the First Schedule, a proviso has been added in clause (b) of Division III of Part I and in clause (b) of Division I of Part I whereby the rate of tax on dividend received from a mutual fund and the rate of tax to be deducted on dividend received from a mutual fund which derives 50% or more of its income from profit on debt has been enhanced to 25%."

8-184-10407-2025

[1][(d)] 25% in case of a person receiving dividend from a company where no tax is payable by such company, due to exemption of income or carry forward of business losses under Part VIII of Chapter III or claim of tax credits under Part X of Chapter III.]

[1]Existing clause (c) renumbered as clause (d) by Finance (Supplementary) Act, 2022 dated January 15, 2022.

Division III-Substitution.–Before substitution by F. Act, 2019, it read as follows:–

"Division III

Rate of Dividend Tax

The rate of tax imposed under section 5 on dividend received from a company shall be-

(a) 7.5% in the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects; and

[2][(b) [3][15]%, in cases other than mentioned in clauses (a) and (c);

(c) [4][12.5]%, in case of dividend received by a person from a mutual fund [5]*[*if the amount of dividend is above 2.5 million and 10% if the amount of dividend is less than or equal to 2.5 million*]*.]

Provided that the dividend received by a person from a stock fund shall be taxed at the rate of 12.5% for tax year 2015 and onwards, if dividend receipts are less than capital gains:

Provided further that the dividend received by a company from a collective investment scheme [6][, REIT Scheme] or a mutual fund, other than a stock fund, shall be taxed at the rate of [7][15]% for tax year 2015 and onwards [8]*[:]*.]

[9][Provided also that if a Developmental REIT Scheme with the object of development and construction of residential buildings is set up by thirtieth day of June, [10]*[*2020*]*, tax imposed on dividend received by a person from such Developmental REIT Scheme shall be reduced by fifty percent for three years from [11]*[*the date of setting up of the said Scheme*]*.]

[2]Clause (b) substituted & (c) inserted by Finance Act, 2015 dated June 30, 2015.
[3]Substituted for "12.5" by Finance Act, 2017 dated June 20, 2017.
[4]Substituted for "10" by Finance Act, 2017 dated June 20, 2017.
[5]Words inserted by Finance Act, 2017 dated June 20, 2017.
[6]Words etc. inserted by Finance Act, 2015 dated June 30, 2015.
[7]Substituted for "25" by Finance Act, 2018 dated May 23, 2018.
[8]Substituted for full stop by Finance Act, 2015 dated June 30, 2015.
[9]Proviso inserted by Finance Act, 2015 dated June 30, 2015.
[10]Substituted for "2018" by Finance Act, 2018 dated May 23, 2018.
[11]Substituted for "thirtieth day of June, 2018" by Finance Act, 2018 dated May 23, 2018.

Division III(b)-Substitution.–Before substitution by F. Act, 2015, it read as follows:–

"(b) 10%, in all other cases:"

Div. III-Dividend income.- Following is an extract from 'Notes on Clauses of Finance Bill, 2007':-

"Seeks to levy uniform tax @ 10% for dividend income."

Division III-Substitution.–Before substitution by F. Act, 2014, it read as follows:–

"Division III
Rate of Dividend Tax

The rate of tax imposed under section 5 on [1][dividend] received from a [2][ ] company shall be [3][10%]

[4][ ]"

[1]Substituted for "dividends" by Finance Ordinance, 2002 dated June 15, 2002.
[2]Word "resident" omitted by Finance Act, 2003, dated June 17, 2003.
[3]Inserted by Finance Act, 2007, June 30, 2007.
[4]Clauses (a) and (b) omitted by Finance Act, 2007, June 30, 2007.

8-184-10-07-2025

Div-III.-Change in Tax Rate of Dividend from Mutual Fund.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [Division III of Part I of the First Schedule]

"Prior to Finance Act, 2025, a flat tax rate of 25% was applicable on dividend income of the unit holders if mutual fund derived income from profit on debt is equal to or in excess of fifty percent from investment in debt securities. Now tax rates of 25% and 15% will apply on the income derived from debt securities and income from investment in equities respectively when mutual fund distributes that income to the unit holders as dividend. Respective change in the withholding tax rate of dividend from mutual fund have also been incorporated in Division I of Part III of the First Schedule. Moreover, if the recipient of the dividend from mutual fund is a company, then in such case the dividend as distributed by the mutual fund out of profit on debt from debt securities will be charge to tax at the rate specified in Division II of Part I of the First Schedule instead of tax rate 25%."

Div-IIIA. Change in Tax Rate of Profit on Debt.- Following is an extract from FBR's Circular No. 01 of 2025-26 dated August 02, 2025:- [Division IIIA of Part l and Division IA of Part III of the First Schedule]

"The tax rate on profit on debt derived from deposits in banking companies, financial institutions and investment in government securities, except the profit derived by individuals from government securities, have been increased from 15% to 20%. The tax rate on profit on debt derived from sources such as National Saving Schemes or Post office Savings Account etc. remains unchanged. Necessary changes in this regard have been incorporated in Division IA of Part III of the First Schedule. Prior to Finance Act, 2025 in Tenth Schedule the rate for non-filer persons were specified at 35% on profit on debt. Now this entry has been omitted and for tax year 2026 and onwards hundred percent increase in tax rates for non-filers persons deriving income from profit on debt will apply."

8-185-15-09-2025

[1][Division IIIA

Rate for Profit on Debt

[2][The rate of tax for profit on debt imposed under section 7B shall be–

(a) 20% of the yield or profit paid by a banking company or financial institution on an account or deposit maintained with such company or institution;

(b) 20% of the yield or profit on Government securities under clause (c) of sub-section (1) of section 151 paid to any person other than an individual; and

(c) 15% of the yield or profit in cases other than those mentioned in clauses (a) and (b).]

[3][ ]

[4][Division IIIB

Rate of Tax on Return on investment in sukuks received from a special purpose vehicle

The rate of tax imposed under section 5AA on return on investment in sukuks received from a special purpose vehicle shall be-

(a) 25 % in the case the sukuk-holder is a company;

(b) 12.5% in case the sukuk-holder is an individual or an association of person, if the return on investment is more than one million; and

(c) 10% in case the sukuk-holder is an individual and an association of person, if the return on investment is less than one million.]

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[1]Division IIIA substituted by Finance Act, 2025 in force from 1 July, 2025. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.

[2]Inserted by Finance Act, 2021 dated June 30, 2021.

[3]Table omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Finance Act, 2019 dated June 30, 2019, was substituted by Finance Act, 2017 dated June 20, 2017.

[4]Division IIIB inserted by Tax Laws (Amendment) Ordinance, 2016 dated August 31, 2016, effective 01-07-16.

The omitted clauses read as follows:-

"(a) in the case of [1][dividend] received by a public company or an insurance company [2][or any other resident company], 5% of the gross amount of the dividend; or

(b) in any other case, 10% of the gross amount of the dividend."

[1]Substituted for "dividends" by Finance Ordinance, 2002 dated June 15, 2002.

[2]Words inserted by Finance Act, 2006 dated July 01, 2006.

Division IIIA-Substitution.–Before substitution by F. Act, 2025, it read as follows:–

"Division IIIA

Rate for Profit on Debt

The rate of tax for profit on debt imposed under section 7B shall be- [1][15%]"

[1]Inserted by Finance Act, 2021 dated June 30, 2021.

8-184-10-07-2025

Table of Division IIIA-Omission.–Before omission by F. Act, 2021, it read as follows:–

"**TABLE**

S. No	Profit on Debt	Rate of tax
(1)	(2)	(3)
1.	Where profit on debt does not exceed Rs.5,000,000	15%
2.	Where profit on debt exceeds Rs.5,000,000 but does not exceed Rs.25,000,000	17.5%
3.	Where profit on debt exceeds Rs.25,000,000 but does not exceed Rs.36,000,000	20%"

Table of Division IIIA-Substitution.–Before substitution by F. Act, 2019, it read as follows:–

"TABLE

S. No	Profit on Debt	Rate of tax
(1)	(2)	(3)
1.	Where profit on debt does not exceed Rs 5,000,000	10%
2.	Where profit on debt exceeds Rs 5,000,000 but does not exceed Rs 25,000,000	12.5%
3.	Where profit on debt exceeds Rs 25,000,000	15%"

Table of Division IIIA-Substitution.–Before substitution by F. Act, 2017, it read as follows:–

"S. No	Profit on Debt	Rate of tax
(1)	(2)	(3)
1.	Where profit on debt does not exceed Rs 25,000,000	10%
2.	Where profit on debt exceeds Rs 25,000,000 but does not exceed Rs 50,000,000	2,500,000 + 12.5% of the amount exceeding Rs 25,000,000
3.	Where profit on debt exceeds Rs 50,000,000	Rs 5,625,000 + 15% of the amount exceeding Rs 50,000,000"

Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:-

"A concessional tax @ 5% is leviable on dividends received by a public company or an insurance company. Dividends received by other companies were subject to a withholding tax of 10% which was their final tax liability.

In order to encourage more investments, withholding tax rate on inter-corporate dividends received by resident companies has been reduced to 5% like in the case of public companies w.e.f. Tax Year 2007 as a final tax liability."

Following is an extract from salient features of budget 2006:–

"Reduction in tax rate for inter corporate dividends (from 10% to 5%) proposed."

Following is an extract from 'Notes on Clauses of Finance Act, 2006':–

"Seeks to reduce tax rate on inter corporate dividend in the case of resident companies."

Allowing equal concession to the shareholders receiving dividends from non-resident companies.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"At present, reduced tax rate on receipt of dividend from resident company is 5% in the case of a public or insurance company and 10% in any other case. The dividend received from a non-resident company is chargeable to tax at normal tax rates. In order to provide equal tax treatment, Division III of Part-I of First Schedule to Income Tax Ordinance, 2001 has been amended. From tax year commencing on or after July 1, 2003 the same rate of tax to dividends received from a resident and a non-resident company would be applicable. It would continue to be the final discharge of liability."

8-184-10-07-2025

[1][Division IV

Rate of Tax on Certain Payments

The rate of tax imposed under section 6 on payments shall be 15% of the gross amount of royalty or fee for technical services [2][or fee of offshore digital services] and 10% in any other case.]

[3][Division IVA

Rate of Tax on Payments for Digital Transactions in E-commerce Platforms

The rate of tax imposed under section 6A on payment for digitally ordered goods or digitally [4][ordered] services through e-commerce platforms including websites shall be in case of payment through–

i) Digital Means or banking channels by payment intermediary at the rate of 1% of gross amount paid or payable; and

(ii) Cash on Delivery by courier service at the rate of 2% of the gross amount paid or payable.]

Division V

Rate of Tax on Shipping or Air Transport Income of a Non-resident Person

The rate of tax imposed under section 7 shall be –

(a) in the case of shipping income, 8% of the gross amount received or receivable; or

(b) in the case of air transport income, 3% of the gross amount received or receivable.

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[1]Division IV substituted by Finance Act, 2022 dated June 30, 2022.
[2]Words inserted by Finance Act, 2025 in force from 1 July, 2025.
[3]Division IVA inserted by Finance Act, 2025 in force from 1 July, 2025.
[4]Substituted for "delivered" by Finance Act, 2026 dated June 26, 2026.

Division IV-Substitution-Before substitution by F. Act, 2022, it read as follows:-

"Division IV

Rate of Tax on Certain Payments to Non-residents

The rate of tax imposed under section 6 on payments to non-residents shall be 15% of the gross amount of the royalty or fee for technical services [1][and 5% of the gross amount of the fee for offshore digital services]."

[1]Words inserted by Finance Act, 2018 dated May 23, 2018.

8-190-15-07-2026

[1][ ]

[1]Division VI omitted by Finance Act, 2013 dated June 29, 2013. Earlier it was substituted by Finance Act, 2009 dated June 30, 2009 and was inserted by Finance Act, 2006 dated July 01, 2006.

Division VI-Omission-Before omission by F. Act, 2013, it read as follows:-

"DIVISION VI

Income from Property

(a) The rate of tax to be paid under section 15, in the case of individual and association of persons, shall be-

S. No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.150,000	Nil
(2)	Where the gross amount of rent exceeds Rs. 150,000 but does not exceed Rs. 400,000.	5 per cent of the gross amount exceeding Rs. 150,000
(3)	Where the gross amount of rent exceeds Rs. 400,000 but does not exceed Rs. 1,000,000.	Rs. 12,500 plus 7.5 per cent of the gross amount exceeding Rs. 400,000
(4)	Where the gross amount of rent exceeds Rs. 1,000,000	Rs. 57,500 plus 10 per cent of the gross amount exceeding Rs. 1,000,000

(b) The rate of tax to be paid under section 15, in the case of company, shall be-

S. No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.400,000	5 per cent of the gross amount of rent.
(2)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 7.5 per cent of the gross amount of rent exceeding Rs.400.000.
(3)	Where the gross amount of rent exceeds Rs.1,000,000.	Rs.65,000 plus 10 per cent of the gross amount of rent exceeding Rs.1,000,000."

Division VI(a)-Substitution-Before substitution by F. Act, 2008 it read as follows:-

"(a) the rate of tax to be paid under section 15 shall be 5% of the gross amount of rent chargeable to tax under that section."

Division VI-Substitution-Before substitution by Finance Act, 2009 it read as follows:-

[1][**DIVISION VI**

INCOME FROM PROPERTY*

[2][(a) The rate of tax to be paid under section 15, in the case of individual and association of persons, shall be-

S. No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.150,000.	Nil.
(2)	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.400,000.	5 per cent of the gross amount exceeding Rs.150,000.
(3)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.12,500 plus 10 per cent of the gross amount exceeding Rs.400,000.
(4)	Where the gross amount of rent exceeds Rs.1,000,000.	Rs.72,500 plus 15 per cent of the gross amount exceeding Rs.1,000,000.

(b) The rate of tax to be paid under section 15, in the case of company, shall be-

S. No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.400,000.	5 per cent of the gross amount of rent.
(2)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 10 per cent of the gross amount of rent exceeding Rs.400,000.
(3)	Where the gross amount of rent exceeds Rs.1,000,000.	Rs.80,000 plus 15 per cent of the gross amount of rent exceeding Rs.1,000,000.]"

[1]Division VI inserted by Finance Act, 2006 dated July 01, 2006.
[2]Paras (a) and (b) substituted for Para (a) of Division VI by Finance Act, 2008 dated June 27, 2008.
*Please see 2nd Schedule part II clauses (27A) and (28) for property rates revised by SRO 766(I)/2008.

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[1][ ]

[1]Division VIA omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2016 dated June 24, 2016.

Division VIA-Omission-Before omission by F. Act, 2021 it read as follows:-

"**Division VIA**

Income from Property

The rate of tax to be paid under section 15, in the case of individual and association of persons, shall be as follows:-

S.No.	Gross amount of rent	Rate of tax
1.	Where the gross amount of rent does not exceed Rs.200,000.	Nil
2.	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000.	5 per cent of the gross amount exceeding Rs.200,000.
3.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000.
4.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000.	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000.
5.	Where the gross amount of rent exceeds Rs.2,000,000 [1][/but does not exceed Rs.4,000,000/.	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000]
[2][6.	Where the gross amount of rent exceeds Rs.4,000,000 but does not exceed Rs.6,000,000.	Rs.610,000 plus 25 per cent of the gross amount exceeding Rs.4,000,000
7.	Where the gross amount of rent exceeds Rs.6,000,000 but does not exceed Rs.8,000,000	Rs.1,110,000 plus 30 per cent of the gross amount exceeding Rs.6,000,000
8.	Where the gross amount of rent exceeds Rs.8,000,000	Rs.1,710,000 plus 35 percent of the gross amount exceeding Rs.8,000,000]"

[1]Words inserted by Finance Act, 2019 dated June 30, 2019.

[2]S. No. 6 to 8 inserted by Finance Act, 2019 dated June 30, 2019.

[1][Division VII

Capital Gains on Disposal of Securities

The rate of tax to be paid under section 37A shall be as follows:-

[1]Division VII substituted by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier Table of Division VII substituted by Finance Act, 2022 dated June 30, 2022, it was substituted by Finance Act, 2021 dated June 30, 2021, was substituted by Finance Act, 2019 dated June 30, 2019, was substituted by Finance Act, 2017 dated June 20, 2017, was substituted by Finance Act, 2016 dated June 24, 2016 and was substituted by Finance Act, 2015 dated June 30, 2015 and was inserted by Finance Act, 2010 dated June 30, 2010.

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TABLE

S. No.	**Holding Period**	**Rate of Tax on disposal of securities acquired between 1st day of July, 2022 and 30th June, 2024 (both dates inclusive)**	**Rate of Tax on disposal of securities acquired on or after 1st day of July, 2024**
(1)	**(2)**	**(3)**	**(4)**
1.	Where the holding period does not exceed one year	15%	15% for persons appearing on the Active Taxpayers' List on the date of acquisition and the date of disposal of securities and at the rate specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the Active Taxpayers' List on the date of acquisition and date of disposal of securities: Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List, the rate of tax shall not be less than 15% in any case.
2	Where the holding period exceeds one year but does not exceed two years	12.5%	
3.	Where the holding period exceeds two years but does not exceed three years	10%	
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	
5.	Where the holding period exceeds four years but does not exceed five years	5%	
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	
7.	Where the holding period exceeds six years	0%	

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8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%:

Provided that for securities except at S. No. 8 of the Table–

(i) the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July, 2013 but on or before the 30th day of June, 2022; and

(ii) the rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the first day of July, 2013:

Provided further that the rate for companies in respect of debt securities shall be as specified in Division II of Part I of the First Schedule:

Provided also that a mutual fund or a collective investment scheme or a REIT scheme shall [1][charge and] deduct Capital Gains Tax at the rates as specified below, on redemption of securities as prescribed, namely:-

Category	Rate
Individual and association of persons	15% for stock funds 15% for other funds
Company	15% for stock funds 25% for other funds:

Provided also that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 15%:

Provided also that no capital gain shall be deducted, if the holding period of the security acquired on or before 30th day of June 2024 is more than six years.

Explanation.– For the removal of doubt, it is clarified that provisions of this proviso shall be applicable only in case of mutual fund or collective investment scheme or a REIT scheme.]

[1]Words inserted by Finance Act, 2026 dated June 26, 2026.

8-190-15-07-2026

Division VII-Substitution-Before substitution by F. Act, 2024 it read as follows:-

"Division VII

Capital Gains on Disposal of Securities

The rate of tax to be paid under section 37A shall be as follows:-

TABLE

S. No	Holding Period	Rate of Tax for Tax year 2023 and onwards
(1)	**(2)**	**(3)**
1.	Where the holding period does not exceed one year	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%
4.	Where the holding period exceeds three years but does not exceed four years	7.5%
5.	Where the holding period exceeds four years but does not exceed five years	5%
6.	Where the holding period exceeds five years but does not exceed six years	2.5%
7.	Where the holding period exceeds six years	0%
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%:

Provided that for securities except at S. No. 8 of the table,-

(i) the reduced rates of tax on capital gain arising on disposal shall apply where the securities are acquired on or after the first day of July, 2022; and

[1][(ii) the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July, 2013 but on or before the 30th day of June, 2022; and

(iii) the rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the first day of July, 2013:]

Provided further that the rate for companies in respect of debt securities shall be as specified in Division II of Part I of the First Schedule:

Provided further that a mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax at the rates as specified below, on redemption of securities as prescribed namely:-

Category	Rate
Individual and association of persons	10% for stock funds 10% for other funds
Company	10% for stock funds 25% for other funds

Provided further that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 12.5%:

Provided further that no capital gains tax shall be deducted, if the holding period of the security is more than six years.

Explanation.- For removal of doubt, it is clarified that, the provisions of this proviso shall be applicable only in case of a mutual fund or collective investment scheme or a REIT scheme.]

[1]Paragraph (ii) substituted by Finance Act, 2023 dated June 26, 2023.

Division VII-paragraph (ii)-Substitution-Before substitution by F. Act, 2023, it read as follows:-

"(ii) the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or before the 30th day of June, 2022 irrespective of holding period of such securities:"

8-190-15-07-2026

Division VII-Table-Substitution-Before substitution table by F. Act, 2022, it read as follows:-

"TABLE

S. No	Period	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Years 2018, 2019, 2020 and 2021		Tax Year 2022 and onwards
					Securities acquired before 01-07-2016	Securities acquired after 01-07-2016	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Where holding period of a security is less than twelve months	12.5%	15%	15%	15%	15%	12.5%
2.	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	12.5%		
3.	Where holding period of a security is twenty - four months or more but the security was acquired on or after 1st July, 2013.	0%	7.5%	7.5%	7.5%		
4.	Where the security was acquired before 1st July, 2013	0%	0%	0%	0%	0%	0%
5.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	0%	0%	5%	5%	5%	5%]

Provided that the rate of tax on cash settled derivatives traded on the stock exchange shall be 5% for the tax years 2018 to 2020.]

Provided that the rate for companies shall be as specified in Division II of Part I of First Schedule, in respective of debt securities;

Provided further that a mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax at the rates as specified below, on redemption of securities as prescribed, namely:-

Category	**Rate**
Individual and association of persons	10% for stock funds 10% for other funds
Company	10% for stock funds 25% for other funds

Provided further that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 12.5%:

Provided further that no capital gains tax shall be deducted, if the holding period of the security is more than four years.]

[1][***Explanation.-*** For removal of doubt, it is clarified that, the provisions of this proviso shall be applicable only in case of a mutual fund or collective investment scheme or a REIT scheme."

[1]Explanation inserted by Finance Act, 2019 dated June 30, 2019.

8-179-05-07-2024

Division VII-Table-Substitution-Before substitution table by F. Act, 2021, it read as follows:-

"TABLE

					[1][Tax Years 2018, 2019, 2020 and onwards]	
S. No	Period	Tax Year 2015	Tax Year 2016	Tax Year 2017	Securities acquired before 01-07-2016	Securities acquired after 01-07-2016
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Where holding period of a security is less than twelve months	12.5%	15%	15%	15%	15%
2.	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	12.5%	
3.	Where holding period of a security is twenty - four months or more but the security was acquired on or after 1st July, 2013.	0%	7.5%	7.5%	7.5%	
4.	Where the security was acquired before 1st July, 2013	0%	0%	0%	0%	0%
5.	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%	5%"

[1]Substituted for "Tax Years 2018, 2019 and 2020" by Finance Act, 2020 dated June 30, 2020.

8-179-05-07-2024

Division VII-Table-Substitution-Before substitution table by F. Act, 2019, it read as follows:-

"S. No.	Period	Tax Year 2015	Tax Year 2016	Tax Year 2017		[1][Tax Years 2018 and 2019]			
						Securities acquired before 01-07-2016		Securities acquired after 01-07-2016	
				Filer	Non-Filer	Filer	Non-Filer	Filer	Non-Filer
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(8)	(10)
1.	Where holding period of a security is less than twelve months	12.5%	15%	15%	18%	15%	18%	15%	20%
2.	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	16%	12.5%	16%		
3.	Where holding period of a security is twenty - four months or more but the security was acquired on or after 1st July, 2013.	0%	7.5%	7.5%	11%	7.5%	11%	15%	20%
4.	Where the security was acquired before 1st July, 2013	0%	0%	0%	0%	0%	0%	0%	0%
5.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	0%	0%	5%	5%	5%	5%	5%	5%"

[1]Substituted for "Tax Year 2018" by Finance Act, 2018 dated May 23, 2018.

Division VII-Table Substitution-Before substitution by F. Act, 2017, it read as follows:-

"S. No.	**Period**	**Tax Year 2015**	**Tax Year 2016**	**Tax Year 2017**	
(1)	(2)	(3)	(4)	(5)	(6)
1.	Where holding period of a security is less than twelve months	12.5%	15%	15%	18%
2.	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	16%
3.	Where holding period of a security is twenty-four months or more but the security was acquired on or after 1st July, 2012	0%	7.5%	7.5%	11%
4.	Where the security was acquired before 1st July, 2012	0%	0%	0%	0%
5.	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%"

8-167-15-07-2022

Division VII-Substitution-Before substitution by F. Act, 2016, it read as follows:-

"Division VII

Capital Gains on disposal of Securities

The rate of tax to be paid under section 37A shall be as follows-

S. No.	Period	Tax Year 2015	Tax Year 2016
(1)	(2)	(3)	(4)
1.	Where holding period of a security is less than twelve months	12.5%	15%
2.	Where holding period of a security is twelve months or more but less than twenty four months	10%	12.5%
3.	Where holding period of a security is twenty four months or more but less than four years	0%	7.5%
4.	Where holding period is more than four years	0%	0%"

Division VII-Substitution-Before substitution by F. Act, 2015, it read as follows:-

"Division VII

Capital Gains on disposal of Securities

The rate of tax to be paid under section 37A shall be as follows:-

[1]**/Table**

S. No.	Period	Tax Year.	Rate of Tax.
(1)	(2)	(3)	(4)
1.	Where holding period of a security is less than six months.	2011 2012 2013 2014	10% 10% 10% 10%
2.	Where holding period of a security is more than six months but less than twelve months.	2011 2012 2013 2014	7.5% 8% 8% 8%
	TAX YEAR 2015		
3.	Where holding period of a security is less than twelve months.		12.5%
4.	Where holding period of a security is twelve months or more but less than twenty-four months.		10%
5.	Where holding period of a security is twenty-four months or more.		0%

Provided that the rate for companies shall be as specified in Division II of Part I of First Schedule, in respect of debt securities;"

[1]Table substituted by Finance Act, 2004 dated June 26, 2014. Earlier it was substituted by Finance Act, 2011 dated June 30, 2011.

Capital gain on disposal of securities.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"The capital gain on sale of securities was taxable at different rates. Now the uniform reduced rate of 12.5% has been provided under law."

Capital gain on disposal of immoveable properties.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"A separate block of taxation of capital gain on the sale of immoveable property is available under the Ordinance. The gain arising on the disposal of immovable property for more than 4 years, is not taxable. The capital gain arising on the disposal of immovable properties is taxable to extent of 100%, 75%, 50% and 25%, if property is sold within 1, 2, 3 and 4 years respectively. The gain so calculated on the basis of holding period was taxable at the rates ranging from 2. 5% to 10%. Now these rates have been slightly enhanced through changes in Division VIII of Part I of First schedule of the Ordinance, however, the holding period concession remains intact."

8-167-15-07-2022

Division VII Table-Substitution-Before substitution by F. A. 2014, it read as follows:-

"Table

S. No.	Period	Tax Year.	Rate of Tax.
(1)	(2)	(3)	(4)
1.	Where holding period of a security is less than six months.	2011	[1]/10%
		2012	10%
		2013	10%
		2014	10%
		2015	17.5%]
2.	Where holding period of a security is more than [2]/more than six months/ but less than twelve months.	2011	[3]/7.5%
		2012	8%
		2013	8%
		2014	8%
		2015	9.5%
		2016	10%]
3.	Where holding period of a security is [4]/twelve months or more/.	-	0%/"

[1]Substituted for "10%, 10%, 12.5%, 15%, 17.5%" respectively by Finance Act, 2012 dated June 26, 2012.
[2]Substituted for "six months or more" by Finance Act, 2012 dated June 26, 2012.
[3]Substituted for "7.5%, 8%, 8.5%, 9%, 9.5%, 10%" respectively by Finance Act, 2012 dated June 26, 2012.
[4]Substituted for "one year or more" by Finance Act, 2012 dated June 26, 2012.

Divisions VII Table–Substitution. Before substitution by Finance Act, 2011, the Table read as follows:–

"S. No.	Period	Tax Year.	Rate of Tax.
(1)	(2)	(3)	(4)
1.	Where holding period of a security is less than six months.	2011	10%
		2012	10%
		2013	12.5%
		2014	15%
		2015	17.5%
2.	Where holding period of a security is more than six months but less than twelve months.	2011	7.5%
		2012	8%
		2013	8.5%
		2014	9%
		2015	9.5%
		2016	10%
3.	Where holding period of a security is more than one year.	-	0%

Provided that a mutual fund or a collective investment scheme shall deduct Capital Gains Tax at the rate as specified above, on redemption of securities as prescribed;"

Div. VII, Part I-Capital Gain on Disposal of Securities.-Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"A separate block of taxation of capital gains on disposal of securities is available under the Ordinance. Earlier, flat tax rate of 12.5% was applicable on gain on disposal of securities irrespective of holding period. Now graduated tax rates have been provided with respect to securities acquired after 1st day of July, 2022, by substituting the Table in Division VII of Part I of First Schedule as under:

S. No	Holding Period	Rate of Tax for Tax year 2023 and onwards
1.	Rate of Tax for Tax year 2023 and onwards	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%
4.	Where the holding period exceeds three years but does not exceed four years	7.5%
5.	Where the holding period exceeds four years but does not exceed five years	5%
6.	Where the holding period exceeds five years but does not exceed six years	2.5%
7.	Where the holding period exceeds six years	0%
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%

However, gain on disposal of securities acquired on or before 30th day of June, 2022 will continue to be charged to tax at the earlier flat rate of 12.5% irrespective of the holding period."

8-179-05-07-2024

[1][Division VIII

The rate of tax to be paid shall under subsection (1A) of section 37 shall be as follows:-

S. No.	Holding Period	Rate of Tax on properties acquired on or before 30th day of June, 2024			Rate of Tax on properties acquired on or after 1st day of July, 2024
		Open Plots	Cons-tructed Property	Flats	
(1)	(2)	(3)	(4)	(5)	(6)
1.	Where the holding period does not exceed one year	15%	15%	15%	15% for persons appearing on the Active Taxpayers' List on date of disposal of property and at the rates specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the Active Taxpayers' List on the date of disposal of property: Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List on the date of disposal, the rate of tax shall not be less than 15% of the gain.]
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%	
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0	
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-	
5.	Where the holding period exceeds four years but does not exceed five years	5%	0	-	
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-	
7.	holding period exceeds six years	0	-	-	

[1]Division VIII substituted by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier it was substituted by Finance Act, 2022 dated June 30, 2022, it was substituted by Finance Act, 2021 dated June 30, 2021, table of Division VIII substituted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2012 dated June 26, 2012.

8-1770-07-05-2024

Division VIII-Substitution-Before substitution by F. Act, 2024, it read as follows:-

"Division VIII

The rate of tax to be paid shall under sub-section (1A) of section 37 shall be as follows:

S. No	**Holding Period**	**Rate of Tax**		
		Open Plots	Constructed Property	Flats
(1)	**(2)**	**(3)**	**(4)**	**(5)**
1.	Where the holding period does not exceed one year	15%	15%	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-
5.	Where the holding period exceeds four years but does not exceed five years	5%	0	-
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-
7.	Where the holding period exceeds six years	0%	-	-"

Division VIII-Substitution-Before substitution by F. Act, 2022, it read as follows:-

"**Division VIII**

Tax on capital gains on disposal of Immoveable Property

The rate of tax to be paid under sub-section (1A) of section 37 shall be as follows:-

TABLE

S. No	**Amount of Gain**	**Rate of Tax**
(1)	(2)	(3)
1.	Where the gain does not exceed Rs. 5 million	3.5%
2.	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	7.5%
3.	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	10%
4.	Where the gain exceeds Rs. 15 million	15%"

8-170-05-07-2024

Division VIII-Substitution-Before substitution by F. Act, 2021, it read as follows:-

"Division VIII

Tax on Capital Gains on disposal of Immovable Property

The rate of tax to be paid under sub-section (1A) of section 37 shall be as follows:-

[2]**[TABLE**

S. No.	Amount of Gain	Rate of tax
(1)	(2)	(3)
1.	Where the gain does not exceed Rs.5 million	2.5%
2.	Where the gain exceeds Rs.5 million but does not exceed Rs.10 million	5%
3.	Where the gain exceeds Rs.10 million but does not exceed Rs.15 million	7.5%
4.	Where the gain exceeds Rs.15 million	10%]

[1]Table of division VIII substituted by Finance Act, 2020 dated June 30, 2020.

Division VIII Table-Substitution-Before substitution by F. A. 2020, it read as follows:-

"S. No.	Amount of gain	Rate of tax
(1)	(2)	(3)
1.	Where the gain does not exceed Rs. 5 million	5%
2.	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	10%
3.	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	15%
4.	Where the gain exceeds Rs. 15 million	20%"

Division VIII Table-Substitution-Before substitution by F. A. 2014, it read as follows:-

"Division VIII

Capital Gains on disposal of Immovable Property

The rate of tax to be paid under sub-section (1A) of section 37 shall be as follows:-

[1][S. No.	Period	Rate of tax
(1)	(2)	(3)
For immovable property allotted to persons mentioned in [2][the proviso to sub-section (1)] of section 236C		
1.	Immovable property is held irrespective of the holding period.	0%
For immovable property acquired on or after July 1, 2016, other than those mentioned against S. No. 1		
2.	Where holding period of immovable property is up to one year.	10%
3.	Where holding period of immovable property is more than or equal to one year but less than two years.	7.5%
4.	Where holding period of immovable property is more than or equal to two years but less than three years.	5%
5.	Where holding period of immovable property is more than three years.	0%
For immovable property acquired before July 1, 2016 other than those mentioned against S. No. 1		
6.	Where holding period of immovable property is up to three years.	5%
7.	Where holding period of immovable property is more than three years:	0%

[1]Table substituted by Income Tax (Fourth Amendment) Act, 2016 dated December 06, 2016. Earlier the same was substituted by Income Tax (Amendment) Ordinance, 2016 dated July 31, 2016, was substituted by Finance Act, 2016 dated June 24, 2016.
[2]Substituted for "sub-section (4)" by Finance Act, 2018 dated May 23, 2018.

Provided that rate of tax to be paid under sub-section (1A) of section 37 shall be reduced by fifty per cent on the first sale of immovable property acquired or allotted to *ex*-servicemen and serving personnel of Armed Forces or *ex*-employees or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority."

8-167-15-07-2022

[1][DIVISION VIIIA

Tax on Builders

The rate of tax under section 7C shall be as follows:

(A) Karachi, Lahore and Islamabad	(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta			(C) Urban Areas not specified in A and B	
For commercial buildings					
Rs. 210/ Sq Ft	Rs. 210/ Sq Ft			Rs. 210/ Sq Ft	
For residential buildings					
Area in Sq. Ft	Rate/ Sq. Ft	Area in Sq. Ft	Rate/ Sq. Ft	Area in Sq. Ft	Rate/ Sq. Ft
Up to750	Rs. 20	Up to750	Rs. 15	Up to 750	Rs. 10
751 to 1500	Rs. 40	751 to 1500	Rs. 35	751 to 1500	Rs. 25
1501 & more	Rs. 70	1501 and more	Rs. 55	1501 and more	Rs. 35]

[1]Division VIIIA inserted by Finance Act, 2016 dated June 24, 2016.

Divisions VIII Table–Substitution. Before substitution by Income Tax (Amendment) Ordinance, 2016, the Table read as follows:–

"S. No.	Period	Rate of tax
(1)	(2)	(3)
1.	Where holding period of Immovable property is up to five years.	10%
2.	Where holding period of immovable property is more than five years.	0%

Provided that gain arising on the disposal of immovable property by a person in a tax year to a Rental REIT Scheme shall be taxed at the rate of five percent upto thirtieth day of June, 2019, irrespective of the holding period."

Divisions VIII Table–Substitution. Before substitution by Finance Act, 2016, the Table read as follows:–

"S. No.	Period	Rate of tax
(1)	(2)	(3)
1.	Where holding period of Immovable property is up to one year.	10%
2.	Where holding period of Immovable property is more than one year but not more than two years.	5%]
[1][3.	Where holding period of immovable property is more than two years.	0%]"

[1]S. No. 3 and entries relating thereto inserted by Finance Act, 2014 dated June 26, 2014.

8-167-15-07-2022

[1][Division VIIIB

Tax on Developers

The rate of tax under section 7D shall be as follows:

(A) Karachi, Lahore and Islamabad	(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta			(C) Urban Areas not specified in A and B	
For commercial Plots					
Rs. 210/ Sq Yd	Rs. 210/ Sq Yd			Rs. 210/ Sq Yd	
For residential Plots					
Area in Sq. Yd	Rate/ Sq. Yd	Area in Sq. Yd	Rate/ Sq. Yd	Area in Sq. Yd	Rate/ Sq. Yd
Up to 120	Rs. 20	Up to 120	Rs. 15	Up to 120	Rs. 10
121 to 200	Rs. 40	121 to 200	Rs. 35	121 to 200	Rs. 25
201 and more	Rs. 70	201 and more	Rs. 55	201 and more	Rs. 35]

[2][ ]

[1]Division VIIIB inserted by Finance Act, 2016 dated June 24, 2016.

[2]Division VIIIC omitted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2022 dated June 30, 2022.

Divisions VIIIC–Omission. Before omission by Finance Act, 2026, it read as follows:–

"Division VIIIC

Tax on deemed income

The rate of tax under section 7E shall be 20%."

2026-27-S1-961-8

[1][Division IX

Minimum tax under section 113

[2][TABLE

S. No	Person(s)	Minimum Tax as percentage of the person's turnover for the year
(1)	(2)	(3)
1.	(a) [3][ ] Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.) (b) Pakistan International Airlines Corporation; and (c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production;	0.75%
2.	(a) Oil refineries (b) Motorcycle dealers registered under the Sales Tax Act, 1990 [4][(c) Oil marketing companies]	0.5%
3.	[5][ ] (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; (c) Rice mills and dealers; (d) Tier-1 retailers of fast moving consumer goods who are integrated with Board or its computerized system for real time reporting of sales and receipts; (e) Person's turnover from supplies through e-commerce including from running an online marketplace as defined in clause (38B) of section 2.	0.25%
	(f) Persons engaged in the sale and purchase of used vehicles; and (g) Flour mills	
4.	In all other cases	1.25%]

[1]Division IX inserted by Finance Act, 2014 dated June 26, 2014.
[2]Table of Division IX substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2014 dated June 26, 2014.
[3]Words "Oil marketing companies," omitted by Finance Act, 2022 dated June 30, 2022.
[4]Inserted by Finance Act, 2022 dated June 30, 2022.
[5]Words "(a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes;" by Finance Act, 2026 dated June 26, 2026.

8-190-15-07-2026

Division IX Table–Substitution. Before substitution by Finance Act, 2021, the Table read as follows:–

"Table

S. No.	Person(s)	Minimum Tax as percentage of the person's turnover for the year
(1)	(2)	(3)
1.	(a) Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.); (b) Pakistani Airlines; and (c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production. [1][(d) Dealers or distributors of fertilizers [2]*[*; and*]*] [3][(e) person running an online marketplace as defined in clause (38B) of section 2.]	[4][0.75%]
2.	(a) Distributors of pharmaceutical products, [5][ ] fast moving consumer goods [5][ ] and cigarettes; (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; (c) Rice mills and dealers; and (d) Flour mills.	[6][0.25%]
3.	Motorcycle dealers registered under the Sales Tax Act, 1990.	[6][0.3%]
4.	In all other cases.	[7]*[*1.5*]*%]"

[1]Clause (d) inserted by Finance Act, 2015 dated June 30, 2015.

[2]Substituted for full stop by Finance Act, 2017 dated June 20, 2017.

[3]Entry inserted by Finance Act, 2017 dated June 20, 2017.

[4]Substituted for "0.5%" by Finance Act, 2019 dated June 30, 2019.

[5]Words "consumer goods including" & "fertilizer" omitted by Finance Act, 2015 dated June 30, 2015.

[6]Substituted for "0.2%" & "0.25%" respectively by Finance Act, 2019 dated June 30, 2019.

[7]Substituted for "1.25%" by Finance Act, 2019 dated June 30, 2019. Earlier it was substituted for "1" by Finance Act, 2017 dated June 20, 2017.

Minimum tax on turnover.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Previously, minimum tax on turnover at the rate of 1.5% of turnover was payable by all companies and individuals/ AOPs having turnover exceeding Rs. 10 million. This is an alternative tax. It is payable when the normal tax liability in cases of exemption, loss, tax credits or for any other reason, is less than tax payable on turnover basis. It can be carried forward for adjustment against next year's tax liability however it cannot be carried forward if person has sustained loss for a year. 4 different types of changes have been made in this regime which are summarized below:

a) Generalized reduction in minimum turnover tax paid from 1.5% to 1.25%
b) Enhanced threshold for individuals and AOPs from 10 million to 100 million to pay minimum tax
c) Allowing carrying forward of minimum tax for adjustment against normal tax liability even in cases of loss to provide relief to businesses sustaining loss and to maximize equity

8-107-15-07-2022

d) Division IX of Part I of First schedule has been substituted as below:

S. No	Person(s)	Minimum Tax as percentage of the person's turnover for the year
(1)	(2)	(3)
1.	(a) Oil marketing companies, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.) (b) Pakistan International Airlines Corporation; and (e) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production;	0.75%
2.	(a) Oil refineries (b) Motorcycle dealers registered under the Sales Tax Act, 1990	0.5%
3.	(a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes; (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; (e) Rice mills and dealers; (d) Tier-1 retailers of fast moving consumer goods who are integrated with Board or its computerized system for real time reporting of sales and receipts; (e) Person's turnover from supplies through ecommerce including from running an online marketplace as defined in clause (38B) of section 2. (f) Persons engaged in the sale and purchase of used vehicles (g) Flour mills	0..25%
4.	In all other cases	1.25%”

8-167-15-07-2022

[1][PART-II

RATES OF ADVANCE TAX

[See Division II of Part V of Chapter X]

The rate of advance tax to be collected by the Collector of Customs under section 148 shall be-

S. No.	Persons	Rate
(1)	(2)	(3)
1.	Persons importing goods classified in Part I of the Twelfth Schedule	1% of the import value as increased by customs-duty, sales tax and federal excise duty
2.	Persons importing goods classified in Part II of the Twelfth Schedule	2% of the import value as increased by customs-duty, sales tax and federal excise duty [2][and 3.5% of the import value as increased by customs duty, sales tax and federal excise duty in case of commercial importer]
3.	Persons importing goods classified in Part III of the Twelfth Schedule	5.5% of the import value as increased by customs-duty, sales tax and federal excise duty [3][and 6% of the import value as increased by customs duty, sales tax and federal excise duty in case of a commercial importer:]

Provided that the rate specified in column (3),-

(a) in case of manufacturers covered under rescinded Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 as it stood on the 28th June, 2019 on import of items covered under the aforementioned S.R.O. shall be 1%;

(b) in case of persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan shall be 4% [4][;]

[5][(c) in case of importers of CKD kits of electric vehicles for small cars or SUVs with 50 kwh battery or below and LCVs with 150 kwh battery or below shall be one percent:]

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[1]Part II substituted by Finance Act, 2020 dated June 30, 2020. Earlier it was substituted by Finance Act, 2015 dated June 30, 2015, and Finance Act, 2014 dated June 26, 2014.
[2]Words inserted by Finance Act, 2022 dated June 30, 2022.
[3]Words inserted by Finance Act, 2023 dated June 26, 2023.
[4]Colon substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.
[5]Clause (c) inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

Provided further that the rate of tax on value of import of mobile phone by any person shall be as set out in the following table, namely:-

Table

S. No.	C & F Value of mobile phone (in US Dollar)	Tax (in Rs.)	
		In CBU condition PCT Heading 8517.1219	In CKD/SKD condition under PCT Heading 8517.1211
(1)	(2)	(3)	(4)
1	Up to 30 except smart phones	70	0
2	Exceeding 30 and up to 100 and smart phones up to 100	100	0
3	Exceeding 100 and up to 200	[1][100]	0
4	Exceeding 200 and up to 350	970	0
[2][5	Exceeding 350 and up to 500	5000	3000
6	Exceeding 500	11,500	5,200]

[1]Substituted for "930" by Finance Act, 2026 dated June 26, 2026.
[2]Substituted by Finance Act, 2022 dated June 30, 2022.

S. Nos. 5 & 6 -Substitution.-Before Substitution by F. Act, 2022, it read as follows:-

"5	Exceeding 350 and up to 500	3,000	5,000
6	Exceeding 500	5,200	11,500"

Part II-Table-Substitution.-Before Substitution by F. Act, 2020, it read as follows:-

"PART-II
RATES OF ADVANCE TAX
[See Division II of Part V of Chapter X]

The rate of advance tax to be collected by the Collector of Customs under section 148 shall be-

[1][S. No.	Person	Rate
(1)	(2)	(3)
1.	(i) Industrial undertaking importing remeltable steel (PCT Heading 72.04) and directly reduced iron for its own use; (ii) Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the cabinet's decision No.ECC-155/12/2004 dated the 9th December, 2004; (iii) Persons importing urea;	1% of the import value as increased by customs-duty, sales tax and federal excise duty
	(iv) Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011; (v) Persons importing Gold; (vi) Persons importing Cotton; and (vii) Persons importing LNG]	
2.	Persons importing pulses	2% of the import value as increased by customs-duty, sales tax and federal excise duty
3.	Commercial importers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011.	3% of the import value as increased by customs-duty, sales tax and federal excise duty

[1]Part II table substituted by Finance Act, 2019 dated June 30, 2019. Earlier it was substituted by Finance Act, 2015 dated June 30, 2015, was substituted Finance Act, 2014 dated June 26, 2014.

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4.	Persons importing coal	4%
5.	Persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan	4%
6.	Ship breakers on import of ships	4.5%
7.	Industrial undertakings not covered under S. Nos. 1 to 6	5.5%
8.	Companies not covered under S. Nos. 1 to 7	5.5%
9.	Persons not covered under S. Nos. 1 to 8	6%]

[2][Provided that the rate specified in column (3),-

(a) in the case of industrial undertaking, [3][ ] importing plastic raw material falling under PCT Heading 39.01 to 39.12 for its own use shall be 1.75% of the import value as increased by customs duty, sales tax and Federal excise duty; and

(b) in the case of a commercial importer, [4][ ] importing plastic raw material falling under PCT Heading 39.01 to 39.12 shall be 4.5 % of the import value as increased by customs duty, sales tax and Federal excise duty [5][:]]

[6][Provided further that the rate of tax on value of import of mobile phone by any person shall be as set out in the following Table, namely:-

Table

S. No.	**C & F Value of mobile phone (in US Dollar)**	**Tax (in Rs.)**
(1)	**(2)**	**(3)**
1	Up to 30	70
2	Exceeding 30 and up to 100	[7][100]
3	Exceeding 100 and up to 200	930
4	Exceeding 200 and up to 350	970
5	Exceeding 350 and up to 500	3,000
6	Exceeding 500	5,200]"

[2]Proviso inserted by Finance Act, 2017 dated June 20, 2017.
[3]Words "being a filer," omitted by Finance Act, 2019 dated June 30, 2019.
[4]Words "being a filer," omitted by Finance Act, 2019 dated June 30, 2019.
[5]Substituted for full stop by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.
[6]Proviso inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.
[7]Substituted for "730" by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was substituted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

Part II-Table-Substitution.-Before Substitution by F. Act, 2019, it read as follows:-

"S. No.	**Person**	**Rate**	
		Filer	Non-Filer
(1)	(2)	(3)	(4)
1.	(i) Industrial undertaking importing remeltable steel (PCT Heading 72.04) and directly reduced iron for its own use; (ii) Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the cabinet's decision No.ECC-155/12/2004 dated the 9th December, 2004; (iii) Persons importing urea; (iv) Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011; (v) Persons importing Gold; (vi) Persons importing Cotton; and (vii) [1][Persons importing LNG]	1% of the import value as increased by customs-duty, sales tax and federal excise duty	1.5% of the import value as increased by customs duty, sales tax and federal excise duty
2.	Persons importing pulses	2% of the import value as increased by customs-duty, sales tax and federal excise duty	3% of the import value as increased by customs duty, sales tax and federal excise duty

[1]Substituted for "Designated buyer of LNG on behalf of Government of Pakistan, to import LNG" by Finance Act, 2018 dated May 23, 2018.

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3.	Commercial importers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011.	3% of the import value as increased by customs-duty, sales tax and federal excise duty	4.5% of the import value as increased by customs duty, sales tax and federal excise duty
[1][3A	Persons importing coal	4%	6%]
4.	Ship breakers on import of ships	4.5%	6.5%
5.	Industrial undertakings not covered under S. Nos. 1 to 4	5.5%	8%
6.	Companies not covered under S. Nos. 1 to 5	5.5%	8%
7.	Persons not covered under S. Nos. 1 to 6	6%	9%"

[1]Sr. 3A inserted by Finance Act, 2018 dated May 23, 2018.

Part II-substitution.-Before Substitution by F. Act, 2015, it read as follows:-

"PART-II

RATES OF ADVANCE TAX

[See Division II of Part V of Chapter X]

The rate of advance tax to be collected by the Collector of Customs under section 148 shall be-

[1][S. No	Persons	Rate	
(1)	(2)	(3)	
		Filer	Non-Filer
1.	(i) Industrial undertaking importing remeltable steel (PCT Heading 72.04) and directly reduced iron for its own use;	1% of the import value as increased by customs-duty, sales tax and federal excise duty	1.5% of the import value as increased by customs-duty, sales tax and federal excise duty
	(ii) Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the cabinet's decision No. ECC-155/12/2004 dated the 9th December, 2004;		
	(iii) Persons importing urea, and		
	(iv) Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011		
2.	Persons importing pulses	2% of the import value as increased by customs-duty, sales tax and federal excise duty	3% of the import value as increased by customs-duty, sales tax and federal excise duty
3.	Commercial importers covered under Notification No. 1125(I)/2011 dated the 31st December, 2011.	3% of the import value as increased by customs-duty, sales tax and federal excise duty	4.5% of the import value as increased by customs-duty, sales tax and federal excise duty
4.	Ship breakers on import of ships	4.5%	6.5%
5.	Industrial undertakings not covered under S. Nos. 1 to 4	5.5%	8%
6.	Companies not covered under S. Nos. 1 to 5	5.5%	8%
7.	Persons not covered under S. Nos. 1 to 6	6%	9%"

[1]Table substituted by SRO 136(I)/2015 dated February 13, 2015.

Part II-Table substitution.-Before Substitution by SRO 136(I)/2015, Table read as follows:-

"S. No.	Persons	Rate
(1)	(2)	(3)
1.	(i) Industrial undertaking importing remeltable steel (PCT Heading 72.04) and directly reduced iron for its own use; (ii) Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the cabinet's decision No. ECC-155/12/2004 dated the 9th December, 2004; (iii) Persons importing urea; and (iv) Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 *dated the 31st December, 2011.	1% of import value as increased by customs-duty, sales tax and federal excise duty

8-159-15-07-2021

[1][ ]

[1]Part IIA omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2012 dated June 26, 2012.

2.	Persons importing pulses	2% of import value as increased by customs-duty, sales tax and Federal excise duty
3.	Commercial importers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011.	3% of import value as increased by customs-duty, sales tax and federal excise duty
4.	Ship breakers on import of ships	4.5%
5.	Industrial undertakings not covered under S. Nos. 1 to 4	5.5%
6.	Companies not covered under S. Nos. 1 to 5	5.5%
7.	Persons not covered under S. Nos. 1 to 6	6%"

*There appears to be a typographical mistake in making the amendment by repeating and stating the date twice.

Part II–Substitution.-Before substitution by F.A. 2014, it read as follows:–

"PART II

RATES OF ADVANCE TAX

(See Division II of Part V of Chapter X)

The rate of advance tax to be collected by the Collector of Customs under section 148 shall be

[1][(a) 5% of the value of goods in the case of industrial undertakings;

(b) 5% in all other cases of companies;

(c) 5.5% in case of all taxpayers other than those covered at (a) and (b) above; and

(d) notwithstanding the provision of clause (c) above, 12% of the value of the film in the case of a foreign produced film imported for the purposes of screening and viewing.]"

[1]Substituted for "5% of the value of goods." by Finance Act, 2013 dated June 29, 2013. Earlier figure "5" was substituted for"4" by Finance Act, 2010 dated June 30, 2010. Earlier this was substituted for "2" by Finance Act, 2009 dated June 30, 2009, substituted for "5" by SRO 566(I)/2008 dated June 11, 2008 (the same amendment had also been made by Finance Act, 2008). Earlier "5" was substituted for "6" by Finance Act, 2007, June 30, 2007.

Part IIA–Omission.-Before omission by F.A. 2014, it read as follows:–

"PART IIA

COLLECTION OF TAX FROM DISTRIBUTORS, DEALERS AND WHOLESALERS

(See section 153A)

The rate of tax to be collected under section 153A, shall be 0.5% of the gross amount of sales."

8-173-10-07-2023

[1][Part IIB
Rates of Advance Tax
[see sub-section (5C) of section 147]

TABLE

Rate in respect of			
(1)	**(2)**	**(3)**	**(4)**
Area in	**Karachi, Lahore and Islamabad**	**Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Sialkot, Bahawalpur, Peshawar, Mardan, Abbottabad, Quetta**	**Urban Areas not specified in columns (2) and (3)**
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(i) FOR COMMERCIAL BUILDINGS			
Sq. Ft.	-	-	-
Any size	Rs.250 per Sq. ft.	Rs. 230 per Sq. ft.	Rs. 210 per Sq. ft
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(i) FOR RESIDENTIAL BUILDINGS			
Sq. Ft.	-	-	-
upto 3000	Rs.80 per Sq. ft.	Rs. 65 per Sq. ft.	Rs. 50 per Sq. ft.
3000 and above	Rs. 125 per Sq. ft.	Rs. 110 per Sq. ft.	Rs. 100 per Sq. ft.
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(ii)			
Sq. Yds.	-	-	-
Any size	Rs. 150 per Sq. yd	Rs. 130 per Sq. yd	Rs. 100 per Sq. yd
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(ii) FOR DEVELOPMENT OF INDUSTRIAL AREA			
Sq. Yds.	-	-	-
Any size	Rs. 20 per Sq. yd	Rs. 20 per Sq. yd	Rs. 10 per Sq. yd:

Provided that in case of mixed use buildings having both commercial and residential areas, respective rates mentioned above shall apply:

Provided further that in case of development of plots and constructing buildings on the same plots as one project, both rates shall apply.]

[1]Part IIB inserted by Finance Act, 2023 dated June 26, 2023.

8-173-10-07-2023

1st Sch.- Withholding Tax Rates on Import of Goods by Commercial Importers.- Following is an extract from FBR's Circular No. 2 of 2023 dated July 26, 2023, explaining the amendment made by the F. Act, 2023:-

"(a) Increase in Withholding Tax Rates on Import of Goods by Commercial Importers

The rate of withholding tax on import of goods falling in Part III of Twelfth Schedule to the Ordinance has been enhanced from 5.5% to 6% for commercial importers, which shall be minimum tax."

"(b) Increase in Withholding Tax Rates on Supply of Goods on Rendering of Services and on Execution of Contracts

Through Finance Act, 2023, rate of existing WHTs on payments made by resident and non-resident persons having Permanent Establishment in Pakistan have been increased by 1% of their existing rates in the following manner.

Description/ Section	Person	Previous rates		New rates	
		ATL	Non-ATL	ATL	Non-ATL
On supply of goods u/s 152(2A)(a)t 153(1)(a)	Company	4%	8%	5%	10%
	Individual & AOP	4.5%	9%	5.5%	11%
On rendering of services u/s 152(2A)(b)/ 153(1)(b)	Individual, AOP & Company for specified services	3%	6%	4%	8%
	Company	8%	16%	9%	18%
	Individual & AOP	10%	20%	11%	22%
On execution of contract u/s 152(2A)(c)/ 153(1)(c)	Resident company	6.5%	13%	7.5%	15%
	Individual, AOP & non-resident company	7%	14%	8%	16%"

8-184-10-07-2025

PART III

DEDUCTION OF TAX AT SOURCE

(See Division III of Part V of Chapter X)

[1][DIVISION-I

Advance Tax on Dividend

The rate of tax to be deducted under section 150 [2][ ] shall be-

[3][(a) 7.5% in case of dividend paid by Independent Power [4][Producers] where such dividend is a pass through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be re-imbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.]

[5][(b) 15% in the case of Real Estate Investment Trust and cases other than those mentioned in clauses (a), (ba), (c) and (d); and

(ba) 25% and 15%, in case of mutual funds, contingent upon proportional income derived from average annual investments in debt securities and equities respectively:

Provided that where the corporate entity is recipient of the dividend, the component derived from the debt securities shall be taxed at the rate of twenty-nine percent;]

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[1]Division I and 1A substituted by Finance Act, 2014 dated June 26, 2014 for Division I. Earlier Division I was substituted by Finance Act, 2006 dated July 01, 2006.

[2]Words "and 236S" omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.

[3]Paragraph (a) substituted by Finance Act, 2019 dated June 30, 2019.

[4]Substituted for "Purchasers" by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was substituted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

[5]Clause (b) substituted and clause (ba) inserted by Finance Act, 2025 in force from 1 July, 2025. Earlier clause (b) was substituted by Finance Act, 2024 w.e.f. 1 July, 2024, was substituted by Finance Act, 2020 dated June 30, 2020.

Part III–Div I(a)-Substitution.-Before substitution by F.A. 2019, it read as follows:–

"(a) 7.5% in the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects;"

Part III–Div I(b)-Substitution.-Before substitution by F.A. 2025, it read as follows:–

"(b) 15% in the case of mutual funds, Real Estate Investment Trusts and cases other than those mentioned in clauses (a), (c) and (d):

Provided that the rate of tax on dividend received from mutual funds deriving fifty percent or more income from profit on debt shall be 25%."

Part III–Div I(b)-Substitution.-Before substitution by F.A. 2024, it read as follows:–

"(b) 15% in mutual funds [1][, Real Estate Investment Trusts] and cases other than those mentioned in clauses (a) [2][, (c) and (d);]]

[1]Words inserted by Finance Act, 2021 dated June 30, 2021.

[2]Substituted for "and (ba); and" by Finance (Supplementary) Act, 2022 dated January 15, 2022.

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[6][(c) 0% in case of dividend received by a REIT scheme from Special Purpose Vehicle and 35% in case of dividend received by others from Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015; and]

[7][*/*(d)*/* 25% in case of a person receiving dividend from a company where no tax is payable by such company, due to exemption of income or carry forward of business losses under Part VIII of Chapter III or claim of tax credits under Part X of Chapter III.]

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[6]Clause (c) inserted by Finance (Supplementary) Act, 2022 dated January 15, 2022. Earlier clause (c) omitted by Finance Act, 2019 dated June 30, 2019.
[7]Clause (ba) renumbered as (d) by Finance (Supplementary) Act, 2022 dated January 15, 2022. Originally it was inserted by Finance Act, 2020 dated June 30, 2020.

Part III–Div I(b)-Substitution.-Before substitution by F.A. 2020, it read as follows:–

"(b) [1][15]% [2][ ] other than mentioned in (a) above;"

[1]Substituted for "12.5" by Finance Act, 2017 dated June 20, 2017. Earlier it was substituted for "10" by Finance Act, 2015 dated June 30, 2015.
[2]Words "for filers" omitted by Finance Act, 2019 dated June 30, 2019.

Part III–Div I(c)-Omission.-Before omission by F.A. 2019, it read as follows:–

"(c) [1][20]% for non-filers other than mentioned in (a) above:

Provided that the rate of tax required to be deducted by a collective investment scheme [2][, REIT scheme] or a mutual fund shall be-

[3][**Person**	**Stock Fund**	**Money market fund, income fund or REIT scheme or any other fund**	
		Filer	**Non-Filer**
(1)	(2)	(3)	(4)
Individual	[4][12.5]%	[4][12.5]%	15%
Company	[4][12.5]%	[5][15]%	25%
AOP	[4][12.5]%	[4][12.5]%	15%]

Provided further that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 12.5% [6]*[:/]*]

[7][Provided further that if a Developmental REIT Scheme with the object of development and construction of residential buildings is set up by thirtieth day of June, [8][2020], rate of tax on dividend received by a person from such Developmental REIT Scheme shall be reduced by fifty percent for three years from [9]*/*the date of setting up of the said Scheme*/* [10]*[:/]*]

[11][Provided further that the rate of tax on dividend received by a person, other than a company, from a money market mutual fund shall be 10%, if the amount of dividend does not exceed two and a half million Rupees [12]*[:/]*]

[13][Provided also that the rate of tax on dividend received by an individual, from a Rental REIT Scheme shall be 7.5%.]"

[1]Substituted for "17.5" by Finance Act, 2016 dated June 24, 2016. Earlier it was substituted for "15" by Finance Act, 2015 dated June 30, 2015.
[2]Words etc. inserted by Finance Act, 2015 dated June 30, 2015.
[2]Table substituted by Finance Act, 2016 dated June 24, 2016.
[4]Substituted for "10" by Finance Act, 2017 dated June 20, 2017.
[5]Substituted for "25" by Finance Act, 2018 dated May 23, 2018.
[6]Substituted for full stop by Finance Act, 2015 dated June 30, 2015.
[7]Proviso inserted by Finance Act, 2015 dated June 30, 2015.
[8]Substituted for "2018" by Finance Act, 2018 dated May 23, 2018.
[9]Substituted for "thirtieth day of June, 2018" by Finance Act, 2018 dated May 23, 2018.
[10]Substituted for full stop by Finance Act, 2017 dated June 20, 2017.
[11]Proviso inserted by Finance Act, 2017 dated June 20, 2017.
[12]Substituted for full stop by Finance Act, 2018 dated May 23, 2018.
[13]Proviso inserted by Finance Act, 2018 dated May 23, 2018.

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[1][Division IA

Profit on Debt

The rate of tax to be deducted under section 151 shall be–

(a) 20% of the yield or profit paid by a banking company or financial institution on an account or deposit maintained with such company or institution;

(b) 20% of the yield or profit on Government securities under clause (c) of sub-section (1) of section 151paid to any person other than an individual; and

(c) 15% of the yield or profit in cases other than those mentioned in clauses (a) and (b).]

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[1]Division IA substituted by Finance Act, 2025 in force from 1 July, 2025. Earlier Division 1A was inserted by Finance Act, 2014 dated June 26, 2014

Part III-Div I–Substitution.-Before substitution by F.A. 2014, it read as follows:–

"DIVISION-I

PROFIT ON DEBT

The rate of tax to be deducted under section 151 shall be 10% of the yield or profit paid."

Part III-Division I and II before substitution by F.A. 2006, these read as follows:–

"Division I

Profit on debt

The rate of tax to be deducted under section 151 shall be–

(a) in the case of any profit on debt referred to in clause (a) or (b) [1][or (d)] of sub-section (1) of section 151, 10% of the yield or profit paid; or

(b) in the case of any profit on debt referred to in clause (c) of sub-section (1) of section 151, [2][20%] of the yield or profit paid."

[1]Word etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.

[2]Substituted for "30%" by Finance Ordinance, 2002 dated June 15, 2002.

Part III–Div IA-Substitution.-Before substitution by F.A. 2025, it read as follows:–

"Division IA

Profit on Debt

The rate of tax to be deducted under section 151 shall be [2][15]% of the yield or profit [3][ ] [4][.]

[5][ ]"

[2]Substituted for "10" by Finance Act, 2019 dated June 30, 2019.

[3]Words "for filers and *[17.5%] of the yield or profit paid, for non-filers" by Finance Act, 2019 dated June 30, 2019.
[*]Substituted for "15%" by Finance Act, 2015 dated June 30, 2015.

[4]Colon substituted by Finance Act, 2021 dated June 30, 2021.

[5]Proviso omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Finance Act, 2019 dated June 30, 2019.

Part III–Div IA Proviso-Omission.-Before omission by F.A. 2021, it read as follows:–

"Provided that the rate shall be 10% in cases where [1][the taxpayer furnishes a certificate to the payer of profit that during the tax year] yield or profit paid is rupees five hundred thousand rupees or less."

[1]Words inserted by Finance Act, 2020 dated June 30, 2020.

Part III, Divisions I and II–Substitution. Following are extracts from 'Notes on Clauses of Finance Act, 2006':–

"Seeks to reduce withholding tax rate in the case of government securities."

"Seeks to equate the withholding tax rate in the case of services with other contracts at 6%."

"Seeks to make an editorial correction."

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[1][Division IB

Return on Investment in Sukuks

The rate of tax to be deducted [2][on return on investment in sukuks from a sukuk holder] shall be-

(a) [3][25]% in case the sukuk-holder is a company;

(b) 12.5% in case the sukuk-holder is an individual or an association of person, if the return on investment is more than one million;

(c) 10% in case the sukuk-holder is an individual and an association of person, if the return on investment is less than one million; and

[4][ ]

[5][Division IC

Certain payments by life insurance companies and takaful operators

S. No.	Description	Rate of Tax
(1)	(2)	(2)
1	Where payout or benefit is made within one year from the date of issuance of the life insurance policy, family takaful certificate or plan	15%
2	Where payout or benefit is made after one year but before completion of four years from the date of issuance of the life insurance policy, family takaful certificate or plan.	10%]

[1]Division IB inserted by Tax Laws (Amendment) Ord., 2016 dated August 31, 2016, effective 01-07-16.
[2]Substituted for "under section 150A," by Finance Act, 2021 dated June 30, 2021.
[3]Substituted for "15" by Finance Act, 2020 dated June 30, 2020.
[4]Division IB clause (d) omitted by Finance Act, 2019 dated June 30, 2019.
[5]Division IC inserted by Finance Act, 2026 dated June 26, 2026.

Taxation of profit on debt.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Upto tax year 2006 withholding tax deducted on profit on debt @ of 10% was adjustable. Tax so deducted has now been made final discharge of tax liability under the Presumptive Tax Regime except in the cases of companies."

Part III-Div IA–Proviso-Substitution.-Before substitution by F.A. 2019, it read as follows:–

"Provided that for a non-filer, if the yield or profit paid is rupees five hundred thousand or less, the rate shall be ten per cent"

Part III-Div IB(d)–Omission.-Before omission by F.A. 2019, it read as follows:–

"(d) 17.5% in case the sukuk-holder is a non-filer"

Div. I, Table–Substitution. Before substitution by F. Act, 2016, the Table read as follows:–

"	**Stock Fund**	**Money market Fund, Income Fund or** [1][REIT Scheme or] **any other fund**
Individual	10%	10%
Company	10%	25%
AOP	10%	10%"

[1]Words etc. inserted by Finance Act, 2015 dated June 30, 2015.

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[1][Division-II

Payments to non-residents

(1) The rate of tax to be deducted from a payment referred to in sub-section (1A) of section 152 shall be [2][7% of the gross amount payable [3][ ]].

[4][(1A) The rate of tax to be deducted from payments referred to in sub-section (1AA) of section 152, shall be 5% of the gross amount paid.]

(2) The rate of tax to be deducted under sub-section (2) of section 152 shall be [5][20]% of the gross amount paid.]

[6][(3) The rate of tax to be deducted under sub-section (1AAA) of section152, shall be 10% of the gross amount paid.]

[7][(3A) The rate of tax to be deducted under [8][sub-sections (1D) and (1DA)] of section 152 shall be 10% of the amount of capital gain.]

[9][(4) The rate of tax to be deducted from a payment referred to in clause (a) of sub-section (2A) of section 152 shall be-

(i) in case of a company, [10][5%] of the gross amount payable [11][ ]; and

(ii) in any other case, [10][5.5%] of the gross amount payable [12][ ].]

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[1]Division II substituted by Finance Act, 2006 dated July 01, 2006.
[2]Substituted for "6% of the gross amount payable" by Finance Act, 2016 dated June 24, 2016. The Gazette prints the rate as "7_" & "12_" instead of "7%" & "12%.
[3]Words "in case a person is a filer and *[13]% in case the person is a non-filer" omitted by Finance Act, 2019 dated June 30, 2019. *substituted for "12" by Finance Act, 2017 dated June 20, 2017.
[4]Clause (1A) inserted by Finance Act, 2008 dated June 27, 2008.
[5]Substituted for "30" by Finance Act, 2010 dated June 30, 2010.
[6]Clauses (3) to (6) inserted by Finance Act, 2012 dated June 26, 2012.
[7]Clause (3A) inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was inserted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.
[8]Substituted for "sub-section (1D)" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.
[9]Clause (4) substituted by Finance Act, 2015 dated June 30, 2015. Earlier clauses (3) to (6) inserted by Finance Act, 2012 dated June 26, 2012.
[10]Substituted for "4%" & "4.5%" respectively by Finance Act, 2023 dated June 26, 2023.
[11]Words ", if the company is a filer and *[7]% if the company is a non-filer" omitted by Finance Act, 2019 dated June 30, 2019. *substituted for "6" by Finance Act, 2017 dated June 20, 2017.
[12]Words ", if the person is a filer and *[7.75]% if the person is a non-filer" omitted by Finance Act, 2019 dated June 30, 2019. *substituted for "6.5" by Finance Act, 2017 dated June 20, 2017.

Part III-Division I and II before substitution by F.A. 2006, these read as follows:–

"Division II

Payments to non-residents

The rate of tax to be deducted under sub-section (2) of section 152 shall be 30% of the gross amount paid."

Div II-Clause (3)-Substitution.–Following is an extract from 'Notes on Clauses of Finance Bill 2005'.

"Seeks to provide for a uniform withholding tax rate of 6% on payments for execution of contracts in the case of a resident person or permanent establishment in Pakistan of a non-resident person;

Clause (3) before substitution by Finance Act, 2005, it read as follows:–

"(3) The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (1) of section 153 shall be–

(a) in the case of a contract with a value exceeding thirty million rupees, 6% of the gross amount payable; or

(b) in any other case, 5% of the gross amount payable."

Clause (4)-Substitution.–Before substitution by F. Act, 2015, it read as follows:-

"(4) The rate of tax to be deducted from a payment referred to in clause (a) of sub-section (2A) of section 152 shall be 3.5% of the gross amount payable."

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(5) The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (2A) of section 152 shall be-

[1][(i) [2][8%] of the gross amount payable, in the cases of transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in [3][section 2], tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services [4][, oilfield services] *[:]*

[5][Provided that the rate of tax shall be 4% in case of IT services and IT enabled services as defined in section 2.]

[5][(ii) in case of rendering of or providing of services other than sub-paragraph (i) shall be 15% of the gross amount payable.]

[6][(6) The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (2A) of section 152 shall be,-

(i) [7][15%] of the gross amount payable in case of sportspersons;

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[1]Clause (5)(i) substituted by Finance Act, 2020 dated June 30, 2020. Before substitution, it read as follows:-

"(i) in the case of transport services, two per cent of the gross amount payable; or"

[2]Substituted for "4%" by Finance Act, 2025 in force from 1 July, 2025. Earlier it was substituted for "3%" by Finance Act, 2023 dated June 26, 2023.

[3]Substituted for "clause (133) of Part I of the Second Schedule" Finance Act, 2021 dated June 30, 2021.

[4]Words inserted by Finance Act, 2021 dated June 30, 2021.

[5]Substituted for full stop and proviso inserted by Finance Act, 2025 in force from 1 July, 2025.

[5]Clause (5)(ii) substituted by Finance Act, 2025 in force from 1 July, 2025. Earlier it was substituted by Finance Act, 2015 dated June 30, 2015. Before substitution by F. Act, 2025, it read as follows:-

"(ii) in cases other than [1][sub-paragraph (i)],-

(a) in case of a company, [7][9%] of the gross amount payable [8][ ]; and

(b) in any other case, [7][11%] of the gross amount payable [9][ ];"

[1]Substituted for "transport" by Finance Act, 2020 dated June 30, 2020.

[7]Substituted for "8%" & "10%" respectively by Finance Act, 2023 dated June 26, 2023.

[8]Words ", if the company is a filer and *[14]% if the company is a non-filer" omitted by Finance Act, 2019 dated June 30, 2019. *substituted for "12" by Finance Act, 2017 dated June 20, 2017.

[9]Words ", if the person is a filer and *[17.5]% if the person is a non-filer" omitted by Finance Act, 2019 dated June 30, 2019. *substituted for "15" by Finance Act, 2017 dated June 20, 2017.

Before substitution by F. Act, 2015, it read as follows:

"(ii) in any other case, six percent of the gross amount payable."

[6]Clause (6) substituted by Finance Act, 2015 dated June 30, 2015. Earlier clauses (3) to (6) inserted by Finance Act, 2012 dated June 26, 2012. Before substitution, it read as follows:-

"(6) The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (2A) of section 152 shall be six percent of the gross amount payable."

[7]Substituted for "10%" by Finance Act, 2025 in force from 1 July, 2025.

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[8][(ii) [9][ ] [10][8%] of the gross amount payable [11][ ].]

[12][ ]

Division III

Payments for Goods or Services

(1) The rate of tax to be deducted from a payment referred to in clause (a) of sub-section (1) of section 153 shall be–

(a) in the case of the sale of rice, [1][ ] cotton seed or edible oils, [2][1.5]% of the gross amount payable [3][:]

[4][*Explanation*.- For removal of doubt, it is clarified that "cotton seed and edible oils" means cotton seed oil and edible oils;]

[5][ ]

[6][(b) in the case of sale of goods [7][including toll manufacturing],-

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[8]Clause (6)(ii) substituted by Finance Act, 2016 dated June 24, 2016. Before substitution, it read as follows:- The Gazette prints the rate as "7_" & "12_" instead of "7%" & "12%.

"(ii) in case of a company, 7% of the gross amount payable, if the company is a filer and 10% if the company is a non-filer; and"

[9]Words "in case a person is a filer," omitted by Finance Act, 2019 dated June 30, 2019.

[10]Substituted for "7%" by Finance Act, 2023 dated June 26, 2023.

[11]Words "and *[13]% if the person is a non-filer" omitted by Finance Act, 2019 dated June 30, 2019. *substituted for "12" by Finance Act, 2017 dated June 20, 2017.

[12]Clause (6)(iii) omitted by Finance Act, 2016 dated June 24, 2016. Before omission, it read as follows:-

"(iii) in any other case, 7.5% of the gross amount payable, if the person is a filer and 10% if the person is a non-filer."

[1]Word "cotton" omitted by Finance Act, 2005 dated June 29, 2005.

[2]Substituted for "1" by Finance Act, 2003, dated June 17, 2003. Earlier, vide Notification No. SRO 586(I)/2002, dated August 28, 2002, issued u/s 240, it was provided that for deduction or collection of tax for the year beginning on the first day of July, 2002, the Ordinance shall have effect as if for the figure "1", the figure "15" was substituted. In the gazette the figure erroneously appears as "15" whereas in the amendment as per signed copy released by CBR, the figure was "1.5". Later this Notification was rescinded by Notification No. SRO 608(I)/2003, dated June 24, 2003.

[3]Substituted for full stop by Finance Act, 2017 dated June 20, 2017.

[4]Inserted by Finance Act, 2017 dated June 20, 2017.

[5]Clause (ab) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Finance Act, 2017 dated June 20, 2017. Earlier it was inserted by Finance Act, 2016 dated June 24, 2016. The Gazette prints the rate as "3_" & "3.5_" instead of "3%" & "3.5%.

[6]Sub-paragraph (b) substituted by Finance Act, 2013 dated June 29, 2013.

[7]Words inserted by Finance Act, 2020 dated June 30, 2020.

Paragraph (1)(ab)-omission.- Before omission by F. Act, 2021, it read as follows:-

"(ab) in the case of supplies made by the distributer of fast moving consumer goods,-

(i) in case of a company, 2% of the gross amount payable; and

(ii) in any other case, 2.5% of the gross amount payable."

Paragraph (1)(ab)-substitution.- Before substitution by F. Act, 2017, it read as follows:-

"(ab) in the case of the supplies made by the distributors of fast moving consumer goods, 3% of the gross amount payable, if the supplier is a company and 3.5% if the supplier is other than a company."

Paragraph (b)-substitution.- Before omission by F. Act, 2013, it read as follows:-

"(b) in the case of the sale of any other goods, 3.5% of the gross amount payable."

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[1][(i) in case of a company, 9% of the gross amount payable for toll manufacturing and 5% of the gross amount payable in case other than toll manufacturing; and

(ii) in case other than a company, 11% of the gross amount payable for toll manufacturing and 5.5% of the gross amount payable in other than toll manufacturing.]

[1a][(2) The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (1) of section 153 shall be-

(i) [2][[3][7%] of the gross amount payable, in the cases of transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services including architectural services, warehousing services, services rendered by [4][non-banking finance company as defined in clause (35B) of section 2 of this Ordinance], data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited, inspection, certification, testing and training services, oilfield services, telecommunication services, collateral management services, travel and tour services [5][, REIT management services, services rendered by National Clearing Company of Pakistan Limited [6]*[:]*]

[6][Provided that the rate of tax shall be 4% in case of IT services and IT enabled services as defined in section 2.]

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[1]Paragraph (1)(b)(i)&(ii) substituted by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier these were substituted by Finance Act, 2015 dated June 30, 2015.

[1a]Clause (2) substituted by Finance Act, 2019 dated June 30, 2019. Earlier it was substituted by Finance Act 2007 dated June 30, 2007. *on next page*

[2]Words "3% of the gross amount payable, in the cases of transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in clause (133) of Part I of the Second Schedule, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, [warehousing services, services rendered by asset management companies, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services,] car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection, certification, testing and training services;" substituted by Finance Act, 2021 dated June 30, 2021. Earlier was inserted by Finance Act, 2020 dated June 30, 2020.

[3]Substituted for "6" by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted for "4%" by Finance Act, 2025 in force from 1 July, 2025, substituted for "3%" by Finance Act, 2023 dated June 26, 2023.

[4]Substituted for "asset management companies" by Finance Act, 2026 dated June 26, 2026.

[5]Full stop substituted and words inserted by Finance Act, 2022 dated June 30, 2022.

[6]Substituted for full stop and proviso inserted by Finance Act, 2025 in force from 1 July, 2025.

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Explanation:- The tax rate under this subparagraph shall be applicable only to a service provider whose services are subjected to withholding tax on gross receipts and the service provider has not agitated taxation of gross receipts before any court of law]

[1][(ii) 15% in the case of independent professional services such as doctors, lawyers, architects, accountants, software engineers or developers, working independently;]

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[1]Sub-paragraph (ii) substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted by Finance Act, 2025 in force from 1 July, 2025.

Paragraph (1)(b)(i)&(ii)-substitution.- Before substitution by F. Act, 2024, it read as follows:-

[1][(i) in case of a company, [2][5%] of the gross amount payable [3][ ]; and

(ii) in any other case, [2][5.5%] of the gross amount payable [4][ ]]

[1]Paragraph (1)(b)(i)&(ii) substituted by Finance Act, 2015 dated June 30, 2015.

[2]Substituted for "4%" & "4.5%" respectively by Finance Act, 2023 dated June 26, 2023.

[3]Words ", if the company is a filer and *[8]% if the company is a non-filer" omitted by Finance Act, 2019 dated June 30, 2019. *substituted for "7" Finance Act, 2018 dated May 23, 2018 & was substituted for "6" by Finance Act, 2017 dated June 20, 2017.

[4]Words ", if the person is a filer and [9]% if the person is a non-filer" omitted by Finance Act, 2019 dated June 30, 2019. *substituted for "7.75" by Finance Act, 2018 dated May 23, 2018 & was substituted for "6.5" by Finance Act, 2017 dated June 20, 2017.

Paragraph (1)(b)(i)&(ii)-substitution.- Before omission by F. Act, 2015, it read as follows:-

"(i) [1][4]% of the gross amount payable in the case of companies; and

(ii) [2][4.5]% of the gross amount payable in the case of other taxpayers."

[1]Substituted for figure"3.5" by Finance Act, 2014 dated June 26, 2014.

[2]Substituted for figure"4" by Finance Act, 2014 dated June 26, 2014.

Paragraph (1)(b)ii)-substitution.- Before substitution by F. Act, 2025, it read as follows:-

(ii) in case of rendering of or providing of services other than sub-clause (i),-

(a) in case of a company, [1][9%] of the gross amount payable;

(b) in any other case, [1][11%] of the gross amount payable; and

(c) in respect of persons making payments to electronic and print media for advertising services,1.5% of the gross amount payable;]

Div. III cl. (2), substitution.–Before substitution by Finance Act, 2019, it read as follows:–

"(2) The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (1) of section 153 shall be–

(i) in the case of transport services, two per cent of the gross amount payable; or

[2][(ii) in the case of rendering of or providing of services,-

[3][(a) in case of a company, 8% of the gross amount payable, if the company is a filer and [4][14.5]% if the company is a non-filer; and

(b) in any other case, 10% of the gross amount payable, if the person is a filer and [5][17.5]% if the person is a non-filer;

(c) in respect of persons making payments to electronic and print media for advertising services,-

(i) in case of a filer, [6][1.5%] of the gross amount payable; and

(ii) in case of a non-filer, 12% of the gross amount payable, if the non-filer is a company and 15% if the non-filer is other than a company;"

Div. III cl. (2)(ii)-Substitution.–Before substitution by Finance Act, 2026, it read as follows:–

"(ii) in case of rendering of or providing of services other than sub-paragraph (i) shall be 15% of the gross amount payable:

Provided that in respect of persons making payments to electronic and print media for advertising services the rate shall be 1.5% of the gross amount payable."

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[1][(iii) 1.5% of the gross amount payable to electronic and print media in case of advertising services;

(iv) 12% of the gross amount payable to companies for rendering or providing terminal and port operating services; and

(v) 14% of the gross amount in the case of services other than those covered in sub-paragraphs (i), (ii), (iii) and (iv).]

[1]Sub-paragraph (iii) to (v) inserted by Finance Act, 2026 dated June 26, 2026.

Changes in Withholding Tax Rates on Services and on Certain Debt Securities [Divisions III and IIIAA of Part III of the First Schedule].- Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Rates of advance withholding tax for rendering of or providing of services in Division III of Part III of the First Schedule have been amended. In paragraph (2) of said Division III the rate in sub-paragraph (i) has been increased from six percent to seven percent. Sub-paragraph (ii) has been substituted to provide a rate of fifteen percent in the case of independent professional services such as doctors, lawyers, architects, accountants, and software engineers or developers working independently.

Further amendments made in paragraph (2) provide a rate of 12% of the gross amount payable to companies for terminal and port operating services and a rate of 14% of the gross amount in the cases of other services not specified in paragraph (2) of the said Division III.

The rate of withholding tax under section 151A, at the time of disposal of debt securities on the gross amount of capital gain specified in Division IIIAA of Part III, has been increased from fifteen percent to twenty percent."

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[1][(3) The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (1) of section 153 shall be

[2][(i) [3][15%] of the gross amount payable in case of sportspersons;

(ii) in case of a company, [4][7.5%] of the gross amount payable [5][ ]; and

(iii) in any other case, [4][8%] of the gross amount payable [6][ ].]

[7][(3A) The rate of tax to be deducted from a payment referred to in sub-section (2A) of section 153 for digitally ordered goods or digitally delivered services through e-commerce platforms including websites shall be in case of payment through–

(i) Digital Means or banking channels by payment intermediary at the rate of 1% of gross amount paid or payable;

(ii) Cash on Delivery by courier service at the rate of 2% of gross amount paid or payable:*]

Cont. Page 446(28.1)

[2]Sub-paragraph (ii) substituted by Finance Act, 2013 dated June 29, 2013.
"(ii) in any other case, six percent of the gross amount payable."

[3]Paragraph (2)(ii)(a), (b) and (c) substituted for (a) and (b) by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted by SRO 136(I)/2015 dated February 13, 2015. Before substitution these read as follows:-

"		Filer	Non-Filer
(a)	Company	8% of the gross amount payable	12% of the gross amount payable
(b)	Others	10% of the gross amount payable	15% of the gross amount payable"

[4]Substituted for "12" by Finance Act, 2017 dated June 20, 2017.

[5]Substituted for "15" by Finance Act, 2017 dated June 20, 2017.

[6]Substituted for "1%" by Finance Act, 2016 dated June 24, 2016. The Gazette prints the rate as "1.5_" instead of "1.5%".

S. 153.- Tax rate on toll manufacturing. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"As per section 153 read with sub-clause (b) of clause (1) of Division III of Part III of the First Schedule, every prescribed person making a payment for the sale of goods including toll manufacturing was required to deduct tax at the rate of 5% of the gross amount payable in the case of a company and at the rate of 5.5% in other cases. The rate of toll manufacturing has now been enhanced to 9% of the gross amount payable in the case of a company and 11% in other cases."

[1]Clause (3) substituted by Finance Act, 2005 dated June 29, 2005.

[2]Paragraph (3)(i)to(iii) substituted by Finance Act, 2015 dated June 30, 2015. Earlier clause (3)(i) was substituted by F. Act, 2013. Before substitution these read as follows:-

"[1][(i) [2][7]% of the gross amount payable in the case of companies; and

(ii) [3][7.5]% of the gross amount payable in the case of other taxpayers.]

[4][(iii) 10% of the gross amount payable in case of sportspersons.]"

[1]Substituted for "6% of the gross amount payable." by Finance Act, 2013 dated June 29, 2013.

[2]Substituted for figure"6" by Finance Act, 2014 dated June 26, 2014.

[3]Substituted for figure"6.5" by Finance Act, 2014 dated June 26, 2014.

[4]Paragraph (iii) inserted by Finance Act, 2014 dated June 26, 2014.

[3]Substituted for "10%" by Finance Act, 2025 in force from 1 July, 2025.

[4]Substituted for "6.5%" & "7%" respectively by Finance Act, 2023 dated June 26, 2023. Earlier it was substituted for "7%" & "7.5%" respectively by Finance Act, 2021 dated June 30, 2021.

[5]Words ", if the company is a filer and *[14]% if the company is a non-filer" omitted by Finance Act, 2019 dated June 30, 2019. *substituted for "12" by Finance Act, 2018 dated May 23, 2018 & was substituted for "10" by Finance Act, 2017 dated June 20, 2017.

[6]Words ", if the person is a filer and *[15]% if the person is a non-filer" omitted by Finance Act, 2019 dated June 30, 2019. *substituted for "12.5" by Finance Act, 2018 dated May 23, 2018 & was substituted for "10" by Finance Act, 2017 dated June 20, 2017.

[7]Paragraph (3A) inserted by Finance Act, 2025 in force from 1 July, 2025. *There should be full stop

8-1184-10-07-2025

[1][ ]

[1]Clause (4) omitted by Finance Act, 2006 dated July 01, 2006. Earlier it was substituted by Finance Act, 2005, dated June 29, 2005.

Cl. (3)-Omission.- Before omission by Finance Act, 2006, it read as follows:–

"(4) The rate of tax to be deducted from a payment referred to in sub-section (3) of section 153 shall be 6% of the gross amount payable."

Before substitution by SRO 136(I)/2015 these read as follows:- *previous page*

(a) [1][8]% of the gross amount payable in the case of companies; and

(b) [2][10]% of the gross amount payable in the case of other taxpayers.]

[1]Substituted for figure"6" by Finance Act, 2014 dated June 26, 2014.

[2]Substituted for figure"8*" by Finance Act, 2014 dated June 26, 2014. *it should be 7.

Div. III cl. (2), substitution.–Before substitution by Finance Act, 2007, it read as follows:–

[1][(2) the rate of tax to be deducted from a payment referred to in clause (b) of sub-section (1) of section 153 shall be 6% of the gross amount payable.]

[1]Clause (2) substituted by Finance Act, 2006 dated July 01, 2006.

Clause (2) before substitution by Finance Act, 2006, it read as follows:–

"(2) The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (1) of section 153 shall be–

(a) in the case of transport services, 2% of the gross amount payable; or

(b) in any other case, 5% of the gross amount payable."

Clause (4) before substitution by Finance, Act, 2005, it read as follows:–

"(4) The rate of tax to be deducted from a payment referred to[*] sub-section (3) of section 153 shall be–

(a) in the case of a turnkey contract, 8% of the gross amount payable;

(b) in the case of a contract or sub-contract for the design, construction, or supply of plant or equipment–

(i) under the hydel power project or a transmission line project, 5% of the gross amount payable; or

(ii) under any other power project, 4% of the gross amount payable; or

[*]should have been a comma instead of "is".

(c) in the case of any other contract –

(i) where the value of the contract exceeds thirty million rupees, 6% of the gross amount payable; or

(ii) where the value of the contract does not exceed thirty million rupees [*]is [1][5]% of the gross amount payable.[*]

[2][(d) in the case of advertisement services, 5% of the gross amount payable.]"

[1]Substituted for "6" by Finance Act, 2003, dated June 17, 2003. Earlier, vide Notification No. SRO 586(I)/2002, dated August 28, 2002, issued u/s 240, it was provided that for deduction or collection of tax for the year beginning on the first day of July, 2002, the Ordinance shall have effect as if for the figure "6", the figure "5" was substituted. This Notification was later rescinded by Notification No. SRO 608(I)/2003, dated June 24, 2003.

[2]Sub-clause (d) inserted by Finance Act, 2004, w.e.f. July 1, 2004.

[*]full stop should have been substituted by "; or".

Following is an extract from CBR's Circular No. 1 of 2005, dated July 5, 2005:–

"The multiplicity of rates was proving to be counter-productive and hence the need for simplification. Accordingly, the independent withholding tax regimes for turnkey contracts, hydel power projects, transmission line projects and other power projects have been omitted and a single rate of withholding tax of 6% has been prescribed for all contracts including contracts for advertisement services rendered by T.V satellite channels. This single rate shall prevail for the whole range of contracts irrespective of the quantum of payments. For withholding tax purposes, the provision shall take effect from July 1, 2005."

Div III-Clause (4)–Substitution.–Following is an extract from 'Notes on Clauses of Finance Bill 2005':-

"Seeks to provide for a uniform withholding tax rate of 6% in the case of non-residents on execution of contracts including a contract for advertisement services rendered by TV Satellite Channels."

8-184-10-07-2025

[1][ ]

[2][Division IIIAA

Gain arising on disposal of certain debt securities

The rate of tax to be deducted under section 151A shall be [3][20%] of the gross amount of the capital gain.]

[4][ ]

[5][Division IIIAB

Withholding Tax on Revenues Received from Social Media Platforms

The rate of tax to be deducted under section 154B shall be 5%.]

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[1]Division IIIA omitted by Finance Act, 2012 dated June 26, 2012. Earlier it was inserted by Finance Act, 2008 dated June 27, 2008.

[2]Division IIIAA inserted by Finance Act, 2025 in force from 1 July, 2025.

[3]Substituted for "15%" by Finance Act, 2026 dated June 26, 2026.

[4]Division IIIB omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2019 dated June 30, 2019.

[5]Division IIIAB inserted by Finance Act, 2026 dated June 26, 2026.

Div. IIIA-Omission.- Before omission by Finance Act, 2012, it read as follows:–

"Division IIIA

Payments to non-resident media persons

The rate of tax to be deducted under section 153A, shall be 10% of the gross amount paid."

Div. IV-Exports.–Clause (1) before substitution by Finance Act, 2009, it read as follows:-

"(1) The rate of tax to be deducted under sub-section (1), (3), (3A) or (3B) of section 154 shall be 1% of the proceeds of the export."

Div. IV-Exports, unification of WHT rate.–Clause (1) before substitution by Finance Act, 2007, it read as follows:-

"(1) The rate of tax to be deducted under sub-section [1][(1A) of section 153 and sub-section (1), (3), (3A) or (3B)] of section 154 shall be as set out in the following table, namely:–

TABLE

S. No.	Nature of goods exported.	Rate of deduction of tax.
(1)	(2)	(3)
1.	Exports listed in Part I of the Seventh Schedule	0.75% of the proceeds of the export
2.	Exports listed in Part II of the Seventh Schedule	1.0% of the proceeds of the export
3.	Exports listed in Part III of the Seventh Schedule	1.25% of the proceeds of the export
[2][4.	Exports listed in Part IV of the Seventh Schedule	1.50% of the proceeds of export]

[1]Substituted for "(1) or (3)" by Finance Act, 2006 dated July 01, 2006.

[2]Serial No. (4) and entry relating thereto inserted by Finance Act, 2005 dated June 29, 2005."

WHT for passenger transport services reduced to 2%.–Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:–

"Prior to this amendment, transport services were subjected to reduced rate of 2% which was consequently enhanced to 6%. The issue was re-examined and resultantly WHT on goods transport was reduced to 2% as final tax liability. The passenger transport remained outside the purview of this amendment. An amendment has been made in Part III, Division III of First Schedule to the Income Tax Ordinance, 2001 whereby the rate of withholding tax on all types of transport services has been reduced to 2%."

Div. IIIB-Omission.- Before omission by Finance Act, 2021, it read as follows:–

"**Division IIIB**

Royalty paid to resident persons

The rate of tax to be deducted under section 153B shall be 15% of the gross amount payable."

8-191-15-09-2026

Division IV

Exports

[1][(1) The rate of tax to be deducted under sub-sections (1), (3), (3A), (3B) or (3C) of section 154 shall be [2][1.25%] of the proceeds of the export.]

[3][ ]

[4][(3) the rate of tax to be deducted under sub-section [5][(2)] of section 153 shall be [6][1.25]%]

[7][Division IVA

Export of Services

The rate of tax to be deducted under section 154A shall be:-

S. No.	Types of Receipts	Rate of Tax
(1)	(2)	(3)
1.	Export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board	0.25% of proceeds [8][for tax years 2024 up to tax year [9][2029]]
2.	Any other case	1% of proceeds]

[1]Clause (1) substituted by Finance Act, 2009 dated June 30, 2009. Earlier it was substituted by Finance Act, 2007 dated June 30, 2007

[2]Substituted for "1%" by Finance Act, 2026 dated June 26, 2026.

[3]Clause (2) omitted by Finance Act, 2022 dated June 30, 2022.

[4]Clause (3) inserted by Finance Act, 2007 dated June 30, 2007. There has been an error in the wording in Finance Act 2007 it states the amendment to be made in Part II instead of Part III.

[5]Substituted for "(1A)" by Finance Act, 2011 dated June 30, 2011.

[6]Substituted for "1%" by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted for figure "0.5" by Finance Act, 2014 dated June 26, 2014.

[7]Division IVA substituted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Finance Act, 2021 dated June 30, 2021.

[8]Words inserted by Finance Act, 2023 dated June 26, 2023.

[9]Substituted for "2026" by Finance Act, 2026 dated June 26, 2026.

Div. IV-Clause (2)-Omission.- Before omission by Finance Act, 2022, it read as follows:–

"(2) The rate of tax to be deducted under sub-section (2) of section 154 shall be [1][5]% [2][ ]."

[1]Substituted for "10" by Finance Act, 2003 dated June 17, 2003.

[2]Words "of the proceeds of the export" omitted by Finance Act, 2003 dated June 17, 2003.

Div. IVA-Substitution.- Before substitution by Finance Act, 2022, it read as follows:–

"Division IVA

Exports of Services

The rate of tax to be deducted under section 154A shall be one percent of the proceeds of the export."

Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Income from export of goods is covered by presumptive tax regime and withholding tax was deducted at different rates i.e. 0.75%, 1%, 1.25 and 1.5% on different categories of export proceeds. A uniform withholding tax rate of 1% on export proceeds of all sorts of exports has been introduced with effect from 1st July 2007. For this purpose a new clause (I) has been inserted in Part III, Division IV of the First Schedule to the Income Tax Ordinance, 2001."

Other Amendments [First Schedule Parts III Division IV & IVA:]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"In Part III of the First Schedule, the rates of advance collection of tax on exports under paragraphs (1) and (3) of Division IV have been fixed at 1.25% as minimum tax. However, the additional 17o advance tax under section 147(6C) has been abolished on exports."

"Further, the reduced rate of advance tax on export of IT and IT enabled services @ 0.25% has been extended from tax year 2027 to 2029 by amendment in Division IVA."

8-191-15-09-2026

[1][Division V

Income from Property

(a) The rate of tax to be deducted under section 155, in the case of an individual and association of persons, shall be-

[2]*/*Table

S. No.	Gross amount of rent	Rate of tax
(1)	(2)	(3)
1.	Where the gross amount of rent does not exceed Rs. 300,000	Nil.
2.	Where the gross amount of rent exceeds Rs. 300,000 but does not exceed Rs. 600,000	5 per cent of the gross amount exceeding Rs.300,000
3.	Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 2,000,000	Rs. 15,000 plus 10 per cent of the gross amount exceeding Rs. 600, 000
4.	Where the gross amount of rent exceed Rs. 2,000,000	Rs. 155,000 plus 25 per cent of the gross amount exceeding Rs. 2,000, 000]

(b) The rate of tax to be deducted under section 155, in the case of company shall be 15% of the gross amount of rent [3]*[ ]*.]

[1]Division V substituted by Finance Act, 2013 dated June 29, 2013. Earlier it was substituted by Finance Act, 2009 dated June 30, 2009.
[2]Table substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Finance Act, 2016 dated June 24, 2016.
[3]Words "for filers and 17.5% of the gross amount of rent for non-filers" omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2017 dated June 20, 2017.

Div. V-Table-Substitution.– Before substitution by Finance Act, 2021, it read as follows:-

"S. No.	Gross amount of rent	Rate of tax
(1)	(2)	(3)
1.	Where the gross amount of rent does not exceed Rs.200,000.	Nil.
2.	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000.	5 per cent of the gross amount exceeding Rs.200,000.
3.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000.
4.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000.	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000.
5.	Where the gross amount of rent exceeds Rs.2,000,000 [1][but does not exceed Rs.4,000,000].	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000*/*
[2][6.	Where the gross amount of rent exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000.	Rs. 610,000 plus 25 per cent of the gross amount exceeding Rs. 4,000,000
7.	Where the gross amount of rent exceeds Rs. 6,000,000 but does not exceed Rs. 8,000,000	Rs. 1,110,000 plus 30 per cent of the gross amount exceeding Rs. 6,000,000
8.	Where the gross amount of rent exceeds Rs. 8,000,000	Rs. 1,710,000 plus 35 percent of the gross amount exceeding Rs. 8,000,000"

[1]Inserted by Finance Act, 2019 dated June 30, 2019.
[2]S. No. 6 to 8 inserted by Finance Act, 2019 dated June 30, 2019.

8-1/59-15-07-2021

Div. V-Table-Substitution.– Before substitution by Finance Act, 2016, it read as follows:-

"S. No.	Gross amount of rent	Rate of tax
1.	Where the gross amount of rent does not exceed Rs.150,000.	Nil.
2.	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.1,000,000.	10% of the gross amount exceeding Rs.150,000.
3.	Where the gross amount of rent exceeds Rs.1,000,000	Rs.85,000+15% of the gross amount exceeding Rs.1,000,000."

Div V-Substitution.– Before substitution by Finance Act, 2013, it read as follows:-

"Division V

Income from Property

(a) The rate of tax to be deducted under section 155, in the case of an individual and association of persons, shall be-

S. No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.150,000.	Nil.
(2)	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.400,000.	5 per cent of the gross amount exceeding Rs.150,000.
(3)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.12,500 plus 7.5 per cent of the gross amount exceeding Rs.400,000.
(4)	Where the gross amount of rent exceeds Rs.1,000,000	Rs.57,500 plus 10 per cent of the gross amount exceeding Rs.1,000,000.

(b) The rate of tax to be deducted under section 155, in the case of company, shall be-

S. No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.400,000	5 per cent of the gross amount of rent.
(2)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 7.5 per cent of the gross amount of rent exceeding Rs.400,000.
(3)	Where the gross amount of rent exceeds Rs.1,000,000	Rs.65,000 plus 10 per cent of the gross amount of rent exceeding Rs.1,000,000."

Div V-Substitution.– Before substitution by Finance Act, 2009, it read as follows:-

"Division V

Income from Property

[1][(a) The rate of tax to be deducted under section 155, in the case of an individual and association of persons, shall be-

S. No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.150,000.	Nil.
(2)	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.400,000.	5 per cent of the gross amount exceeding Rs.150,000.
(3)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.12,500 plus 10 per cent of the gross amount exceeding Rs.400,000.
(4)	Where the gross amount of rent exceeds Rs.1,000,000.	Rs.72,500 plus 15 per cent of the gross amount exceeding Rs.1,000,000.

[1]Substituted for paragraph of Division V by Finance Act, 2008 dated June 27, 2008."

8-159-15-07-2021

[1][Division VI
Prizes and Winnings

(1) The rate of tax to be deducted under section 156 on a prize on prize bond or cross-word puzzle shall be [2][15]% of the gross amount paid [3][ ].

(2) The rate of tax to be deducted under section 156 on winnings from a raffle, lottery, prize on winning a quiz, prize offered by a company for promotion of sale, shall be 20% of the gross amount paid.]

[4][Division VIA
Petroleum Products

Rate of collection of tax under section 156A shall be [5][12]% of the amount of payment [6][ ].]

[7][ ]

[1]Division VI substituted by Finance Act, 2010 dated June 30, 2010. Earlier it was substituted by Finance Act, 2004, w.e.f. July 1, 2004.
[2]Substituted for "10" by Finance Act, 2013 dated June 29, 2013.
[3]Words etc. "for filers and *[25]% of the gross amount paid for non-filers" omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2016 dated June 24, 2016. The Gazette prints the rate as "20_" instead of "20%". *Substituted for "20" by Finance Act, 2017 dated June 20, 2017.
[4]Division VIA inserted by Finance Act, 2004, w.e.f. July 1, 2004.
[5]Substituted for "10" by Finance Act, 2014 dated June 26, 2014.
[6]Words etc. "for filers and *[17.5]% for non-filers" omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015. *Substituted for "15" by Finance Act, 2017 dated June 20, 2017.
[7]Division VIB omitted by Finance Act, 2021 dated June 30, 201. Earlier it was inserted by Finance Ordinance, 2007dated June 30, 2007.

(b) The rate of tax to be deducted under section 155, in the case of a company, shall be-

S. No.	Gross amount of rent	Rate of tax
1	2	3
(1)	Where the gross amount of rent does not exceed Rs.400,000.	5 per cent of the gross amount of rent.
(2)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 10 per cent of the gross amount of rent exceeding Rs.400,000.
(3)	Where the gross amount of rent exceeds Rs.1,000,000.	Rs.80,000 plus 15 per cent of the gross amount of rent exceeding Rs.1,000,000.]

Substitution-Before substitution by F.A. 2008, the paragraph of Division V read as follows:-

"The rate of tax to be deducted under section 155 shall be [1][5]% of the gross rent paid."

[1]Substituted for "7.5" by Finance Act, 2003, dated June 17, 2003.

Div. VIB-Omission-Before omission by F.A. 2021, it read as follows:-

"Division VIB

CNG STATIONS

The rate of tax to be collected under section 234A in the case of a Compressed Natural Gas station shall be four per cent of the gas consumption charges [1][ ].]

[1]Words "for filers and six per cent for non-filers" omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2017 dated June 20, 2017.

8-159-15-07-2021

[1][ ]

PART IV

(See Chapter XII)

DEDUCTION OR COLLECTION OF ADVANCE TAX

[2][ ]

[1]Division VII of Part III omitted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Division I omitted by Finance Ordinance, 2002 dated June 15, 2002.

Part III, Div. VI–Substitution.– Before substitution by Finance Act, 2010, it read as follows:–

"**Division VI**

Prizes and Winnings

(1) The rate of tax to be deducted under section 156 on a prize on prize bond shall be 10% of the gross amount paid.

(2) The rate of tax to be deducted under section 156 on winnings from a raffle, lottery, prize on winning a quiz, prize offered by companies for promotion of sale, or cross-word puzzle shall be 20% of the gross amount paid."

Before substitution by Finance Act, 2004, it read as follows:–

"Division VI

Prizes and Winnings

The rate of tax to be deducted under section 156 shall be 10% of the gross amount paid."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"(i) Seeks to provide for withholding tax rate at 5% on advertisement services rendered by non-residents.

(ii) Seeks to raise the rate of withholding tax on winnings (other than prize on prize bonds) from 10% to 20%

(iii) Seeks to provide for the rate of withholding tax at 10% of commission income of a petrol pump operator."

Part III, Division VII – Omission.– Division VII before omission by Finance Ordinance, 2002, it read as follows:

–

"Division VII

Petroleum Products

The rate of tax to be deducted under section 157 shall be 10% of the commission or discount."

Following is an extract from 'Notes on Clauses of Finance Act, 2006':–

"Seeks to make rate of tax for brokerage and commission uniform at 10%."

Part IV, Division I, omission.–Division I before omission by Finance Ordinance, 2002, it read as follows:–

"Division I

Transfer of funds

Rate of tax for the purpose of collection of tax under section 232 is 0.30 percent of the amount."

8-159-15-07-2021

[1][Division II
BROKERAGE AND COMMISSION

The rate of tax for deduction or collection under section 233 shall be as set out in the following Table, namely:-

TABLE

S. No.	Person	Rate of tax
(1)	(2)	(3)
1.	Advertising agents	10%
2.	Life insurance agents where commission received is less than Rs. 0.5 million per annum	8%
3.	Persons not covered in 1 and 2 above	12%]

[1]Division II substituted by Finance Act, 2019 dated June 30, 2019. Earlier it was substituted by Finance Act, 2016 dated June 24, 2016, was substituted by Finance Act, 2015 dated June 30, 2015, was substituted by Finance Act, 2014 dated June 26, 2014, was substituted by Finance Act, 2006 July 01, 2006, was substituted by Finance Act, 2005 dated June 29, 2005 and by Finance Act, 2004, w.e.f. July 1, 2004.

Division II, substitution.–Before substitution by Finance Act, 2019, it read as follows:-

"Division II

BROKERAGE AND COMMISSION

S. No.	Person	Rate applicable on the amount of payment.	
		Filer	Non-filer
(1)	(2)	(3)	(4)
1.	Advertising Agents	10%	15%
2.	Life Insurance Agents where commission received is less than Rs.0.5 million per annum	8%	16%
3.	Persons not covered in 1 and 2 above	12%	15%"

Division II, substitution.–Before substitution by Finance Act, 2016, it read as follows:-

"Division II

Brokerage and Commission

The rate of collection under sub-section (1) of section 233 shall be,-

(i) in case of filers,-
  (a) 10% of the amount of the payment, in case of advertising agents; and
  (b) 12% of the amount of payment in all other cases; and
(ii) in case of non-filers, 15% of the amount of payment."

Division II, substitution.–Before substitution by Finance Act, 2015, it read as follows:-

"DIVISION–II

Brokerage and Commission

The rate of collection under sub-section (1) of section 233 shall be.-

(a) 7.5% of the amount of the payment, in case of advertising agents;

(b) 12% of the amount of payment in all other cases."

8-159-15-07-2021

Division II, substitution.–Before substitution by Finance Act, 2014, it read as follows:-

"DIVISION–II

BROKERAGE AND COMMISSION

The rate of collection under sub-section (1) of section 233 shall be 10% of the amount of the payment."

Division II, substitution.–Before substitution by Finance Act, 2006, it read as follows:-

"DIVISION-II

BROKERAGE AND COMMISSION

The rate of collection under sub-section (1) of section 233 shall be,–

(a)	in the case of indenting commission agents, advertising agents and yarn dealers.	5% of the amount of the payment.
(b)	in the case of others.	10%."

Following are extracts from 'Notes on Clauses of Finance Act, 2006':–

"Seeks to enhance withholding tax in the case of stock exchange transactions."
"Seeks to enhance withholding tax rate in the case of cash withdrawals."
Division II before substitution by Finance Act, 2005, it read as follows:–

"Division II

Brokerage and Commission

(a) The rate of collection of tax under sub-section (1) of section 233 in respect of indenting commission agents, advertising agents and year dealers shall be 5% of the amount of payment.

(b) The rate of collection of tax under sub-section (1) of section 233 in respect of other commission income other than (a) above, shall be 10% of the amount of payment.

(c) The rate of collection of tax under sub-section (3) of section 233 shall be 10% of the amount of payment."

Division II before substitution by Finance Act, 2004, it read as follows:–

"Division II

Brokerage and Commission

Rate for collection of tax under section 233 is 5% of the amount of payment."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004':–

"(i) Seeks to provide for withholding tax rate on commission income of indenting commission agents, advertising agents and yarn agents at 5%.

(ii) Seeks to provide for withholding tax rate on commission income of insurance agents and travel agents at 10%."

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[1][ ]

[2][ ]

[1]Divisions IIA & IIB omitted by Finance Act, 2021 dated June 30, 2021. Earlier IIA was substituted by Finance Act, 2016 dated June 24, 2016 and was inserted by Finance Act, 2004 w.e.f. July 1, 2004.
[2]Division IIB omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2013 June 29, 2013.

Div IIA-Omission.-Before omission by F. Act 2021, it read as follows:-

"**Division IIA**

RATES FOR COLLECTION OF TAX BY A STOCK EXCHANGE REGISTERED IN PAKISTAN

S. No.	Description	Rate
(1)	(2)	(3)
1.	in case of purchase of shares as per clause (a) of sub-section (1) of section 233A.	0.02% of purchase value
2.	in case of sale of shares as per clause (b) of subsection (1) of section 233A.	0.02% of sale value"

Div IIB-Omission.-Before omission by F. Act 2021, it read as follows:-

"**Division IIB**

Rates for Collection of Tax NCCPL

The rate of deduction under section 233AA shall be 10% of profit or mark-up or interest earned by the member, margin financier or securities lender.]

Div IIA-Substitution.-Before substitution by F. Act 2016, it read as follows:-

"Division IIA

Rates for Collection of Tax by a Stock Exchange Registered in Pakistan

(i)	in case of purchase of shares as per clause (a) of sub-section (1) of section 233A.	[1][0.01]% of purchase value
(ii)	in case of sale of shares as per clause (b) of sub-section (1) of section 233A.	[1][0.01]% of sale value
(iii)	in case of trading of shares as mentioned in clause (c) of sub-section (1) of section 233A.	[1][0.01]% of traded value

[2][ ]"

[1]Substituted for "0.005" by Finance Act, 2006 July 01, 2006.
[2]S.No. (iv) omitted by Finance Act, 2013 June 29, 2013.

Div IIA, S.No (iv)-Omission.-Before omission by F. Act 2013, it read as follows:-

"(iv)	in case of financing of carry over trades (Badla) as per clause (d) of sub-section (1) of section 233A.	10% of the carry over charge."

Div III, Cl (1)-Substitution.-Before substitution by Finance Act 2010, the clause read as follows:

"(1) In the case of goods transport vehicles with registered laden weight of–

(a)	Less than 2030 kilograms.	Rs.1,200.
(b)	2030 kilograms or more but less than 8120 kilograms.	Rs.7,200.
(c)	8120 kilograms or more but less than 15000 kilograms.	Rs.12,000
(d)	15000 kilograms [1][or more] *[but less than 30,000 kilograms.	Rs.18,000.
(e)	30,000 kilograms [2][or] more but less than 45,000 kilograms.	Rs.24,000.
(f)	45,000 kilograms or more but less than 60,000 kilograms.	Rs.30,000.
(g)	60,000 kilograms or more.	Rs.36,000."

*bracket is superfluous.
[1]Words inserted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "ore" by Finance Ordinance, 2002 dated June 15, 2002.

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Division III

[1][Tax on Motor Vehicles]

Rates of collection of tax under section 234,–

[2][(1) In case of goods transport vehicles, tax of two rupees and fifty paisa per kilogram of the laden weight shall be charged [3][ ].]

[3][(1A) In the case of goods transport vehicles with laden weight of 8120 kilograms or more, advance tax after a period of ten years from the date of first registration of vehicle in Pakistan shall be collected at the rate of twelve hundred rupees per annum;]

(2) In the case of passenger transport vehicles plying for hire with registered seating capacity of–

[4][S. No	Capacity	Rs. per seat per annum Non Air Conditioned	Rs. per seat per annum Air Conditioned
(1)	(2)	(3)	(4)
1.	4 or more persons but less than 10 persons	200	375
2.	10 or more persons but less than 20 persons	500	750
3.	20 persons or more	1000	1500]

[1]Substituted for "Transport Business" by Finance Act, 2008 dated June 27, 2008.
[2]Paragraph (i) substituted by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted by Finance Act, 2010 dated June 30, 2010.
[3]Words "for filer and four rupees per kilogram of the laden weight for non-filer" omitted by Finance Act, 2019 dated June 30, 2019.
[3]Paragraph (1A) inserted by Finance Act 2003 dated June 17, 2003.
[4]Table of paragraph (2) substituted by Tax Laws (Second Amendment) Ordinance, 2022 dated August 22, 2022. Earlier it was substituted by Finance Act, 2022 dated June 30, 2022 & was substituted by Finance Act, 2019 dated June 30, 2019, was substituted by Finance Act 2015 dated June 30, 2015.

Substitution-Before substitution by F.A. 2015 para (i) read as follows:-

(i) in case of goods transport vehicles, tax of [1][five rupees] per kilogram of the laden weight shall be charged."

[1]Substituted for "one rupee" by Finance Act, 2012 dated June 26, 2012.

Table substitution-Before substitution by Tax Laws (2nd Amendment) Ord., 2022, it read as follows:-

"S. No	Capacity	Rs. per seat per annum Non Air Conditioned	Rs. per seat per annum Air Conditioned
(1)	(2)	(3)	(4)
1.	4 or more persons but less than 10 persons	500	1000
2.	10 or more persons but less than 20 persons	1500	2000
3.	20 persons or more	2500	4000"

Table substitution-Before substitution by F.A. 2022, it read as follows:-

"S. No.	Capacity	Rs per seat per annum
1.	Four or more persons but less than ten persons.	50
2.	Ten or more persons but less than twenty persons.	100
3.	Twenty persons or more.	300"

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[1][(3) In case of other [2][ ] motor vehicles shall be as set out in the following Table, namely:-

S. No.	Engine Capacity	[3][Tax]
(1)	(2)	(3)
1.	Upto 1000cc	Rs.800
2.	1001cc to 1199cc	Rs.1,500
3.	1200cc to 1299cc	Rs.1,750
4.	1300cc to 1499cc	Rs. 2,500
5.	1500cc to 1599cc	Rs. 3,750
6.	1600cc to 1999cc	Rs. 4,500
7.	2000cc & above	Rs. 10,000]

[1]Paragraph (3) substituted by Finance Act, 2019 dated June 30, 2019. Earlier it was substituted by Finance Act, 2014 dated June 26, 2014 & was substituted by Finance Act, 2008 dated June 27, 2008.
[2]Word "private" omitted by Finance Act, 2022 dated June 30, 2022.
[3]Substituted for "Rs. Per seat per annum" by Revised Finance Act, 2019 dated June 30, 2019.

Substitution-Before substitution Table of para (2) by F.A. 2019, it read as follows:-

"S. No.	Capacity	Rs per seat per annum	
		Filer	Non-Filer
(i)	Four or more persons but less than ten persons.	50	100
(ii)	Ten or more persons but less than twenty persons.	100	200
(iii)	Twenty persons or more.	300	500"

Substitution-Before substitution Table of para (2) by F.A. 2015, it read as follows:-

(a) Four or more persons but less than ten persons. Rs.25 [1][per seat per annum].
(b) Ten or more persons but less than twenty persons. Rs.60 [1][per seat per annum].
(c) Twenty persons ore* more. Rs.[2][500] [1][per seat per annum].

[1]Words inserted by Finance Act, 2003, dated June 17, 2003. Earlier, vide SRO 586(I)/2002, dated August 28, 2002, issued u/s 240, it was provided that for deduction or collection of tax for the year beginning on the first day of July, 2002, the Ordinance shall have effect as if the words "per seat per annum" were added. This SRO was later rescinded by SRO 608(I)/2003, dated June 24, 2003.
[2]Substituted for "100" by Finance Act, 2012 dated June 26, 2012. *apparently intended word is "or".

Substitution-Before substitution para (3) by F.A. 2019, it read as follows:-

"(3) in case of other private motor [1][vehicles] shall be as following,-

[2][S. No.	Engine Capacity	for filers	for non-filers
(1)	(2)	(3)	(4)
1.	upto 1000cc	Rs.800	Rs.1,200
2.	1001cc to 1199cc	Rs. 1,500	Rs. 4,000
3.	1200cc to 1299cc	Rs. 1,750	Rs. 5,000
4.	1300cc to 1499cc	Rs. 2,500	Rs. 7,500
5.	1500cc to 1599cc	Rs. 3,750	Rs. 12,000
6.	1600cc to 1999cc	Rs. 4,500	Rs. 15,000
7.	2000cc & above	Rs. 10,000	Rs. 30,000"

[1]Substituted for "cars" by Finance Act, 2015 dated June 30, 2015.
[2]Table substituted by Finance Act, 2015 dated June 30, 2015.

Substitution-Before substitution Table of para (3) by F.A. 2015, it read as follows:-

"S. No. (1)	**Engine Capacity** (2)	**for filers** (3)	**for non-filers** (4)
1.	upto 1000cc	Rs.1,000	Rs.1,000
2.	1001cc to 1199cc	Rs. 1,800	Rs. 3,600
3.	1200cc to 1299cc	Rs. 2,000	Rs. 4,000
4.	1300cc to 1499cc	Rs. 3,000	Rs. 6,000
5.	1500cc to 1599cc	Rs. 4,500	Rs. 9,000
6.	1600cc to 1999cc	Rs. 6,000	Rs. 12,000
7.	2000cc & above	Rs. 12,000	Rs. 24,000"

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(4) where the motor vehicle tax is collected in lump sum,-

[1][**S. No.**	**Engine Capacity**	[2][**Tax**]
(1)	**(2)**	**(3)**
1.	Upto 1000cc	Rs.10,000
2.	1001cc to 1199cc	Rs.18,000
3.	1200cc to 1299cc	Rs.20,000
4.	1300cc to 1499cc	Rs. 30,000
5.	1500cc to 1599cc	Rs. 45,000
6.	1600cc to 1999cc	Rs. 60,000
7.	2000cc & above	Rs. 120,000]

[1]Table of paragraph (4) substituted by Finance Act, 2019 dated June 30, 2019. Earlier it was substituted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2013 dated June 29, 2013.
[2]Substituted for "Rs. Per seat per annum" by Revised Finance Act, 2019 dated June 30, 2019.

Substitution-Before substitution para (3) by F.A. 2014, it read as follows:-

"(3) Other private motor cars with engine capacity of-

(a)	upto 1000cc	750
(b)	1001cc to 1199cc	1250
(c)	1200 to 1299cc	1750
(d)	1300cc to 1599cc	3000
(e)	1600cc to 1999cc	4000
(f)	2000cc and above	8000"

Substitution-Before substitution para (3) by F.A. 2008, it read as follows:-

"(3) Other private motor cars with engine capacity of–

(a)	1000cc to 1199 cc.	Rs.500.
(b)	1200cc to 1299cc.	Rs.750.
(c)	1300cc to 1599cc.	Rs.1,500
[1][(ca)	1600cc to 1999cc	Rs.2000]
(d)	2000cc and above.	Rs.3,000."

[1]Sub-paragraph (ca) inserted by Finance Ordinance, 2002 dated June 15, 2002.

Substitution-Before substitution table of para (4) by F.A. 2019, it read as follows:-

S. No.	**Engine Capacity**	**for filers**	**for non-filers**
(1)	(2)	(3)	(4)
1.	upto 1000cc	Rs.10,000	Rs.10,000
2.	1001cc to 1199cc	Rs. 18,000	Rs. 36,000
3.	1200cc to 1299cc	Rs. 20,000	Rs. 40,000
4.	1300cc to 1499cc	Rs. 30,000	Rs. 60,000
5.	1500cc to 1599cc	Rs. 45,000	Rs. 90,000
6.	1600cc to 1999cc	Rs. 60,000	Rs. 120,000
7.	2000cc & above	Rs. 120,000	Rs. 240,000"

Substitution-Before substitution para (4) by F.A. 2014, it read as follows:-

"(4) Where the motor vehicle tax is collected in lump sum,-

(a)	upto 1000cc	Rs.7,500
(b)	1001cc to 1199cc	Rs;12,500
(c)	1200 to 1299cc	Rs.17,500
(d)	1300cc to 1599cc	Rs.30,000
(e)	1600cc to 1999cc	Rs.40,000
(f)	2000cc and above	Rs.80,000"

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[1][Division IV

Electricity Consumption

(1) The rate of collection of tax from commercial and industrial consumers from gross amount of bills shall be as set out in the following Table, namely:-

TABLE

Sr. No	Gross amount of Bill	Tax
(1)	(2)	(3)
1	upto Rs. 500	Rs.0
2	exceeds Rs. 500 but does not exceed Rs. 20,000	10% of the amount
3	exceeds Rs.20,000	Rs. 1950 plus 12% of the amount exceeding Rs. 20,000 for commercial consumers Rs. 1950 plus 5% of the amount exceeding Rs. 20,000 for industrial consumers

[1]Division IV substituted by Finance Act, 2021 dated June 30, 2021.

Cl. (a) to (i)–Substitution.–Before substitution by Finance Act, 2003, it read as follows:–

"(a)	does not exceed Rs. 400.	Rs.60
(b)	exceeds Rs. 400 but does not exceed Rs. 600	Rs.80
(c)	exceeds Rs. 600 but does not exceed Rs. 800	Rs.100
(d)	exceeds Rs. 800 but does not exceed Rs. 1000	Rs.160
(e)	exceeds Rs. 1000 but does not exceed Rs. 1500	Rs.300
(f)	exceeds Rs. 1500 but does not exceed Rs. 3000	Rs.450
(g)	exceeds Rs. 3000 but does not exceed Rs. 4,500	Rs.600
(h)	exceeds Rs. 4500 but does not exceed Rs. 6000	Rs.750
(i)	exceeds Rs. 6000	Rs.1000"

Div. IV–Substitution.–Before substitution by Finance Act, 2021, it read as follows:–

"Division IV

Electricity Consumption

Rate of collection of tax under section 235, [1][where the [2][gross] amount of electricity bill]–

[3][(a)	does not exceed Rs. 400	Rs. [4][0]
(b)	exceeds Rs. 400 but does not exceed Rs. 600	Rs. 80
(c)	exceeds Rs.600 but does not exceed Rs.800	Rs.100
(d)	exceeds Rs.800 but does not exceed Rs.1000	Rs.160
(e)	exceeds Rs.1000 but does not exceed Rs.1500	Rs.300
(f)	exceeds Rs.1500 but does not exceed Rs.3000	Rs.350
(g)	exceeds Rs.3000 but does not exceed Rs.4500	Rs.450
(h)	exceeds Rs.4500 but does not exceed Rs.6000	Rs.500
(i)	exceeds Rs.6000 but does not exceed Rs.10000	Rs.650
(j)	exceeds Rs.10000 but does not exceed Rs.15000	Rs.1000
(k)	exceeds Rs.15000 but does not exceed Rs.20000	Rs.1500
(l)	exceeds Rs.20000.	[5][(i) at the rate of [6][12] percent for commercial consumers; (ii) at the rate of 5 per cent for industrial consumers]

[1]Words inserted by Finance Act, 2002 dated June 25, 2002.
[2]Words inserted by Finance Act, 2017 dated June 20, 2017.
[3]Clauses (a) to (l) substituted for clauses (a) to (i) by Finance Act, 2003 dated June 17, 2003.
[4]Substituted for "60" by Finance Act, 2010 dated June 30, 2010.
[5]Substituted for "at the rate of 10 percent" by Finance Act, 2010 dated June 30, 2010. Earlier it was substituted for "Rs.2000" by Finance Act, 2008 dated June 27, 2008.
[6]Substituted for "10" by Finance Act, 2016 dated June 24, 2016.

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(2) The rate of tax to be collected on domestic electricity consumption shall be-

(i) zero percent the amount of monthly bill is less than Rs.25,000; and

(ii) 7.5% if the amount of monthly bill is Rs. 25,000 or more;]

[1][ ]

[1]Clause (3) omitted by Tax Laws (Amendment) Act, 2023 dated April 20, 2023. Earlier it was omitted Finance by Tax Laws (2nd Amendment) Ordinance, 2022 dated August 22, 2022. Earlier it was inserted by Finance Act, 2022 dated June 30, 2022 & Lapsed clause (2A) inserted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.

Cl. (2A)-Lapsed.-Before lapsed the period it read as follows:–

"(2A) The rate of additional advance tax under sub-section (1A) of section 235 shall be collected from the gross amount of the electricity bills at the rates given below:-

Sr. No	Description	Rate of additional tax
(1)	(2)	(3)
1	Where the bill does not exceed 10,000 rupees	5%
2	Where the bill exceeds 10,000 rupees but does not exceed 20,000 rupees	10%
3	Where the bill exceeds 20,000 rupees but does not exceed 30,000	15%
4	Where the bill exceeds 30,000 rupees but does not exceed 40,000	20%
5	Where the bill exceeds 40,000 rupees but does not exceed 50,000	25%
6	Where the bill exceeds 50,000 rupees but does not exceed 75,000	30%
7	Where the bill exceeds 75,000 rupees	35%"

Omission-Before substitution para (3) by Tax Laws (2nd Amendment) Ord., 2022, it read as follows:-

"(3) the rate of tax leviable under section (99A), and collectable under sub section (1A) of Section 235 shall be as set out in the TABLE under:-

TABLE

S. No	Gross amount of monthly bill	Tax
(1)	**(2)**	**(3)**
1.	Where the amount does not exceed Rs.30,000	Rs.3,000
2.	Where the amount exceeds Rs.30,000 but does not exceed Rs.50,000	Rs.5,000
3.	Where the amount exceeds Rs.50,000 but does not exceed Rs.100,000	Rs.10,000
4.	Retailers and service providers as notified by the Board in the income tax general order	Up to Rs.200,000"

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Division V

Telephone users

Rates of collection of tax under section 236,–

[1][(a)	in the case of a telephone subscriber (other than mobile phone subscriber) where the amount of monthly bill exceeds Rs.1000.	10% of the exceeding amount of bill.]
[2][(b)	in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card	[3][15%] of the amount of bill or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form] [4][:]

[1]Division V Para (a) substituted by Finance Act, 2008 dated June 27, 2008.
[2]Division V para (b) substituted by Finance Act, 2015 June 30, 2015.
[3]Substituted for "10% for tax year 2022 and 8% onwards" by Finance (Supplementary) Act, 2022 dated January 15, 2022. Earlier it was substituted for "12.5%" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted for "14" by Finance Act, 2017 June 20, 2017.
[4]Colon inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

Clause (a) Division V–Substitution.–Clause (a) before substitution by Finance Act, 2008, it read as follows:–

"(a) In the case of telephone subscriber [1][(other than mobile telephone subscriber)] where the monthly bill–

(a)	exceeds Rs.1,000 but does not exceed Rs.2000.	Rs.50
(b)	exceeds Rs.2000 but does not exceed Rs.3000.	Rs.100
(c)	exceeds Rs.3000 but does not exceed Rs.5000.	Rs.200
(d)	exceeds Rs.5000.	Rs.300"

[1]Brackets and words inserted by Finance Ordinance, 2002 dated June 15, 2002.

Clause (b) Division V–Substitution.–Clause (b) before substitution by Finance Act, 2015, it read as follows:–

[1][(b)	in the case of subscriber of mobile telephone and pre-paid telephone card	[2]/14/% of the amount of bill or sales price of pre-paid telephone card [3]/or sale of units through [4]/any electronic medium/ or whatever from/.]

[1]Clause (b) substituted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "15" by Finance Act, 2014 dated June 26, 2014. Earlier it was substituted for "10" by Finance Act, 2013 dated June 29, 2013.
[3]Words inserted by Finance Act, 2009 dated June 30, 2009.
[4]Substituted for "CD" by Finance Act, 2010 dated June 30, 2010.

Clause (b) Division V–Substitution.–Clause (b) before substitution by Finance Ordinance, 2002, it read as follows:–

"(b) In the case of mobile telephone subscribers if the monthly bill or the issue or sale price of prepaid telephone card.–

(a)	does not exceed Rs.2000.	Rs.125
(b)	exceeds Rs.2000 but does not exceed Rs.*2000.	Rs.250
(c)	exceeds Rs.5000.	Rs.400"

*should have been "5000".

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[1][Provided that in the case of persons mentioned in income tax general order issued under section 114B, the rate of collection of tax shall be 75% of the amount of bill or sale price of internet pre-paid card or prepaid telephone card or sale of units to any electronic medium or whatever form.]

[2][ ]

[3][ ]

[1]Proviso inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

[2]Division VI omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2005 June 29, 2005.

[3]Division VIA omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2010 dated June 30, 2010.

Div. VI–Omission.–Before omission by Finance Act, 2021, it read as follows:–

"**DIVISION VI**

Cash withdrawal from a Bank

The Rate of tax to be deducted under section 231A shall be [1]*[ ]* [2]*[* [3]*]*0.6*]*% of the cash amount withdrawn, for [4][the person whose name is not appearing in the active taxpayers' list]*]*.]

[1]Words "0.3% of the cash amount withdrawn for filers and" omitted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019. Earlier figure "0.3" substituted for "0.2" by Finance Act, 2013 dated June 29, 2013. Earlier it was substituted for "0.3" by Finance Act, 2011 dated June 30, 2011. Earlier it was substituted for "0.2" by Finance Act, 2008 dated June 27, 2008, and for "0.1" by Finance Act, 2006 dated July 01, 2006.

[2]Words etc inserted by Finance Act, 2014 dated June 26, 2014.

[3]Substituted for "0.5" by Finance Act, 2015 dated June 30, 2015.

[4]Substituted for "non-filer" by Finance Act, 2019 dated June 30, 2019.

Div. VIA–Omission.–Before omission by Finance Act, 2021, it read as follows:–

"DIVISION VIA

Advance tax on Transactions in Bank

The rate of tax to be deducted under section 231AA shall be at the rate of [1]*[*0.6% of the transactions*]* for [2][the person whose name is not appearing in the active taxpayers' list]*]*.]

[1]Substituted for "0.3% of the transaction [for filers and 0.6%]" omitted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019. Earlier words etc. in bracket was inserted by Finance Act, 2015 dated June 30, 2015.

[2]Substituted for "non-filer" by Finance Act, 2019 dated June 30, 2019.

Div. VI-Withholding tax on cash withdrawals from banks. – Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:-

"Withholding tax @ 0.1% was levied in 2005 on cash withdrawals from banks, exceeding Rs.25,000/-. The measure was primarily aimed at encouraging documentation in the economy.

The rate of withholding tax has been enhanced from 0.1% to 0.2% of the amount withdrawn. The limit of Rs.25,000/- per transaction has been changed to per day basis."

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[1][**Division VII**

Advance Tax on Purchase, Registration and Transfer of Motor Vehicles

[2][(1) The rate of tax under sub-sections (1) and (3) of section 231B shall be as set out in the following Table:–

[3][Table

S. No.	Engine capacity	Rate of Tax
(1)	(2)	(3)
1.	Upto 850 cc	0.5% of the value
2.	851cc to 1000cc	1% of the value
3.	1001cc to 1300cc	1.5% of the value
4.	1301cc to 1600cc	2% of the value
5.	1601cc to 1800cc	3% of the value
6.	1801cc to 2000cc	5% of the value
7.	2001cc to 2500cc	7% of the value
8.	2501cc to 3000cc	9% of the value
9.	Above 3000cc	12% of the value:]

Provided that the value for the purpose of [4][ ] the above Table shall be in case of motor vehicle–

(i) imported in Pakistan, the import value assessed by the Customs authorities as increased by customs duty, federal excise duty and sales tax payable at import stage;

(ii) manufactured or assembled locally in Pakistan, the invoice value inclusive of all duties and taxes; or

(iii) auctioned, the auction value inclusive of all duties and taxes:

Provided further that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.]

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[1]Division VII substituted by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted by Finance Act, 2014 dated June 26, 2014, was substituted by Finance Act, 2013 dated June 29, 2013 & was substituted by Finance Act, 2008 dated June 2008 and Division VII was erroneously numbered as Division VIII when inserted by Finance Act, 2007.

[2]Clause (1) of division VII substituted by Finance Act, 2023 dated June 26, 2023. Earlier it was substituted by Finance Act, 2019 dated June 30, 2019.

[3]Table substituted by Finance Act, 2024 w.e.f. 1 July, 2024.

[4]Words "S. Nos. 7 to 9 of" omitted by Finance Act, 2024 w.e.f. 1 July, 2024.

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Div. VII–Table-Substitution.–Before substitution by Finance Act, 2024, it read as follows:–

"Table

S. No.	Engine capacity	Tax
(1)	(2)	(3)
1.	Upto 850 cc	Rs.10,000
2.	851cc to 1000cc	Rs.20,000
3.	1001cc to 1300cc	Rs.25,000
4.	1301cc to 1600cc	Rs.50,000
5.	1601cc to 1800cc	Rs.150,000
6.	1801cc to 2000cc	Rs.200,000
		Rate of Tax
7.	2001cc to 2500cc	6% of the value
8.	2501cc to 3000cc	8% of the value
9.	Above 3000cc	10% of the value:"

Division VII(1)–Substitution.–Before substitution by F.A. 2023, it read as follows:–

"(1) The rate of tax under sub-sections (1) and (3) of section 231B shall be as set out in the following Table:-

[1][**Table**

S. No	**Engine Capacity**	**Tax**
(1)	**(2)**	**(3)**
1.	Upto 850 cc	Rs.10,000
2.	851cc to 1000cc	Rs.20,000
3.	1001cc to 1300cc	Rs.25,000
4.	1301cc to 1600cc	Rs.50,000
5.	1601cc to 1800cc	Rs.150,000
6.	1801cc to 2000cc	Rs.200,000
7.	2001cc to 2500cc	Rs.300,000
8.	2501cc to 3000cc	Rs.400,000
9.	Above 3000cc	Rs.500,000

Provided that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles."

[1]Clause (1) of division VII- table substituted by Finance Act, 2022 dated June 30, 2022.

Division VII(1) table–Substitution.–Before substitution by F.A. 2022, it read as follows:–

"TABLE

S. No.	**Engine Capacity**	[1][**Tax**]
(1)	**(2)**	**(3)**
1.	Upto 850cc	Rs.7,500
2.	851cc to 1000cc	Rs.15,000
3.	1001cc to 1300cc	Rs.25,000
4.	1301cc to 1600cc	Rs. 50,000
5.	1601cc to 1800cc	Rs. 75,000
6.	1801cc to 2000cc	Rs. 100,000
7.	2001cc to 2500cc	Rs. 150,000
8.	2501cc to 3000cc	Rs. 200,000
9.	Above 3000cc	Rs. 250,000"

[1]Substituted for "Rs. Per seat per annum" by Revised Finance Act, 2019 dated June 30, 2019.

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Division VII-clause (1)–Substitution.–Before substitution by F.A. 2019, it read as follows:–

"(1) The rate of tax under sub-sections (1) and (3) of section 231B shall be as follows:–

S. No.	**Engine Capacity**	**For filers**	**Tax for non-filers**
(1)	(2)	(3)	(4)
1.	upto 850cc	Rs. [2][7,500]	[5][Rs. 15,000]
2.	851cc to 1000cc	Rs. [3][15,000]	[5][Rs. 37,500]
3.	1001cc to 1300cc	Rs. [4][25,000]	[5][Rs. 60,000]
4.	1301cc to 1600cc	Rs. 50,000	[5][Rs. 150,000]
5.	1601cc to 1800cc	Rs. 75,000	[5][Rs. 225,000]
6.	1801cc to 2000cc	Rs. 100,000	[5][Rs. 300,000]
7.	2001cc to 2500cc	Rs. 150,000	[5][Rs. 450,000]
8.	2501cc to 3000cc	Rs. 200,000	[5][Rs. 600,000]
9.	Above 3000cc	Rs. 250,000	[5][Rs. 675,000]"

[2]Substituted for "10,000" by Finance Act, 2017 dated June 20, 2017.
[3]Substituted for "20,000" by Finance Act, 2017 dated June 20, 2017.
[4]Substituted for "30,000" by Finance Act, 2017 dated June 20, 2017.
[5]Entries of column (4) Sr.1 to 9 "Rs.10,000, Rs.25,000, Rs.40,000, Rs.100,000, Rs.150,000, Rs.200,000, Rs.300,000, Rs.400,000 & Rs.450,000 respectively substituted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

Division VII-clause (2)–Substitution.–Before substitution by F.A. 2019, it read as follows:–

"(2) The rate of tax under sub-section (2) of section 231B shall be as follows:–

S. No.	**Engine capacity**	For filers	Tax for non-filer
(1)	(2)	(3)	(4)
1.	upto 850cc	-	5,000
2.	851cc to 1000cc	5,000	15,000
3.	1001cc to 1300cc	7,500	25,000
4.	1301cc to 1600cc	12,500	65,000
5.	1601cc to 1800cc	18,750	100,000
6.	1801cc to 2000cc	25,000	135,000
7.	2001cc to 2500cc	37,500	200,000
8.	2501cc to 3000cc	50,000	270,000
9.	Above 3000cc	62,500	300,000"

Division VII–Substitution.–Before substitution by F.A. 2015, it read as follows:–

"DIVISION VII

Advance tax on purchase of private motor car and jeep

The rate of tax under sub-sections (1), (2) and (3) of section 231B shall be as follows:–

S.No.	**Engine Capacity**	**for filers**	**for non-filers**
(1)	(2)	(3)	(4)
1.	upto 850cc	Rs.10,000	Rs.10,000
2.	851cc to 1000cc	Rs.20,000	Rs.25,000
3.	1001cc to 1300cc	Rs.30,000	Rs.40,000
4.	1301cc to 1600cc	Rs.50,000	Rs.100,000
5.	1601cc to 1800cc	Rs.75,000	Rs.150,000
6.	1801cc to 2000cc	Rs.100,000	Rs.200,000
7.	2001cc to 2500cc	Rs.150,000	Rs.300,000
8.	2501cc to 3000cc	Rs.200,000	Rs.400,000
9.	Above 3000cc	Rs.250,000	Rs.450,000

Provided that the rate of tax to be collected under sub-section (2) of section 231B, shall be reduced by 10% each year from the date of first registration in Pakistan."

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[1][(2) The rate of tax under sub-sections (2) of section 2

S. No.	Engine Capacity	[2][Tax]
(1)	(2)	(3)
1.	Upto 850cc	-
2.	851cc to 1000cc	Rs.5,000
3.	1001cc to 1300cc	Rs.7,500
4.	1301cc to 1600cc	Rs. 12,500
5.	1601cc to 1800cc	Rs. 18,750
6.	1801cc to 2000cc	Rs. 25,000
7.	2001cc to 2500cc	Rs. 37,500
8.	2501cc to 3000cc	Rs. 50,000
9.	Above 3000cc	Rs. 62,500]

[3][Provided that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be Rupees twenty thousand:

Provided further that the rate of tax to be collected under this clause shall be reduced by ten percent each year from the date of first registration in Pakistan.]

[4][(3) The rate of tax under sub-section (2A) of section 231B shall be as follows:-

[5][**TABLE**

S. No.	Engine capacity	Tax
(1)	(2)	(3)
1.	Up to 1000cc	Rs.100,000
2.	1001cc to 2000cc	Rs.200,000
3.	2001cc and above	Rs.400,000]

[1]Clause (2) of division VII substituted by Finance Act, 2019 dated June 30, 2019.
[2]Substituted for "Rs. Per seat per annum" by Revised Finance Act, 2019 dated June 30, 2019.
[3]Existing proviso substituted by Finance Act, 2022 dated June 30, 2022.
[4]Clause (3) inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.
[5]Table substituted by Finance (Supplementary) Act, 2022 dated January 15, 2022. Earlier it was inserted by Finance Act, 2021 dated June 30, 2021, was originally inserted, in the interim, by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

Proviso of clause (2)–Substitution.–Before substitution by F.A. 2022, it read as follows:–

"Provided that the rate of tax to be collected shall be reduced by 10% each year from the date of first registration in Pakistan."

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Division VII–Table-Substitution.–Before substitution table, it read as follows:–

"TABLE

S. No.	Engine capacity	Tax
(1)	**(2)**	**(3)**
1.	Up to 1000cc	Rs.50,000
2.	1000cc to 2000cc	Rs.100,000
3.	2000cc and above	Rs.200,000"

Division VII–Substitution.–Before substitution by F.A. 2014, it read as follows:–

"DIVISION VII

Purchase of Motor Cars and Jeeps

The rate of payment of tax under section 231 B shall be as follows:-

Engine Capacity	Amount of Tax
upto 850cc	Rs.10,000
851cc to 1000cc	Rs.20,000
1001cc to 1300cc	Rs.30,000
1301cc to 1600cc	Rs.50,000
1601cc to 1800cc	Rs.75,000
1801cc to 2000cc	Rs.100,000
Above 2000cc	Rs.150,000"

Division VII–Substitution.–Before substitution by F.A. 2013, it read as follows:–

"DIVISION VII

Purchase of Motor Cars and Jeeps

The rate of payment of tax under section 231B shall be as follows:–

Engine Capacity	**Amount of Tax**
Upto 850cc	Rs.7,500
851cc to 1000cc	Rs.10,500
1001cc to 1300cc	Rs.16,875
1301cc to 1600cc	Rs.[1][25,000]
1601cc to 1800cc	Rs.22,500
1801cc to 2000cc	Rs.16,875
Above 2000cc	Rs.50,000"

[1]Substituted for "16,875" by Finance Act, 2012 dated June 26, 2012.

Following is an extract from salient features of budget 2006:–

"Upward adjustment in Withholding tax rate on cash withdrawals from banks proposed."

8-167-15-07-2022

[1][DIVISION VIII

Advance tax at the time of sale by auction

The rate of collection of tax under section 236A shall be [2][10]% of the gross sale price of any property or goods sold by auction [3][ ] [4][:]]

[4][Provided that in case of immovable property sold by auction [5][and sale by auction of train management services by Pakistan Railways], the rate of collection of tax under this section shall be 5% of the gross sale price.]

[1]Division VIII inserted by Finance Act, 2009 dated June 30, 2009.
[2]Substituted for "5" by Finance Act, 2013 dated June 29, 2013.
[3]Words "for filers and 15% of the gross sale price of any property or goods sold by auction for non-filers" omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2017 dated June 20, 2017.
[4]Substituted for full stop and proviso inserted by Finance Act, 2020 dated June 30, 2020. Earlier the same amendment was made by Tax Laws (Amendment) Ordinance No. 1 of 2020 dated April 17, 2020.
[5]Words inserted by Finance Act, 2023 dated June 26, 2023.

[1][ ]

[1]Division IX omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2010 dated June 30, 2010.

Div. VII-Tax on Cars.–Division VII, erroneously numbered as VIII before substitution by Finance Act 2008, read as follows:-

"DIVISION-VIII

PURCHASE OF MOTOR CARS

The rate of tax to be collected under section 231B shall be five per cent of the gross amount payable for the purchase of motor vehicle."

Pt. IV, Div-VIII.-Following is the text of SRO 30(I)/2015 dated January 14, 2015:-

"In exercise of the powers conferred under proviso to Division XVIII of Part IV of the First Schedule to the Income Tax Ordinance, 2001, Federal Board of Revenue is pleased to appoint 19th day of January, 2015 as the date, for 2 per cent rate of tax to be collected from Non-filers at the time of registering or attesting transfer of immovable property, u/s 236K of the income Tax Ordinance, 2001, subject to the condition that the value of the immovable property is more than three million rupees."

Div. IX–Omission.–Before omission by Finance Act, 2021, read as follows:–

"**DIVISION IX**

Advance tax on Purchase of Air Ticket

The rate of tax to be deducted under section 236B shall be 5% of the gross amount of air ticket."

8-190-15-07-2026

[1][DIVISION X

Advance tax on sale or transfer of immovable property

The rate of tax to be collected under section 236C shall be 2.75% of the gross amount of the consideration received.]

[1]Division X substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted by Finance Act, 2025 in force from 1 July, 2025, it was substituted by Finance Act, 2024 w.e.f. 1 July, 2024 and was inserted by Finance Act, 2012 dated June 26, 2012.

Div. X–Substitution.–Before substitution by Finance Act, 2026, read as follows:–

"**DIVISION X**

Advance tax on sale or transfer of immovable property

The rate of tax to be collected under section 236C shall be as set out in the following table:-

TABLE

S. No.	Amount	Tax Rate
(1)	(2)	(3)
1	Where the gross amount of the consideration received does not exceed Rs.50 million	4.5%
2	Where the gross amount of the consideration received exceeds Rs.50 million but does not exceed Rs.100 million	5%
3	Where the gross amount of the consideration received exceeds Rs.100 million	5.5%"

Div. X–Substitution.–Before substitution by Finance Act, 2025, read as follows:–

"DIVISION X

Advance tax on sale or transfer of immovable property

The rate of tax to be collected under section 236C shall be as set out in the following table:-

S. No.	Amount	Tax Rate
(1)	**(2)**	**(3)**
1	Where the gross amount of the consideration received does not exceed Rs.50 million	3%
2	Where the gross amount of the consideration received exceeds Rs.50 million but does not exceed Rs.100 million	3.5%
3	Where the gross amount of the consideration received exceeds Rs.100 million	4%"

Div. X–Substitution.–Before substitution by Finance Act, 2024, read as follows:–

"DIVISION X

Advance tax on sale or transfer of immovable property

The rate of tax to be collected under section 236C shall be [1][3%] of the gross amount of the consideration received [2][ ]."

[1]Substituted for "2%" by Finance Act, 2023 dated June 26, 2023. Earlier it was substituted for "1%" by Finance Act, 2022 dated June 30, 2022. Earlier it was substituted for "0.5" by Finance Act, 2016 dated June 24, 2016.

[2]Words "for filers and *[2]% of the gross amount of the consideration received for non-filers." omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2014 dated June 26, 2014. *Substituted for "1" by Finance Act, 2016 dated June 24, 2016.

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[1][ ]

[2][Division XI

Advance tax on functions and gatherings

The rate of tax to be collected under section 236C8 shall be 10%.]

[3][ ]

[1]Division XA omitted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance (Supplementary) Act, 2022 dated January 15, 2022.

[2]Division XI inserted by Finance (Supplementary) Act, 2023 dated February 23, 2023.

[3]Old division XI omitted by Finance Act, 2020 dated June 30, 2020. Earlier divisions XI & XII were inserted by Finance Act, 2013 dated June 29, 2013.

Division XA–Omission.–Before omission by F.A. 2026, it read as follows:–

"Division XA

Advance Tax on TV plays and advertisements

The rate of tax to be collected under section 236CA shall be,-

[1][S. No	Description	Rate of Tax
(1)	(2)	(3)
1.	Foreign-produced TV drama serial or play	Rs.1,000,000 per episode
2.	Foreign-produced TV play (single episode)	Rs.3,000,000
3.	Advertisement starring foreign actor	Rs.100,000 per second."

[1]Table substituted by Finance Act, 2022 dated June 30, 2022.

Division XA table–Substitution.–Before substitution by F.A. 2022, it read as follows:–

"(a)	Foreign-produced TV drama serial or play	Rs.1,000,000 per episode
(b)	Foreign-produced TV play (single episode)	Rs.3,000,000
(c)	Advertisement starring foreign actor	Rs. 500,000 per second."

Division XA of Part IV-Advance Tax on Foreign TV Serials and Advertisements.- Following is an extract from FBR's Circular No. 12 of 2022 dated January 12, 2022:-

"In order to encourage domestic media industry, advance tax on foreign produced TV drama serials or plays dubbed in Urdu or any other language shown on local television channels has been introduced through insertion of section 236CA in the Ordinance. Additionally, advance tax shall also be applicable on advertisements starring foreign actors. Tax collected under this section shall be minimum tax."

Division IX–Omission.–Before omission by F.A. 2020, it read as follows:–

"DIVISION XI

Advance tax on functions and gatherings

The rate of tax to be collected under each sub-sections (1) and (2) of section 236D shall be [2]*[5]*% [3]*[:]*]

[4][Provided that the rate for the function of marriage in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose shall be as set out in the Table below:-

[1]Divisions XI & XII inserted by Finance Act, 2013 dated June 29, 2013.

[2]Substituted for figure "10" by Finance Act, 2014 dated June 26, 2014.

[3]Substituted for full stop by Finance Act, 2018 dated May 23, 2018.

[4]Proviso inserted by Finance Act, 2018 dated May 23, 2018.

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[1][ ]

[2][ ]

Table

S. No.	Rate of Tax	
(1)	(2)	(3)
1.	5% of the bill ad valorem or Rs. 20,000 per function, whichever is higher	For Islamabad, Lahore, Multan, Faisalabad, Rawalpindi, Gujranwala, Bahawalpur, Sargodha, Sahiwal, Shekhupura, Dera Ghazi Khan, Karachi, Hyderabad, Sukkur, Thatta, Larkana, Mirpur Khas, Nawabshah, Peshawar, Mardan, Abbottabad, Kohat, Dera Ismail Khan, Quetta, Sibi, Loralai, Khuzdar, Dera Murad Jamali and Turbat.
2.	5% of the bill ad valorem or Rs. 10,000 per function, whichever is higher	For cities other than those mentioned above]

[5][Provided further that the rate for the function of marriage in a marriage hall, marquee or a community place with the total function area less than 500 square yards or, in case of a multi storied premises, with the largest total function area on one floor less than 500 square yards, shall be 5% of the bill ad valorem or Rs. 5,000 per function whichever is higher.]"

[5]Proviso inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

[1]Division XII omitted by Finance Act, 2016 dated June 24, 2016. It was earlier inserted by Finance Act, 2013 dated June 29, 2013.

[2]Division XIII omitted by Finance Act, 2020 dated June 30, 2020. Earlier Divisions XIII to XVII were inserted by Finance Act, 2013 dated June 29, 2013.

Division XII–Omission.–Before omission by F.A. 2016, it read as follows:–

"DIVISION XII

Advance tax on foreign-produced films and TV plays

Rate of collection of tax under section 236E shall be as follows:-

(a)	Foreign-produced TV drama serial	Rs.100,000 per episode
(b)	Foreign-produced TV play (single episode)	Rs.100,000"

Division XIII–Omission.–Before omission by F.A. 2020, it read as follows:–

"DIVISION XIII

(1) The rate of tax to be collected under section 236F in the case of Cable Television Operator shall be as follows:-

H	Rs.7,500	Rs.10,000
H-1	Rs.10,000	Rs.15,000
H-II	Rs.25,000	Rs.30,000
R	Rs.5,000	Rs. [1][12,000]
B	Rs.5,000	Rs.40,000
B-1	Rs.30,000	Rs. [1][35,000]
B-2	Rs.40,000	Rs. [1][45,000]
B-3	Rs.50,000	Rs.75,000
B-4	Rs.75,000	Rs.100,000
B-5	Rs.87,500	Rs.150,000
B-6	Rs.170,000	Rs.200,000
B-7	Rs.262,500	Rs.300,000
B-8	Rs.437,500	Rs.500,000
B-9	Rs.700,000	Rs.800,000
B-10	Rs.875,500	Rs.900,000

[1]Substituted for "30,000", "50,000", "60,000" respectively by Finance Act, 2016 dated June 24, 2016.

8-190-15-07-2026

[1][Division XIV

Advance tax on sale to distributors, dealers or wholesalers

The rate of collection of tax under section 236G shall be as set out in the following table, namely:-

S. No.	Category of sale	Rate of tax
(1)	(2)	(3)
1.	Fertilizers	0.7%
2.	Other than fertilizers	0.1%]

[2][Provided that the rate of advance tax on sale to distributors, dealers or wholesalers of fertilizer shall be 0.25%, if they are already appearing on both the Active Taxpayers' Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001 (XLIX of 2001).]

[1]Divisions XIV substituted by Finance Act, 2019 dated June 30, 2019. Earlier it was substituted by Finance Act, 2014 dated June 26, 2014, was inserted by Finance Act, 2013 dated June 29, 2013.

[2]Proviso inserted Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

(2) The rate of tax to be collected by Pakistan Electronic Media Regulatory Authority under section 236F in the case of IPTV, FM Radio, MMDS, Mobile TV, Mobile Audio, Satellite TV Channel and Landing Rights, shall be 20 percent of the permission fee or renewal fee, as the case may be.]

[2][(3) In addition to tax collected under paragraph (2) Pakistan Electronic Media Regulatory Authority shall collect tax at the rate of fifty per cent of the permission fee or renewal fee, as the case may be, from every TV Channel on which foreign TV drama serial or a play in any language, other than English, is screened or viewed.]

[2]Paragraph (3) inserted by Finance Act, 2016 dated June 24, 2016.

Division XIV–Substitution.–Before substitution by F.A. 2019, it read as follows:–

"Division XIV

Advance tax on sale of distributors, dealers or wholesalers.

The rate of collection of tax under section 236G shall be as follows:-

Category of Sale	Rate of Tax	
	Filer	Non-Filer
Fertilizer	[1][0.7]%	[2][1.4]%
Other than fertilizers	0.1%	0.2%"

[1]Substituted for "0.2" by Finance Act, 2015 dated June 30, 2015.

[2]Substituted for "0.4" by Finance Act, 2015 dated June 30, 2015.

Division XIV–Substitution.–Before substitution by F.A. 2014, it read as follows:–

"Division XIV

Advance tax on sale to distributors, dealers or wholesalers

The rate of collection of tax under section 236G shall be 0.1% of the gross amount of sales."

8-190-15-07-2026

[1][Division XV

Advance tax on sale to retailers

The rate of collection of tax under section 236H on the gross amount of sales shall be 0.5%.]

[2&3][ ]

[1]Divisions XV substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Finance Act, 2019 dated June 30, 2019, was substituted by Finance Act, 2017 dated June 20, 2017, was inserted by Finance Act, 2013 dated June 29, 2013.

[2]Division XVA omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2018 dated May 23, 2018.

[3]Division XVI omitted by Finance Act, 2022 dated June 30, 2022. Earlier Divisions XIII to XVII inserted by Finance Act, 2013 dated June 29, 2013.

Division XV–Substitution.–Before substitution by F.A. 2021, it read as follows:–

"**Division XV**

Advance tax on sale to retailers

The rate of collection of tax under section 236H on the gross amount of sales shall be as set out in the following table, namely:-

TABLE

S. No.	Category of sale	Rate of tax
(1)	**(2)**	**(3)**
1.	Electronic	1%
2.	Other	0.5%"

Division XV–Substitution.–Before substitution by F.A. 2019, it read as follows:–

"Division XV

Advance tax on sale to retailers

The rate of collection of tax under section 236H on the gross amount of sales shall be as follows:-

Category of sale	Rate of tax	
	Filer	Non-filer
(1)	(2)	(3)
Electronics	1%	1%"
Others	0.5%	

Division XV–Substitution.–Before substitution by F.A. 2015, it read as follows:–

"Division XV

Advance tax on sale to retailers

The rate of collection of tax under section 236H shall be 0.5% of the gross amount of sales."

Division XVA–Omission.–Before omission by F.A. 2021, it read as follows:–

"**Division XVA**

Advance tax on sale of certain petroleum products

The rate of collection of tax under section 236HA shall be 0.5% of ex-depot sale price [1][ ]."

[1]Words "for filers and 1% for non-filers" substituted by Finance Act, 2019 dated June 30, 2019.

Division XVI–Omission.–Before omission by F.A. 2022, it read as follows:–

Division XVI

Collection of advance tax by educational institutions

The rate of collection of tax under section 2361 shall be 5% of the amount of fee.

8-190-15-07-2026

[1][ ]

[1]Division XVII omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was substituted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2013 dated June 29, 2013.

Division XVII–Omission.–Before omission by F.A. 2020, it read as follows:–

[1][**Division XVII**

Advance tax on dealers, commission agents and arhatis, etc.

The amount of collection of tax under section 236J shall be as set out in the following Table, namely:-

TABLE

Group or Class	**Amount of tax (per annum)**
Group or Class A	Rs. 100,000
Group or Class B	Rs. 75,000
Group or Class C	Rs. 50,000
Any other category	Rs. 50,000]

Division XVII–Substitution.–Before substitution by F.A. 2019, it read as follows:–

"Division XVII

Advance tax on dealers, commission agents and *arhatis, etc.*

The rate of collection of tax under section 236J shall be as follows:-

Group	**Amount of Tax *(per annum)***
Group or Class A:	Rs.10,000
Group or Class B:	Rs.7,500
Group or Class C:	Rs.5,000
Any other category:	Rs.5,000."

Division XVIII–Substitution.–Before substitution by F.A. 2024, it read as follows:–

"Division XVIII

Advance tax on purchase of immovable property

The rate of tax to be collected under section 236K shall be [1][3%] of the fair market value."

[1]Substituted for "2%" by Finance Act, 2023 dated June 26, 2023. Earlier it was substituted for "1%" by Finance Act, 2022 dated June 30, 2022.

8-191-15-09-2026

[1][Division XVIII

Advance tax on purchase of immovable property

The rate of tax to be collected under section 236K shall be 1.25% of the fair market value of the immovable property.]

[1]Division XVIII substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted by Finance Act, 2024 w.e.f. 1 July, 2024, it was substituted by Finance Act, 2019 dated June 30, 2019 and was inserted by Finance Act, 2014 dated June 26, 2014.

Division XVIII–Substitution.–Before substitution by F.A. 2026, it read as follows:–

"**Division XVIII**

Advance tax on purchase of immovable property

The rate of tax to be collected under section 236K shall be as set out in the following table:–

[1][**Table**

S. No	Amount	Tax Rate
(1)	(2)	(3)
1	Where the fair market value does not exceed Rs.50 million	1.5%
2	Where the fair market value exceeds Rs.50 million but does not exceed Rs.100 million	2%
3	Where the fair market value exceeds Rs.100 million	2.5%]"

Division XVIII–Table substituted by Finance Act, 2025 in force from 1 July, 2025.

"[1]**Table**

S. No	Amount	Tax Rate
(1)	(2)	(3)
1	Where the fair market value does not exceed Rs.50 million	3%
2	Where the fair market value exceeds Rs.50 million but does not exceed Rs.100 million	3.5%
3	Where the fair market value exceeds Rs.100 million	4%"

Division XVIII–Substitution.–Before substitution by F.A. 2019, it read as follows:–

"Division XVIII

Advance tax on purchase of immovable property

The rate of tax to be collected under section 236K shall be:-

S. No.	Period	Rate of Tax
(1)	**(2)**	**(3)**
1.	Where value of Immovable property is up to [1][4 million].	0%
2.	Where the value of Immovable property is more than [1][4 million]	Filer [2][2]%
		Non-Filer [2][4]%

Provided that the rate of tax for Non-Filer shall be 1% upto the date appointed by the Board through notification in official gazette."

[1]Substituted for "3 million" by Income Tax (Fourth Amendment) Act, 2016 dated December 06, 2016. Earlier the same was substituted by Income Tax (Amendment) Ordinance, 2016 dated July 31, 2016.

[2]Substituted for "1" & "2" respectively by Finance Act, 2016 dated June 24, 2016.

Amendments in Advance Tax on Immovable Property and International Credit/Debit Card and Omission of Advance Tax on TV Plays and Advertisements [Division X, XVIII, XXVII and XA of Part IV of the First Schedule]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Advance taxes collected from the seller and purchaser at the time of registering, recording or attesting the transfer of immovable property have been reduced. After substitution of Division X of Part IV of the First Schedule, the new advance tax to be collected under section 236C on the sale or transfer of immovable property shall be a flat rate of 2.75%o of the gross amount of the consideration received. After substitution of Division XVIII, the new advance tax to be collected under section 236K on the purchase of immovable property, shall be a flat rate of 1.25% of the fair market value of the immovable property, in place of the earlier slab-based higher rates."

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[1][ ]

[2][ ]

[1]Divisions XIX, XX omitted by Finance Act, 2021 dated June 30, 2021. Earlier divisions XVIII to XX inserted by Finance Act, 2014 dated June 26, 2014.

[2]Division XXI omitted by Finance Act, 2021 dated June 30, 2021. Earlier divisions XXI to XXIV inserted by Finance Act, 2015 dated June 30, 2015.

Division XIX–Omission.–Before omission by F.A. 2021, it read as follows:–

"**Division XIX**

Advance tax on domestic electricity consumption

The rate of tax to be collected under section 235A shall be-

(i) 7.5% if the amount of monthly bill is Rs. [1][75,000] or more; and

(ii) 0% the amount of monthly bill is less than Rs. [2][75,000].

[1]Substituted for "100,000" by Finance Act, 2015 dated June 30, 2015.

[2]Substituted for "100,000" by Finance Act, 2016 dated June 24, 2016.

Division XX–Omission.–Before omission by F.A. 2021, it read as follows:–

"**Division XX**

Advance tax on international air ticket

The rate of the rate of tax to be collected under section 236L shall be:-

[1]/**S. No.**	**Type of Ticket**	**Rate**
(1)	(2)	(3)
1.	First/Executive Class	Rs.16,000 per person
2.	Others excluding Economy	Rs.12,000 per person
3.	Economy	0]

[1]Table of Division XX substituted by Finance Act, 2015 dated June 30, 2015.

Division XX-Table–Substitution.–Before substitution by F.A. 2015, it read as follows:–

"S. No.	**Type of Ticket**	**Rate**
(1)	(2)	(3)
1.	Economy	0%
2.	Other than economy	4%"

Division XXI-Proviso–Omission.–Before omission by F.A. 2018, it read as follows:–

"Provided that the [1][Board with the approval of Federal Minister-in-charge] may, by notification in the official Gazette on recommendation of the Economic Coordination Committee of the Cabinet, amend the rate specified in this Division [2]/for the period it deems appropriate/."

[1]Substituted for "Federal Government" by Finance Act, 2017 dated June 20, 2017.

[2]Words etc inserted by Finance Act, 2016 dated June 24, 2016.

Division XXI–Omission.–Before omission by F.A. 2021, it read as follows:–

"**Division XXI**

Advance Tax on Banking Transactions otherwise than Through Cash

The rate of tax to be collected under section 236P shall be [1][0.6]% of the transaction for [2][persons who are not appearing in the active taxpayers' list] [3][:]

[4][ ]

[1]Substituted for "0.4" by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018. Earlier it was substituted for "0.6" by Finance Act, 2018 dated May 23, 2018.

[2]Substituted for "non-filers" Finance Act, 2019 dated June 30, 2019.

[3]Substituted for full stop Income Tax (Amendment) Act, 2016 dated January 29, 2016.

[4]Proviso omitted by Finance Act, 2018 dated May 23, 2018. Earlier it was substituted by Income Tax (Amendment) Act, 2016 dated January 29, 2016. Earlier it was inserted by Income Tax (amendment) Ordinance, 2015 dated July 11, 2015.

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[1][ ]

[2][ ]

[3][ ]

[4][ ]

[1]Division XXII omitted by Finance Act, 2016 dated June 24, 2016. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.
[2]Division XXIII omitted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.
[3]Division XXIV omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.
[4]Division XXV omitted by Finance Act, 2020 dated June 30, 2020. Earlier Divisions XXV & XXVI were inserted by Finance Act, 2016 dated June 24, 2016.

Division XXI-Proviso–Substitution.–Before substitution by IT (Amendment) Act. 2016, it read as follows:–

"Provided that the rate specified in this Division shall be 0.3 per cent for the period commencing from the 11th day of July, 2015 and ending on the 30th day of September, 2015 (both days inclusive) or till the date as the Federal Government may, by notification in the official Gazette on recommendation of the Economic Coordination Committee of the Cabinet, extend."

Division XXII-Omission.–Before omission by F.A. 2016, it read as follows:–

"Division XXII

Rate of Collection of Tax by Pakistan Mercantile Exchange Limited

The rate of tax to be collected under section 236T shall be shall be as follows:–

in case of sale or purchase of future commodity contract as per clause (a) and (b) of sub-section (1) of section 236T shall be 0.05%."

Division XXIII-Omission.–Before omission by F.A. 2022, it read as follows:–

"DIVISION XXIII

Payment to a resident person for right to use machinery and equipment

Rate of collection of tax under section 236Q shall be 10 percent of the amount of payment.]

Division XXIV-Omission.–Before omission by F.A. 2020, it read as follows:–

"DIVISION XXIV

Collection of advance tax on education related expenses remitted abroad

Rate of collection of tax under section 236R shall be 5 percent of the amount of total education related expenses."

Division XXV-Omission.–Before omission by F.A. 2020, it read as follows:–

"Division XXV

ADVANCE TAX ON INSURANCE PREMIUM

The rate of tax to be collected from [1][persons who are not appearing in the active taxpayers' list] under section 236U shall be as under:-

S. No.	Type of Premium	Rate
(1)	(2)	(3)
1.	General insurance premium	4%
2.	Life insurance premium if [2][exceeding Rs. 0.3 million in aggregate] per annum	1%
3.	Others	0%]

[1]Substituted for "non-filers" by Finance Act, 2019 dated June 30, 2019.
[2]Substituted for "exceeding Rs.0.2 million" by Finance Act, 2017 dated June 20, 2017.

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[1][ ]

[2][Division XXVII

Advance tax on amount remitted abroad through credit, debit or prepaid cards

The rate of tax to be deducted under section 236Y shall be [3][0.5%] of the gross amount remitted abroad.]

[1]Division XXVI omitted by Finance Act, 2021 dated June 30, 2021. Earlier divisions XXV & XXVI inserted by Finance Act, 2016 dated June 24, 2016.

[2]Division XXVII inserted by Finance Act, 2022 dated June 30, 2022. Earlier Division XXVII omitted by Finance Act, 2021 dated June 30, 2021 & was inserted by Finance Act, 2018 dated May 23, 2018.

[3]Substituted for "5%" by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted for "1%" by Finance Act, 2023 dated June 26, 2023.

Division XXVI–Omission.–Before omission by F.A. 2021, it read as follows:–

"**DIVISION XXVI**

ADVANCE TAX ON EXTRACTION OF MINERALS

The rate of tax to be collected under section 236V shall be 5% of the value of the minerals [1][ ].]

[1]Words "for "[persons who are not appearing in the active taxpayers' list]"omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was substituted for "non-filers and 0% for filers" by Finance Act, 2019 dated June 30, 2019.

Division XXVII–Omission.–Before omission by F.A. 2021, it read as follows:–

"**Division XXVII**

Advance tax on amount remitted abroad through credit, debit or prepaid cards

The rate of tax to be deducted under section 236Y shall be 1% of the gross amount remitted abroad [1][ ].]

[1]Words "for filers and 3% for non-filers" omitted by Finance Act, 2019 dated June 30, 2019.

Amendments in Advance Tax on Immovable Property and International Credit/Debit Card and Omission of Advance Tax on TV Plays and Advertisements [Division X, XVIII, XXVII and XA of Part IV of the First Schedule]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"In Division XXVII (advance tax on international credit, debit or prepaid cards), the rate has been reduced from five percent to 0.5%.

As the advance tax on TV plays and advertisements under section 236CA has been abolished, consequential amendment has been made to omit the Division XA of Part IV of the First Schedule."

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THE SECOND SCHEDULE
EXEMPTIONS AND TAX CONCESSIONS

[See section 53]

PART I
EXEMPTIONS FROM TOTAL INCOME

Incomes, or classes of income, or persons or classes of persons, enumerated below, shall be exempt from tax, subject to the conditions and to the extent specified hereunder:

Second Schedule.– An 'Arrangement of Clauses', after amendments by Finance Act, 2021 and various SROs, is as follows:–

Clause No.	Subject
	Part I. Exemption from Total Income
(3)	Salary of employees of institutions of the Agha Khan Development Network, (Pakistan)
(5A)	Allowance or perquisite paid or allowed to outside Pakistan
(9)	Armed Forces of Pakistan
(9A)	Purchase of motorcar
(12)	Commutation of pension
(13)	Gratuity
(16)	Pension to dependants of Armed Forces Shaheeds
(17)	Income of dependants of Civil Armed Forces Shaheeds
(19)	Encashment of leave preparatory to retirement
(22)	Provident fund payment
(23)	Provident fund balance
(23A)	Voluntary pension system
(23C)	Individual pension accounts
(24)	Benevolent grant
(25)	Superannuation fund payment
(26)	Receipt from Workers Participation Fund
(39A)	Special allowance to Armed Forces persons
(40)	Local Traveling Allowance of newspaper employees
(51)	Residence to President, Governors and Chiefs of Staff
(52)	Perquisites to Governors, Chiefs of Staff and Corps Commanders
(53A)	Perquisites received by an employee
(55)	Residence of Judges
(56)	Perquisites and allowances of Judges
(57)	NIT, ICP, Mutual Funds, collective investment schemes, REIT, Venture Capital, Provident, Gratuity and Superannuation Funds, Benevolent Funds, group insurance schemes, service funds, EOBI, certain Army institutes and funds, pension fund, Voluntary pension balance, Sh. Sultan Trust
(65A)	Emigration Rules-Welfare Fund
(65B)	Any Monetary Award holder Sportsperson
(66)	Income of certain charitable and other institutions
(75)	Interest income of foreign agencies
(78)	Interest on foreign currency accounts
(79)	Interest on rupee account of non-resident Pakistanis
(98AA)	Income derived by IBC, ICC from Champions Trophy
(99)	Income of Collective Investment Scheme or REIT
(99A)	Sale of immovable property to Real Estate Investment Trusts
(99B)	Income of Special Purpose Vehicle
(99C)	Income of Private Equity and Venture Capital Fund

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(103A) Inter-corporate dividend
(103D) Dividend income VCF
(105B) Dividend from Agriculture Income.
(105C) Income from Kuwait Foreign Trading Contracting
(107) Income of subsidiary of Islamic Development Bank
(107A) Income derived by the Islamic Development Bank
(114B) Services rendered by the Shaheed or the person who dies in service
(126) Public sector University
(126A) Income re: Gawadar services etc.
(126AA) Profit and gains derived by Gawadar free zone.
(126AB) to (126AD) Profit on debt derived by foreign lender
(126B) Profit and gains derived by a Refinery
(126D) Profits and gains derived by a taxpayer from an industrial undertaking set up in Gwadar Industrial Estate
(126E) Profits and gains derived by Corporate zone developers
(126EA) Profits and gains derived by zone developer
(126M) Profits and gains derived from transmission line.
(132) Income of private sector power projects
(132AA) Profits and gains derived from sale of electricity
(132C) Profits and gains derived by a taxpayer from bagase/biomass
(139) Medical expenditure by individuals.
(140) Overseas Private Investment Corp.
(140A) Japan International Cooperation Agency
(142) Profits and gains derived by provincial Social Security Institution.
(145A) Individual domiciled or company and association of persons resident in the Tribal Areas
(147) Income derived by the Federal Government Employees Housing Authority (NPHDA)
(149) Any sum remitted to Pakistan through banking channels
(150) Income by Siyahkalem Engineering Construction Industry & Trade Co.
(151) Income by Cinema Operations
(153) Income by Production of Feature Film

Part II. Reduction in Tax Rates

(5A) Withholding tax on profit on debt payable to a non-resident person
(5AA) to (5AC) Tax on Profit on debt
(9AA) to (9AB) Import of white sugar & raw sugar
(9AD) Import of Import of White Crystalline Sugar
(18C) Profit and gains derived from a bagasse and biomass
(24A) Tax 1% on cigarette and pharmaceutical products
(24C) 0.25% tax on Sugar, cement & edible oil s.153
(24CB) 3% tax on deduction and collection from NLC
(24D) 0.25% tax on Sugar, cement & edible oil s.113
(27) Transport Facility for Civil Servants
(28C) Online market places
(28D) 0.5% trader having turnover upto on hundred million rupees
(28E) 0.5% trader of Yarn
(28F) 2% Oil tanker contractor services
(31) 1% Sale of Gold and Silver

Part III. Reduction in Tax Liability

(1) Flying allowance
(3A) Education profession
(4) Old and used automotive vehicles
(6) Investment in Saving Accounts
(9) Profits and gains from low cost housing projects
(9A) Income from disposal of immovable property
(9B) Income from Ehsaas programme
(17) Income from cotton ginners
(18) Income from independent power producer

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(19) Income from business woman enterprises

Part IV. Exemption from specific provisions

(1A) The Second International Sukuk Company Ltd & The Third International Sukuk Company Ltd

(3) Donations to Agha Khan Hospital

(4A) National Power Parks Management Co (Pvt) Ltd

(5) Immunity to foreign exchange A/c

(9AA) Ship breakers

(11A) NIT Unit Trust

(11B)&(11C) Inter-corporate dividend

(11D)&(11E) LNG Terminal Operators

(12) Agricultural Products.

(12A) Transmission Line Products.

(12B) COVID19 pandemic goods.

(12BA) 3xPly Knit face Masks.

(12C) Import of pulses.

(12D) Import of drug Remdesivir 100mg.

(12E) Import of medicines for diseases.

(12H) Import of oxygen gas, cylinders, cryogenic tanks.

(12I) National Disaster Management Authority

(12K) Import of Cryogenic Tanks

(12L) Import of White Sugar

(12M) Import of Oxygen etc.

(12N) Border sustenance markets

(12O) Drones for Agriculture by China

(12P) Import of Machinery and equipment as listed in S. No.32 Part I of 5th Sch. of Customs Act

(16) Non-application of minimum tax and other provisions on institutions of the Agha Khan

(19) Exemption to non-residents on securities

(36A) Bahbood Savings Certificate or Pensioner's Benefit Account

(36B) Profit on debt paid on promissory notes and sales tax refund bonds

(36C) Pakistan Banao Certificate

(36D) Srmaya-e-Pakistan Ltd

(36E) Profit on debt on bonds

(38) No tax deduction on special purpose vehicle for securitization

(38A) Non-application to Venture Capital Companies

(38AA) Non-application to Gwadar port services

(38AAA) Special Purpose Vehicles

(38C) Non-application to Islamic Development Bank

(38D) National Disaster Risk Management Fund

(42) Exemption from presumptive tax for certain services for sea-port and infrastructure projects

(43A) Exemption from deduction on supply of petroleum products imported by the same person.

(43B) Payments received on sale of air tickets by travelling agents

(43C) Payments received on supply of petroleum products.

(43D) Payments for rendering or providing by carriage services

(43E) Exemption to goods transport contractors paying 3% tax

(43F) Provisions of section 153 shall not apply as defined in clause (62A)

(43G) Provisions of section 153 shall not apply to commodity futures contracts

(43H) Exemption for exhibitor or a distributor of a feature film

(45) Exemption from presumptive tax for purchases by manufacturer-cum-exporter

(45A) 1% WHT on supplies etc. to textiles, carpets, leather, surgical goods, and sports goods sector.

(45B) Provisions of section 153 shall not apply as purchase of used motor vehicles

(46) Exemption from presumptive tax for oil distribution and refining.

(46AA) Payments to Government Dept.

(47A) Relief for commercial importer-cum-supplier

(47B) Payments to NIT, REIT etc.

(47C) Exporter of cooking oil or vegetable ghee to Afghanistan

(47D) Cotton ginners

(56) Withholding tax on various imports

(56F) Person file return of total income of gross amount of commission or discount

(59) Withholding tax on profit on debt

(60) Partly designed/assembled cypher devices

(60A) China state construction engineering corporation Ltd

(60AA) China state construction engineering corporation Ltd

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(60B) Armoured and security vehicles
(60C) Rail Based Mass Transit Projects
(60D) Import of fire fighting equipment by industrial undertakings
(60DA) Import of the capital equipment
(60E) Mobile phones under baggage rules
(62) Transfer of assets on amalgamation of companies
(65) Profit of Clean Development Mechanism Projects
(66) Tax on electricity for exporters-cum-manufacturers.
(67) International Finance Corporation.
(67A) Any Stock Exchange of Pakistan.
(68) Pakistan Domestic Sukuk Co. Ltd.
(69) Asian Development Bank
(70) Contractors of power projects
(71) National Highway Authority
(71) The ECO Trade and Development Bank.
(72AA) Hajj Group Operators
(73) Foreign experts
(74)&(75) Civil Aviation (CCA)
(77) Renewable sources of Energy
(78) Special Economic Zone at Thar
(79A) National Telecommunication Corp.
(91) Tillage and seed bed preparation equipment.
(92) Aircrafts.
(93) Halal meat production.
(95) to (97) Non-Application of provisions to Pakistan International Sukuk
(95A) auction of franchise rights to participating teams in a national or international league
(97A) Non-Application of provisions to Pakistan International Sukuk
(98) Non-Application of provisions to import of ships and other crafts
(99) Non-Application of provisions to import or acquisition of aircrafts by PIA
(102) Non-Application of provisions to light commercial vehicles leased under PM youth business loan scheme
(102A) Ehsaas emergency cash transfer
(103) Non-Application of provisions to yield or profit on behbood saving certificates or pensioners benefit acc
(104) Non-Application of provisions on distribution of dividend on account of an agreement with the Government of Pakistan
(104A) Non-Application of provisions of S.4C disposal of residential property
(104B) Non-Application of provisions of S.4C export proceeds
(105A) Non-Application of provisions of Ss.177 &b 214C
(107)to(108) Non-Application of provisions Ss. 111, 113, 151, 231A, 231AA, 236P any contribution paid for Diamer Bhasha & Mohmand Dam Fund
(109A) Non-Application of provisions individual domiciled or company and AOP resident in Tribal Areas
(110) Non-Application of provisions individual domiciled or company and AOP resident in Tribal Areas
(111) Income of banking companies
(111A) Dividend to non-resident persons
(111AB) Non-Application of provisions to non-resident individual
(111AC) Non-Application of provisions to non-resident individual
(113) Non-resident company special convertible rupee account
(114) Non-resident company investments in debt securities - special convertible rupee account
(114A) Profit on debt for non-resident
(115) Individual traders turnover upto one hundred million Rupees
(116) The Prime Minster's COVID-19 Pandemic Relief Fund-2020
(118) Islamic Maya Pakistan Certificates Co., Ltd
(119) Distributors, dealers, wholesalers and retailers of locally manufactured mobile phone devices
(120) Deduction or collection of WHT under Cl. (66) of Pt-I of 2nd Sch.
(121) Prime Minister's Flood Relief Fund
(122) SMS to the Prime Minister's Flood Relief Fund

(123) Relief goods imported by National Disaster Management Authority or the Provincial Disaster Management Authority
(124) Import of tomato & onion

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Omitted Clauses-Part I.– A number of clauses of Part I have been omitted. These clauses have been reproduced in the footnotes at the relevant places. A list of these clauses is as follows:–

(1), (2), (4), (5), (6), (7), (8), (10), (11), (13A), (13B), (13H), (14), (15), (18), (20), (21), (23B), (27) to (38), (39), (41) to (50), (53), (54), (58) to (63), (63A), (63B), (64), (64A) to (64C), (65), (67) to (72), (72A), (73), (74), (74A), (76), (77), (80) to (89), (90), (90A), (91), (92) to (98), (98A), (100) to (103), (103B), (103C), (104), (105), (105A), (106), (106A), (108), (109), (110), (110A) to (110C), (111) to (114), (114A), (114AA), (115) to (117), (118) to (125), (126BA), (126C), (126F) to (126L), (126N), (126O), (127) to (131), (132A), (132B), (133), (133A), (134), (135A), (136) to (138), (141), (143), (144), (145), (146), (148), (152).

Withdrawal from Exemption Regime.-Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"The Second Schedule to the Ordinance, provides exemptions to different categories of taxpayers. Scrutiny of the Second Schedule revealed that some of the exemptions were unjustified while others had become redundant due to expiry of limitation. In some cases the purpose of exemption had been achieved or such exemptions had very limited application. The following clauses of the Second Schedule have, therefore, been omitted:

Part-I: Clauses (2), (6), (21), paragraph (x) of sub-clause (3) of clause (57), (62), (63A), (63B), sub-clause (iii) of clause (72), (77), (82), (83), (132A), (133A), and (138).

Part-II: Clauses (2), (3), (3A), (3B), (4), (5), (5B), (6) to (9), (9A), (9AC), (10), (11) to (13), (13A) to (13H), (13HH), (13HHH), (14), (14A), (14B), (15) to (18), (18A), (18B), (19) to (24), (24AA), (24B), (24CA), (25) to (27), (27A), (28), (28A), (28B), (29), (30).

Part-III: Clause (1), (1A), (1AA), (2), (3), (5), (7), (8), (10) to (16), (20).

Omitted Clauses.– A number of clauses have been omitted. These clauses have been reproduced in the footnotes at the relevant places. A list of these clauses is as follows:–

Part IV: Clauses (1) (2), (3A), (4), (6) to (9), (9A), (10), (10A), (11), (12F), (12G), (12J), (13), (13A), (14), (15), (16A), (17), (18), (20) to (22A), (23) to (31B), (32), (33), (34), (35), (36), (37), (38B), (39), (40), (41), (41A), (41AA), (41AAA), (41B), (42A), (43), (44), (46A), (46B), (46C), (47), (48) to (55), (56A) to (56E), (56G), (56H), (57), (57A), (58), (61), (61A), (63), (64), (72A), (72B), (76), (79), (80), (81), (81A), (82) to (90), (94), (100), (101), (101A), (101AA), (105), (106), (109), (112), (112A), (117).

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[1][ ]

[2][ ]

(3) Any income chargeable under the head "Salary" received by a person who, not being a citizen of Pakistan, is engaged as an expert or technical, professional, scientific advisor or consultant or senior management staff by institutions of the Agha Khan Development Network, (Pakistan) listed in Schedule I of the Accord and Protocol dated, November 13, 1994 executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network.

[3][ ]

[4][ ]

[5][**(5A)** Any allowance or perquisite paid or allowed as such outside Pakistan by the Government to a citizen of Pakistan for rendering service outside Pakistan.]

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[1]Clause (1) omitted by Finance Act, 2003, dated June 17, 2003.

[2]Clause (2) omitted by Finance Act, 2008, dated June 27, 2008.

[3]Clause (4) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by SRO 1119(I)/2006 dated November 01, 2006.

[4]Clause (5) omitted by Finance Act, 2022 dated June 30, 2022.

[5]Clause (5A) inserted by Tax Laws (Second Amendment) Ordinance, 2022 dated August 22, 2022, effective 01-07-2022.

Cl. (1)–Omission.– Before omission by Finance Act, 2003, read as follows:–

"**(1)** Any income chargeable under the head "Salary" received by any person being an employee of the International Irrigation Management Institute (IIMI) in Pakistan, who is neither a citizen of Pakistan nor a resident individual in any of the four years immediately preceding the year in which he arrived in Pakistan."

Cl. (2)–Omission.– Before omission by Finance Act, 2008, read as follows:–

"(2) Any income chargeable under the head "Salary" received by, or due to, any person, not being a citizen of Pakistan or a resident individual, as remuneration for services rendered by him as a health professional under the contract of service concluded with Shaukat Khanum Memorial Hospital and Research Center, Lahore, and approved by the Federal Government for the purposes of this clause."

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[1][ ]

[2&3][ ]

[4][**(9)** Any pension–

[5][ ]

(ii) granted under the relevant rules to the families and dependents of public servants or members of the Armed Forces of Pakistan who die during service.]

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[1]Clause (6) omitted by Finance Act, 2008 dated June 27, 2008.
[2]Clause (7) omitted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Clause (8) omitted by Finance Act, 2025 in force from July 1, 2025.
[4]Clause (9) substituted by Finance Act, 2006 dated July 01, 2006.
[5]Clause (9)(i) omitted by Finance Act, 2025 in force from July 1, 2025.

Cl. (4)–Before Omission by Finance Act, 2021, it read as follows:-

"**(4)** Any income chargeable under the head "Salary" received by-

(a) a Pakistani seafarer, working on Pakistan flag vessels for one hundred and eighty three days or more during tax year; or

(b) a Pakistani seafarer working on a foreign vessel provided that such income is remitted to Pakistan, not later than two months of the relevant [1]["tax year"], through normal banking channels."

[1]Substituted for "income year" by Finance Act, 2014 dated June 26, 2014.

Cl. (4)–Before Substitution by SRO 1119(I)/2006, it read as follows:-

"**(4)** Any income chargeable under head "Salary" received by a Pakistani seafarer working on a foreign vessel [1][or on Pakistan flag vessels for 183 days or more during a tax year] provided that such income is remitted to Pakistan, not later than two months of the relevant income year, through normal banking channels."

[1]Words inserted by Finance Act 2006 dated July 01, 2006.

Following is an extract from 'Notes on Clauses of Finance Bill, 2006':–

"Seeks to extend exemption to seafarers working on Pakistan Flag Vessels."

Cl. (5)–Omission.–Before omission by Finance Act, 2022, it read as follows:–

"**(5)** Any allowance or perquisite paid or allowed as such outside Pakistan by the Government to a citizen of Pakistan for rendering service outside Pakistan."

Cl. (6)–Omission.–Before omission by Finance Act, 2008, it read as follows:–

"**(6)** Any income chargeable under the head "Salary" received by a person, not being a citizen of Pakistan, by virtue of his employment with the British Council."

Cl. (7)–Omission.–Before omission by Finance Ordinance, 2002, it read as follows:–

"(7) Any income chargeable under the head "Salary" paid by Government to Khasadars, levies and Badraggas employed in the tribal territory on the North West Frontier and of all persons employed in the tribal levy services in Baluchistan."

Cl. (8)–Omission.– Before omission by F. Act, 2025, these read as follows:–

"**(8)** Any pension received by a citizen of Pakistan from a former employer, other than where the person continues to work for the employer (or an associate of the employer).

Provided that where the person receives more than one such pension, the exemption applies only to the higher of the pensions received.

Cl. (9)(i)–Omission.– Before omission by F. Act, 2025, these read as follows:–

"(i) received in respect of services rendered by a member of the Armed Forces of Pakistan or Federal Government or a Provincial Government;"

Cl. (9)–Substitution.– Clause (9) before substitution by F. Act, 2006, it read as follows:–

"(9) Any pension received in respect of any service rendered by a member of the Armed Forces of Pakistan or as an employee of the Federal Government or a Provincial Government."

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[1][**(9A)** Tax under section 231B shall be collected at the rate of two and a half per cent at the time of sale of motor car and the withholding tax agents (manufacturer or authorized dealer), irrespective of the date of booking or advance payment made by the purchaser, shall collect advance tax where sale invoice is issued and delivery of motor car is made after 31st August 2007.]

[2][ ]

(12) Any payment in the nature of commutation of pension received from Government or under any pension scheme approved by the [3][Board] for the purpose of this clause.

(13) Any income representing any payment received by way of gratuity or commutation of pension by an employee on his retirement or, in the event of his death, by his heirs as does not exceed –

(i) in the case of an employee of the Government, a local authority, a statutory body or corporation established by any law for the time being in force, the amount receivable in accordance with the rules and conditions of the employee's services;

(ii) any amount receivable from any gratuity fund approved by the Commissioner in accordance with the rules in Part III of the Sixth Schedule;

(iii) in the case of any other employee, the amount not exceeding [4][three] hundred thousand rupees receivable under any scheme applicable to all employees of the employer and approved by the [3][Board] for the purposes of this sub-clause; and

(iv) in the case of any employee to whom sub-clause* (i), (ii) and (iii) do not apply, fifty per cent of the amount receivable or seventy-five thousand rupees, whichever is the less:

Provided that nothing in this sub-clause shall apply –

(a) to any payment which is not received in Pakistan;

(b) to any payment received from a company by a director of such company who is not a regular employee of such company;

(c) to any payment received by an employee who is not a resident individual; and to any gratuity received by an employee who has already received any gratuity from the same or any other employer.

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[1]Clause (9A) inserted by SRO 661(I)/2007 dated July 02, 2007.
[2]Clauses (10) and (11) omitted by Finance Act, 2006 dated July 01, 2006.
[3]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.
[4]Substituted for "two" by Finance Act, 2016 dated June 24, 2016.

*should have been "sub-clauses".

Cl. (10), (11)-Omission.- Before omission the clauses read as follows:-

"(10) Any pension granted to any public servant to whom clause (14) does not apply in respect of injuries received in the performance of his duties."

"(11) Any pension granted to any public servant to whom clause (15) does not apply who has been invalidated from service on account of any bodily disability."

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[1][ ]

(16) Any income derived by the families and dependents of the "Shaheeds" belonging to Pakistan Armed Forces from the special family pension, dependents pension or children's allowance granted under the provisions of the Joint Services Instruction No. 5/66.

(17) Any income derived by the families and dependents of the "Shaheeds" belonging to the Civil Armed Forces of Pakistan to whom the provisions of the Joint Services Instruction No. 5/66 would have applied had they belonged to the Pakistan Armed Forces from any like payment made to them.

[1][ ]

(19) Any sum representing encashment of leave preparatory to retirement of a member of the Armed Forces of Pakistan or an employee of the Federal Government or a Provincial Government.

[2][ ]

[3][ ]

(22) Any payment from a provident fund to which the Provident Funds Act, 1925 (XIX of 1925) applies.

(23) The accumulated balance due and becoming payable to an employee participating in a recognized provident fund.

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[1]Clauses (14), (15) & (18) omitted by Finance Act, 2006 dated July 01, 2006.
[2]Clause (20) omitted by Finance Act, 2015 dated June 30, 2015.
[3]Clause (21) omitted by Finance Act, 2008 dated June 27, 2008.

Cls. (14), (15) & (18) Omission.-Before omission read as follows:-

"(14) Any pension granted to the personnel of Armed Forces of Pakistan (including personnel of the Territorial Force and the National Service of Pakistan) in respect of injuries received in the performance of their duties as such."

"**(15)** Any pension granted to the personnel of the Armed Forces of Pakistan (including personnel of the Territorial Force and the National Service of Pakistan) invalidated from service with such Forces on account of bodily disability attributable to, or aggravated by, such service."

"(18) Any pensions granted under the relevant rules to the families and dependents of public servants or members of the Armed Forces of Pakistan who die during service."

Cl. (20) Omission.-Before omission it read as follows:-

"**(20)** Any income received by a person from an annuity issued under the Pakistan Postal Annuity Certificate Scheme on or after the 27th July, 1977, not exceeding ten thousand rupees per annum."

Cl. (21) Omission.-Clause (21) before omission by Finance Act, 2008 read as follows:-

"(21) Any income received by a person from an annuity or annuities issued by the State Life Insurance Corporation of Pakistan or a life insurance company registered under section 3 of the Insurance Ordinance, 2000 (XXXIX of 2000):

Provided that this clause shall not apply to so much of the income received by a person from an annuity or annuities which, together with the income from any annuity or annuities referred to in clause (20), exceeds ten thousand rupees per annum."

Withdrawal of exemptions by Finance Act, 2003.– Following is an extract from CBR's Circular No. 7 of 2003, dated July 11, 2003:–

"The government is following a conscious policy of reducing the number of exemptions, rebates and concessions available and the Second Schedule. The following exemptions, rebates and concessions have been omitted with effect from tax year 2004.

[1][**(23A)** the accumulated balance upto [2][50]% received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 at the time of eligible person's-

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(a) retirement; or

(b) disability rendering him unable to work; or

(c) death by his nominated survivors [3][*:]*]

[3][Provided that excluding the cases mentioned in sub-clauses (b) and (c), in case of withdrawal before retirement age or withdrawal at the time of or after retirement age in excess of fifty percent of the accumulated balance, tax shall be charged at the rate specified in sub-section (6) of section 12 and the pension fund manager shall at the time of making payment deduct tax at the said rate.]

[4][ ]

[5][**(23C)** Any withdrawal of accumulated balance from approved pension fund that represent the transfer of balance of approved provident fund to the said approved pension fund under the Voluntary Pension System Rules, 2005]

(24) Any benevolent grant paid from the Benevolent Fund to the employees or members of their families in accordance with the provisions of the Central Employee Benevolent Fund and Group Insurance Act, 1969.

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[1]Substituted for "25" by Finance Act, 2009 dated June 30, 2009.
[2]Clause (23A) inserted by Finance Act, 2006 dated July 01, 2006.
[3]Substituted for full stop and proviso inserted by Finance Act, 2020 dated June 30, 2020.
[4]Clause (23B) omitted by Finance Act, 2022 dated June 30, 2022. Earlier Cls. (23B) & (23C) inserted by Finance Act, 2012 dated June 26, 2012.
[5]Clause (23C) inserted by Finance Act, 2012 dated June 26, 2012.

Cl. (23A)-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Previously, out of accumulated balance, upto 25% received from the Voluntary Pension Scheme (VPS) was exempt from tax. The limit has been enhanced to 50%. This amendment will encourage investments in VPS."

Cl. (23B)-Omission- Before omission by F. Act, 2022 it read as follows:-

"**(23B)** The amounts received as monthly installment from an income payment plan invested out of the accumulated balance of an individual pension accounts with a pension fund manager or an approved annuity plan or another individual pension account of eligible person or the survivors pension account maintained with any other pension fund manager as specified in the Voluntary Pension System Rules 2005 shall be exempt from tax provided accumulated balance is invested for a period of ten years:

Provided that where any amount is exempted under this clause and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner that any of the conditions specified in this clause were not fulfilled, the exemption originally allowed shall be deemed to have been wrongly allowed and the Commissioner may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant years and the provisions of this Ordinance shall, so far as may be, apply accordingly."

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(25) Any payment from an approved superannuation fund made on the death of a beneficiary or in lieu of or in commutation of any annuity, or by way of refund of contribution on the death of a beneficiary [1][.]

[1][ ]

(26) Any income of a person representing the sums received by him as a worker from out of the Workers Participation Fund established under the Companies Profits (Workers Participation) Act, 1968 (XII of 1968).

[2][ ]

[1]Full stop inserted and sub-clauses (i) to (iv) omitted by Finance Act, 2008 dated June 27, 2008.
[2]Clauses (27) to (32) omitted by Finance Ordinance, 2002 dated June 15, 2002.

Cl. (25)(i) to (iv)-Omission.-Before omission by Finance Act, 2008, read as follows:-

"(i) in the case of an employee of the Government or a local authority or a statutory body or corporation established by any law for the time being in force, the amount receivable in accordance with the rules and conditions of his service;

(ii) any amount receivable from any gratuity fund approved by the Commissioner in accordance with the rules contained in Part III of the Sixth Schedule;

(iii) in the case of any other employee, the amount not exceeding two hundred thousand rupees receivable under any scheme applicable to all employees of the employer and approved by the [1][Board] for the purposes of this sub-clause; and

(iv) in the case of any employee to whom sub-clauses (i), (ii) and (iii) do not apply, fifty per cent of the amount receivable or seventy-five thousand rupees, whichever is the less:

Provided that nothing in this sub-clause shall apply–

(a) to any payment which is not received in Pakistan;

(b) to any payment received from a company by a director of such company who is not regular employee of such company;

(c) to any payment received by an employee who is not a resident of Pakistan; and

(d) to any gratuity received by an employee who has already received any gratuity from the same or any other employer."

[1]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.

Cl. (27) to (32)–Omission.– Clauses (27) to (32) before omission by Finance Ordinance, 2002, read as follows:–

"(27) Any income of an officer representing the sum received by him as Entertainment Allowance admissible to him under the Ministry of Finance and Provincial Coordination (Finance Division) Office Memorandum No. F.2(2)-Imp-1/77, dated the 29th April, 1977."

"(28) Any income of an officer representing the sum received by him as Entertainment Allowance admissible to him under the Ministry of Finance (Finance Division) Office Memorandum No. F.1 (1)-Imp/83, dated the 18th August, 1983."

"**(29)** Any income of an officer of the Pakistan Armed Forces representing the sum received as Entertainment Allowance admissible to him under the Ministry of Defence Office Memorandum No. 716(D)/(B)/77, dated the 29th April, 1977."

"**(30)** Any income of an officer representing the sum received by him as Entertainment Allowance admissible to him under the Cabinet Secretariat (Establishment Division) Office Memorandum No. 18/2/78-CV, dated the 13th July, 1978."

"**(31)** Any income of an officer representing the sum received by him as Senior Post Allowance admissible to him under the Ministry of Finance, Planning and Development (Finance Division) Office Memorandum No. F.1(36) Gaz-IMP-I/73, dated the 18th August, 1973."

"**(32)** Any income of an officer representing the sum received by him as Senior Post Allowance admissible to him under the Ministry of Finance and Provincial Coordination (Finance Division) Office Memorandum No. F.1(1) Imp-I/77, dated the 28th April, 1977."

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[1to5][ ]

[6][**(39A)** Any amount paid as [7][internal security allowance, compensation in lieu of bearer allowance,] kit allowance, ration allowance, special messing allowance, SSG allowance, Northern Areas compensatory allowance, special pay for Northern Areas and height allowance to the Armed Forces personnel.]

[1]Clauses (33), (34) and (36) omitted by Finance Act, 2003 dated June 17, 2003.
[2]Clause (35) omitted by Finance Act, 2014 dated June 26, 2014.
[3]Clause (37) omitted by Finance Ordinance, 2002 dated June 15, 2002.
[4]Clause (38) omitted by Finance Ordinance, 2006 dated July 01, 2006.
[5]Clause (39) omitted by Finance Act, 2021 dated June 30, 2021.
[6]Clause (39A) inserted by Finance Act, 2018 dated May 23, 2018.
[7]Words inserted by Finance Act, 2019 dated June 30, 2019.

Cl. (33), (34) & (36)–Omission.– Clauses (33), (34) and (36) before omission by Finance Act, 2003, read as follows:–

"**(33)** Any income of any officer representing the sum received by him as Orderly Allowance admissible to him under the Finance Division O.M. No. F.1(3)-IMP-II/85, dated the 24th October, 1985.

(34) Any income of an employee of a recognized University in Pakistan representing the sums received by him as [1][ ] Orderly Allowance admissible under the terms and conditions of his service."

[1]Words and comma "Senior Post Allowance, Entertainment Allowance or" omitted by Finance Ordinance, 2002 dated June 15, 2002.

"**(36)** Any income of an officer representing the sum received by him as Personal Staff Subsidy admissible to him under the Cabinet Secretariat (Establishment Division) Office Memorandum No. 18/2/78-CV, dated the 13th July, 1978."

Cl. (35)–Omission.– Clause (35) before omission by F. Act, 2014, read as follows:–

"**(35)** Any income representing compensatory allowance payable to a citizen of Pakistan locally recruited in Pakistan Mission abroad as does not exceed 75 per cent of his gross salary."

Cl. (37)–Omission.– Clause (37) before omission by Finance Ordinance, 2002, read as follows:–

"(37) Any income representing cost of living allowance admissible to the Government employees at the rate of 7%."

Cl. (38)–Omission.–Clause (38) before omission read as follows:–

"(38) Any sum paid, for purpose of meeting the charges for gas, water and electricity, or the value of gas, water and electricity provided free of charge to an employee up to ten per cent of the minimum of time scale, and where there is no time scale, up to ten per cent of the basic salary."

Cl. (39)–Before Omission by Finance Act, 2021, it read as follows:-

"**(39)** Any special allowance or benefit (not being entertainment or conveyance allowance) or other perquisite within the meaning of section 12 specially granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit."

Salary income.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Provisions of clause (c) of sub-section (2) of section 12 were prone to misuse regarding the exemption available to allowance solely expended in the performance of employee's duty in conjunction with clause (39) of Part I of second schedule. The provisions were used to avoid tax. In order to streamline, an explanation has been inserted in clause (c) of sub-section (2) of section 12 whereby the exempt allowance has been explained and consequently clause (39) of Part I of second schedule has been omitted. Any allowance which is pa id on fixed basis or percentage of salary basis shall not constitute allowance for the performance of duties."

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(40) Any income of a newspaper employee representing Local Travelling Allowance paid in accordance with the decision of the Third Wage Board for Newspaper Employees constituted under the Newspaper Employees (Conditions of Service) Act, 1973, published in Part II of the Gazette of Pakistan, Extraordinary, dated the 28th June, 1980.

[1][ ]

[2][ ]

[1][ ]

(51) The perquisite represented by the right of the President of Pakistan [3][ ] and the Chiefs of Staff, Pakistan Armed Forces to occupy free of rent as a place of residence any premises provided by the Government.

(52) The perquisite represented by free conveyance provided and the sumptuary (entertainment) allowance granted by Government to [3][ ] the Chiefs of Staff, Pakistan Armed Forces and the Corps Commanders.

[4][ ]

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[1]Clauses (41) and (50) omitted by Finance Act, 2003, dated June 17, 2003.
[2]Clauses (42) to (49) omitted by Finance Act, 2006, dated July 01, 2006.
[3]Words etc. ", the Provincial Governors", "Provincial Governors," respectively omitted by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018.
[4]Clause (53) omitted by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018.

Cl. (41) & (50)–Omission.– Before omission by Finance Act, 2003, read as follows:–

"**(41)** Such portion of the income of a member of Pakistan Armed Forces as is compulsorily payable by him under any orders issued by Government to mess, entertainment or band fund."

"**(50)** Deferred pay admissible to Armed Forces personnel under the new Pay Code."

Cl. (42) to (49)-Omission.- Clauses (42) to (49) before omission read as follows:–

"(42) Any amount received as flying allowance by pilots, flight engineers and navigators employed by any Pakistani airline or by Civil Aviation Authority.

(43) Any amount notified as flying allowance payable to pilots, flight engineers and navigators of the Pakistan Air Force.

(44) Any amount notified as flying allowance payable to pilots, flight engineers and navigators of the Pakistan Army and the Pakistan Navy.

(45) Any amount received as flying allowance by junior commissioned officers or other ranks of Pakistan Armed Forces.

(46) Any amount notified as submarine allowance payable to officers of the Pakistan Navy.

(47) The value of rations issued in kind, or cash allowance paid in lieu thereof, to members of Pakistan Armed Forces or of Territorial Forces.

(48) The value of rent-free quarters occupied by, or cash allowance paid in lieu thereof, to members of the Pakistan Armed Forces, including Territorial Force.

(49) The conservancy allowance granted in lieu of free conservancy to personnel below commissioned rank of Pakistan Armed Forces and Territorial Force."

Cl. (53)-Omission.- Clause (53) before omission read as follows:–

"(53) The following perquisites and allowances provided or granted by Government to the Ministers of the Federal Government, namely:–

(a) rent-free accommodation in so far as the value thereof exceeds ten per cent of the basic salary of the Ministers concerned;

(b) house-rent allowance paid by Government in lieu of rent-free accommodation in so far as it exceeds five hundred and fifty rupees per month;

(c) free conveyance; and

(d) sumptuary allowance."

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[1][**(53A)** The following perquisites received by an employee by virtue of his employment, namely:–

[2][ ]

(ii) free or subsidized food provided by hotels and restaurants to its employees during duty hours;

(iii) free or subsidized education provided by an educational institution to the children of its employees;

(iv) free or subsidized medical treatment provided by a hospital or a clinic to its employees; and

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[1]Clause (53A) inserted by Finance Act, 2005 dated June 29, 2005.
[2]Clause (53A)(i) omitted by Finance Act, 2013 dated June 29, 2013.

Cl. (53A)-Exemption on perquisites carrying zero marginal cost to the employers.-Following is an extract from 'Notes on Clauses of Finance Bill 2005':-

"Seeks to provide an exemption of perquisites in the hands of employees which carry zero marginal cost to the employers such as transporters including airlines, hospitals, educational institutions and hotels;

Following is an extract from CBR's Circular No. 1 of 2005, dated July 5, 2005:-

"Certain Organizations provide benefits to its employees for which they do not have to bear any marginal costs. For example:

(i) free or concessional passage provided by transporters including airlines to its employees (including the members of their household and dependents);

(ii) free or subsidized food provided by hotels and restaurants to its employees during duty hours;

(iii) free or subsidized education provided by an educational institution to the children of its employees;

(iv) free or subsidized medical treatment provided by a hospital or a clinic to its employees;

These benefits were taxable in the hands of the employees as perquisites. With the insertion of clause (53A) in Part I of the Second Schedule, value of these perquisites has been exempted in the hands of the employees along with any other perquisites notified by the Central Board of Revenue. The exemption would be available for tax year 2006 onwards. For withholding tax purpose, the change shall be effective from July 1, 2005."

Cl 53A-Concessional passage.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"(a) In Part-I sub-clause (i) of clause (53A) has been omitted. Now the perquisite of free or concessional passage provided by airlines and transporters to its employee or to the members of employees household and dependants is to be included in taxable income of the employee. The market value of the fare at the relevant time shall be added to the income of the employee in case of free passage and the difference of the market value and the amount paid by the employee in case of concessional passage."

Cl. (53A)(i)–Omission.– Before omission by F. A., 2013, it read as follows:–

"(i) free or concessional passage provided by transporters including airlines to its employees (including the members of their household and dependents);"

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(v) any other perquisite or benefit for which the employer does not have to bear any marginal cost, as notified by the [1]*[*Board*]*.]

[2][ ]

(55) The perquisites represented by the right of a judge of the Supreme Court of Pakistan or of a judge of High Court to occupy free of rent as a place of residence any premises provided by Federal or Provincial Government, as the case may be, or in case a judge chooses to reside in a house not provided by Government, so much of income which represents the sum paid to him as house rent allowance.

(56) The following perquisites, benefits and allowances received by a Judge of Supreme Court of Pakistan and Judge of High Court, shall be exempt from tax.

(I) (a) Perquisites and benefits derived [3][from] use of official car maintained at Government expenses.

(b) Superior judicial allowance payable to a Judge of supreme Court of Pakistan and Judge of a High Court.

(c) Transfer allowance payable to a Judge of High Court.

(2) The following perquisites of the Judge of Supreme Court of Pakistan and Judge of High Court shall also be exempt from tax during service, and on or after retirement.

(a) The services of a driver and an orderly.

(b) 1000 (one thousand) free local telephone calls per month.

(c) 1000 units of electricity as well as (25 hm3* of gas) per month and free supply of water; and

(d) 200 litres of petrol per month.

(3) If during service, a judge dies, exemption from tax in respect of benefits and perquisites provided to widow as mentioned in sub-clause (2) shall also be available to the widow.

(57)(1) Any income from voluntary contributions, house property and investments in securities of the Federal Government derived by the following, namely: –

(i) National Investment (Unit) Trust of Pakistan established by the National Investment Trust Limited, if not less than ninety per cent of its Units at the end of that year are held by the public and not less than ninety per cent of its income of the year is distributed among the Unit-holders;

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[1]Substituted for "Central Board of Revenue" by Finance Act, 2007, dated June 30, 2007.

[2]Clause (54) omitted by Finance Ordinance, 2002 dated June 15, 2002.

[3]Substituted for "form" by Finance Act, 2005 dated June 29, 2005 to make an editorial correction as per 'Notes on Clauses of Finance Bill 2005'.

*should have been "hm3".

Cl. (54)–Omission.– Cl.(54) before omission by F. O., 2002, read as follows:–

"(54) Any sum paid, for purpose of meeting the charges for gas, water and electricity, or the value of gas, water and electricity provided free of charge to the Federal and Provincial Ministers."

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(ii) any Mutual Fund approved by the [1][Securities and Exchange Commission of Pakistan] and set up by the Investment Corporation of Pakistan, if not less than ninety per cent of its Certificates at the end of that year are held by the public and not less than ninety per cent of its income of that year is distributed among the Certificate-holders; and

[2][ ]

(2) Any income [3][(other than capital gain on stock and shares of public company, PTC vouchers, modaraba certificates, or any instrument of redeemable capital and derivative products held for less than 12 months] derived by any Mutual Fund, investment company, or a collective investment scheme [4][or a [5]/REIT Scheme/ [6]/or Private Equity and Venture Capital Fund/] [7][ ] or the National Investment (Unit) Trust of Pakistan established by the National Investment Trust Limited from any instrument of redeemable capital as defined in the [8][Companies Act, 2017 (XIX of 2017)], if not less than ninety per cent of its income of that year is distributed amongst the Unit-holders.

(3) Any income of the following funds and institutions, namely:–

(i) a provident fund to which the Provident Funds Act, 1925 (XIX of 1925), applies;

(ii) trustees on behalf of a recognized provident fund or an approved superannuation fund or an approved gratuity fund;

(iii) a benevolent fund or group insurance scheme approved by the [9][Board] for the purposes of this clause;

(iv) Service Fund;

(v) Employees Old Age Benefits Institution established under the Employees Old Age Benefit Act, 1976 (XIV of 1976);

(vi) any Unit, Station or Regimental Institute; and

(vii) any recognized Regimental Thrift and Savings Fund, the assets of which consist solely of deposits made by members and profits earned by investment thereof;

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[1]Substituted for "Controller of Capital Issues" by Finance Ordinance, 2002 dated June 15, 2002.
[2]Clause (57)(1)(iii) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[3]Inserted by Finance Act, 2010 dated June 30, 2010.
[4]Words inserted by Finance Act, 2006 dated July 01, 2006.
[5]Substituted for "real estate investment trust" by Finance Act, 2008 dated June 27, 2008.
[6]Words inserted by Finance Act, 2007 dated June 30, 2007.
[7]Words "approved by the Securities and Exchange Commission of Pakistan" omitted by Finance Act, 2008 dated June 27, 2008.
[8]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.
[9]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.

Cl. (57)(1)(iii)–Omission.–Before omission it read as follows:–
"(iii) Sheikh Sultan Trust, Karachi."

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Explanation.–For the purpose of this clause, "Service Fund" means a fund which is established under the authority, or with the approval of the Federal Government for the purpose of–

(a) securing deferred annuities to the subscribers of payment to them in the event of their leaving the service in which they are employed; or

(b) making provision for their wives or children after their death; or

(c) making payment to their estate or their nominees upon their death.

[1][(viii) a Pension Fund approved by the Securities and Exchange Commission of Pakistan under the Voluntary Pension System Rules, 2005;

(ix) any profit or gain or benefit derived by a pension fund manager from a pension Fund approved under the Voluntary Pension System Rules, 2005, on redemption of the seed capital invested in pension fund as specified in the Voluntary Pension System Rules, 2005 [2][;]

[2][ ]

[3][(xii) Punjab Pension Fund established under the Punjab Pension Fund Act, 2007 (I of 2007) and the trust established thereunder.]

[4][(xiii) Sindh Province Pension Fund established under the Sindh Province Pension Fund Ordinance, 2002.]

[5][(xiv) Punjab General Provident Investment Fund established under the Punjab General Provident Investment Fund Act, 2009 (V of 2009) and the trust established thereunder.]

[6][(xv) Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund.

(xvi) Khyber Pakhtunkhwa General Provident Investment Fund.

(xvii) Khyber Pakhtunkhwa Pension Fund.]

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[1]Paragraphs (viii) and (ix) inserted by Finance Act, 2005 dated June 29, 2005.
[2]Paragraph (x) omitted by Finance Act, 2008 dated June 27, 2008. Earlier before the para, a semi-colon was substituted for a full stop and clause (x) inserted by Finance Act, 2006 dated July 01, 2006.
[3]Paragraphs (xii) inserted by Finance Act, 2010 dated June 30, 2010.
[4]Paragraph (xiii) inserted by Finance Act, 2014 dated June 26, 2014.
[5]Paragraph (xiv) inserted by Finance Act, 2015 dated June 30, 2015.
[6]Paragraphs (xv) to (xvii) inserted by Finance Act, 2018 dated May 23, 2018.

Cl. (57)(3)(x)–Omission.–Before omission it read as follows:–

"(x) the accumulated balance upto 25% received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 at the time of eligible person's:

(a) retirement; or

(b) disability rendering him unable to work; or

(c) death by his nominated survivors."

Cl. (57)-Real estate.-Following is an extract from 'Notes on Clauses of Finance Bill, 2006':–

"Seeks to extend exemption to REITs and accumulated balances upto 25% received from Voluntary Pension System."

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[1][(4) any income of the following funds, institutions, foundations and trusts, namely:-

TABLE

Sr. No.	Name
(1)	(2)
i.	Pension of a former President of Pakistan and his widow.
ii.	State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation.
iii.	Federal Board of Revenue Foundation.
iv.	Pakistan Council of Scientific and Industrial Research.
v.	The Pakistan Water and Power Development Authority established under the Pakistan Water and Power Development Authority Act, 1958 (W. P. Act XXXI of 1958).
vi.	Pakistan Agricultural Research Council.
vii.	The corporatized entities of Pakistan Water and Power Development Authority from the date of their creation upto the date of completion of the process of corporatization i.e. till the tariff is notified.
viii.	The Prime Minister's Special Fund for victims of terrorism.
ix.	Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP.
x.	Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund.
xi.	National Disaster Risk Management Fund.
xii.	The Prime Minister's COVID-19 Pandemic Relief Fund-2020.
xiii.	[2][Pakistan Education Endowment Fund]
xiv.	Securities and Exchange Commission of Pakistan.
xv.	Privatisation Commission of Pakistan.
xvi.	Fauji Foundation.
xvii.	Audit Oversight Board.
xviii.	Supreme Court Water Conservation Account.
xix.	Baluchistan Education Endowment Fund (BEEF).
xx.	Army Welfare Trust.

[1]Clause 57(4) inserted by Finance Act, 2025 in force from July 1, 2025.
[2]Substituted for "National Endowment Scholarship for Talent (NEST)." by Finance Act, 2026 dated June 26, 2026.

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xxi.	Public Private Partnership Authority for tax year 2022 and subsequent four tax years
xxii.	The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022.
xxiii.	Export-Import Bank of Pakistan
xxiv.	Deposit Protection Corporation established under sub-section (l) of section 3 of Deposit Protection Corporation Act, 2016 (XXXVII of 2016).
xxv.	WAPDA First Sukuk Company Limited.
xxvi.	Pakistan Domestic Sukuk Company Ltd.
xxvii.	WAPDA on issuance of twenty billion rupees TFC's/SUKUK certificates for consideration of Diamer Bhasha Dam Projects.
xxviii.	WAPDA Second Sukuk Company Limited.
xxix.	Pakistan International Sukuk Company Limited.
xxx.	Second Pakistan International Sukuk Company Limited.
xxxi.	Third Pakistan International Sukuk Company Limited.
xxxii.	Islamic Naya Pakistan Certificates Company Limited (INPCCL).
xxxiii.	Pakistan Mortgage Refinance Company Limited.;
xxxiv.	The Pakistan Global Sukuk Programme Company Limited.
xxxv.	Shaheed Mohtarma Benazir Bhutto Institute of Trauma, Karachi
xxxvi.	National Memorial Bab-e-Pakistan Trust.
xxxvii.	Pakistan Poverty Alleviation Fund.
xxxviii.	National Rural Support Programme.
xxxix.	Karandaaz Pakistan from Tax Year 2015 onwards
xl.	The Institutions of the Agha Khan Development Network (Pakistan) as contained in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and the Agha Khan Development Network.
xli.	International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVIII of 1956) and provided in section 9 of Article VI of Articles of Agreement 1955 as amended through April 1993.

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xlii.	Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on the 25th December, 2015.
xliii.	SAARC Energy Centre.
xliv.	The Asian Development Bank established under the Asian Development Bank Ordinance, 1971 (IX of 1971).
xlv.	International Islamic Trade Finance Corporation.
xlvi.	Islamic Corporation for Development of Private Sector.
xlvii.	ECO Trade and Development Bank.
xlviii.	The Islamic Chamber of Commerce and Industry under the Organization of Islamic Conference (OIC).
xlix.	Commission on Science and Technology for Sustainable Development in the South (COMSATS) formed under International Agreement signed on 5th October, 1994.
l.	Saarc Arbitration Council (SARCO).
li.	International Parliamentarians' Congress.
lii.	Army Officers Benevolent Fund/Benevolent Fund/Bereaved Family Scheme.]
[1][liii	Pakistan Red Crescent Society
liv	Shaheen Foundation PAF
lv	Dawat-e-Hadiya
lvi	Pakistan Navy Benevolent Association
lvii	Sindh Institute of Urology and Transplantation
lviii	Employees' Social Security Institutions of Provincial Governments
lix	Workers' Welfare Fund Organizations of Provincial Governments
IX	Make-A-Wish Foundation
lxi	Quaid-i-Azam Mazar Management Board]

[1]Inserted by Finance Act, 2026 dated June 26, 2026.

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[1 to 3] [ ]

[1 to 9] [ ]

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[1]Clauses (58), (58A) & (59) omitted by Finance Act, 2014 dated June 26, 2014. Earlier clause (58A) was inserted by Finance Act, 2013 dated June 29, 2013.
[2]Clause (60) omitted by Finance Act, 2014 dated June 26, 2014.
[3]Clause (61) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[1]Clause (62) omitted by Finance Act, 2008 dated June 27, 2008.
[2]Clause (64) omitted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Clause (63) omitted by Finance Act, 2006 dated July 01, 2006. It was earlier inserted by SRO 302(I)/2005, dated April 7, 2005. The original clause (63) was omitted by Finance Ordinance, 2002 dated June 15, 2002.
[4]Clauses (63A) & (63B) omitted by Finance Act, 2008 dated June 27, 2008. Earlier these were inserted by SRO 1033(I)/2005, dated October 10, 2005 & SRO 1088(I)/2005, dated October 31, 2006, respectively.
[5]Clause (64) omitted by Finance Ordinance, 2002 dated June 15, 2002.
[6]Clause (64A) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021. Earlier it was inserted by SRO 389(I)/2009 dated May 19, 2009.
[7]Clause (64B) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021. Earlier it was inserted by SRO 576(I)/2009 dated June 18, 2009.
[8]Clause (64C) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021. Earlier it was inserted by SRO 755(I)/2010 dated August 09, 2010.
[9]Clause (65) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

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[1][**(65A)** Income for any tax year commencing from the tax year 2003, derived from the Welfare Fund created under rule-26 of the Emigration Rules, 1979 (made under section 16 of the Emigration Ordinance, 1979 (XVIII of 1979), except the income generated by the aforesaid Fund through commercial activities.]

[2][**(65B)** Any monetary award received from the Federal or Provincial Government or from a Public Office holder by a sportsperson winning a medal in international Olympic Games representing Pakistan:

Provided that this clause shall be applicable from tax year 2025.]

[3][**(66)** Subject to the provisions of section 100C, any income, derived by the following institutions, foundations, societies, boards, trust and funds, namely:-

Table

Sr. No.	**Name**
(1)	**(2)**
(i)	Al-Shifa Trust.
(ii)	Fatimid Foundation.
(iii)	Pakistan Engineering Council.
(iv)	The Institution of Engineers.
(v)	Liaquat National Hospital Association.
(vi)	Greenstar Social Marketing Pakistan (Guarantee) Limited.
(vii)	Gulab Devi Chest Hospital.
(viii)	National Academy of Performing Arts.
(ix)	Pakistan Bar Council.
(x)	Pakistan Centre for Philanthropy.
(xi)	Aziz Tabba Foundation.
(xii)	The Kidney Centre Post Graduate Training Institute.
(xiii)	Pakistan Disabled Foundation.
(xiv)	Forman Christian College.
(xv)	Habib University Foundation.
(xvi)	Begum AkhtarRukhsana Memorial Trust Hospital.
(xvii)	Al-Khidmat Foundation.
(xviii)	Sardar Trust Eye Hospital, Lahore.

[1]Clause (65A) inserted by SRO 819(I)/2012 dated July 04, 2012.
[2]Clause 65B inserted by Finance Act, 2025 in force from July 1, 2025.
[2]Clause (66) substituted by Finance Act 2025 in force from July 1, 2025. Earlier it was substituted by Finance Act, 2020 dated June 30, 2020, and substituted by Finance Act, 2006 dated July 01, 2006.

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(xix)	Akhuwat.
(xx)	Al-Shifa Trust Eye Hospital.
(xxi)	Sarmaya-E-Pakistan Limited.
(xxii)	Lahore University of Management Sciences, Lahore.
(xxiii)	Ghulam Ishaq Khan Institute of Engineering Sciences and Technology.
(xxiv)	Society for the Promotion of Engineering Sciences and Technology in Pakistan (SOPREST).
(xxv)	Businessmen Hospital Trust.
(xxvi)	Baitussalam Welfare Trust.
(xxvii)	Alamgir Welfare Trust International.
(xxviii)	Foundation University.
(xxix)	Burhani Qarzan Hasnan Trust
(xxx)	Saifee Hospital Karachi
(xxxi)	Saifiyah Girls Taalim Trust]
(xxxii)	Balochistan Bar Council
(xxxiii)	Islamabad Bar Council
(xxxiv)	Khyber Pakhtunkhwa Bar Council
(xxxv)	Punjab Bar Council
(xxxvi)	Sindh Bar Council
(xxxvii)	Shaheed Zulfikar Ali Bhutto Foundation (SZABF)]
(xxxviii)	Pakistan Sweet Homes Angels and Fairies Place.
(xxxix)	Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.
(xl)	Shaukat Khanum Memorial Trust.
(xli)	Abdul Sattar Edhi Foundation.
(xlii)	Patient‘s Aid Foundation.
(xliii)	Indus Hospital and Health Network.
(xliv)	Sundus Foundation.
(xlv)	Ali Zaib Foundation
(xlvi)	Layton Rahmatullah Benevolent Trust (LRBT).
(xlvii)	Dawat-e-Hadiya, Karachi.
(xlviii)	The Citizens Foundation.
(xlix)	Make a Wish Foundation

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(l)	Saylani Welfare International Trust.
(li)	Dawat-e-Islami Trust
(lii)	Chiniot Anjuman Islamia.
(liii)	Hamdard Laboratories (Waqf) Pakistan
(liv)	Film and Drama Finance Fund
(lv)	Shaheed Zulfikar Ali Bhutto Institute of Science and Technology
(lvi)	Beaconhouse National University
(lvii)	Federal Ziauddin University
(lviii)	Punjab Police Welfare Organization, Lahore.]

Cl. (66)-Restructuring of Entitlement to Exemption.- Following is an extract from FBR's Circular No. 1 of 2025-26 dated August 02, 2025:- [clause (66) part I of second schedule]

"Previously, the entities representing institutions, foundations, societies, boards, trust and funds were classified into two broad categories. The Table l, entities enjoyed complete exemption on their any income for a tax year and entities in Table II were given the same privilege subject to such conditions and limitations as specified in section 100C of the Ordinance.

Through Finance Act, 2025 both the Tables have been reorganized to do away with blanket exemptions unless there are any rational basis. Consequently, the entities with whom Government of Pakistan have entered into a sovereign agreement and those which have been established for carrying out the purposes of Government of Pakistan would continue to the entitlement of un-conditional exemption on their any head of income and have been placed under clause (57) of Part I of the Second Schedule to the Ordinance.

The rest of the entities, which have characteristics of Non-Profit Organization, are placed in a single Table and that table continues to be part of clause (66) of Part I of the Second Schedule and these will be entitled to hundred percent tax credit on their any income subject to the conditions and limitations as specified in section 100C of the Ordinance."

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Cl (66)–Substitution.– Before substitution by F. Act, 2025, it read as follows:–

"**(66)** (1) Any income derived by the following institutions, foundations, societies, boards, trusts and funds, namely:-

Table 1

Sr. No.	Name
(1)	**(2)**
(i)	International Islamic Trade Finance Corporation.
(ii)	Islamic Corporation for Development of Private Sector.
(iii)	National Memorial Bab-e-Pakistan Trust.
(iv)	Pakistan Agricultural Research Council.
(v)	The corporatized entities of Pakistan Water and Power Development Authority from the date of their creation upto the date of completion of the process of corporatization i.e. till the tariff is notified.
(vi)	The Prime Minister's Special Fund for victims of terrorism.
(vii)	Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP.
(viii)	The Institutions of the Agha Khan Development Network (Pakistan) as contained in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and the Agha Khan Development Network.
(ix)	Pakistan Council of Scientific and Industrial Research.
(x)	The Pakistan Water and Power Development Authority established under the Pakistan Water and Power Development Authority Act, 1958 (W. P. Act XXXI of 1958).
(xi)	WAPDA First Sukuk Company Limited.
(xii)	Pension of a former President of Pakistan and his widow.
(xiii)	State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation.
(xiv)	International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVIII of 1956) and provided in section 9 of Article VI of Articles of Agreement 1955 as amended through April 1993.
(xv)	Pakistan Domestic Sukuk Company Ltd.
(xvi)	ECO Trade and Development Bank.
(xvii)	The Islamic Chamber of Commerce and Industry under the Organization of Islamic Conference (OIC).
(xviii)	Commission on Science and Technology for Sustainable Development in the South (COMSATS) formed under International Agreement signed on 5th October, 1994.
(xix)	W PD on issuance of twenty billion rupees TFC's/SUKUK certificates for consideration of DiamerBhasha Dam Projects.
(xx)	Federal Board of Revenue Foundation.
(xxi)	WAPDA Second Sukuk Company Limited.
(xxii)	Pakistan International Sukuk Company Limited.
(xxiii)	Second Pakistan International Sukuk Company Limited.
(xxiv)	Third Pakistan International Sukuk Company Limited.
(xxv)	Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on the 25th December, 2015.
(xxvi)	Supreme Court of Pakistan – DiamerBhasha & Mohmand Dams – Fund.
(xxvii)	National Disaster Risk Management Fund.
(xxviii)	Deposit Protection Corporation established under sub-section (l) of section 3 of Deposit Protection Corporation Act, 2016 (XXXVII of 2016).
(xxix)	SAARC Energy Centre.

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(xxx)	The Asian Development Bank established under the Asian Development Bank Ordinance, 1971 (IX of 1971).
(xxxi)	The Prime Minister's COVID-19 Pandemic Relief Fund-2020.
(xxxii)	Saarc Arbitration Council (SARCO).
(xxxiii)	International Parliamentarians' Congress.
(xxxiv)	Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.
(xxxv)	Shaukat Khanum Memorial Trust.
(xxxvi)	National Endowment Scholarship for Talent (NEST).
[1][(xxxvii)	Islamic Naya Pakistan Certificates Company Limited (INPCCL).
(xxxviii)	Abdul Sattar Edhi Foundation
(xxxix)	Patient's Aid Foundation
(xl)	Indus Hospital and Health Network
(xli)	Securities and Exchange Commission of Pakistan.
(xlii)	Dawat-e-Hadiya, Karachi
(xliii)	Privatisation Commission of Pakistan
(xliv)	The Citizens Foundation.
(xlv)	Sundus Foundation.
(xlvi)	Ali Zaib Foundation
(xlvii)	Fauji Foundation.
(xlviii)	Make a Wish Foundation
(xlix)	Audit Oversight Board.
[2][(l)]	Supreme Court Water Conservation Account.
[2][(li)]	Layton Rahmatullah Benevolent Trust (LRBT).
[2][(lii)]	Baluchistan Education Endowment Fund (BEEF).
[2][(liii)]	Saylani Welfare International Trust.
[2][(liv)]	Chiniot Anjuman Islamia.
[2][(lv)]	Army Welfare Trust.]
[3][(lvi)	Pakistan Mortgage Refinance Company Limited.
(lvii)	The Pakistan Global Sukuk Programme Company Limited.
(lviii)	Karandaaz Pakistan from tax year 2015 onwards
(lix)	Pakistan Sweet Homes Angles and Fairies Place.
(lx)	Public Private Partnership Authority for tax year 2022 and subsequent four tax years
(lxi)	Dawat-e-Islami Trust
(lxii)	Hamdard Laboratories (Waqf) Pakistan]
[4][(lxiii)	The Prime Minister's Flood Relief Fund, 2022 with effect on and from the 5th August, 2022.]
[5][(lxiii)*	The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022.
(lxiv)	Film and Drama Finance Fund
(lxv)	Export-Import Bank of Pakistan

[1]Clauses (66)(xxxvii) to (xlxv) inserted Finance Act, 2021 dated June 30, 2021. Earlier clause (xxxvii) was inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

[2]S. Nos. (xlx) to (xlxv) renumbered as (l) to (lv) by Finance Act, 2022 dated June 30, 2022. Earlier this amendment was made by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.

[3]S. Nos. (lvi) to (lxii) inserted by Finance Act, 2022 dated June 30, 2022. Earlier S. No. (lvi) was inserted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021 & S. No. (lvii) inserted by SRO 1457(I)/2021 dated November 11, 2021.

[4]Clause (66)(lxiii) inserted in Table 1 by SRO 1590(I)/2022 dated August 23, 2022.

[5]Clauses (66)(lxiii) to (lxvii) inserted in Table 1 by Finance Act, 2023 dated June 26, 2023. There is an error in numbering as clause (lxiii) already exists, having been inserted by SRO 1590 (I)/2022 as above.

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(lxvi)	Shaheed Mohtarma Benazir Bhutto Institute of Trauma, Karachi
(lxvii)	Shaheed Zulfikar Ali Bhutto Institute of Science and Technology]

(2) Subject to the provisions of section 100C, any income derived by the following institution, foundations, societies, boards, trusts and funds, namely:

Table 2

Sr. No.	Name
(1)	**(2)**
1[	]
(ii)	Al-Shifa Trust.
(iii)	Bilquis Edhi Foundation.
(iv)	Fatimid Foundation.
(v)	Pakistan Engineering Council.
(vi)	The Institution of Engineers.
(vii)	Liaquat National Hospital Association.
1[	]
(ix)	Greenstar Social Marketing Pakistan (Guarantee) Limited.
1[	]
(xi)	Gulab Devi Chest Hospital.
(xii)	Pakistan Poverty Alleviation Fund.
(xiii)	National Academy of Performing Arts.
2[	]
(xv)	National Rural Support Programme.
(xvi)	Pakistan Bar Council.
(xvii)	Pakistan Centre for Philanthropy.
2[	]
(xix)	Aziz Tabba Foundation.
1[	]
(xxi)	The Kidney Centre Post Graduate Training Institute.
(xxii)	Pakistan Disabled Foundation.
(xxiii)	Forman Christian College.
(xxiv)	Habib University Foundation.
(xxv)	Begum Akhtar Rukhsana Memorial Trust Hospital.
(xxvi)	Al-Khidmat Foundation.
2[	]
(xxviii)	Sardar Trust Eye Hospital, Lahore.
(xxix)	Akhuwat.
1[	]
1[	]
(xxxii)	Al-Shifa Trust Eye Hospital.
3[	]
(xxxiv)	SARMAYA-E-PAKISTAN LIMITED.
(xxxv)	Lahore University of Management Sciences, Lahore.
3[	]

[1]Clauses (66)(i), (viii), (x), (xx), (xxx), (xxxi), (xxxiii) and (xxxvi) omitted by Finance Act, 2021 dated June 30, 2021.
[2]Clauses (66)(xiv), (xviii), (xxvii) omitted by Finance Act, 2022 dated June 30, 2022.
[3]Clauses (66)(lxiii), (lxiv), (lxv) inserted by Finance Act, 2022 dated June 30, 2022.

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[1][ ]
[2][ ]
[3to5][ ]

1Clauses (67), (68), (69), (70), (71), (71A) & (73) omitted by Finance Act, 2006 dated July 01, 2006.Clause (71A) was inserted by SRO 354(I)/2004 dated May 26, 2004.
2Clause (72) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Finance Act, 2006 dated July 01, 2006.
3Clause (72A) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by SRO 1029(I)/2014 dated November 19, 2014.
4Clause (74) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
5Clause (74A) omitted by Finance Act, 2011 dated June 30, 2011. Earlier it was inserted by SRO 754(I)/2007, dated July 27, 2007.

(xxxvii)	Ghulam Ishaq Khan Institute of Engineering Sciences and Technology.
(xxxviii)	Society for the Promotion of Engineering Sciences and Technology in Pakistan (SOPREST).
(xxxix)	Businessmen Hospital Trust.
(xl)	Baitussalam Welfare Trust.
(xli)	Alamgir Welfare Trust International.
(xlii)	Foundation University.
1[(xliii)	Burhani Qarzan Hasnan Trust
(xliv)	Saifee Hospital Karachi
(xlv)	Saifiyah Girls Taalim Trust]
2[(xlvi)	Balochistan Bar Council
(xlvii)	Islamabad Bar Council
(xlviii)	Khyber Pakhtunkhwa Bar Council
(xlix)	Punjab Bar Council
(l)	Sindh Bar Council
(li)	Shaheed Zulfikar Ali Bhutto Foundation (SZABF)]”

Provided that with effect from the 1st day of July, 2021, exemption under this sub-clause shall be subject to fulfilling the conditions specified in section 100C.]

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[1][**(75)** Any profit on debt and capital gains derived by any agency of foreign Government or any non-resident person approved by the Federal Government for the purpose of this clause from debt and debt instruments approved by the Federal Government.]

[2][ ]

[3][ ]

(78) Any profit on debt derived from foreign currency accounts held with authorised banks in Pakistan, [4][or certificate of investment issued by investment banks] in accordance with [5][any foreign currency account scheme(s)] introduced by the State Bank of Pakistan, by [6][non-resident individuals, non-resident association of persons and non-resident companies].

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[1]Clause (75) substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

[2]Clause (76) omitted by Finance Act, 2006 dated July 01, 2006.

[3]Clause (77) omitted by Finance Act, 2008 dated June 27, 2008.

[4]Words inserted by Finance Act, 2004, w.e.f. July 1, 2004.

[5]Substituted for "Foreign Currency Accounts Scheme" by Finance Act, 2026 dated June 26, 2026.

[6]Substituted for "citizens of Pakistan and foreign nationals residing abroad, foreign association of persons, companies registered and operating abroad and foreign nationals residing in Pakistan" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

Cl. (75)-Substitution-Before substitution, it read as follows:-

"**(75)** Any income of an agency of a foreign Government, a foreign national (company, firm or association of persons), or any other non-resident person approved by the Federal Government for the purposes of this clause, from profit on moneys borrowed under a loan agreement or in respect of foreign currency instrument approved by the Federal Government."

Cl. (75)-Following is the text of SRO 268(I)/2021 dated March 01, 2021:-

"In exercise of the powers conferred by clause (75) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Government is pleased to approve exemption for the purposes of the said clause to the profit on debt income of an agency of a foreign government, a foreign national company, firm or association of persons or any other non-resident person, on Eurobonds issued under the Government's medium-term note program."

Cl. (75)-Following is the text of SRO 269(I)/2021 dated March 01, 2021:-

"In exercise of the powers conferred by clause (75) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Government is pleased to approve exemption for the purposes of the said clause to the profit on debt income of an agency of a foreign government, a foreign national company, firm or association of persons or any other non-resident person, on International Sukuk issued under the Government's medium term note program."

Cl. (76) & (77)–Omission.–Before omission these read as follows:–

"(76) Any profit on debt payable to a non-resident person being a foreign individual, company, firm or association of persons in respect of a foreign loan as is utilised for industrial investment in Pakistan provided that the agreement for such loan is concluded on or after the First day of February 1991, and is duly registered with the State Bank of Pakistan."

"(77) Any profit derived by a non-resident person (whether a citizen of Pakistan or otherwise) in respect of the Islamic mode of financing, including istisna, morabaha, musharika [1][.]"

[1]Substituted for colon by Finance Act, 2003, dated June 17, 2003.

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(79) Any profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a [1][*a person maintaining a Non-Resident Pakistani Rupee Value Account "NRVA" or Non-Resident Business Value Account "NRBVA" under the scheme introduced by the State Bank of Pakistan], where the deposits in the said account are made exclusively from foreign exchange remitted into the said account.

[2to5][ ]

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[1]Substituted for "non-resident individual holding a Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC)" by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted for "citizen of Pakistan residing abroad" by Finance Act, 2021 dated June 30, 2021. Earlier it was by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

[2]Clause (80) omitted by Finance Act, 2021 dated June 30, 2021.

[3]Claus (81) omitted by Finance Act, 2004, w.e.f. July 1, 2004.

[4]Clause (81A) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2004, w.e.f. July 1, 2004.

[5]Clause (82) omitted by Finance Act, 2008 dated June 27, 2008.

Cl. (80)–Omission.–Before omission these read as follows:–

"**(80)** Any income derived from a private foreign currency account held with an authorised bank in Pakistan, [1][or certificate of investment issued by investment banks] in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by a resident individual who is a citizen of Pakistan:

Provided that the exemption under this clause shall not be available in respect of any incremental deposits made in the said accounts on or after the 16th day of December, 1999, or in respect of any accounts opened under the said scheme on or after the said date."

[1]Words inserted by Finance Act, 2004, w.e.f. July 1, 2004.

Clauses (78) and (80)–Foreign currency accounts with investment banks.–Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"Investment banks were allowed to raise foreign currency fund from abroad through issuance of Certificates of Investment (CsOI) vide State Bank of Pakistan's Circular No.36 dated April 2, 1992. A confusion arose as to whether the CsOI issued by investment banks are covered under Foreign Currency Account Scheme of SBP and profit earned thereon entitled to exemption from tax as was available to foreign currency accounts. As per clarification issued by SBP investment banks were authorized to issue CsOI and, thus, covered by Foreign Currency Account Scheme approved by SBP. Accordingly, clause (78) and clause (80) of Part I of the Second Schedule have been amended to include CsOI for the purposes of exemption. The amendment shall be applicable from the date on which the clauses (78) & (80) were introduced in the said schedule."

Cl. (81)–Omission.–Clause (81) before omission read as follows:–

"**(81)** The income of a person, other than a bank or a financial institution, by way of interest on Foreign Currency Bearer Certificates issued under the Three-Years Foreign Currency Bearer Certificate Rules, 1997."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"(i) Seeks to exempt "profit on debt" from "Certificate of Investment" issued by investment banks.

(ii) Seeks to exempt "profit on debt" from "Certificate of Investment" issued by investment banks."

Cl. (81)–Omission.–Before omission by F. Act, 2014, read as follows:–

"**(81A)** Notwithstanding omission of clause (81), the existing holders of Foreign Currency Bearer Certificate shall continue to have the benefit of exemption till such certificates are encashed."

Cl. (79).- Reduced Rates [Second Schedule Part I clauses (79) & (99C); Part II clauses (5AA) & (24D)]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Clause (79) has been substituted to broaden its scope. Now profit on debt derived from a rupee account held with a scheduled bank in Pakistan shall be exempt from tax in the case of a person who maintains a Non-Resident Rupee Value Account or Non-Resident Business Value Account under the scheme introduced by the State Bank of Pakistan Clause (99C) has been introduced in Part I of the Second Schedule to provide exemption to the income of a Private Equity and Venture Capital Fund registered under the Private Funds Regulations, 2015, if not less than ninety percent of its accounting income (as reduced by accumulated losses and unrealized capital gains) is distributed to its unit or certificate holders or shareholders, subject to the specified condition."

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[1to17][ ]

[18][**(98AA)** Any income derived by ICC Business Corporation (IBC) or International Cricket Council (ICC) or employees, officials, agents and representatives of IBC and ICC, officials from ICC members, players, coaches, medical doctors and officials of member countries, IBC partners and media representatives, other than persons who are resident of Pakistan, from ICC champions Trophy, 2025 hosted in Pakistan.]

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[1]Clause (83) omitted by Finance Act, 2008. June 27, 2008.
[2]Clause (84) omitted by Finance Act, 2004, w.e.f. July 1, 2004.
[3]Clauses (85) and (86) omitted by Finance Ordinance, 2002 dated June 15, 2002.
[4]Clause (87) omitted by Finance Act, 2003, dated June 17, 2003.
[5]Clause (88) omitted by Finance Act, 2004, w.e.f. July 1, 2004.
[6]Clause (88A) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2004, w.e.f. July 1, 2004.
[7]Clause (89) omitted by Finance Ordinance, 2002 dated June 15, 2002.
[8]Clause (90) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[9]Clauses (90A) and (91) omitted by Finance Act, 2021 dated June 30, 2021. Earlier these were omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021. Earlier clause (90A) inserted by Finance Act, 2018 dated May 23, 2018.
[10]Clause (92) omitted by Finance Act, 2013 dated June 29, 2013.
[11]Clause (92A) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2010 dated June 30, 2010.
[12]Clause (93) omitted by Finance Act, 2011 dated June 30, 2011.
[13]Clause (93A) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2004, w.e.f. July 1, 2004.
[14]Clause (94) omitted by Finance Ordinance, 2002 dated June 15, 2002.
[15]Clauses (95) to (97) omitted by Finance Act, 2006 dated July 01, 2006.
[16]Clause (98) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[17]Clause (98A) omitted by Finance Act, 2013 dated June 29, 2013. Earlier it was inserted by SRO 490(I)/2008 dated May 31, 2008.
[18]Clause (98AA) inserted by Finance Act, 2025 in force from July 1, 2025. Earlier it was inserted by SRO 579(I)/2025 dated April 09, 2025.

Clauses (81), (84) and (88)–Withdrawal of exemption to FCBC and certain interest income of non-residents.– Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"(81) Part I of Second Schedule exempting the income of a person (other than a bank or a financial institution) by way of interest on Foreign Currency Bearer Certificate (FCBC) issued under FCBC Rule, 1997 has been withdrawn. However, the FCBCs, if any, not encashed yet would continue to avail the said facility.

(84) Part I of Second Schedule providing exemption to any profit on debt received from a Pakistani bank by a foreign bank approved by the Federal Government for the purposes of the said clause, has been withdrawn. Any profit on debt received from a Pakistan bank by a foreign bank on or after July 1, 2004 would, therefore, be chargeable to tax in accordance with the provisions of the Income Tax Ordinance, 2001.

(88) Part I of Second Schedule has also been omitted through Finance Act, 2004. Any income derived by a non-resident person (excluding local branches, subsidiaries or offices of foreign banks, companies, association of persons or any other person operating in Pakistan) from Federal Government Securities and redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984) listed on a registered stock exchange, where the investment is made exclusively for foreign exchange remitted into Pakistan through special convertible rupee account maintained with a bank in Pakistan may on or after July 1, 2004 shall not be exempt from tax. However, the facility of exemption would remain available to the existing investment till it is encashed."

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[1][**(99)** Any income derived by a Collective Investment Scheme or a REIT Scheme [2][including Special Purpose Vehicle], if not less than ninety per cent of its accounting income of that year, as reduced by [3][accumulated losses and] capital gains whether realized or unrealized, is distributed amongst the unit or certificate holders or shareholders as the case may be.

Explanation.-For the purpose of this clause the expression "accounting income" means income calculated under the generally accepted Accounting Principles and verified by the auditors [4]*[*and Special Purpose Vehicle shall have the same meaning as defined under the Real Estate Investment Trust Regulations, 2015*]* [5]*[:]*

[5][Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account.]

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[1]Clause (99) substituted by Finance Act, 2008 dated June 27, 2008. It was earlier substituted by SRO 728(I)/2002, dated October 23, 2002.
[2]Words inserted by Finance (Supplementary) Act, 2022 dated January 15, 2022.
[3]Words inserted by Finance Act, 2022 dated June 15, 2022.
[4]Words inserted by Finance (Supplementary) Act, 2022 dated January 15, 2022.
[5]Colon substituted for full stop and proviso inserted by Finance Act, 2014 dated June 26, 2014.

Cl. (99)–Substitution.– Clause (99) before substitution by Finance Act 2008 read as follows:–

"**(99)** Any income derived by a mutual fund or an investment company registered under the [1][Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003], or a unit trust scheme constituted by an assets management company registered under the Assets Management Companies Rules, 1995 [2][, or a Real Estate Investment Trust approved and authorized under Real Estate Investment Trust Rules, 2006, established and managed by a REIT Management Company licensed under the Real Estate Investment Trust Rules, 2006], if not less than ninety percent of its accounting income of that year, as reduced by capital gains whether realized or unrealised, is distributed amongst the unit or certificate holders or shareholders as the case may be:

[1]Substituted for "Investment Companies and Investment Advisers Rules, 1971" by Finance Act, 2005, dated June 29, 2005.
[2]Words inserted by Finance Act, 2006 dated July 01, 2006.

Cl. (99)–Taxation of stock market transactions.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Income Tax was introduced to stock market through the Finance Act, 2004 in the form of withholding tax, as under:

(i)	Purchase of shares in lieu of commission earned by members	0.005%
(ii)	Sale of shares in lieu of commission earned by members	0.005%
(iii)	Value of the shares traded (Sale)	0.005%
(iv)	Financing of carry over trade (Badla) in shares by the members of stock exchanges on amount of carry over charge	10%
(v)	Capital Value Tax (CVT) on the purchase value of shares @	0.01%

The rate of WHT on all trading transactions made in the stock exchanges has been increased as under:

(i)	in case of purchase of shares	0.01% of purchase value
(ii)	in case of sale of shares	0.01% of sale value
(iii)	in case of trading of shares	0.01% of traded value

In case of financing of carry over trades (Badla)/**cfs** the existing rate of 10% has been retained. However, CVT on purchase value of shares has been enhanced from the 0.01% to 0.02%."

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[1][**(99A)** Profits and gains accruing to a person on the sale of immoveable property [1][or shares of Special Purpose Vehicle] to any type of REIT scheme upto the 30th day of June, 2023.]

[1]Clause (99A) substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2007 dated June 30, 2007.

Cl. (99)-Substitution.–Before substitution by SRO 728(I)/2002, read as follows:-

"(99) Any income derived by a Mutual Fund or an investment company registered under the Investment Companies and Investment Advisors Rules, 1971 or a unit trust scheme constituted by an asset management company registered under the Assets Management Companies Rules, 1995 if not less than ninety percent of its income of that year is distributed amongst the unit or certificate holders or shareholders, as the case may be."

2nd. Sch. Pt. I. Cl. (99)-Conditional Exemption to Collective Investment Scheme or REIT Scheme.- Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"Any income derived by a Collective Investment Scheme or a REIT Scheme is exempt from tax under clause (99) of Part I of Second Schedule to the Ordinance if not less than ninety percent of its accounting income of that year as reduced by realized or unrealized capital gains is distributed amongst the unit or certificate holders or shareholders. Now, further reduction in accounting income of that year has been allowed through adjustment of accumulated losses for these persons in addition to reduction by realized or unrealized capital gains."

Incentive for REIT schemes.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"The income of REIT schemes is exempt from tax under clause (99) of Part I of Second Schedule subject to conditions and limitations prescribed therein. The REIT schemes have been provided following further concessions

a) Gain arising on the disposal of immoveable property to development and residential REIT is exempt upto 2023. Now this exemption has been extended on disposal of immoveable property to all types of REITs.

b) The rate of tax on dividend income from REIT scheme was 25%. It has been reduced to 15%. Necessary changes have been incorporated in the schedules."

Explanation. For the purpose of this clause the expression "accounting income" means income calculated under the Generally Accepted Accounting Principles and verified by the auditors."

Cl. (99A)-Substitution.–Before substitution by Finance Act, 2021, read as follows:-

"**(99A)** Profits and gains accruing to a person on sale of immovable property to a [1][REIT Scheme] upto thirtieth day of June, [2]*[*2015*]* [3]*[:]*]

[3][Provided that profit and gains on sale of immovable property to a Developmental REIT Scheme with the object of development and construction of residential buildings shall be exempt upto thirtieth day of June, [4]*[*2023*]* [5]*[:]*]

[5] Provided further that the profit and gains on sale of immovable property to a rental REIT scheme shall be exempt up to the 30th day of June, [6]*[*2023*]*."

[1]Substituted for "real estate investment trust" by Finance Act, 2008 dated June 27, 2008.

[2]Substituted for "2010" by Finance Act, 2010 dated June 30, 2010.

[3]Colon substituted for full stop and proviso inserted by Finance Act, 2015 dated June 30, 2015.

[4]Substituted for "2020" by Finance Act, 2020 dated June 30, 2020.

[5]Colon substituted for full stop and proviso inserted by Finance Act, 2019 dated June 30, 2019.

[6]Substituted for "2021" by Finance Act, 2020 dated June 30, 2020.

Clauses (99) and (99A) of Part I and (47B) of Part IV-Taxation of Special Purpose Vehicle under REIT.- Following is an extract from FBR's Circular No. 12 of 2022 dated January 12, 2022:-

"The concept of Special Purpose Vehicle (SPV) under the Real Estate Investment Trust (REIT) has been introduced by SECP through legislation. Through the Finance (Supplementary) Act, 2022, SPV being a pass-through entity, has been extended the same tax treatment as already given to REIT under the Ordinance. Dividend received by REIT from SPV shall be chargeable to tax at the rate of 0% while dividend paid to non-REIT investors shall be chargeable at the rate of 35%. These will be subject to advance tax deduction at the same rates. Furthermore, SPV has been included in the exemptions granted to REIT under clause (99) and (99A) of Part I and clause (47B) of Part IV of Second Schedule to the Ordinance."

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[1][***Explanation***.- For the purpose of this clause, Special Purpose Vehicle shall have the same meaning as defined under the Real Estate Investment Trust Regulations, 2015.]

[2][**(99B)** Income of a Special Purpose Vehicle buying Diversified Payment Rights from the Authorized Dealers in Pakistan.

Explanation.-For the purpose of this clause, Diversified Payment Rights, Special Purpose Vehicle and Authorized Dealers shall mean the 'Diversified Payment Rights', 'Special Purpose Vehicle' and 'Authorized Dealers', respectively, in each case, as referred in the State Bank of Pakistan's Circular(s) or Regulations on Diversified Payment Rights;]

[3][**(99C)** Any income derived by a Private Equity and Venture Capital Fund registered under Private Funds Regulations, 2015, if not less than ninety percent of its accounting income of that year, as reduced by accumulated losses and unrealized capital gains, is distributed by the Private Equity and Venture Capital Fund to its unit or certificate holders or shareholders:

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[1]Explanation inserted by Finance (Supplementary) Act, 2022 dated January 15, 2022.
[2]Clause (99B) inserted by Finance Act, 2024 w.e.f. 1 July, 2024.
[3]Clause (99C) inserted by Finance Act, 2026 dated June 26, 2026.

Cl. 99B.- Income of SPV. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"The income of a Special Purpose Vehicle (SPV) from purchasing Diversified Payment Rights through Authorized Dealers in Pakistan has been exempted from tax under clause (99B) of Part I of the Second Schedule. This exemption applies under the definitions provided in the State Bank of Pakistan's Circular(s) or Regulations in respect of Diversified Payment Rights."

Following is an extract from salient features of budget 2006:–

"Taxation of carryover trade (COT), (Badla) in Stock Exchanges – exemption available to Mutual Funds proposed to be withdrawn."

Cl (99A)-Property sale to REIT, profit exempt.-Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"A new clause (99A) has been inserted in Part I of the Second Schedule providing exemption to profits and gains accruing/arising to a person on sale of immovable property to a Real Estate Investment Trust (REIT) upto 30thJune 2010. the provisions of this clause will apply where transactions of sale have been made from 1st July 2007 onwards."

Following is an extract from CBR's C. No.1(6)WHT/2006, dated June 27, 2006:–

"Income Tax was introduced through the Finance Act, 2004, to stock market in the form of withholding tax, as under:

(i)	Purchase of shares in lieu of commission earned by members	0.005%
(ii)	Sale of shares in lieu of commission earned by members	0.005%
(iii)	Value of the shares traded (Sale)	0.005%
(iv)	Financing of carry over trade (Badla) in shares by the members of stock exchanges on amount of carry over charge	10%
(v)	Capital Value Tax (CVT) on the purchase value of shares @	0.01%

Rate of WHT on all trading transactions made in the stock exchanges has been increased as under:

(i)	in case of purchase of shares	0.01% of purchase value
(ii)	in case of sale of shares	0.01% of sale value
(iii)	in case of trading of shares	0.01% of traded value

In case of financing of carry over trades (Badla)/cfs the existing rate of 10% has been retained. However, CVT on purchase value of shares has been enhanced from the 0.01% to 0.02%."

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Provided that this exemption shall not be available if the Private Equity and Venture Capital Fund is established to acquire a public listed company, whose status has not been changed to the private limited company on the acquisition.]

[1to4][ ]

[1]Clauses (100) & (101) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[2]Clause (102) omitted by Finance Act, 2010 dated June 30, 2010.
[3]Clause (102A) omitted by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier it was substituted by Finance Act, 2006 dated July 01, 2006.

Cls. (100) & (101)–Omission.–Before omission, these read as follows:–

"**(100)** Any income, not being income from [1][manufacturing or] trading activity, of a modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), for any assessment year commencing on or after the first day of July, 1999 [2][:]

Provided that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, as required under the provisions of the said Ordinance or the rules made [3][thereunder, as are distributed amongst the shareholders]:

Provided further that with effect from the first day of July, 1999 for the purpose of determining the distribution of ninety per cent profits, the profits distributed through bonus certificates or shares to the certificate holders shall not be taken into account.

(101) Profits and gains derived between the first day of July, 2000 and the thirtieth day of June, [4][omitted] both days inclusive, by a venture capital company and venture capital fund registered under Venture Capital Companies and Funds Management Rules, 2000 [5][and a Private Equity and Venture Capital Fund.]"

[1]Words inserted by Finance Act, 2018 dated May 23, 2018.
[2]Substituted for semicolon by Finance Act, 2003, dated June 17, 2003.
[3]Substituted for "thereafter" by Finance Act, 2003, dated June 17, 2003.
[4]Substituted for "2014" by Finance Act, 2012 dated June 26, 2012. Earlier it was substituted for "2007" by Finance Act, 2006 dated July 01, 2006.
[5]Words inserted by Finance Act, 2007 dated June 30, 2007.

Cl. (101)–Private equity and venture capital funds.-Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Income Tax Ordinance provides exemption to profits and gains of Venture Capital Companies and Venture Capital Funds upto June 2014. Venture Capital Funds have since been replaced with Private Equity and Venture Capital Funds and new rules to this effect have been framed by SECP being a regulatory authority. Since exemption to venture capital funds is already available in the law, it has been decided that this exemption may also be extended to Private Equity and Venture Capital Funds. For this purpose amendment has been made in clause (101) of Part I of the Second Schedule to the Income Tax Ordinance, 2001."

Cl. (102)-Omission.-Before substitution by Finance Act 2010, it read as follows:–

"(102) Any dividend received by the Investment Corporation of Pakistan from any other company which has paid or will pay tax in respect of the profits out of which such dividends are paid."

Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:-

"Exemption to profit and gains derived by the Venture Capital Company (VCC) and Venture Capital Fund (VCF) registered under Venture Capital Companies and Funds Management Rules, 2000, was introduced in the Repealed Income Tax Ordinance, 1979 for a period of seven years effective from July 1, 2000. This sector is not fully developed so far. Therefore, exemption to income of Venture Capital Companies and Venture Capital Funds has been extended upto 2014."

Cl. (102A)–Omission.– Before omission by Finance Act, 2024, it read as follows:-

"**(102A)** Income of a person as represents a subsidy granted to him by the Federal Government for the purposes of implementation of any orders of the Federal Government in this behalf."

Cl. (102A)–Exemption (now withdrawn) for subsidies provided by federal government.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"It is common practice that Governments have to allow subsidies to their agencies/departments to meet the cost differentials in order to carry out their plans/projects. This is often necessitated to provide relief to various segments of the society at large. Under the existing scheme of things, such subsidies are taxable.

Now, subsidies granted by the Federal Government for the purposes of implementation of any approved assignment have been exempted from income tax."

[1][ ]

[2][**(103A)** any income derived from inter-corporate dividend within the group companies entitled to group taxation under section 59AA [3][ ] [4][subject to the condition that return of the group has been filed for the tax year.]].

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5&6[ ]

[1]Clause (103) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Finance Act, 2008 dated June 27, 2008.
[2]Clause (103A) inserted by Finance Act, 2007 dated June 30, 2007.
[3]Words "or section 59B" omitted by Finance Act, 2016 dated June 24, 2016. Earlier this was inserted by Finance Act, 2008 dated June 27, 2008.
[4]Inserted by Finance Act, 2015 dated June 30, 2015.
[5]Clause (103B) omitted by Finance Act, 2013 dated June 29, 2013. Earlier it was inserted by Finance Act, 2010 dated June 30, 2010.
[6]Clause (103C) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

Cl. (103)-Omission.-Before omission by Finance Act 2021, it read as follows:–

"(103) Any distribution received by a taxpayer from a collective investment scheme registered by the Securities and Exchange Commission of Pakistan under the Non-Banking Finance Companies and Notified Entities Regulations, 2007, including National Investment (Unit) Trust or RIET Scheme or a Private Equity and Venture Capital Fund out of the capital gains of the said Schemes or Trust or Fund [1][:]

[2][Provided that this exemption shall be available to only such mutual funds, collective investment schemes that are debt or money market funds and these do not invest in shares.]"

[1]Substituted for full stop by Finance Act, 2010 dated June 30, 2010.
[2]Proviso inserted by Finance Act, 2010 dated June 30, 2010.

Cl. (103A)- Exemption of Inter-Corporate Dividend to Companies Eligible for Group Relief.-Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"Inter Corporate dividend was exempted through Finance Act, 2007 where subsidiary companies are 100% owned by the Holding Company under a group covered by the provisions of section 59AA of the Ordinance. Clause (103A) of the Second Schedule has been amended to exempt inter-corporate dividend received by a company from another company in the group eligible for group relief under section 59B of the Ordinance. The ownership in a subsidiary – holding relationship should be 55% or more holding where one of the group companies is a company listed on a registered stock exchange and 75% or more holding where none of the company in the group is a listed company. The percentage ownership in both the cases has to be direct holding in the group."

Cl. (103B)-Omission.-Before omission by F. A. 2013, it read as follows:–

"**(103B)** Any dividend in specie derived in the form of shares in a company, as defined in the Companies Ordinance, 1984 (XLVII of 1984);

Provided that when such shares are disposed off by the recipient, the amount representing the dividend in specie shall be taxed in accordance with provisions of section 5 of this Ordinance and the amount, representing the difference between the consideration received and the amount hereinabove, shall be treated in accordance with provisions of section 37 or section 37A, as the case may be."

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[1][**(103D)** Dividend income and long term capital gains of any venture capital fund from investments in zone enterprises as defined in [2][the Special Technology Zones Authority Act, 2021 (XVII of 2021)] for a period of ten years commencing from issuance of licence by the Authority to the zone enterprise.]

[3&4][ ]

[5][**(105B)** Any income received by a taxpayer from a corporate agricultural enterprise, distributed as dividend out of its income from agriculture.]

[6][**(105C)** Any income derived by Kuwait Foreign Trading Contracting and Investment Company or Kuwait Investment Authority being dividend of the Pak-Kuwait Investment Company in Pakistan from the year of incorporation of Pale Kuwait Investment Company.]

[7][ ]

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[1]Clause (103D) inserted by Finance Act, 2021 dated June 30, 2021.
[2]Substituted for "clause (p) of section 2 of the Special Technology Zones Authority Ordinance, 2020" by Finance Act, 2022 dated June 30, 2022.
[3]Clauses (104) & (105) omitted by Finance Act, 2021 dated June 30, 2021. Earlier these were omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[4]Cl. (105A) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021. Earlier it was inserted by SRO 749(I)/2004, dated August 30, 2004.
[5]Cl. (105B) inserted by SRO 106(I)/2008, dated February 01, 2008.
[6]Cl. (105C) inserted by Tax Laws (Second Amendment) Ordinance, 2022 dated August 22, 2022.
[7]Clauses (106) & (106A) omitted by Finance Act, 2006 dated July 01, 2006.Cl. (106A) was inserted by Finance Act 2005, dated June 29, 2005.

Cls. (103C), (104) & (105)-Omission.-Before omission, these read as follows:–

"(103C) Dividend income derived by a company, if the recipient of the dividend, for the tax year [1][is eligible for] group relief under section 59B [2][ ]."

[1]Substituted for "has availed" by Finance Act, 2019 dated June 30, 2019.
[2]Words etc. ", computed according to the following formula-

A x B/C

Where-

A is the amount of dividend;
B is the shareholding of the company receiving the dividend in the company distributing the dividend;
C is the total ordinary share capital of the company distributing the dividend"

omitted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was omitted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

"**(104)** Any income derived by the Libyan Arab Foreign Investment Company being dividend of the Pak-Libya Holding Company."

"**(105)** Any income derived by the Government of Kingdom of Saudi Arabia being dividend of the Saudi-Pak Industrial and Agricultural Investment Company Limited."

"**(105A)** Any income derived by Kuwait Foreign Trading Contracting and Investment Company or Kuwait Investment Authority being dividend of the Pak-Kuwait Investment Company in Pakistan from the year of incorporation of Pak-Kuwait Investment Company."

Cls. (106) & (106A) Omission.-Before omission read as follows:–

"**(106)** Any income derived by the Pakistan Water and Power Development Authority, established under the Pakistan Water and Power Development Authority Act, 1958 (West Pakistan Act. No. XXXI of 1958)."

"**(106A)** Any income derived by the corporatized entities of Pakistan Water and Power Development Authority from the date of their creation upto the date of completion of the process of corporatization i.e. till the tariff is notified."

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(107) Any income derived by any subsidiary of the Islamic Development Bank wholly owned by it and set up in Pakistan and engaged in owning and leasing of tankers.

[1][**(107A)** Any income derived by the Islamic Development Bank from its operations in Pakistan in connection with its social and economic development activities.]

[2 & 10][ ]

[11][**(114B)** Profit and gains accruing to persons mentioned in proviso to sub-section (1) of section 236C in respect of first sale of immovable property acquired from or allotted by the Federal Government or Provincial Government or any authority duly certified by the official allotment authority, and the property acquired or allotted is in recognition of services rendered by the [12][persons specified in the said proviso].]

[13 & 16][ ]

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[1]Clause (107A) inserted by Finance Act, 2011 dated June 30, 2011.
[2]Clauses (108) and (109) omitted by Finance Act, 2003 dated June 17, 2003.
[3]Clauses (110) and (110A) omitted by Finance Act 2010 dated June 30, 2010.
[4]Clauses (110B), (110C) omitted by Finance Act, 2021 dated June 30, 2021. Earlier these were omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021. Earlier clause (110C) inserted by Finance Act, 2018 dated May 23, 2018.
[5]Clause (111) omitted by Finance Act, 2010 dated June 30, 2010.
[6]Clause (112) omitted by Finance Ordinance, 2002 dated June 15, 2002.
[7]Clause (113) omitted by Finance Act, 2015 dated June 30, 2015.
[8]Clause (114) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[9]Clause (114A) omitted by Finance Act, 2011 dated June 30, 2011. Earlier it was inserted by Finance Act, 2006, dated July 01, 2006.
[10]Clause (114AA) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2020 dated June 30, 2020, the same was inserted by Tax Laws (Amendment) Ordinance No.1 of 2020 dated April 17, 2020.
[11]Clause (114B) inserted by Finance Act, 2019 dated June 30, 2019.
[12]Substituted for "Shaheed or the person who dies in service" by Finance Act, 2024 w.e.f. 1 July, 2024.
[13]Clauses (115), (116), (118), (119) (122), (123), (124) and (125) omitted by F. O. 2002 dated June 15, 2002.
[14]Clause (117) omitted by Finance Act, 2021 dated June 30, 2021.
[15]Clause (120) omitted by Finance Act, 2006 dated July 01, 2006.
[16]Clauses (115) & (121) omitted by Finance Act, 2003, dated June 17, 2003. Earlier cl. (121) was inserted by SRO 596(I)/2002, dated September 5, 2002. The original clause (121) was omitted by Finance Ordinance, 2002 dated June 15, 2002.

Cl. (106A)-Exemption for corporatized entities of WAPDA.-Following is an extract from CBR's Circular No. 1 of 2005, dated July 5, 2005:-

"In pursuance of ECC's decision dated 13th January 1998, corporatized entities of WAPDA were granted three years exemption from income tax for the assessment years 1998-99, 1999-2000 and 2000-01. In the subsequent years, the income of such entities was liable to tax. Since the process of corporatization/commercialization is yet not complete as tariff is still to be notified, a new clause (106A) has been introduced in Part I of the Second Schedule and the corporatized entities of WAPDA have been allowed exemption retrospectively from the date of their creation upto the date of completion of the process of corporatization i.e. till the tariff is notified."

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[1][**(126)** Any income of a public sector university established solely for educational purposes and not for the purposes of profit, with effect from the 1st day of July, 2013.]

[2][**(126A)** Income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, [3][Gwadar] International Terminal Limited, [3][Gwadar] Marine Services Limited and [2][Gwadar] Free Zone Company Limited from [3][Gwadar] Port [4][and Gwadar Free Zone] operations for a period of twenty-three years, with effect from the sixth day of February, 2007.]

[5][**(126AA)** Profit and gains derived by a taxpayer from businesses set up in the [6][Gwadar] Free Zone Area for a period of twenty three years with effect from the first day of July, 2016.

(126AB) Profit on debt derived by-

(a) any foreign lender; or

(b) any local bank having more than 75 per cent shareholding of the Government or the State Bank of Pakistan,

under a Financing Agreement with the China Overseas Ports Holding Company Limited, [7][China Overseas Port Holding Company Pakistan (Private) Limited, Gwadar International Terminals Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited] for a period of twenty three years with effect from the first day of July, 2016;

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[1]Clause (126) substituted by Finance Act, 2014 dated June 26, 2014.

[2]Clause (126A) substituted by Finance Act, 2016 dated June 24, 2016. Earlier it was substituted by Finance Act, 2014 dated June 26, 2014 and was inserted by SRO 755(I)/2007, dated July 27, 2007.

[3]Substituted for "Gawadar" by Finance Act, 2017 dated June 20, 2017.*Gazette stated "Gawadar"

[4]Words inserted by Finance Act, 2020 dated June 30, 2020, effective 01-06-2020. Earlier the same was inserted by Tax Laws (Amendment) Ordinance, 2019 dated October 06, 2019.

[5]Clauses (126AA) to (126AD) inserted by Finance Act, 2016 dated June 24, 2016.

[6]Substituted for "Gawadar" by Finance Act, 2017 dated June 20, 2017. *Gazette stated "Gawadar"

[7]Words inserted by Finance Act, 2020 dated June 30, 2020 and shall be deemed to have inserted with effect from 1st June, 2020. Earlier the same was inserted by Tax Laws (Amendment) Ordinance, 2019 dated October 06, 2019.

Cl. (126A)–Substitution.–Before substitution by F. Act, 2016, it read as follows:–

"**(126A)** income derived by China Overseas Ports Holding Company Limited from Gwadar Port operations for a period of [1][twenty three] years, with effect from the sixth day of February, 2007."

[1]Substituted for "twenty" by Finance Act, 2015 dated June 30, 2015.

Cl. (126A)-Amendments.-**Sub-clauses (b) and (c) originally read as follows:-**

"(b) PSA Gwadar International Terminal Limited; and

(c) Gwadar Marine Services Limited,"

Sub-Clause (d) before substitution read as follows:-

"(d) Port of Singapore Authority International (PTE) Ltd (PSAI)."

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[1][**(126AC)** Income derived by contractors and sub-contractors of China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, [2][Gwadar] International Terminal Limited, [2][Gwadar] Marine Services Limited and [2][Gwadar] Free Zone Company Limited from [2][Gwadar] Port [3][and Gwadar Free Zone] operations for a period of twenty years, with effect from the first day of July, 2016.

(126AD) (1) Any income derived by China Overseas Ports Holding Company Limited being dividend received from China Overseas Ports Holding Company Pakistan (Private) Limited, [2][Gwadar] International Terminal Limited [2][Gwadar] Marine Services Limited and [2][Gwadar] Free Zone Company Limited for a period of twenty-three years with effect from the first day of July, 2016.

(2) Any income derived by China Overseas Ports Holding Company Pakistan (Private) Limited being dividend received from, [2][Gwadar] International Terminal Limited [2][Gwadar] Marine Services Limited and [2][Gwadar] Free Zone Company Limited for a period of twenty-three years with effect from the first day of July, 2016.]

[4][**(126B)** Profits and gains derived by a refinery-

(a) from new deep conversion refinery of at least 100,000 barrels per day for which approval is given by the Federal Government before the 31st day of December, 2021; or

(b) for the purpose of upgradation, modernization or expansion project of any existing refinery which makes undertaking to the Federal Government in writing before the 31st day of December, 2021 in this regard:

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[1]Clauses (126AA) to (126AD) inserted by Finance Act, 2016 dated June 24, 2016.

[2]Substituted for "Gawadar" by Finance Act, 2017 dated June 20, 2017. *Gazette stated "Gawadar"

[3]Words inserted by Finance Act, 2020 dated June 30, 2020 and shall be deemed to have inserted with effect from 1st June, 2020. Earlier the same was inserted by Tax Laws (Amendment) Ordinance, 2019 dated October 06, 2019.

[4]Clause (126B) substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by SRO 1100(I)/2007, dated November 10, 2007.

Cl. (126B)–Substitution.–Before substitution, it read as follows:–

"**(126B)** Profit and gains derived by [1]/Khalifa Coastal Refinery/ for a period of Twenty years beginning in the month in which the refinery is setup or commercial production is commenced, which ever is the later."

[1]Substituted for "Coastal Oil Refinery at Khalifa Point by IPIC of Abu Dhabi" by SRO 1145(I)/2007, dated November 23, 2007.

Exemption from tax on import.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Exemption from tax to the income of deep conversion new refineries and up gradation, modernization and expansion projects is provided under clause (l26B) of Part I of Second Schedule if they undertake to invest in projects by 3l.12.2021. This exemption has been made available for twenty years to new refineries and for ten years to the income arising from BMR and expansion projects of existing refineries. The availability of exemption is subject to the condition that products of these refineries meet Euro 5 standards."

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Provided that this exemption shall be available for a period of twenty years beginning from the date of commencement of commercial production in the case of new refinery and ten years from the date of completion of up gradation, modernization or expansion project of existing refinery.

Provided further that the exemption under this clause shall only be available to those refineries whose products fulfill Euro 5 standards]

[1&2][ ]

[3][**(126D)** Profit and gains derived by a taxpayer from an industrial undertaking set up in the Gwadar declared by the Federal Government to be a Zone within the meaning of Export Processing Zone Authority Ordinance, 1980 (IV of 1980) as Export Processing Zone, Gwadar, for a period of ten years beginning with the month and year in which the industrial undertaking is set up or commercial operation commenced, whichever is later.]

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[1]Clause (126BA) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021. Earlier it was inserted by Finance Act, 2018 dated May 23, 2018.

[2]Clause (126C) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by SRO 741(I)/2008 dated July 10, 2008.

[3]Clause (126D) inserted by SRO 606(I)/2009 dated June 29, 2009.

Cl. (126BA)–Omission.–Before substitution, it read as follows:–

"**(126BA)** Profits and gains derived by a refinery set up between the 1st day of July, 2018 and the 30th day of June, 2023 with minimum 100,000 barrels per day production capacity for a period of twenty years beginning in the month in which the refinery is set up or commercial production is commenced whichever is later. Exemption under this clause shall also be available to existing refineries, if-

(a) existing production capacity is enhanced by at least 100,000 barrels per day;

(b) the refinery maintains separate accounts for income arising from aforesaid additional production capacity; and

(c) the refinery is a deep conversion refinery."

Cl. (126C)–Omission.–Before substitution, it read as follows:–

"**(126C)** (1) Profits and gains derived by a taxpayer from an industrial undertaking set up in Larkano Industrial Estate between the 1st day of July, 2008 and the thirtieth day of June, 2013, both days inclusive, for a period of ten years beginning with the month in which the industrial undertaking is set up or commercial production commenced, whichever is the later.

(2) Exemption under this clause shall apply to an industrial undertaking which is owned and managed by a company registered under the Companies Ordinance 1984 (XLVII of 1984) and formed exclusively for operating the said undertaking."

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[1][**(126E)** Income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012 (XX of 2012) for a period of ten years starting from the date the developer certifies that the zone enterprise has commenced commercial operation [2][or up to the 30th day of June, 2035, whichever is earlier] and for a period of ten years to a developer of zone starting from the date of signing of the development agreement in the special economic zone as announced by the Federal Government [3]*[:]*]

[4][Provided that this clause shall also apply to a co-developer as defined in Special Economic Zone Rules, 2013 subject to the condition that a certificate has been furnished-

(a) by the developer that he has not claimed exemption under this clause and has relinquished his claim in favour of the co-developer; and

(b) by the Special Economic Zone Authority validating that the developer has not claimed exemption under this clause and has relinquished claim in favour of the co-developer.]

[5][**(126EA)** Profits and gains derived by–

(a) zone developer as defined in the Special Technology Zones Authority Act, 2021 (XVII of 2021) from development and operations of the zones for a period of ten years starting from the date of signing of the development agreement;

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[1]Clause (126E) substituted by Finance Act, 2013 dated June 29, 2013. Earlier it was substituted by SRO 123(I)/2010 dated February 26, 2010. Earlier it was inserted by SRO 660(I)/2009 dated July 16, 2009.

[2]Words inserted by Finance Act, 2025 in force from July 1, 2025.

[3]Substituted for full stop by Finance Act, 2020 dated June 30, 2020.

[4]Proviso inserted by Finance Act, 2020 dated June 30, 2020.

[5]Clause (126EA) substituted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Finance Act, 2021 dated June 30, 2021.

Cl. (126EA)-Substitution.- Before substitution it read as follows:-

"**(126EA)** Profits and gains derived by-

(a) zone developer as defined in section 2 of the Special Technology Zones Authority Ordinance, 2020 from development and operations of the zones for a period of ten years starting from the date of signing of the development agreement;

(b) profits and gains of Zone Enterprises as defined in section 2 of the Special Technology Zones Authority Ordinance, 2020 for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and

(c) Special Technology Zones Authority established under the Special Technology Zones Ordinance 2020."

Cls. (126E), (126EA)- Incorporation of sunset clause for exempt ion to Special Economic Zone (SEZ) and Special Technology Zone (STZ).– Following is an extract from FBR's Circular No. 1 of 2025-26 dated August 02, 2025:– [Clause (126E) and (126EA) of Part I of the Second Schedule]

"Through Finance Act, 2025 a sunset period has been introduced for the purposes of availing exemption on income by SEZ and STZ. Now such exemption will be restricted up to tax year 2035 or for a period of ten years starting from the date of commandment commercial operation for SEZ or for a period of ten years from the date of issuance of license by the Special Technology Zone Authority for STZ whichever is earlier."

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(b) zone Enterprises as defined in the Special Technology Zones Authority Act, 2021 (XVII of 2021) for a period of ten years from the date of issuance of license by the Special Technology Zone Authority [1][or up the 30th day of June, 2035, whichever is earlier]; and

(c) Special Technology Zones Authority established under the Special Technology Zones Authority Act, 2021 (XVII of 2021).]

[2to5][ ]

[1]Words inserted by Finance Act, 2025 in force from July 1, 2025.

[2]Clause (126F) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by Finance Act, 2010 dated June 30, 2010.

[3]Clause (126G) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021. Earlier it was inserted by SRO 281(I)/2014 dated April 10, 2014.

[4]Clause (126H) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2014 dated June 26, 2014.

[5]Clause (126I) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & clauses (126I) to (126N) inserted by Finance Act, 2015 dated June 30, 2015.

[6]Clauses (126I) to (126K) omitted by Finance Act, 2021 dated June 30, 2021. Earlier clauses (126I) to (126N) were inserted by Finance Act, 2015 dated June 30, 2015.

Special Economic Zones.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"**a. Special Economic Zones**

Special Economic Zones also include some key projects of CPEC. These zones are governed under Special Economic Zones Act, 2012. The law provides for exemption from income to the zone developers, co-developers and the zone enterprises for a period of 10 years from the commencement of business. However, they were liable to pay minimum tax on their turnover at the rate of 1.5% of turnover. This was causing hard ship to the investors. SEZ enterprises have been exempted from minimum tax for tax year 2021 and onwards. The exemption has been provided by including SEZ enterprises in clause (11A) of Part IV of Second Schedule.

b. Special Technology Zones

"The establishment of Special Technology Zones is a flagship initiative of the Government. They have been established through promulgation of Special Technology Zones Ordinance, 2020 to promote innovation, technology, entrepreneurs hip and to attract investment in technology driven industries and enterprises. Special tax incentives have been granted including:

a) Ten year tax exemption for Special Technology Zone Authority, Zone Developers and Zone Enterprises by introducing new clause (126EA) in Part I of Second Schedule.

b) Exemption from minimum tax by inclusion in clause (IIA) of Part IV of Second Schedule.

c) Tax exemption on the import of capital goods.

d) Tax exemption on dividend income of private funds from investment III zone enterprises."

CL. (126E)-Substitution.-Before substitution by F.A. 2013, it read as follows:-

"**(126E)** Corporate income tax holiday for a period of five years for projects from the date of start of commercial operations, and for developers of the Zone for a period of ten years from the date of start of developmental activity in the Special Economic Zones as announced by the Federal Government."

CL. (126E)-Substitution.-Before substitution by SRO 123(I)/2010 it read as follows:-

"**(126E)**Income derived by Corporate zone developers for projects in the Special Economic Zones as announced by the Federal Government for a period of ten years from the date of start of developmental activity."

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[1][ ]

[2][**(126M)** Profits and gains derived by a taxpayer from project set up in Pakistan on or after the 1st day of July, 2015 for a period of ten years. The exemption under this clause shall apply to such project which is-

(a) owned and managed by a company formed for operating the said project and registered under the [3][Companies Act, 2017 (XIX of 2017)], and having its registered office in Pakistan;

(b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and

(c) owned by a company fifty per cent of whose shares are not held by the Federal Government or Provincial Government or a Local Government or which is not controlled by the Federal Government or a Provincial Government or a Local Government:

Provided that the exemption under this clause shall not apply to projects set up on or after the thirtieth day of June, [4][2022].]

[5&9][ ]

(132) Profits and gains derived by a taxpayer from an electric power generation project set up in Pakistan on or after the 1st day of July, 1988. The exemption under this clause shall apply to such project which is–

(a) owned and managed by a company formed for operating the said project and registered under the [10][Companies Act, 2017 (XIX of 2017)], and having its registered office in Pakistan;

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[1]Clause (126L) omitted by Finance Act, 2021 dated June 30, 2021. Earlier clauses (126I) to (126N) were inserted by Finance Act, 2015 dated June 30, 2015.

[3]Clause (126M) & (126N) inserted by Finance Act, 2015 dated June 30, 2015.

[3]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)"by Finance Act, 2021 dated June 30, 2021.

[4]Substituted for "2018" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

[5]Clause (126N) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.

[6]Clause (126O) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

[7]Clauses (127), (128) and (130) omitted by Finance Ordinance, 2002 dated June 15, 2002.

[8]Clause (129) omitted by Finance Act, 2003, dated June 17, 2003.

[9]Clause (131) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

[10]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.

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(b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and

(c) owned by a company fifty per cent of whose shares are not held by the Federal Government or Provincial Government or a local authority or which is not controlled by the Federal Government or a Provincial Government or a local authority:

Provided that the condition laid down in sub-clause (a) shall not apply to the Hub Power Company Limited.

[1][Provided further the exemption under this clause shall not apply to oil fired power plants setup [2][between 22nd October, 2002 and 30th June, 2006] [3]*/*but shall apply to Dual Fuel (Oil/Gas) power projects set up on or after the first September, 2005*/*[4]*[:/]*]

[4][Provided further that the exemption under this clause shall be available to companies registered in Pakistan or Azad Jammu and Kashmir owning and managing Hydel Power Projects, set up in Azad Jammu and Kashmir or Pakistan [5]*[:/]*]

[5][Provided further that exemption under this clause shall also be available to the expansion projects of the existing Independent Power Projects already in operation [6][:]]

[6][Provided also that conditions laid down in sub-clause (b) shall not apply to electric power generation project formed by the splitting up, or the reconstruction or the reconstitution of an electric power generation business already in existence and availing exemption under this clause [7]*[:/]*]

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[1]Proviso substituted by SRO 44(I)/2003 dated January 11, 2003 dated June 17, 2003. Earlier it was inserted by SRO 940(I)/2002 dated December 19, 2002.

[2]Substituted for "on or after 22nd October, 2002" by Finance Act, 2006 dated July 01, 2006.

[3]Words etc. inserted by SRO No. 1009(I)/2005 dated September 26, 2005.

[4]Colon substituted for full stop and new proviso inserted by Finance Act, 2007 dated July 01, 2007.

[5]Colon substituted for full stop and new proviso inserted by SRO 405(I)/2008 dated April 26, 2008.

[6]Colon substituted for full stop and new proviso inserted by SRO 248(I)/2015 dated March 27, 2015.

[7]Colon substituted for full stop by Finance Act, 2021 dated June 30, 2021. Earlier amended by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

Cl. (132) 2nd Proviso, substitution.–Before substitution it read as follows:–

"Provided further that with effect from the 22nd October, 2002, exemption under this clause shall not be available to any oil fired power plant."

Note: The substitution thus modifies the withdrawal of exemption available to oil fired power plants, now the withdrawal will be in respect of plants set up on or after 22nd October, 2002 whereas the proviso earlier inserted by SRO 940(I)/2002, dated December 19, 2002, sought to withdraw the exemption to income accruing or arising on or after 22nd October, 2002, even of units set up before 22nd October, 2002.

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[1][Provided further that the exemption under this clause shall be available to persons, who enter into agreement or to whom letter of intent is issued by the Federal or Provincial Government for setting up an electric power generation project in Pakistan on or before the 30th day of June, 2021 and who obtains the letter of support on or before the 30th day of June, 2023.]

[2][ ]

[3][**(132AA)** Profits and gains derived from sale of electricity by National Power Parks Management Company (Private) Limited or demerged entities of National Power Parks Management Company (Private) Limited commencing from the commercial operation dates and continuing after the date of change of ownership as a result of privatization by the Privatization Commission of Pakistan.]

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[1]Substituted by Finance (Supplementary) Act, 2022 dated January 15, 2022. Earlier proviso inserted by Finance Act, 2021 dated June 30, 2021, was inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[2]Clauses (132A), (132B) & (133) omitted by Finance Act, 2021 dated June 30, 2021. Earlier these were omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021, clause (132A) inserted by SRO 650(I)/2009 dated July 09, 2009 & was omitted by Finance Act, 2008 dated June 27, 2008 & was inserted by Finance Ordinance, 2002 dated June 15, 2002, clause (132B) inserted by Finance Act, 2014 dated June 26, 2014 and clause (133) substituted by Finance Act, 2003 dated June 17, 2003.
[3]Clause (132AA) inserted by Finance Act, 2021 dated June 30, 2021.

Cl. (132)-3rd Proviso-Hydel power projects in AJ&K.- Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Previously, law provided exemption to companies deriving income from an electric power generation project, set up in Pakistan. Exemption has been extended to companies registered in Pakistan or AJ&K setting up Hydel Power Projects in AJ&K or Pakistan. For this purpose a new proviso has been added to clause (132) of Part I of Second Schedule to the Income Tax Ordinance, 2001."

Cl. (132)-6th Proviso-Substitution.- Before substitution, it read as follows:-

"Provided further that no exemption under this clause shall be available to persons, who enter into agreement or to whom letter of intent is issued by Federal or Provincial Government for setting up an electric power generation project in Pakistan after the 30th day of June, 2021."

Cl. (132A) & (132B)-Omission.– Before substitution read as follows:–

"**(132A)** Profit and gain derived by Bosicor Oil Pakistan Limited for a period of seven and half years beginning from the day on which the refinery is set up or commercial production is commenced whichever is later."

"**(132B)** Profits and gains derived by a taxpayer from a coal mining project in Sindh, supplying coal exclusively to power generation projects."

Cl. (132)-Restriction of Exemption to Power Generation Projects.-Following is an extract from FBR's Circular No. 12 of 2022 dated January 12, 2022:-

"Under clause (132) of Part I of the Second Schedule to the Ordinance, exemption from tax on profit and gains is available to a taxpayer who sets up an electric power generation project in Pakistan subject to conditions therein. The sixth proviso to the clause has been substituted with a new proviso to qualify that the exemption shall be available to persons, who enter into agreement or to whom letter of intent is issued by the Federal or Provincial Government for setting up an electric power generation project in Pakistan on or before the 30th day of June, 2021 and who obtain the letter of support on or before the 30th day of June, 2023.

2. The provisions go into force with effect from January 16, 2022."

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[1][ ]

[2][**(132C)** Profits and gains derived by a taxpayer from a bagasse/biomass based cogeneration power project having one or more boilers of not less than 60 bar (kg/CM3) pressure each, commissioned after the first day of January 2013.]

[3to9][ ]

[10][**(139)** (a) The benefit represented by free provision to the employee of medical treatment or hospitalization or both by an employer or the reimbursement received by the employee of the medical charges or hospital charges or both paid by him, where such provision or reimbursement is in accordance with the terms of employment:

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[1]Clauses (132A), (132B) & (133) omitted by Finance Act, 2021 dated June 30, 2021. Earlier these were omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021, clause (132A) inserted by SRO 650(I)/2009 dated July 09, 2009 & was omitted by Finance Act, 2008 dated June 27, 2008 & was inserted by Finance Ordinance, 2002 dated June 15, 2002, clause (132B) inserted by Finance Act, 2014 dated June 26, 2014 and clause (133) substituted by Finance Act, 2003 dated June 17, 2003.

[2]Clause (132C) inserted by Finance Act, 2021 dated June 30, 2021.

[3]Clause (133A) omitted by Finance Act 2008 dated June 27, 2008. It was inserted by Finance Act 2005, dated June 29, 2005.

[4]Clauses (134) omitted by Finance Act, 2003, dated June 17, 2003.

[5]Clause (135) omitted by Finance Act, 2014 dated June 26, 2014.

[6]Clause (135A) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by SRO 64(I)/2012 dated January 27, 2012.

[7]Clause (136) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

[8]Clause (137) omitted by Finance Act, 2006 dated July 01, 2006.

[9]Clause (138) omitted by Finance Act, 2008 dated June 27, 2008. It was inserted by Finance Act 2005, dated June 29, 2005.

[10]Clause (139) substituted by Finance Act, 2003, dated June 17, 2003.

Cl. (132C)-Exemption from tax on import.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

i. **Exemption to Baggase fired power generating units**

Following concessions have been provided for Bagasse fired power generation units.

a) Exemption to income from tax - clause (132C), Part I, Second Schedule.

b) Reduced rate of tax of 7.5% on Dividend income from such projects- clause (18C), Part II, Second Schedule.

c) Exemption from minimum tax on turnover basis - clause (11A), Part IV, Second Schedule.

d) Exemption to baggase fired power generation units on import of plant and machinery under section 148 - clause (56), Part-IV, of Second Schedule."

Cl. (138)–Omission.–Before omission by Finance Act 2008, it read as follows:–

"**(138)** Any income referred to in Section 3.4 (a) of the Facilitation Agreement between the President of the Islamic Republic of Pakistan and the taxpayer purchasing the KotAddu Power Station from Pakistan Water and Power Development Authority for a period of ten years from 28th June, 1996; provided, however, that the exemption under this clause shall only be available subject to the business of the said taxpayer being restricted to owing and operating the KotAddu power station."

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Provided that National Tax Number of the hospital or clinic, as the case may be, is given and the employer also certifies and attests the medical or hospital bills to which this clause applies;

(b) any medical allowance received by an employee not exceeding ten per cent of the basic salary of the employee if free medical treatment or hospitalization or reimbursement of medical or hospitalization charges is not provided for in the terms of employment; or

[1][ ]

[1]Sub-clause (c) omitted by Finance Act, 2006, dated July 01, 2006.

Clause (139)–Substitution.– Before substitution by Finance Act, 2003, read as follows:–

"**(139)** [1][(a) Any benefit, reimbursement received by an employee on account of medical charges or hospital charges, or both, incurred by an employee, as provided for under the terms of the employee's employment agreement; or where such benefit for reimbursement, medical charges or hospital charges, or both are not provided for under the terms of employment's agreement, medical allowance to maximum of 10% of the basic pay for the year:

Provided that National Tax Number of the hospital or clinic, as the case may be, is given and the employer also certifies and attests the medical or hospital bills to which this clause applies; or]

(b) Any amount paid by a taxpayer, being an individual and resident in Pakistan, by way of personal expenditure on medical service, to the extent of 10% of taxable income returned in return of income or Rs 30,000 whichever is lower.

Provided that the receipts in respect of such expenditure being name, National Tax Number and complete address of the medical practitioners are furnished along with his return of income."

[1]Sub-clause (a) substituted by Finance Ordinance, 2002 dated June 15, 2002.

Cl. 139(a)–Substitution.– Before substitution by Finance Ordinance, 2002, read as follows:–

"(a) Any benefit, allowance or reimbursement received by an employee on account of medical expenses or hospital charges, or both, incurred by the employee, as provided for under the terms of the employee's employment agreement, to a maximum of 10% of the employee's basic pay for the tax year, provided, however, that where reimbursement exceeds 10% of the basic pay, the unabsorbed allowance shall be carried forward only to the next year to be allowed along with expense for the year.

Provided that the amount so carried forward and amount for the year may not exceed 10% of basic salary.

Provided further that National Tax Number of the hospital or clinic, as the case may be, is given and the employer also certifies and attests the medical or hospital bills to which this clause applies; or"

Cl. (139)(c)–Omission. Before omission by Finance Act, 2006 read as follows:–

"(c) any amount paid during a year by a taxpayer, being a resident individual, by way of personal expenditure on medical service to the extent of ten per cent of taxable income declared in his return of income for the said tax year or thirty thousand rupees – whichever is the less:

Provided that the receipts of such expenditure bearing name, National Tax Number and complete address of the medical practitioners are furnished along with his return of income."

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[1][**(140)** All payments on account of principal, interest or fees received by the Overseas Private Investment Corporation (OPIC), from development project undertaken in pursuance to the Investment Incentive Agreement signed between the Government of Pakistan and the Government of the United States of America, dated 18th November, 1997.]

[2][**(140A)** Any profit on debt received by Japan International Cooperation Agency (JICA), from Islamabad-Burhan Transmission Reinforcement Project (Phase-I) undertaken in pursuance to the loan agreement for Islamabad-Burhan Transmission Reinforcement Project (Phase-I).

[3][ ]

[4][**(142)** Income from social security contributions derived by Balochistan Employees' Social Security Institution, Employees' Social Security Institution Khyber Pakhtunkhwa, Punjab Employees' Social Security Institution and Sindh Employees' Social Security Institution.

Explanation.-For the removal of doubt, it is clarified that all incomes other than social security contributions shall not be exempt]

[5&6][ ]

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[1]Clause (140) inserted by SRO 1353(I)/2012 dated October 31, 2012.

[2]Clause (140A) inserted by Finance Act, 2017 dated June 20, 2017.

[3]Clause (141) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance 2021 dated March 22, 2021 & was inserted by Finance Act, 2015 dated June 30, 2015.

[4]Clause (142) inserted by Finance Act, 2015 dated June 30, 2015.

[5]Clause (143) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance 2021 dated March 22, 2021 & was inserted by Finance Act, 2017 dated June 20, 2017.

[6]Clauses (144) & (145) omitted by SRO 1213(I)/2018 dated October 05, 2018. Earlier these were inserted by SRO 887(I)/2018 dated July 23, 2018.

Cl. (141)–Omission.–Before omission, it read as follows:–

"**(141)** Profit and gains derived by LNG Terminal Operators and Terminal Owners for a period of five years beginning from the date when commercial operations are commenced."

Cl. (143)–Omission.–Before omission, it read as follows:–

"**(143)** Profit and gains derived by a start–up as defined in clause (62A) of section 2 for the tax year in which the start-up is certified by the Pakistan Software Export Board and the following two tax years."

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[2][**(145A)** Any income which was not chargeable to tax prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) of any individual domiciled or company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, [2][2026] (both days inclusive);]

[3][ ]

[4][**(147)** Any income derived by the Federal Government Employees Housing Authority and Naya Pakistan Housing and Development Authority for the tax year 2020 and the following four tax years.]

[5][ ]

[6][**(149)** Any sum-

(i) remitted to Pakistan through banking channels in foreign currency received by an international buying house from its nonresident principal to meet its expenses in Pakistan; and

(ii) chargeable under the head "Salary" received by a person who, not being a citizen or resident of Pakistan, is engaged as an expert by an international buying house.

Explanation.- For the purpose of this clause international buying house means persons acting as buying offices, buyers' agents, or representatives of international buyers for facilitating exports from Pakistan and are registered as liaison offices with Board of Investment or companies registered with SECP.

Provided that such buying houses act as cost centers with the sole purpose to bring export orders to Pakistan on behalf of their principals and do not enter into any local business transactions in Pakistan and their expenses are remitted to Pakistan.]

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[1]Clause (145A) inserted by Finance Act, 2019 dated June 30, 2019.

[2]Substituted for "2025" by Finance Act, 2025 in force from July 1, 2025. Earlier it was substituted for "2024" by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier it was substituted for "2023" by Finance Act, 2023 dated June 26, 2023.

[3]Clause (146) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by SRO 1213(I)/2018 dated October 05, 2018.

[4]Clause (147) inserted by Finance Act, 2020 dated June 30, 2020.

[5]Clause (148) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

[6]Clause (149) inserted by Finance Act, 2021 dated June 30, 2021.

Cl (145A).-Extension of Exemption Tribal Areas till June 2025. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"The exemption, available under clause (145A) of Part I of the Second Schedule to the Ordinance to any income of any individual domiciled or company and association of persons resident in the erstwhile Tribal Areas forming part of the provinces of the Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution, has been extended up to the 30th June, 2025."

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[1][**(150)** Income derived by Siyahkalem Engineering Construction Industry and Trade Company Limited [2][and Alteraz Engineering Consultant] from contract dated 23rd day of May 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from tax year 2017.

(151) Any income derived by a person from cinema operations for five years from the commencement of cinema operations [3][:]

[3][Provided that the exemption under this clause shall be available to a person till 30th June, 2030 or five years from commencement of cinema operations whichever is earlier.]

[4][ ]

(153) Profits and gains from the production of feature film derived between the first day of July, 2022 and the thirtieth day of June, 2027 both days inclusive by a resident producer or a resident production house.]

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[1]Clauses (150) to (153) inserted by Finance Act, 2022 dated June 30, 2022.
[2]Words inserted by Finance Act, 2023 dated June 26, 2023.
[3]Substituted for full stop and proviso inserted by Finance Act, 2025 in force from July 1, 2025.
[4]Clause (152) omitted by Finance Act, 2025 in force from July 1, 2025.

Cl. (151)-Limitation for Exemption on Income Derived from Cinema Operation.- Following is an extract from FBR's Circular No. 1 of 2025-26 dated August 02, 2025:- [Clause (151) of Part I of Second Schedule]

"Through Finance Act, 2025, the exemption of income derived from cinema operations will be available to a person till 30th June, 2030 or five years from commencement of cinema operations whichever is earlier."

Cl. (152)–Omission.–Before omission by F. Act, 2025, it read as follows:–

"**(152)** Profits and gains derived between the first day of July, 2022 and the thirtieth day of June, 2025 both days inclusive, by a venture capital company and venture capital fund registered under relevant Venture Capital Companies and Funds Management Rules issued by Securities and Exchange Commission of Pakistan."

Miscellaneous

FEBCs, profit after June 30, 2001.– Following is the text of CBR's Circular Letter C. No. 3(11)TP-I/89, dated July 27, 2002, explaining the corresponding provision of the Income Tax Ordinance, 1979:–

"Consequent to Omission of clause (171) of Part-I of the Second Schedule and Section 50(5B) of the Income Tax Ordinance, 1979, references have been received in the Board seeking clarification regarding taxability of profit receivable on FEBCs after 30-6-2001.

The matter has been examined in the Board. The legal position is as under:–

(a) FEBCs are government securities and issued under FEBCD Rules 1985 which were made in exercise of the powers conferred by Section 28 of the Public Debt Act, 1944.

(b) Section 17(2)(a) of the Income Tax Ordinance, 1979 provides that where any security of the Federal Government is issued with the condition that interest thereon shall not be liable to tax, the interest receivable on such security shall be exempt from tax in accordance with such condition.

(c) Rule 11 of the said rules states that profit earned on these certificates is not liable to Income Tax. This rule is still intact and no amendment has been made till date.

3. In view of the above legal position it is clarified that encashment proceeds of FEBCs after 30-6-2001 shall continue to be exempt from Withholding Tax and profit receivable shall also be exempt till encashment according to rule 11 of FEBCD Rules, 1985 read with section 17(2)(a) of the Income Tax Ordinance, 1979."

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PART II

REDUCTION IN TAX RATES

Incomes or classes of income, or persons or classes of persons, enumerated below, shall be liable to tax at such rates which are less than the rates specified in the First Schedule, as are specified hereunder:

[1&7][ ]

[8][**(5A)** The rate of tax to be deducted under sub-section (2) of section 152, in respect of payments [9][from] profit on debt payable to a non-resident person having no permanent establishment in Pakistan, [10][other than those covered under clauses (78) and (79) of Part I of the Second Schedule,] shall be 10% of the gross amount paid [6][:]

[11][Provided that tax deducted on profit on debt from debt instruments, Government securities including treasury bills and Pakistan Investment Bonds shall be final tax on profit on debt payable to a non-resident person having no permanent establishment in Pakistan and the investments are exclusively made through a Special Rupee Convertible Account maintained with a Bank in Pakistan.]

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[1]Clause (1) omitted by Finance Act, 2005 dated June 29, 2005.
[2]Clause (2) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.
[3]Clause (3) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was substituted by Finance Act, 2016 dated June 24, 2016.
[4]Clause (3A) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2007 dated June 17, 2007.
[5]Clause (3B) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Finance Act, 2016 dated June 24, 2016.
[6]Clause (4) omitted by Finance Act, 2003 dated June 17, 2003.
[7]Clause (5) omitted by Finance Act, 2009 dated June 30, 2009.
[8]Clause (5A) substituted by SRO 218(I)/2008 dated March 06, 2008. Earlier it was inserted by Finance Act, 2007, dated June 17, 2007.
[9]Substituted for "fro" by Finance Act, 2009 dated June 30, 2009.
[10]Words inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.
[11]Colon substituted for full stop and proviso inserted by Finance Act, 2011 dated June 30, 2011.

Cl.(5A)- Substitution.-Before substitution it read as follows.-

"**(5A)** The rate of withholding tax in respect of payments for profit on debt payable to a non-resident person, having no permanent establishment in Pakistan, shall be the rate as provided in Avoidance of Double Taxation Treaty of the respective country of the non-resident."

Cl. (5A).-Following is an extract from FBR's Circular No. 7 of 2011 dated July 01, 2011:-

"Through this amendment it has been provided that tax deducted on profit on debt from debt instruments, Government securities including treasury bills and Pakistan Investment Bonds from a non-resident person having no permanent establishment in Pakistan shall be a "final tax" where the investments for purchase of these instruments are exclusively made through a Special Rupee Convertible Account maintained with a Bank in Pakistan."

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[1][**(5AA)** The rate of tax to be deducted under sub-section (2) of section 152, in respect of payments to an [2][person], on account of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable (NRAR) [3][Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA), or Non-Resident Rupee Business Value Account (NRBVA)] maintained with a banking company in Pakistan shall be ten percent of the gross amount paid:

Provided that tax deducted on such profit on debt shall be final tax.]

[4][**(5AB)** The rate of tax to be deducted under section 151 shall be ten percent from the profit on debt from a debt instrument, whether conventional or Shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 (XVIII of 1944) or its wholly owned special purpose company, purchased by a resident citizen of Pakistan who has already declared foreign assets to the Board through a Foreign Currency Value Account (FCVA) maintained with authorized banks in Pakistan under the foreign exchange regulation issued by the State Bank of Pakistan:

Provided that the tax so deducted shall be the final tax.

(5AC) The rate of tax to be deducted under sub-section (2) of section 152 or under section 151, as the case may be, shall be zero percent of the gross amount of profit on debt paid, covered under clauses (78) and (79) of Part I of the Second Schedule.]

[5 to 6][ ]

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[1]Clause (5AA) inserted by Finance Act, 2020 dated June 30, 2020.
[2]Substituted for "individual" by Finance Act, 2026 dated June 26, 2026.
[3]Substituted for "or a foreign currency account" by Finance Act, 2026 dated June 26, 2026.
[4]Clauses (5AB) & (5AC) inserted by Finance Act, 2021 dated June 30, 2021. Earlier these were inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.
[5]Clause (5B) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Finance Act, 2007 dated June 17, 2007.
[6]Clause (6) omitted by Finance Act, 2008 dated June 27, 2008.

Cl. (6)-US Dollar Bonds.–Before omission by Finance Act, 2008, it read as follows:–

"**(6)** In the case of resident person the profit on Special US Dollar Bonds purchased out of any incremental deposits made in the existing foreign currency accounts on or after the 16th day of December, 1999, or out of new accounts opened on or after the said date, shall be liable to deduction of income tax under clause (c) of sub-section (1) of section 151 at the rate of 10 per cent of the amount of the said profit."

Cl. (5AA).- Reduced Rates [Second Schedule Part I clauses (79) & (99C); Part II clauses (5AA) & (24D)]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"In Part II of the Second Schedule amendments made in clause (5AA) provides that the rate of tax to be deducted from a profit on debt under section 152 shall be 10% in the case of any person if the profit on debt has been derived from a debt instrument issued by the Federal Government under Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad a non-resident rupee account repatriable (NRAR), foreign currency value account (FCVA), foreign currency business value account (FCBVA), non-resident rupee value account (NRVA) or non-resident rupee business value account (NRBVA), maintained with a banking company in Pakistan."

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[1to3][ ]

[4][**(9AA)** In respect of import of white sugar from the 25th day of August, 2020 to the 15th day of November, 2020 both days inclusive, tax under section 148 shall be collected at the rate of 0.25% as per quantity, quality, mode and manner prescribed by Ministry of Commerce during the said period.]

[1]Clauses (7) and (8) omitted by Finance Act, 2005, dated June 29, 2005.
[2]Clause (9) omitted by SRO 140(I)/2013 dated February 26, 2013. Earlier it was substituted by Finance Act, 2005, dated June 29, 2005.
[3]Clause (9A) omitted by SRO 140(I)/2013 dated February 26, 2013. Earlier it was inserted by Finance Act, 2009 dated June 30, 2009.
[4]Clause (9AA) substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by SRO 771(I)/2020 dated August 24, 2020. *F. Act 2021 stated it as inserted.

Cl. (7)–Before omission by Finance Act, 2005, it read as follows:–

"**(7)** In case of any resident individual, the tax from profit or interest of any National [1][Savings] Schemes of Directorate of National Savings or Post Office [1][Savings] Account in which investment is made on, or after, the first day of July, 2001, shall be deducted at the rate of ten percent of such profit or interest:

Provided that no tax shall be deducted from income or profits paid on–

(a) Defence Savings Certificates, Special Savings Certificates Savings Accounts or Post Office Savings Account, made on, or after, the first day of July, 2001, where such deposit does not exceed [1][one hundred and fifty] thousand rupees; and

(b) Investment in Monthly income [2][Savings] Accounts Scheme of Directorate of National Savings on, or after, the first day of July, 2001, where monthly installment in an account does not exceed one thousand rupees."

[1]Substituted for "three hundred" by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "Saving" by Finance Act, 2003 dated June 17, 2003.

Cl. (9)-Rationalization of withholding tax on certain imports.-Following is an extract from CBR's Circular No. 1 of 2005, dated July 5, 2005:-

"As a measure of liberalization and support to the textile sector which exports a bulk of its production, a Scheme of readjustment of rate of Customs duty has been introduced. A total number of 152 tariff lines (items) have been identified for this purpose. The list includes fibers, yarns and fabrics (excluding pure cotton or its yarn or its fabric), leather and articles thereof, textile and articles thereof, carpets, sports good and surgical goods and raw material. On a similar analogy, clause (9) of Part II of the Second Schedule has been substituted to reduce withholding tax rate under section 148 to 1% in the case of import of the aforementioned goods with effect from July 1, 2005. A notification/SRO.638 (I)/2005 dated June 27, 2005 has been issued to identify the specific goods and materials for the purposes of 1% withholding tax under section 148."

Cl. (9)–omission.–Before omission by SRO 140(I)/2013, these read as follows:–

"**(9)** Tax under section 148 shall be collected *at rate of the 1% on import of all fibers, yarns and fabrics [1][ ] and goods covered by the Zero Rating Regime of the Sales Tax notified by [2]/Board/.]"

[1]Words etc. "(excluding pure cotton or its yarn or its fabrics)," omitted by Finance Act, 2008 dated June 27, 2008
[2]Substituted for "Central Board of Revenue" by Finance Act, 2007 dated June 30, 2007.
*should have been "at the rate of" instead of "at rate of the".

Cl. (9)–Substitution.–Before substitution by F. Act, 2005, read as follows:–

"**(9)** Tax shall be collected at 3/4th of the rate applicable under section 148 on the goods imported under the Afghan Transit Trade Agreement, 1965, and subject to Notification SRO 368(I)/95, dated the 2nd May, 1995."

Cl. (9A)–omission.–Before omission by SRO 140(I)/2013, these read as follows:–

(9A) Tax under section 148 shall be collected at the rate of 3% on the import value of raw material imported by an industrial undertaking for its own use [1]/:/]

[1][Provided that the rate of 3% shall be applicable on production of an exemption certificate issued by the Commissioner.]"

[1]Colon substituted for full stop and Proviso inserted by Finance Act, 2012 dated June 26, 2012.

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[1][**(9AB)** Tax under section 148 on commercial import of the white sugar shall be collected at the rate of 0.25% from the 26th day of January 2021 till the 30th day of June, 2021.

[2to4][ ]

[5][**(9AD)** Pursuant to the Cabinet Decision in Case No. 432/Rule-19/2025/615 dated 04.07.2025, the withholding tax under section 148 shall be collected at the rate of 0.25% of the value of commercial import of while crystalline sugar up to live hundred thousand metric ton in aggregate subject to the following conditions, namely-

(i) import of sugar shall be carried out by Commerce Division through Trading Corporation of Pakistan (TCP) or private sector subject to conditions, limitations and quota allotments for immediate and subsequent requirements during the specified period;

(ii) the Commerce Division shall ensure quality assurance of the imported sugar through an international inspection firm; and

(iii) the cut-off date for import of sugar to avail exemption under this notification shall be the 30th day of September. 2025.]

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[1]Clauses (9AB) & (9AC) substituted by Finance Act, 2021 dated June 30, 2021. Earlier these were inserted by SRO 235(I)/2021 dated February 23, 2021. *F. Act 2021 stated these as inserted.

[2]Clause (9AC) omitted by Finance Act, 2025 in force from July 1, 2025. Earlier it was inserted by Finance Act, 2021 dated June 30, 2021.

[3]Clause (9B) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 772(I)/2012 dated June 26, 2012.

[4]Clause (9C) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 212(I)/2013 dated March 14, 2013.

[5]Clause (9AD) inserted by SRO 1216(I)/2025 dated July 08, 2025.

Cl. (9AA)–Substitution.–Before substitution by F. Act, 2021, it read as follows:–

"**(9AA)** In respect of import of [1][white sugar] from the 25th day of August, 2020 to the 15th day of November, 2020 (both days inclusive), tax under section 148 shall be collected at the rate of 0.25% [2][as per quantity, quality, mode and manner prescribed by Ministry of Commerce during the said period]."

[1]Substituted for "white crystalline sugar falling under H.S codes 1701.9910 and 1701.9920" by Corrigendum dated August 26, 2020.

[2]Substituted for "provided that such imports shall not exceed three hundred thousand metric tons in aggregate, as per mode and manner prescribed by Ministry of Commerce during the said period" by Corrigendum dated August 26, 2020.

Cl. (9AC)–omission.–Before omission by F. Act, 2025, it read as follows:–

(9AC) Subject to quota allotment by Commerce Division, tax under section 148 shall be collected at the rate of 0.25% on import of raw sugar imported by sugar mills from the 26th day of January, 2021 to the 30th day of June, 2021 both days inclusive provided that such imports shall not exceed fifty thousand metric tons per sugar mill and three hundred thousand metric tons in aggregate by the sugar industry.]

Cls. (9AB) & (9AC)–Substitution.–Before substitution by F. Act, 2021, these read as follows:–

"**(9AB)** Tax under section 148 on commercial import of the white sugar shall be collected at the rate of 0.25% from the 26th day of January 2021 till the 30th day of June, 2021;"

"**(9AC)** Subject to quota allotment by Commerce Division, tax under section 148 shall be collected at the rate of 0.25% on import of raw sugar imported by sugar mills from the 26th day of January, 2021 to the 30th day of June, 2021 (both days inclusive) provided that such imports shall not exceed fifty thousand metric tons per sugar mill and three hundred thousand metric tons in aggregate by the sugar industry."

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[1to18][ ]

[19][**(18C)** The rate of tax as specified in Division-III of Part-I of First Schedule shall be reduced to 7.5% in case of dividends declared by a company as are "attributable" to profits and gains derived from a bagasse and biomass based co-generation power project qualifying for exemption under clause (132C) of Part-I of this Schedule:

Provided that the amount of "attributable" dividends shall be computed in accordance with the following formula, namely:-

AXB/C

Where

A is the total amount of dividend for the year;

B is the accounting profit for the year attributable to the bagasse and biomass based cogeneration power project qualifying for exemption under clause (132C) of Part-I of this Schedule; and

C is the total accounting profit before tax for the year.

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[1]Clauses (9A) & (10) omitted by Finance Act, 2008 dated June 27, 2008. Clause (9A) was inserted by SRO 661(I)/2007 dated July 2, 2007.

[2]Clauses (11) and (12) omitted by Finance Act, 2006 dated July 01, 2006.

[3]Clauses (13) omitted Finance Act, 2008 dated June 27, 2008. It was already omitted by SRO 567(I)/2008 dated June 11, 2008.

[4]Clauses (13A) & (13B) omitted by Finance Act, 2008 dated June 27, 2008. These were already omitted by SRO 567(I)/2008 dated June 11, 2008.

[5]Clause (13C) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was substituted by SRO 36(I)/2005, dated January 7, 2005. Earlier it was inserted by Finance Act, 2004, w.e.f. July 1, 2004.

[6]Clause (13D) omitted by Finance Act, 2005, dated June 29, 2005. It was earlier inserted by SRO 769 (I)/2004 dated September 6, 2004.

[7]Clause (13E) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 37(I)/2005, dated January 7, 2005.

[8]Clause 13F omitted by SRO 1037(I)/2005 dated October 14, 2005. Earlier it was inserted by SRO 38(I)/2005, dated January 7, 2005.

[9]Clause 13G omitted by SRO 140(I)/2013 dated February 26, 2013. Earlier clauses (13G) and (13H) substituted for clause (13G) by Finance Act, 2006, dated July 01, 2006.

[10]Clause (13H) omitted by Finance Act, 2008 dated June 27, 2008. It was already omitted by SRO 567(I)/2008 dated June 11, 2008. Earlier it was inserted by Finance Act, 2006, dated July 01, 2006.

[11]Clauses (13HH) & (13HHH) omitted by Finance Act, 2014 dated June 26, 2014. Earlier clause (13HH) was inserted by Finance Act, 2008 dated June 27, 2008 but (13HHH) is not exist.

[12]Clauses (14) & (14A) omitted by Finance Act, 2015 dated June 30, 2015. Earlier clause (14) inserted by SRO 126(I)/2013 dated February 13, 2013 and was Earlier it was omitted by Finance Act, 2008 dated June 27, 2008.Clause (14A) was substituted by SRO 980(I)/2013 dated November 18, 2013. Earlier it was inserted by SRO 900(I)/2013 dated October 04, 2013.

[13]Clause (14B) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by SRO 1064(I)/2013 dated December 20, 2013.

[14]Clauses (15) & (16) omitted by Finance Act, 2008 dated June 27, 2008.

[15]Clause (17) omitted by Finance Act, 2014 dated June 26, 2014.

[16]Clause (18) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Finance Ordinance, 2002 dated June 15, 2002.

[17]Clause (18A) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2014 dated June 26, 2014.

[18]Clause (18B) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Finance Act, 2016 dated June 24, 2016.

[19]Clause (18C) inserted by Finance Act, 2021 dated June 30, 2021.

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Explanation.- For the removal of doubt, it is clarified that accounting profit attributable to the bagasse/biomass based cogeneration power project would be determined by the external auditor of the company and the external auditor shall issue a certificate to this effect.]

[1 to 5][ ]

[6][**(24A)** The rate of tax, under clause (a) of sub-section (1) of section 153, from distributors of cigarette [7][shall be 2.5%* gross amount of payment] and pharmaceutical products [8][ ] shall be 1% of the gross amount of payments.]

[9 to 10][ ]

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[1]Clauses (19) & (20) omitted by Finance Act, 2014 dated June 26, 2014. Earlier these were inserted by Finance Ordinance, 2002 dated June 15, 2002.

[2]Clause (21) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by Finance Ordinance, 2002 dated June 15, 2002.

[3]Clause (22) omitted by Finance Act, 2007 dated June 30, 2007. Earlier clause (22) was inserted by Finance Act, 2005 dated June 29, 2005;

[4]Clause (23) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2005 dated June 29, 2005.

[5]Clause (24) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 741(I)/2005 dated July 22, 2005.

[6]Clause (24A) inserted by Finance Act, 2009 dated June 30, 2009.

[7]Words inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

*apparently intended words "of the" are missing in the amendment.

[8]Words "and for large distribution houses who fulfill all the conditions for a large import house as laid down under clause (d) of sub-section (7) of section 148, for large import houses," omitted by Finance Act, 2021 dated June 30, 2021. Earlier these were inserted by Finance Act, 2010 dated June 30, 2010.

[9]Clause (24AA) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Finance Act, 2018 dated May 23, 2018. Already the same was inserted by SRO 44(I)/2017 dated January 27, 2017.

[10]Clause (24B) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 550(I)/2012 dated May 23, 2012.

Cl 24A).- Tax on Cigarettes Distributors @ 2.5%. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"The rate of tax under clause (a) of sub-section (1) of section 153, from distributors of cigarette has been increased to 2.5 percent of the gross amount of payments. Before the Finance Act, 2024, this rate of tax was 1 percent."

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[1][**(24C)** The rate of tax under clause (a) of sub-section (1) of section 153 in the case of distributors, dealers, sub-dealers, wholesalers and retailers of fast moving consumer goods, fertilizer, electronics excluding mobile phones, sugar, cement [2][, steel], and edible oil as recipient of payment shall be 0.25% of gross amount of payments subject to the condition that beneficiaries of reduced rate are appearing on the Active Taxpayers' Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001 (XLIX of 2001):

Provided that the benefit under this clause shall only be available to those Tier-1 retailers as defined under Sales Tax Act, 1990 who are integrated and configured with Board or its computerized system for real time reporting of sales or receipts.]

[3][ ]

[1]Clause (24C) substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2019 dated June 30, 2019.

[2]Word inserted by Finance Act, 2022 dated June 30, 2022. Earlier same was inserted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.

[3]Clause (24CA) omitted by Finance Act, 2025 in force from July 1, 2025. Earlier it was inserted by Finance Act, 2020 dated June 30, 2020. Earlier the same was inserted by SRO 287(I)/2020 dated April 07, 2020.

Cl. (24C)-Substitution.-Before substitution by F. Act, 2021, it read as follows:-

"**(24C)** The rate of tax under clause (a) of sub-section (1) of section 153 in case of dealers and sub-dealers [1][,wholesalers and retailers of fast moving consumer goods, fertilizer,] of sugar, cement and edible oil, as recipient of the payment, shall be 0.25% of the gross amount of payments [2]*[:]*]

[3][Provided that the benefit of reduced rate shall be available to those dealers, sub-dealers, wholesalers and retailers of above sectors who already are or get themselves registered under the Sales Tax Act, 1990 within sixty days of the promulgation of the Tax Laws (Amendment) Ordinance, 2021.]"

[1]Words inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

[2]Full stop substituted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

[3]Proviso inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

Cl. (24CA)-Omission.-Before omission by F. Act, 2025, it read as follows:-

"**(24CA)** The rate of tax under clause (a) of sub-section (1) of section 153 in case of a person, other than a company, as a recipient of payment for goods supplied to Utility Stores Corporation of Pakistan shall be 1.5% of the gross amount of payment in respect of supply of tea, spices, salt, dry milk, sugar, pulses wheat flour and ghee for the period commencing from the 7th day of April, 2020 and ending on 30th day of September, 2020:

Provided that this clause shall not be applicable to supply of tea, spices, salt and dry milk which are sold under a brand name:

Provided further that this clause shall not be applicable where rate of tax under clause (a) of sub-section (1) of section 153 is less than 1.5% of the gross amount of payment under any provisions of the Ordinance."

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[1][**(24CB)** The rate of tax under clauses (b) and (c) of sub-section (1) of section 153 and sub-section (1) of section 236A to be deducted and collected from the National Logistics Corporation shall be 3% of the gross amount of payment and gross sale price of a lease of the right to collect tolls, respectively:

Provided that the tax so deductible and collected shall be minimum tax and in case the normal income tax, chargeable under Division II of Part I of the First Schedule on the taxable income of the taxpayer, is higher than the amount of tax under this clause, the taxpayer shall be liable to pay the normal income tax.]

[2][**(24D)** The rate of minimum tax under sub-section (1) of section 113, shall be 0.5% in the case of distributors, dealers, sub-dealers, wholesalers of goods specified in the following Table, subject to the conditions that beneficiaries of reduced rate are appearing on the active taxpayers' lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001 (XLIX of 2001):

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[1]Clause (24CB) inserted by Finance Act, 2025 in force from July 1, 2025.

[2]Clause (24D) substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2019 dated June 30, 2019.

[3]Word inserted by Finance Act, 2022 dated June 30, 2022. Earlier same was inserted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.

Cl. (24D)-Substitution.-Before substitution by F. Act, 2021, it read as follows:-

"**(24D)** The rate of minimum tax under sub-section (1) of section 113 in case of dealers and sub-dealers [1][, wholesalers and retailers of [2][locally manufactured mobile phones,] fast moving consumer goods, fertilizer,] of sugar, cement and edible oil shall be 0.25% subject to the condition that the names of such dealers and sub-dealers are appearing on the active taxpayers' lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001 (XLIX of 2001) [3]*[:]*]

[3][Provided that the benefit of reduced rate shall be available to those dealers, sub-dealers, wholesalers and retailers of above sectors who already are or get themselves registered under the Sales Tax Act, 1990 within sixty days of the promulgation of the Tax Laws (Amendment) Ordinance, 2021.]"

[1]Words inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

[2]Words inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

[3]Full stop substituted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

Conditional concessionary rate.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"The major concern of distributors, dealers, sub-dealers, wholesalers and retailers is the higher withholding tax rate on supply of goods that is 4.5% and minimum turnover tax rate that is 1.5%. Certain dealers, sub-dealers, wholesalers and retailers of certain sectors were incentivized by reduced rate of 0.25% under sections 153(1)(a) and section 113 under clauses (24C) and (24D) of Part II of the second schedule. Certain changes have been introduced in these clauses to the effect that:

a) reduced rate of withholding tax and turnover tax has been extended to distributors of specified sectors.

b) concessionary rates have been made available subject to the condition that beneficiaries appear on Active Taxpayers' List of Income Tax and Sales Tax.

c) benefit has been extended to Tier-1 retailers who integrate with Board's Point of Sale real time reporting system."

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Table

S. No.	Goods
(1)	(2)
1.	Pharmaceutical
2.	Fertilizer
3.	Cigarette
4.	Sugar
5.	locally manufactured mobile phones
6.	Fresh and frozen food in canned or packaged form
7.	Electronics
8.	Beverages and dairy products
9.	Pasta, cereals, biscuits, nuts, snacks and similar packaged food items
10.	Condiments and baking items in bottled or packaged form
11.	Skincare and cosmetics, haircare, oral care, baby care
12.	Cleaning agents like laundry detergents, dishwashing soaps and floor cleaners
13.	Toilet paper, paper towels, facial tissues, napkins, and similar products
14.	Trash bags, aluminum foil, air freshener and insect sprays]

Cl. (24D)-Substitution.-Before substitution by F. Act, 2026, it read as follows:-

"**(24D)** The rate of minimum tax under sub-section (1) of section 113 in the case of distributors, dealers, sub-dealers, wholesalers and retailers of fast moving consumer goods, fertilizer, locally manufactured mobile phones, sugar, electronics excluding imported mobile phones, cement [3][, steel] and edible oil shall be 0.25% subject to the condition that beneficiaries of reduced rate are appearing on the Active Taxpayers' Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001:

Provided that the benefit under this clause shall be available to only those Tier-1 retailers as defined under Sales Tax Act, 1990 who are integrated and configured with Board or its computerized system for real time reporting of sales or receipts."

Cl. (24D).- Reduced Rates [Second Schedule Part I clauses (79) & (99C); Part II clauses (5AA) & (24D)]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Amendments made in clause (24D) of said Part II reduces the rate of minimum tax under sub-section (1) of section 113 to 0.5% in cases of distributors, dealers, sub-dealers and wholesalers of the goods specified in the said clause subject to the condition that the beneficiaries appear on the active taxpayers' lists issued under the Sales Tax Act, 1990 and the Ordinance."

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[1 to 2][ ]

[3][**(27)**The tax on payments under the Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22 (as reduced by deduction of driver's salary) shall be charged at the rate of 5% as a separate block of income.]

[4to6][ ]

[7][**(28C)** The rates of tax as specified in Division II of Part-IV of the First Schedule shall be five percent in the case of a person running online market place as defined in clause (38B) of section 2.]

[8][**(28D)** The rate of minimum tax under section 113 for tax year 2020 shall be 0.5% in the case of a trader having turnover upto one hundred million Rupees:

Provided that the tax liability of traders for tax year 2019 and 2020 in case of traders who filed return of income for tax year 2019 shall not be less than the tax paid for the tax year 2018.

Explanation.- For the purpose of this clause, 'trader' shall mean an individual engaged in business of buying and selling of goods in the same state including a retailer and a wholesaler but shall not include a distributor.]

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[1]Clauses (25) & (27) omitted by Finance Act, 2007, June 30, 2007. Earlier clause (25) was inserted by SRO 946(I)/2005, dated September 12, 2005; and clause (27) was inserted by SRO 794(I)/2006, dated August 5, 2006.

[2]Clause (26) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2006, dated July 01, 2006.

[3]Clause (27) inserted by SRO 569(I)/2012 dated May 26, 2012.

[4]Clauses (27A) and (28) omitted by Finance Act, 2009 dated June 30, 2009. The Act states omission of cl. 27 but in fact the clause had been renumbered as 27A. Clauses (27) and (28) were earlier inserted by SRO 766(I)/2008 dated July 21, 2008 & cl. (27) was renumbered as (27A) by SRO 973(I)/2008 dated September 08, 2008.

[5]Clause (28A) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Finance Act, 2013 dated June 29, 2013.

[6]Clause (28B) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted by Finance Act, 2015 dated June 30, 2015.

[7]Clause (28C) inserted by Finance Act, 2017 dated June 20, 2017.

[8]Clause (28D) inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was inserted Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

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[1][**(28E)** The rate of minimum tax under section 113 for tax year 2020 shall be 0.5% in case of a trader of yarn being an individual.]

[2][**(28F)** The rate of tax under clause (b) of sub-section (1) of section 153 in case of oil tanker contractor services shall be 2% of the gross amount of the payments.]

[3 & 4][ ]

[5][**(31)** The rate of tax under clause (a) of sub-section (1) of section 153 shall be 1% on payment for sale of gold and silver and articles thereof and the tax so deducted shall be adjustable;]

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[1]Clause (28E) inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was inserted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.
[2]Clause (28F) inserted by Finance Act, 2021 dated June 30, 2021.
[3]Clause (29) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 1077(I)/2012 dated August 31, 2012.
[4]Clause (30) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 1065(I)/2013 dated December 20, 2013.
[5]Clause (31) inserted by Finance Act, 2022 dated June 30, 2022.

Cl. (28F)-Contractors of oil tankers and goods transport.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"The contractors of oil tankers were subject to reduced rate of 3% for services rendered instead of normal rate of 8%. This rate has been further reduced to 2%. Necessary changes have been made through clause (28F) of Part II of second schedule. The contractors of oil tanker services and goods transport services have also been exempted from responsibilities as withholding agent under section 153(1)(a) and 153(1)(b) subject to the condition that they pay 0.5% extra tax on their turnover in addition to tax deductible under section 153(1)(b). Necessary changes have been made through clause (clause (43D) and (43E) of Part IV of second schedule."

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PART III

REDUCTION IN TAX LIABILITY

Income, or classes of income, or person or classes of person, enumerated below, shall be allowed reduction in tax liability to the extent and subject to such conditions as are specified hereunder:–

[1to5][ ]

[6][**(3A)** The tax payable by a full-time teacher or a researcher, employed in a non-profit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government research institution, shall be reduced by an amount equal to 25% of tax payable on his income from salary:

Provided that this clause shall not apply to teacher of medical profession who derive income from private medical practice or who receive share of consideration received from patients:

Provided further that the provision of this clause shall be deemed to have been in force with effect from the first day of July, 2022 and shall cease to have effect after tax year 2025.]

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[1]Clause (1) omitted by Finance Act, 2022 dated June 30, 2022. Earlier it was substituted by Finance Act, 2008 dated June 27, 2008. It was inserted by Finance Act, 2006 dated July 01, 2006 after being omitted by Finance Act, 2005 dated June 29, 2005.

[2]Clause (1A) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Ordinance, 2002 dated June 15, 2002.

[3]Sub-clause (1AA) omitted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Finance Act, 2014 dated June26, 2014.

[4]Clause (2) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

[5]Clause (3) omitted by Finance Act, 2008 dated June 27, 2008.

[6]Clause (3A) inserted by Finance Act, 2025 in force from July 1, 2025. Earlier it was inserted by Income Tax (Second Amendment) Act, 2025 dated May 16, 2025.

Cl. (3A)-Rebate For Teachers And Researchers Posted In Government Institutions.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Full time teachers or researchers employed in non-profit education or research institutions including Government training and research institution duly recognized by a Board of Education, a University or Higher Education Commission enjoy a special tax rebate of 75%.

Previously, the law provided that Government Training and Research Institutions are also required to be recognized from HEC for such reduction in tax liability. Whereas the ground reality is that Government Training and Research Institutions are invariably not subject to recognition by the HEC or by any University. In order to encourage teachers and researchers posted in such institutions, law has been suitably amended to extend similar tax reduction to them as well."

Cl. (3A)-Tax Rebate to Full-Time Teachers and Researchers.– Following is an extract from FBR's Circular No. 1 of 2025-26 dated August 02, 2025:– [clause (3A) of Part III]

The tax rebate of 25% against tax payable by full-time teachers or researchers was admissible up to tax year 2022 under omitted sub-clause (2) of clause (1) of Part III of Second Schedule to the Income Tax Ordinance, 2001. No rebate was therefore available to full-time teachers and researchers for tax year 2023 and onwards.

Amendment has been incorporated in the Ordinance through Finance Act, 2025, whereby 25% tax rebate to full time teachers and researchers has been reintroduced by way of inserting a new clause (3A) in Part III of the Second Schedule of the ordinance. The said amendment allowed the tax rebate to these persons for three tax years only mentioned above and will no longer be available for tax year 2026 and onwards."

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[1][**(4)** In respect of old and used automotive vehicles, tax under section 148 shall not exceed the amount specified in Notification No. S.R.O. 577(I)/2005, dated the 6th June, 2005.]

[2][ ]

[3][**(6)**] The tax payable under clause (c) of sub-section (1) of section 39, in respect of any amount paid as yield or profit on investment in Bahbood Savings Certificate or Pensioners Benefit Account [4][and *Shuhada* Family Welfare Account] shall not exceed [5][5%] of such profit.]

[6to7][ ]

[1]Clause (4) substituted by Finance Act, 2011 dated June 30, 2011. Earlier it was inserted by SRO 981(I)/2004, dated December 10, 2004.
[2]Clause (5) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 171(I)/2008, dated February 21, 2008.
[3]Renumbered as "6" in place of "5" by Finance Act, 2009 dated June 30, 2009. Earlier the clause was erroneously numbered as (5) when inserted by Finance Act, 2008 dated June 27, 2008.
[4]Words inserted Finance Act, 2018 dated May 23, 2018. Already the same was inserted by SRO 1280(I)/2017 dated December 22, 2017.
[5]Substituted for "10%" by Finance Act, 2022 dated June 30, 2022.
[6]Clause (7) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted Finance Act, 2018 dated May 23, 2018, was omitted by Finance Act, 2014 dated June 26, 2014 and was inserted by SRO 69(I)/2010 dated February 03, 2010.
[7]Clause (8) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021 & was inserted Finance Act, 2018 dated May 23, 2018, was omitted by Finance Act, 2014 dated June 26, 2014 & was inserted by SRO 186(I)/2010 dated November 30, 2010.

Cl. (4)-Substitution.-Before substitution by Finance Act, 2011, it read as follows:-

"**(4)** In respect of old and used automotive vehicles specified in Notification No. S.R.O. 932(I)/2004 dated the 20th November, 2004, the tax under section 148 of the Income Tax Ordinance, 2001, shall not exceed the amount specified in column (3) of the Table below, namely:-

TABLE

S. No.	Vehicles meant for transport of persons	Income tax in Pak Rupees.
(1)	(2)	(3)
1.	Upto 800CC	Rs. 29,852
2.	from 801CC to 1000CC	Rs. 34,497
3.	from 1001CC to 1300CC	Rs. 67,282
4.	from 1301CC to 1600CC	Rs.105,061
5.	from 1601CC to 1800CC	Rs.120,256"

Clause (4)-Tax on import of old and used vehicles. Following is the text of letter dated December 20, 2004 from M/s. S.A. Salam & Co., CAs, addressed to the Chairman CBR:–

"Please refer to your Notification SRO 932(I)/2004 dated November 20, 2004

(Customs) which provides for a consolidated taxes package for customs duty, sales tax, income tax and CVT on import of old and used vehicles. This has been followed by separate income tax and CVT through issue of SROs 977(CVT) and 981(Income Tax), both dated December 10, 2004. Similar separate or double charge does not appear to have been made so far for sales tax. The latter SROs do not supersede SRO 932, rather these refer to SRO 932 as if issued in furtherance thereof.

Thus an anomalous and conflicting situation has been created by issue of SROs 977 and 981. The SRO 932 clearly spelt out the total amount of duty and taxes as may have been decided by the Government while the subsequent SROs seek to enhance the taxes or at least confuse the importer and tax collector as to the total tax payable on import of such vehicles.

It is therefore requested that the position may kindly be clarified."

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[1][**(9)** The tax payable on profits and gains derived by a person from low cost housing projects shall be reduced by fifty percent. The reduction in tax liability under this clause shall apply to such project which is-

(a) owned and managed by a company formed for operating the said project and registered under the Companies Act, 2017 (XIX of 2017) and having its registered office in Pakistan; and

(b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and

(c) a low cost housing project under which the maximum sale price of a single housing unit is two and a half million rupees [2]*[:]*]

[2][Provided that exemption under this clause shall continue to remain available to such projects which commence on or before the 30th day of June, omitted.]

[3][**(9A)** The amount of tax payable on income chargeable under the head, "Capital Gains" on disposal of immovable property shall be reduced by fifty percent on the first sale of immovable property acquired or allotted to ex-servicemen and serving personnel of Armed Forces or ex-employees or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority [4]*[:]*]

[4]*[*Provided that for capital gains arising after completion of three years from the date of acquisition of immovable property the amount of tax payable shall be reduced by seventy-five percent.*]*

[5][**(9B)** The tax payable on the income, profits and gains of projects of 'low cost housing' developed or approved by Naya Pakistan Housing and Development Authority (NAPHDA) or under the Ehsaas Programme shall be reduced by 90% [4]*[:]*]

[6][Provided that exemption under this clause shall continue to remain available to such projects which commence on or before the 30th day of June, omitted.]

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[1]Clause (9) inserted Finance Act, 2018 dated May 23, 2018. Earlier it was omitted by Finance Act, 2014 dated June 26, 2014 & was inserted by SRO 186(I)/2010 dated November 30, 2010.

[2]Full stop substituted and Proviso inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

[3]Clause (9A) inserted by Finance Act, 2019 dated June 30, 2019.

[4]Substituted for full stop and proviso inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was substituted by Tax Laws (Second Amendment) Ordinance, 2019 dated December27, 2019.

[5]Clause (9B) inserted by Finance Act, 2020 dated June 30, 2020. Earlier the same was inserted by Tax Laws (Amendment) Ordinance No. 1 of 2020 dated April 17, 2020.

[6]Full stop substituted and Proviso inserted by Finance Act, 2021 dated June 30, 2021. Earlier was inserted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

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[1 to 5][ ]

[6][**(17)** The tax payable by cotton ginners on their income and profits shall not be more than sum of 1% of their turnover from cotton lint, cotton seed, cotton seed oil and cotton seed cake:

Provided that the tax so payable shall be final tax in respect of their cotton ginning and oil milling activities only.]

[7][**(18)** The rate of withholding tax on value of offshore supply contract of an Independent Power Producer located wholly or partly in territories of AJ&K shall be 1% provided:

(i) PPIB has issued Letter of Support for the project;

(ii) its EPC Contract has been executed and submitted to NEPRA for EPC stage tariff determination prior to the enactment of Finance Act, 2018;

(iii) offshore supply contract arrangement of offshore supply contractor having permanent establishment in Pakistan falls under the purview of cohesive business operation as contemplated under Income Tax Ordinance, 2001; and

(iv) such 1% tax shall be full and final liability of the offshore contractor.]

[7][**(19)** The tax payable by woman enterprises on profit and gains derived from business chargeable to tax under the head "Income from Business" shall be reduced by 25%.

Explanation.- For the purpose of this clause a woman enterprise means a startup established on or after first day of July 2021 as sole proprietorship concern owned by a woman or an AOP all of whose members are women or a company whose 100% shareholding is held or owned by women:

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[1]Clause (10) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 174(I)/2011 dated March 05, 2010.
[2]Clause (11) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 997(I)/2011 dated October 19, 2011.
[3]Clauses (12) to (14) omitted by Finance Act, 2014 dated June 26, 2014. Earlier these were inserted by SRO 57(I)/2012 dated January 24, 2012.
[4]Clause (15) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 549(I)/2012 dated May 22, 2012.
[5]Clause (16) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by SRO 978(I)/2013 dated November 13, 2013.
[6]Clause (17) inserted by Finance Act, 2021 dated June 30, 2021. Earlier was inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.
[7]Clauses (18) to (20) inserted by Finance Act, 2021 dated June 30, 2021.

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Provided that benefit of this clause shall not be available to a business that is formed by the transfer or reconstitution or reconstruction or splitting up of an existing business.]

[1][ ]

[1]Clause (20) omitted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Finance Act, 2021 dated June 30, 2021.

Cl. (20)-Omission.- Before omission it read as follows:-

"**(20)** The tax payable by a person other than a banking or insurance company in respect of profit on debt from investment in Federal Government securities shall be fifteen percent of the gross amount of the profit on debt:

Provided that tax so payable shall be final tax on the income representing profit on debt from investment in Federal Government securities."

Cl. (18)-Reduced rate for specified offshore supply contracts. Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"The offshore supplies by non-resident suppliers are subject to withholding tax at the rate of 1.4% under minimum tax regime. This rate has been reduced to 1% under final tax regime in the cases of Karot and Kohala hydro power projects situated in AJK. Enabling provision is clause (18) of Part III of the Second Schedule to the Ordinance. These amendments have been made in pursuance to the recommendations of Ministry of Energy."

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PART IV

EXEMPTION FROM SPECIFIC PROVISIONS

Income, or classes of income, or persons or classes of persons, enumerated below, shall be exempt from the operation of such provisions of this Ordinance, subject to such conditions and to the extent, as are specified hereunder:–

[1][ ]

[2][**(1A)** The provision of clause (d) of section 46 shall not apply to Sukuk issued by "The Second Pakistan International Sukuk Company Limited" [3][*"and the Third Pakistan International Sukuk Company Limited"*].]

[4][ ]

(3) The provisions of clause (b) of [5][component **C** of the formula contained in] sub-section (2) of section 61 shall not apply in case of donations made to Agha Khan Hospital and Medical College, Karachi:[*]

[6][ ]

[7][ ]

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[1]Clause (1) omitted by Finance Act, 2003, dated June 17, 2003.

[2]Clause (1A) inserted by SRO 1029(I)/2014 dated November 19, 2014.

[3]Words inserted by Finance Act, 2018 dated May 23, 2018. Already the same was inserted by SRO 924(I)/2016 dated September 30, 2016.

[4]Clause (2) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was omitted by Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021.

[5]Substituted for "component C of" by Finance Act, 2003, dated June 17, 2003.

[6]Clause (3A) omitted by Finance Act, 2008 June 27, 2008. It was inserted by Finance Act, 2004, w.e.f. July 1, 2004.

[7]Clause (4) omitted by Finance Act, 2003, dated June 17, 2003.

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[*]should have been full stop instead of colon.

Clause (4)–Omission.–Before omission by Finance Act, 2003, read as follows:–

"(4) The provisions of section 111 shall not apply in respect of any amount invested in the acquisition of Foreign Exchange Bearer Certificates issued under the Foreign Exchange Bearer Certificates Rule, 1985."

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[1][**(4A)** No provision of this Ordinance shall apply for recoup of tax credit already allowed to National Power Parks Management Company (Private) Limited for investment in plant and machinery notwithstanding non issuance of share certificates or any restructuring of its ownership pattern or debt to equity ratio prior to privatization as part of the privatization process.]

[2][**(5)** The provisions of section 111 regarding un-explained income or assets shall not apply in respect of,–

(i) any amount of foreign exchange deposited in a private Foreign Currency account held with an authorized bank in Pakistan in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan:

Provided that the exemption clause shall not be available in respect of any incremental deposits made on or after the 16th day of December, 1999 in such accounts held by a resident person or in respect of any amount deposited in accounts opened on or after the said date by such person.

(ii) any amount invested in the acquisition of Three Years Foreign Currency Bearer Certificates issued under the Foreign Currency Bearer certificates Rules, 1997.

---

[1]Clause (4A) inserted by Finance Act, 2021 dated June 30, 2021.
[2]Clause (5) substituted by Finance Act, 2005, dated June 29, 2005.

Cl. (4A)-Exemption to National Power Parks Management Company.- **Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021**:-

"National Power Parks Management Company Limited is undergoing privatization through Privatization Commission. Exemption to the income from sale of electricity is not available to NPPMCL being Federal Government owned company. In order to provide level playing field and facilitate demerger and privatization, the demerged entities and new entity taking over NPPMCL has been provided threefold exemptions on the recommendations of Privatization Commission.

i. Exemption from tax on income from sale of electricity;
ii. Exemption from minimum tax on turnover basis; and
iii. Exemption from reversal of tax credits claimed by NPPMCL which under law become reversible due to change in ownership or change in debt/ equity ratio."

Cl. (5)–Substitution.–Following is an extract from 'Notes on Clauses of Finance Bill 2005':-

"Seeks to re-arrange Part IV of the Second Schedule by grouping exemption from taxation of "unexplained income or assets" in certain cases under one clause;

Clause (5) before substitution by Finance Act, 2005, read as follows:–

"(5) The provisions of section 111 shall not apply in respect of any amount of foreign exchange deposited in a private Foreign Currency account held with an authorized bank in Pakistan in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan:

Provided that the exemption under this clause shall not be available in respect of any incremental deposits made on or after the 16th day of December, 1999 in such accounts held by a resident person or in respect of [1][any amount] deposited in accounts opened on or after the said date by such person."

[1]Substituted for "accounts" by Finance Act, 2003, dated June 17, 2003.

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(iii) rupees withdrawn or assets created out of such withdrawal in rupees from private foreign currency accounts, or encashment of Foreign Exchange Bearer Certificates, US Dollar Bearer Certificates and Foreign Currency Bearer Certificates.]

[1 to 4][ ]

[5][**(9AA)** Provisions of clause (a) of sub-section (1) of section 153, shall not apply to ship breakers as recipient of payment:

Provided that this clause shall only apply for ships imported after the 1st July 2014.]

[6to8][ ]

[9][**(11A)** The provisions of section 113, regarding minimum tax, shall not apply to,-

(i) National Investment (Unit) Trust or a collective investment scheme authorized or registered under the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 or a real estate investment trust approved and authorized under the Real Estate Investment Trust [10][Regulations, 2015], [11][or a pension fund registered under the Voluntary Pension System Rules, 2005] or any other company in respect of turnover representing transactions in shares, or securities listed on a registered stock exchange;

(ii) petroleum dealers, in so far as they relate to turnover on account of sale of petroleum and petroleum products, notwithstanding their status as a company, a registered firm or an individual, engaged in retail sale of petroleum and petroleum products through petrol pumps for the purposes of assessment of their income and determination of tax thereon:

---

[1]Clause (6) omitted by Finance Act, 2003, dated June 17, 2003.
[2]Clauses (7) and (8) omitted by Finance Act, 2005, dated June 29, 2005.
[3]Clause (9) omitted by Finance Act, 2003, dated June 17, 2003.
[4]Clause (9A) omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finance Act, 2014 dated June 26, 2014.
[5]Clause (9AA) inserted by Finance Act, 2014 dated June 26, 2014.
[6]Clause (10) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was substituted by Finance Ordinance, 2002 dated June 15, 2002.
[7]Clause (10A) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2010 dated June 30, 2010.
[8]Clause (11) omitted by Finance Act, 2008 dated June 27, 2008. It was earlier substituted by Finance Act, 2005, dated June 29, 2005.
[9]Clause (11A) inserted by Finance Act, 2009 dated June 30, 2009.
[10]Substituted for "Rules, 2006" by Finance Act, 2015 dated June 30, 2015.
[11]Words inserted by Finance Act, 2011 dated June 30, 2011.

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Provided that this exemption shall not apply to the sale of petroleum and petroleum products through petrol pumps which are directly operated or managed by companies engaged in distribution of petroleum and petroleum products.

Explanation.- For the removal of doubt it is declared that the companies engaged in distribution of petroleum and petroleum products other than through petrol pumps shall not be entitled to the benefits of this exemption;

(iii) Hub Power Company Limited so far as they relate to its receipts on account of sale of electricity;

[1][ ]

(v) companies, qualifying for exemption under clause (132) [2][and clause [2][ ]] of Part-I of this Schedule, in respect of receipts from sale of electricity;

(vi) Provincial Governments and Local Government, qualifying for exemption under section 49 and other Government bodies which are otherwise exempt from income tax:

Provided that nothing shall be construed to authorize any refund of tax already paid or the collection of any outstanding demand created under the said section;

(vii) Pakistan Red Crescent Society;

(viii) special purpose, non-profit companies engaged in scrutinizing the receivables of Provincial Governments;

[3][ ]

(xi) a resident person engaged in the business of shipping who qualifies for application of reduced rate of tax on tonnage basis as final tax under clause (21) of Part II of the Second Schedule;

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[1]Sub-clause (iv) omitted by Finance Act, 2015 dated June 30, 2015.
[2]Words "and (132B)" omitted by Finance Act, 2015 dated June 30, 2015. Earlier words "and clause 132B" was inserted by Finance Act, 2014 dated June 26, 2014.
[3]Cls. (ix) & (x) omitted by Finance Act, 2021 dated June 30, 2021.

Cl. (11A)(iv)–Omission.–Before omission by F. Act, 2015, it read as follows:–

"(iv) Kot Addu Power Company Limited (KAPCO) for the period it continues to be entitled to exemption under clause (138) of Part-I of this Schedule;"

Cls. (ix) & (x)-Omission.-Before substitution by F. Act, 2021, it read as follows:-

"(ix) non-profit organizations approved under clause (36) of section 2 or clause (58) or included in clause (61) of Part-I of this Schedule;

(x) a taxpayer who qualifies for exemption under clause (133) of Part-I of this Schedule, in respect of income from export of computer software or IT services or IT enabled services;"

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(xii) a venture capital company, venture capital fund and Private Equity and Venture Capital Fund which is exempt under clause (101) of Part-I of this Schedule;

[1][ ]

(xiv) Corporate and Industrial Restructuring Corporation (CIRC);

[1][ ]

(xvi) a morabaha bank or a financial institution approved by the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan (SECP), as the case may be, for the purpose of Islamic Banking and Finance in respect of turnover under a morabaha arrangement; [2][ ]

(xvii) WAPDA First Sukuk Company Limited [3]/; and/]

[4][ ]

[5][(xix) LNG Terminal Operators and LNG Terminal Owners.

(xx) taxpayers located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for tax year 2010, 2011 and 2012 excluding manufacturers and suppliers of cement, sugar, beverages and cigarettes.

(xxi) Rice Mills for the Tax Year 2015.

(xxii) taxpayers qualifying for exemption under clauses* (126I) of Part-I of this Schedule in respect of income from manufacture of equipment with dedicated use for generation of renewable energy.

(xxiii) taxpayers qualifying for exemption under clauses* (126J) of Part-I of this Schedule in respect of income from operating warehousing or cold chain facilities for storage of agriculture produce.

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[1]Cls. (xiii) & (xv) omitted by Finance Act, 2021 dated June 30, 2021. Earlier clause (xiii) substituted by Finance Act, 2020 dated June 30, 2020.

[2]Word "and" omitted by Finance Act, 2015 dated June 30, 2015.

[3]Substituted for full stop by Finance Act, 2015 dated June 30, 2015.

[4]Sub-clause (xviii) omitted by Finance Act, 2021 dated June 30, 2021. Earlier clauses (xviii) to (xxv) inserted by Finance Act, 2015 dated June 30, 2015.

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*it should be clause.

Cls. (xiii) & (xv)-Omission.-Before substitution by F. Act, 2021, it read as follows:-

"(xiii) a modaraba qualifying for exemption under clause (100) of Part-I of this Schedule."

"(xv) The corporatized entities of Pakistan Water and Power Development Authority, so far as they relate to their receipts on account of sales of electricity, from the date of their creation upto the date of completion of the process of corporatization i.e. till the tariff is notified;"

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(xxiv) taxpayers qualifying for exemption under clauses* (126K) of Part-I of this Schedule in respect of income from operating halal meat production, during the period mentioned in clause (126K).

(xxv) taxpayers qualifying for exemption under clauses* (126L) of Part-I of this Schedule in respect of income from a manufacturing unit set up in Khyber Pukhtunkhwa Province between 1st day of July, 2015 and 30th day of June, 2018 [1][/; and/]]

[2][(xxvi) China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty three years, with effect from the sixth day of February, 2007.

(xxvii) companies, qualifying for exemption under clause (126M) of Part-I of this Schedule, in respect of profits and gains derived from a transmission line project.]

[3][(xxviii) Third Pakistan International Sukuk Company Limited.]

[4][ ]

[5][(xxx) taxpayers qualifying for exemption under clause (126) of Part-I of this Schedule with effect from tax year 2014.]

[6][(xxxi) National Disaster Risk Management Fund.

(xxxii) Deposit Protection Corporation established under sub-section (1) of section 3 of the Deposit Protection Corporation Act, 2016 (Act XXXVII of 2016).

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[1]Substituted for full stop by Finance Act, 2016 dated June 24, 2016.
[2]Sub-clauses (xxvi) & (xxvii) inserted by Finance Act, 2016 dated June 24, 2016.
[3]Sub-clause (xxviii) inserted by Finance Act, 2018 dated May 23, 2018. Already the same was inserted by SRO 924(I)/2016 dated September 30, 2016.
[4]Sub-clause (xxix) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2018 dated May 23, 2018. Already the same was inserted by Finance Act, 2017 dated June 20, 2017.
[5]Sub-clause (xxx) inserted by SRO 29(I)/2018 dated January 12, 2018.
[6]Sub-clauses (xxxi) to (xxxiv) inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

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*it should be clause.

Cls. (xviii) & (xxxix)-Omission.-Before substitution by F. Act, 2021, it read as follows:-

"(xviii) companies, qualifying for exemption under clause (132B) of Part-I of this Schedule, in respect of receipts from a coal mining project in Sindh, supplying coal exclusively to power generation projects."

"(xxix) start-up as defined in clause (62A) of section 2."

Omission of Clauses (12), (13), (13A), (15), (17), (18), (20), (21), (22). (22A), (23), (24), (25), (26), (27), (28), (29), (30), (31), (31A), (31B), (34), (35), (37) and (55)– Following is an extract from 'Notes on Clauses of Finance Bill 2005':–

"Seeks to omit clauses which have been grouped under one clause referred above;"

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(xxxiii) SARMAYA-E-PAKISTAN LIMITED.

(xxxiv) Green field industrial undertaking qualifying for exemption under clause (126O) of Part I of the Second Schedule.]

[1][(xxxv) The Prime Minister's COVID-19 Pandemic Relief Fund-2020.]

[2][(xxxvi) the Federal Government Employees Housing Authority and Naya Pakistan Housing and Development Authority for the tax year 2020 and the following four tax years;

(xxxvii) Hajj Group Operators in respect of turnover relating to Hajj operations for the tax year 2021;

(xxxviii) A resident company engaged in hotel business in Pakistan in respect of turnover for the period starting on the first day of April, 2020 and ending on the thirtieth day of September, 2020.]

[3][(xxxix) Islamic Naya Pakistan Certificates Company Limited (INPCCL);

(xl) receipts from sale of electricity produced from a bagasse and biomass based cogeneration power project qualifying for exemption under clause (132C) of Part-I of this Schedule;

(xli) National Power Parks Management Company (Private) Limited or demerged entities of National Power Parks Management Company (Private) Limited commencing from the commercial operation dates and continuing after the date of change of ownership as a result of privatization by the Privatization Commission of Pakistan.

[4][ ]

(xliii) Persons qualifying for exemption under clause [5][(126E) and (126EA)] of Part I of this Schedule;

(xliv) Persons mentioned in Table I of clause (66) of Part I of Second Schedule.]

[6][(xlv) Mobile phone manufacturers engaged in the local manufacturing of mobile phone devices.]

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[1]Sub-clause (xxxv) inserted by Finance Act, 2020 dated June 30, 2020. Earlier the same was inserted by SRO 300(I)/2020 dated April 10, 2020.

[2]Sub-clauses (xxxvi) to (xxxviii) inserted by Finance Act, 2020 dated June 30, 2020.

[3]Sub-clauses (xxxix) to (xliv) inserted by Finance Act, 2021 dated June 30, 2021. Earlier clause (xxxix) inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

[4]Clause (xlii) omitted by Finance Act, 2022 dated June 30, 2022.

[5]Substituted for "(126EA)" by Finance Act, 2024 w.e.f. 1 July, 2024.

[6]Sub-clause (xlv) inserted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.

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Cl. (11)(xlii)-Omission.- Before omission by F. Act, 2022 it read as follows:-

"(xlii) Persons qualifying for exemption under clause (126E) of Part I of this Schedule for tax year 2021 and onwards"

[1][(xlvi) The Prime Minister's Flood Relief Fund, 2022 with effect on and from the 5th August, 2022.]

[1][(xlvi) The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022.]

[2][**(11B)** The provisions of section 150 shall not apply in respect of inter-corporate dividend within the group companies entitled to group taxation under section 59AA [3][ ] [4][subject to the condition that the return of the group has been filed for the latest completed tax year].

(11C) The provisions of section 151 shall not apply in respect of inter-corporate profit on debt within the group companies entitled to group taxation under section 59AA [3][ ] [4]/subject to the condition that the return of the group has been filed for the latest completed tax year/.]

[5][**(11D)** The provisions of section 113C shall not apply to LNG Terminal Operators and LNG Terminal Owners.]

[6][**(11E)** The provisions of clause (b) of sub-section (1) of section 153 shall not apply to payments received by Sui Southern Gas Company Limited and Pakistan LNG Terminal Limited from Sui-Northern Gas Pipelines Limited on account of re-gasification charges.]

[7][**(12)** (a) The provisions of clause (l) of section 21 and clause (a) of sub-section (1) of section 153 shall not apply where agricultural produce is purchased directly from the grower of such produce, subject to provision of a certificate by the grower to the withholding agent in the following format, namely:-

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[1]Clause (11A)(xlvi) inserted by Finance Act, 2023 dated June 26, 2023. There is an error in numbering as clause (xlvi) already exists, having been inserted by SRO 1590(I)/2022 as above.
[2]Clauses (11B) & (11C) inserted by Finance Act, 2012 dated June 26, 2012.
[3]Words "or section 59B" omitted by Finance Act, 2016 dated June 24, 2016.
[4]Words inserted by Finance Act, 2015 dated June 30, 2015.
[5]Clause (11D) inserted by Finance Act, 2015 dated June 30, 2015.
[6]Clause (11E) inserted by Finance Act, 2018 dated May 23, 2018.
[7]Clause (12) inserted by SRO 787(I)/2011 dated August 22, 2011. The original Clause (12) was omitted by Finance Act, 2005 dated June 29, 2005.

Clause **(12)-Omission.-** Before omission by Finance Act, 2005, read as follows:–

"(12) The provisions of section 113, in so far as they relate to turnover on account of sale of petroleum and petroleum products shall not apply to petroleum dealers, notwithstanding [1][their] status as a company, a registered firm or an individual, engaged in retail sale of petroleum and petroleum products through petrol pumps for the purposes of assessment of their income and determination of tax thereon:

Provided that this exemption shall not apply to the sale of petroleum and petroleum products through petrol pumps which are directly operated or managed by companies [2][ ] engaged in distribution of petroleum and petroleum products.

Explanation.– For the removal of doubt it is declared that the companies engaged in distribution of petroleum and petroleum products other than through petrol pumps shall not be entitled to the benefits of this exemption."

[1]Substituted for "there" by Finance Act, 2003, dated June 17, 2003.
[2]Words "and registered firms" omitted by Finance Act, 2003, dated June 17, 2003.

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Certificate to be filed by the grower of agricultural produce

It is certified that I …….. holder of CNIC Number ……. Have sold following agricultural produce, namely:

i) name of agricultural produce: (wheat, rice, cotton, sugarcane etc., ……..)
ii) quantity: …….
iii) total price: ……...
iv) land identification (if any) ……

to Mr/ M/s. …… and being the grower/ producer of the said agricultural produce, and owner of agricultural land area measuring (optional) …….. located in ……, I am not liable to any withholding income tax.

Signature / Thumb impression: ……...
Name: ……..…
CNIC: ……..…
Address: ……

Date: ……

(b) the provisions of clause (a) of sub-section (1) of section 153 shall not apply only in case of cash payments made for meeting the incidental expenses of a business trip to the crew of oil tanker. This exemption shall not apply in case of any other payments made by owners of oil tankers; and

[1][ ]

[2][**(12A)** The provisions of section 150 shall not apply to dividend paid [3][by] Transmission Line Projects under Transmission Line Policy 2015.]

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[1]Clause (12) sub-clause (c) omitted by SRO 550(I)/2012 dated May 23, 2012.
[2]Clause (12A) inserted by Finance Act, 2018 dated May 23, 2018.
[3]Substituted for "to" by Finance Act, 2026 dated June 26, 2026.

Clause (12(c)-Omission.-Before omission sub-clause (c) read as follows:-

"(c) withholding tax under clause (a) of sub-section (1) of section 153 shall be deductible at one percent on local purchase of steel scrap by those steel melters who have opted under Sales Tax Special Procedures and are compliantly filing returns under the said scheme."

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[1][**(12B)** The provisions of section 148 shall not apply to the import of following goods for a period commencing from 20th day of March, 2020 and ending on [2][31st day of December, 2021].

TABLE

S. No.	Description	PCT
1.	Real-time PCR system (standard 96-well plate and 0.2ml tubes format, 5 channel)	Respective Headings
2.	Biosafety Cabinet	
3.	Auto Clave 50 Liter Capacity	
4.	Multi channel pipette (0.5-10 µl)	
5.	Single channel pipette a) 2 µl b) 10 µl c) 200 µl d) 1000 µl	
6.	Muti channel pipette 20-200 ml	
7.	Vacuum fold	
8.	Micro Centrifuge (Non-refrigerated, Rotor capacity: 12 x 1.5 / 2.0 ml vessels, 2 x PCR strip, Max. speed: 12,100 x g (13,400 rpm))	
9.	PCR Cabinet (HEPA filter system, UV and white light)	
10.	Real-time PCR kit for the detection of Coronavirus (SARS-CoV-2)	
11.	Viral RNA Extraction Kit and machine (Automatic Extractors)	
12.	VTM (Viral Transport Medium)	
13.	Dr Oligo Synthesizer	
14.	Refrigerator/freezer (-20 ºC)	
15.	Vortex Machine	
16.	Refrigerated Centrifuge Machine (Rotor capacity 1.5ml x 24, max. speed 14000 rpm)	
17.	UPS (6 KVA)	
18.	Tyvek Suits	
19.	N-95	
20.	Biohazard Bags (18 Liters)	
21.	PAPR (Powdered Air Purifying respirators)	
22.	Multimode ventilator with air compressor	
23.	Vital sign monitor with 2IBPand ETco2 two Temp.	

[1]Clause (12B) inserted by Finance Act, 2020 dated June 30, 2020. Earlier the same was inserted by SRO 236(I)/2020 dated March 20, 2020 & Table was substituted by SRO 316(I)/2020 dated April 16, 2020.

[2]Substituted for "30th day of June, 2021" by Finance Act, 2022 dated June 30, 2022. Earlier was substituted by SRO 1008(I)/2021 dated August 09, 2021, effective from 09-07-2021 & was substituted for "30th day of September, 2020" by Finance Act, 2021 dated June 30, 2021 and the same was substituted by SRO 1241(I)/2020 dated November 20, 2020.

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24.	ICU motorized patient bed with side cabinet and over bed table	
25.	Syringe infusion pump	
26.	Infusion pump	
27.	Electric suction machine	
28.	Defibrillator	
29.	X-Ray Mobile Machine	
30.	Simple Nebulizer	
31.	Ultrasound machine	
32.	Noninvasive BIPAP	
33.	ECG Machine	
34.	Pulse Oximeters	
35.	Ripple mattress	
36.	Blood gas analyzer	
37.	AMBU Bag	
38.	Nitrile Gloves	
39.	Latex Gloves	
40.	Goggles	
41.	Face Shields	
42.	Gum Boots	
43.	Mackintosh bed sheets	
44.	Surgical Masks	
45.	Air Ways	
46.	Diaflow	
47.	Disposible Nebulizer Mask Kit	
48.	ECG Electrodes	
49.	ETT Tube (Endotracheal Tubes) All sizes	
50.	Humidifier Disposable Flexible	
51.	IV Cannula all sizes	
52.	IV Chambers	
53.	Oxygen Recovery Kit	
54.	Padded Sheets	
55.	Stomach Tube	
56.	Stylet for Endotracheal Tube	
57.	Suction Tube control valve	
58.	Tracheostomy Tube 7, 7.5, 8	
59.	Ventilator Circuit	
60.	Ventury Masks	
61.	Disposable shoes cover (water proof)	

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Table of clause (12B)-Substitution.-Before substitution table of clause (12B) read as follows:-

"S. No.	**Description**	**PCT**
1.	Life Technologies 7500 Real Time PCR with RNaseP instrument verification kit and complete guides documentation and softwares.	Respective Headings"
2.	Biosafety Cabinets Class II Type A2, EN 12469, Europe NSF/ANSI 49, USA JIS K3800 Japan	
3.	Auto Clave 50 Liter Capac	
4.	Multi channel pipette .5-10 ml	
5.	Single channel pipette set of four .2,10,200, 1000 ml Eppendorf/glison	
6.	Muti channel pipette 20-200 ml	
7.	Vacuum fold	
8.	Mini Spin	
9.	PCR Chambers	
10.	PCR Kits (95 tests) for Suspects diagnosis (Altona)	
11.	QIAMP Viral RNA Mini kit (250) reactions	
12.	VTM (Viral Transport Medium)	
13.	Dr Oligo Synthesizer	
14.	Refrigerator/freezer -20 CModel MPR-414 F Panasonic	
15.	Vortex Machine 0-3000 RPM 220v, Velp Italy	
16.	Refrigerated Centrifuge Machine Temperature Range -20 to +40 Model Z 326 K, Hermie IEC 1010	
17.	UPS 6 KVA APC smart-UPS RVA 6000 VA 230 V	
18.	Tvvek Suits	
19.	N-95	
20.	Biohazard Baas (18 Liters)	
21.	PAPR (Powdered Air Purifyina respirators)	
22.	Multimode ventilator with air compressor	
23.	Vital sian monitor with 21BPand ETc02 two Temp.	
24.	ICU motorized patient bed with side cabinet and over bed table	
25.	SYrinae infusion pump	
26.	Infusion pump	
27.	Electric suction machine	
28.	Defibrillator	
29.	X-Ray Mobile Machine	
30.	Simple Nebulizer	
31.	Ultrasound machine	
32.	Noninvasive BIPAP	
33.	ECG Machine	
34.	Pulse Oximeters	
35.	Ripple mattress	
36.	Blood aas analyzer	
37.	AMBU Bao	
38.	Nitrile Gloves	
39.	Latex Gloves	
40.	Goaales	
41.	Face Shields	
42.	Gum Boots	
43.	Mackintosh bed sheets	
44.	Suraical Masks	
45.	AirWays	
46.	Diaflow	
47.	Disposible Nebulizer Mask Kit	
48.	ECG Electrodes	
49.	ETT Tube (Endotracheal TubeS) All sizes	
50.	Humidifier Disposable Flexible	

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[1][**(12BA)** The provisions of section 148 shall not apply on import of thirty million adult 3xPly Knit face masks received as humanitarian assistance from M/s HANES Brands Inc. North Carolina, USA for distribution within the population of Lahore Division, Government of the Punjab.]

[2][**(12C)** The provision of section 148 shall not apply to persons importing pulses for a period commencing from the 7th day of April, 2020 and ending on 30th September, 2020.]

[2][**(12D)** The provisions of section 148 shall not apply on the import of finished drug Remdesivir 100 mg injection and injectable solution 100 mg vial for the period starting from the 22nd day of June, 2020 and ending on the date as may be notified by the Board in the official Gazette on recommendation of the National Health Services, Regulation and Coordination Division.]

[2][**(12E)** The provisions of section 148 shall not apply to persons on import of medicines for treatment of life threatening rare diseases not manufactured in Pakistan, subject to the following conditions, namely:–

(i) the import is approved by the Board, through notification in the official Gazette;

(ii) the specification and quantity of medicine is recommended by the National Health Services, Regulation and Coordination Division in a prescribed format on a case to case basis; and

(iii) such medicine is required for the personal use of the importing person or his immediate family member:

Provided that where circumstances exist to take immediate action in emergency situations, the Board may, on recommendation of a provincial health department or a tertiary care hospital of the Federal or Provincial Government, provisionally allow import of such quantity of medicine under this clause which does not exceed sixty days usage.]

[1]Clause (12BA) inserted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by SRO 1009(I)/2021 dated August 09, 2021.

[2]Clauses (12C) to (12E) inserted by Finance Act, 2020 dated June 30, 2020. Earlier clause (12C) was inserted by SRO 287(I)/2020 dated April 07, 2020 and Clause (12D) was inserted by SRO 557(I)/2020 dated June 22, 2020.

51.	IV Cannula all sizes	
52.	IV Chambers	
53.	OxYaen Recovery Kit	
54.	Padded Sheets	
55.	Stomach Tube	
56.	Stvlet for Endotracheal Tube	
57.	Suction Tube control valve	
58.	Tracheostomv Tube 7, 7.5, 8	
59.	Ventilator Circuit	
60.	Venturv Masks	
61.	DisDosable shoes cover(water proof)	

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[1to3][ ]

[4][**(12H)**(a) The provisions of section 148 shall not apply on import of following goods for a period of three months starting from the 23rd of June, 2020, namely:-

S. No.	Description	PCT Code
(1)	(2)	(3)
1.	Oxygen gas	2804.4000
2.	Cylinders (for oxygen gas)	7311 .0090
3.	Cryogenic tanks (for oxygen gas)	7311.0030; and

(b) the concessions given in this clause shall also apply in respect of the letters of credit opened or goods declaration forms filed on or after the 23rd June, 2020.]

[5][**(12I)** The provisions of section 148 shall not apply on import of 83 X Micron sprayers for Anti-Locust Operation (Respective heading) by National Disaster Management Authority (NOMA).]

[6][ ]

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[1]Clause (12F) omitted by Finance Act, 2025 in force from July 1, 2025. Earlier it was inserted by Finance Act, 2021 dated June 30, 2021. Earlier the same was inserted by SRO 642(I)/2020 dated July 28, 2020.

[2]Clause (12G) omitted by Finance Act, 2025 in force from July 1, 2025. Earlier it was inserted by Finance Act, 2021 dated June 30, 2021, the same was inserted by SRO 750(I)/2020 dated August 20, 2020.

[3]Clauses (12), (13), (13A), (15) omitted by Finance Act, 2005, dated June 29, 2005. Clause (13A) was earlier inserted by SRO 724(I)/2002 dated October 17, 2002. Clause (14) omitted by Finance Act, 2006 dated July 01, 2006.

[4]Clause (12H) inserted by Finance Act, 2021 dated June 30, 2021. Earlier the same was inserted by SRO 772(I)/2020 dated August 24, 2020.

[5]Clause (12I) inserted by Finance Act, 2021 dated June 30, 2021. Earlier the same was inserted by SRO 922(I)/2020 dated September 29, 2020.

[6]Clause (12J) omitted by Finance Act, 2025 in force from July 1, 2025. Earlier it was inserted by Finance Act, 2021 dated June 30, 2021, r the same was renumbered as (12J) by Corrigendum dated May 17, 2021 & was inserted as clause (12I) inserted by SRO 99(I)/2021 dated January 26, 2021.

Omitted Clauses (12F), (12G) & (12J).- Before omission by F. Act, 2025, these read as follows:

"**(12F)** The provision of section 148 shall not apply on import of 1.5 million tons of wheat having PCT Heading 1001.1900 and 1001.9900 in pursuance of Cabinet Decision in case No.399/23/2020 dated the 16th June, 2020."

"**(12G)** The provisions of section 148 shall, in pursuance of the Cabinet Decision in case No. 541/30/2020 dated the 4th August, 2020, not apply on import by the Trading Corporation of Pakistan of 300,000 metric tons of white sugar having PCT heading 1701.9910, 1701.9920, specification B."

"**(12J)**] The provisions of section 148 shall, in pursuance of the Cabinet Decision in case No. 34/02/2021, dated the 12th January, 2021, not apply on import of three hundred thousand metric tons of wheat through tendering process by the Trading Corporation of Pakistan."

Omitted Clauses 13, 13A, 14 and 15. Before omission these read as follows:

"(13) The provisions of section 113 shall not apply to Hub Power Company Limited so far as they relate to its receipts on account of sale of electricity."

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[1][**(12K)**](a) The provisions of section 148 shall not apply on import of following goods by the manufacturers of oxygen for a period of three months starting from the 25th day of December, 2020, namely:-

S. No.	Description	PCT Code
(1)	(2)	(3)
1.	Cryogenic Tanks (for oxygen Gas)	7311.0030

(b) the concessions given in this clause shall also apply in respect of the letters of credit opened or goods declaration forms filed on or after the 25th day of December, 2020.]

[2][**(12L)**] The provisions of section 148 and 153 shall not apply on import and subsequent supply of five hundred thousand metric tons of white sugar imported by the Trading Corporation of Pakistan.]

[3][**(12M)** The provisions of section 148 shall not apply on import of following goods for a period of one hundred and eighty days starting from 14th day of May, 2021, namely:-

S. No.	**Description**	**PCT Code**
(1)	(2)	(3)
1.	- Oxygen	2804.4000
2.	- - - Other (Oxygen Cylinders)	7311.0090
3.	- - - For Cryogenic (Tanks/Vessels)	7311.0030
4.	Oxygen Concentrators/ Generators / Manufacturing Plants of all specifications and capacities.	Respective headings]

[1]Clause (12K) inserted by Finance Act, 2021 dated June 30, 2021. Earlier the same was renumbered as (12K) by Corrigendum dated May 17, 2021 & was inserted as clause (12J) by SRO 132(I)/2021 dated February 03, 2021.
[2]Clause (12L) inserted by Finance Act, 2021 dated June 30, 2021. Earlier the same was renumbered as (12L) by Corrigendum dated May 17, 2021 & was inserted as clause (12K) inserted by SRO 235(I)/2021 dated February 23, 2021.
[3]Clause (12M) inserted by Finance Act, 2021 dated June 30, 2021. Earlier the same was inserted by SRO 589(I)/2021 dated May 25, 2021.

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[1][**(12N)** Border sustenance markets-

(a) The provisions of section 148 shall not apply on the import of goods which takes place within the jurisdiction of Border sustenance markets specified in Table-I below:-

TABLE – I

	PCT Heading	
1.	07011000	-SEED (Potatoes)
2.	07020000	TOMATOES, FRESH OR CHILLED.
3.	07031000	-ONIONS AND SHALLOTS
4.	07032000	-GARLIC
5.	07049000	-OTHERS which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
6.	07061000	-CARROTS AND TURNIPS
7.	07070000	CUCUMBERS AND GHERKINS FRESH OR CHILLED.
8.	07081000	-PEAS (PISUM SATIVUM)
9.	07082000	-BEANS (VIGNA SPP., PHASEOLUS SPP.)
10.	07089000	-OTHER LEGUMINOUS VEGETABLES
11.	07131000	- Peas (Pisum sativum)
12.	07132010	Grams (Dry/Whole)
13.	07132090	---other- which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
14.	07133100	-- Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.) Wilczek
15.	07133200	-- small red (Adzuki) beans (Phaseolus or Vigna angularis)
16.	07133300	Kidney beans including white beans
17.	07133400	-- Bambara – vigna subteranea or vaahdzeia subterrea

[1]Clause (12N) inserted by Finance Act, 2021 dated June 30, 2021.

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18.	07133500	- - Cow peas (Vigna unguiculata)
19.	07133990	-- Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
20.	07134010	- Lentils (Dry Whole)
21.	07135000	- Broad beans (Vicia faba var. major) and horse beans (Vicia faba var. equina, Vicia faba var. minor)
22.	07136000	- Pigeon peas (cajanus cajan)
23.	07139090	- Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
24.	09051000	Vanilla (Neither crushed nor ground)
25.	09061100	Cinnamon
26.	09061900	Other (Cinnamon And Cinnamon Tree Flowers)
27.	09071000	- - Neither crushed nor ground (Cloves)
28.	09072000	- - Crushed or ground (Cloves)
29.	09081100	- - Neither Crushed nor ground (Nutmeg)
30.	09081200	- - Crushed or ground (Nutmeg)
31.	09082100	- - Neither crushed nor ground (Maze)
32.	09082200	- - Crushed or ground (Maze)
33.	09083110	- - - Large (Cardammoms)
34.	09083120	- - - Small (Cardammoms)
35.	09083200	- - Crushed or ground (Cardammoms)
36.	09092100	- - Neither crushed nor ground (Coriander)
37.	09092200	- - Crushed or ground (Coriander)
38.	09093100	- - Neither crushed nor ground (Seeds of Cumins)
39.	09093200	- - Crushed or ground (Seeds of Cumins)
40.	09096100	- - Neither crushed nor ground (Seeds of Anise, Badian, Caraway, Fennel etc)
41.	09096200	- - Crushed or ground (Seeds of Anise, Badian, Caraway, Fennel etc)

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42.	09109910	- - - THYME; BAY LEAVES
43.	10031000	Barley (Seeds)
44.	10039000	Other (Barley)
45.	12060000	Sunflower seeds, whether or not broken
46.	12129200	Locust beans
47.	12130000	Cereal straws and husks
48.	15161000	Animal Fats and Oil and their fractions
49.	15162010	Vegetable Fats and their fractions
50.	15162020	Vegetable Oils and their fractions
51.	82089010	- - - Knives and cutting blades for paper and paper board
52.	04011000	-OF A FAT CONTENT, BY WEIGHT, NOT EXCEEDING 1 % (Milk and Cream)
53.	04012000	-OF A FAT CONTENT, BY WEIGHT, EXCEEDING 1 % BUT NOT EXCEEDING 6 % (Milk and Cream)
54.	04014000	- Of a fat content, by weight, exceeding 6 % but not exceeding 10% (Milk and Cream)
55.	04015000	- Of a fat content, by weight, exceeding 10 % (Milk and Cream)
56.	07039000	-LEEKS AND OTHER ALLIACEOUS VEGETABLES
57.	07041000	-CAULIFLOWERS AND HEADED BROCCOLI
58.	07042000	-BRUSSELS SPROUTS
59.	07051100	- - CABBAGE LETTUCE (HEAD LETTUCE)
60.	07051900	- - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
61.	07052100	- - WITLOOF CHICORY (CICHORIUM INTYBUS VAR.FOLIOSUM)
62.	07052900	- - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets

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63.	07069000	-OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
64.	07096000	Fruits of the genus Capsicum or of the genus Pimenta
65.	08042000	Figs
66.	08061000	-FRESH (Grapes)
67.	08062000	---DRIED (Grapes)
68.	08071100	- - WATERMELONS
69.	08071900	- - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
70.	08081000	-APPLES
71.	09021000	Green Tea
72.	09022000	Other Green Tea
73.	09101200	- - Crushed or ground (Ginger)
74.	09103000	-TURMERIC (CURCUMA)
75.	09109990	- - - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
76.	17021110	Lactose (Sugar)
77.	17021120	- - - Lactose syrup
78.	17021900	- - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
79.	17029020	- - - CARAMEL
80.	23040000	OIL-CAKE AND OTHER SOLID RESIDUES, WHETHER OR NOT GROUND OR IN THE FORM OF PELLETS, RESULTING FROM THE EXTRACTION OF SOYA BEAN OIL.

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81.	23099000	Other (animal feed)
82.	52042010	--- FOR Sewing (Thread)
83.	52042020	For embroidery (Thread)
84.	82011000	- Spades and shovels
85.	82055900	Other (Tools for masons, watchmakers, miners and hand tools nes)
86.	82083000	- For kitchen appliances or for machines used by the food industry
87.	82089090	- - - Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
88.	04031000	-YOGURT
89.	07019000	Other (Potatoes)
90.	07104000	- Sweet corn
91.	07109000	- Mixtures of vegetables
92.	08041010	Fresh (Dates)
93.	08041020	Dried (Dates)
94.	08091000	-APRICOTS
95.	08092100	- - Sour cherries (Prunus cerasus)
96.	08092900	- - Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
97.	08093000	-PEACHES, INCLUDING NECTARINES
98.	08094000	-PLUMS AND SLOES
99.	08101000	Strawberries
100.	08105000	Kiwi Fruit
101.	09101100	- - Neither crushed nor ground (Ginger)
102.	10011900	Other (Durum wheat (excl. seed for sowing))
103.	10019900	Other (Wheat and meslin (excl. seed for sowing, and durum wheat))
104.	11010010	Of Wheat (Flour)

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105.	11010020	Of Meslin (Flour)
106.	19021920	- - - VERMACELLI
107.	19059000	Other (Packed Cake)
108.	20071000	Homogenised perparations
109.	20079100	Citrus Fruit
110.	20079900	Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
111.	34013000	-ORGANIC SURFACE-ACTIVE PRODUCTS AND PREPARATIONS FOR WASHING THE SKIN, IN THE FORM OF LIQUID OR CREAM AND PUT UP FOR RETAIL SALE, WHETHER OR NOT CONTAINING SOAP
112.	34022000	- Preparations put up for retail sale
113.	34029000	---- Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
114.	69111090	Others (Tableware and kitchenware of porcelain or china)
115.	69119000	Other (Household articles nes & toilet articles of porcelain or china)
116.	70134900	Other (Glassware for table or kitchen purposes (excl. glass having a linear c)
117.	70139900	Other (Glassware nes (other than that of 70.10 or 70.18))
118.	82159910	- - - Spoons
119.	82159990	Other (Tableware articles not in sets and not plated with precious meta)l
120.	87120000	Bicycles and other cycles (including delivery tricycles), not motorised.
121.	96170010	- - - Vacuum flasks

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122.	96170020	- - - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets

(b) The provisions of section 154 shall not apply to the export of goods which takes place within the jurisdiction of Border sustenance markets specified in Table - II below:-

TABLE-II

Sr.#	PCT Heading	Description
1.	02012000	Other cuts with bone in (Meat of bovine animals, fresh or chilled)
2.	02013000	Boneless (Meat of bovine animals, fresh or chilled)
3.	02022000	Other cuts with bone in (Meat of bovine animals, frozen)
4.	02023000	Boneless (Meat of bovine animals, frozen)
5.	03021100	Fish
6.	04090000	Honey
7.	06022000	Plants
8.	07011000	-SEED (Potatoes)
9.	07019000	Other (Potatoes)
10.	07020000	TOMATOES, FRESH OR CHILLED.
11.	07031000	-ONIONS AND SHALLOTS
12.	07032000	Garlic
13.	07061000	-CARROTS AND TURNIPS
14.	07069000	-OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
15.	07070000	Cucumbers
16.	07093000	Egg Plant
17.	07096000	Fruits of the genus Capsicum or of the genus Pimenta (pepper)
18.	07099900	Others (Lady Finger)
19.	07101000	Fresh Potato

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20.	07102100	Pea
21.	07103000	Spinach
22.	08031000	- Plantains (Bananas)
23.	08039000	- Other (Bananas)
24.	08041010	Fresh (Dates)
25.	08041020	Dried (Dates)
26.	08045020	--- Mangoes
27.	08052100	-- Mandarins (including tangerines and satsumas)
28.	08052910	---Kino (fresh)
29.	08061000	Grapes (Fresh)
30.	08071100	- - WATERMELONS
31.	08071900	Melons
32.	08091000	Apricots
33.	08092900	Cherries
34.	08093000	Peaches
35.	08101000	Strawberries
36.	08109010	Pomegranates
37.	08109090	Fresh fruits nes (Other)
38.	08133000	Apple
39.	09021000	Green Tea
40.	09022000	Other green tea
41.	09030000	Mate.
42.	09042110	Red Chillies (Whole)
43.	09042190	--- Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
44.	09042210	Red Chillies (Powder)
45.	09042290	--- Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
46.	09051000	- - Neither crushed nor ground (Vanilla)

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47.	09052000	- - Crushed or ground (Vanilla)
48.	10061010	- - - SEED FOR SOWING (Rice)
49.	10061090	- - - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
50.	10062000	-HUSKED (BROWN) RICE
51.	10063010	- - - BASMATI (Rice)
52.	10063090	- - - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
53.	10064000	-BROKEN RICE
54.	11010010	Flour (of Wheat)
55.	12074000	- Sesamum seeds
56.	12079900	Other (hemp Seeds)
57.	12119000	Ajwain
58.	15162020	Vegetable Oils and their fractions
59.	19021920	- - - VERMACELLI
60.	19041090	Papad
61.	20071000	- Homogenised preparations
62.	20081900	--Nimko
63.	21069090	- - - OTHER (Custard Powder)
64.	23099000	Other (Animal feed)
65.	25010010	Table Salt
66.	25010020	--- Rock Salt
67.	25010030	--- Sea Salt
68.	25010090	--- Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
69.	34060000	Candles
70.	36050000	Safety Match

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71.	39264090	-OTHER (Plastic Articles)
72.	53101000	Woven fabrics of jute or of other textile bast fibres, unbleached
73.	53109010	- - - Jute (hessian cloth)
74.	56074100	- - Binder or baler twine
75.	56074900	- - Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
76.	56075000	- Of other synthetic fibres
77.	58021100	-- Unbleached (Terry toweling in similar woven terry fabrics, of cotton)
78.	58021900	-- Other (Terry toweling In similar woven Terry fabrics, OF cotton)
79.	58022000	- Terry towelling and similar woven terry fabrics, of other textile materials
80.	58023000	- Tufted textile fabrics
81.	58043000	- Hand made lace
82.	58050000	Hand-woven tapestries of the type Gobelins, Flanders, Aubusson, Beauvais and the like, and needle-worked tapestries (for example, petit point, cross stitch), whether or not made up.
83.	58064000	- Fabrics consisting of warp without weft assembled by means of an adhesive (bolducs)
84.	59011000	- Textile fabrics coated with gum or amylaceous substances, of a kind used for the outer covers of books or the like
85.	61119000	Mix Goods/Garments (Babies garments & clothg accessories)
86.	62031990	---OTHER (Men or Boys Suits etc)
87.	62042200	- - Of cotton
88.	62042900	- - Of other textile materials
89.	62043900	- - Of other textile materials
90.	62044210	- - - Shisha embroidered dresses

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91.	62129000	-OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
92.	63021090	-OTHER (Bed linen, Toilet linen etc)
93.	63051000	Jute Bags (of jute or of other textile bast fibres of heading 53.03)
94.	63052000	Sacks and bags, for packing of goods, of cotton
95.	63090000	Worn clothing and other worn articles
96.	69111090	Other (Tableware and kitchenware of porcelain or china)
97.	69119000	Others (Household articles nes & toilet articles of porcelain or china)
98.	70133700	Drinking glasses (excl. glasses of glass ceramics or of lead crystal a
99.	73181690	Nuts, iron or steel, nes (Others)
100.	82055900	Tools for masons, watchmakers, miners and hand tools nes (Other)
101.	82059000	Hand tools (Other, including sets of articles of two or more subheadings of this heading)
102.	82119100	- - Table knives having fixed blades
103.	82119200	- - Other knives having fixed blades
104.	82159990	Tableware articles not in sets and not plated with precious metal
105.	84485100	Needle
106.	96170010	- - - Vacuum flasks
107.	96170020	- - - Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets

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The exemption under this clause shall be available on the import of goods subject to following conditions, namely:-

(i) Such goods shall be supplied only within the limits of Border Sustenance Markets established in cooperation with Iran and Afghanistan;

(ii) If the goods, on which exemption under this table has been availed, are brought outside the limits of such markets, income tax shall be charged on the import value as per provisions of section 148 of this Ordinance;

(iii) Such items in case of import, shall be allowed clearance by the Customs Authorities subject to furnishing of bank guarantee equal to the amount of income tax involved and the same shall be released after presentation of consumption certificate issued by the Commissioner Inland Revenue having jurisdiction;

(iv) The said exemption shall only be available to a person upon furnishing proof of having a functional business premises located within limits of the Border Sustenance Markets; and

(v) Breach of any of the conditions specified herein shall attract relevant legal provisions of the Ordinance, besides recovery of the amount of income tax along with default surcharge and penalties involved.]

[2][**(12O)** The provisions of section 148 shall not apply on import of drones donated by Ministry of Agriculture and Rural Affairs (MARA), Government of China to Pakistan through Sea Route.

(12P) The provisions of section 148 shall not apply on import of machinery and equipment as listed in S. No 32 of Part-I of Fifth Schedule to the Customs Act, 1969 subject to the same conditions and limitations as specified therein.]

[3][ ]

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[1]Clause (12N) inserted by Finance Act, 2021 dated June 30, 2021.
[2]Clauses (12O), (12P) inserted by Finance Act, 2022 dated June 30, 2022.
[2]Clauses (13), (13A), (15) omitted by Finance Act, 2005 dated June 29, 2005. Clause (13A) was earlier inserted by SRO 724(I)/2002 dated October 17, 2002.

Border sustenance markets.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Border sustenance market is another important initiative of this Government. In order to provide enabling environment to these markets, tax on import and export of specified goods for sale in the jurisdiction of these markets has been exempted. Enabling provisions in the form of clause (12N) in Part IV of Second Schedule have been introduced."

Cl. (13A)- Before omission it read as follows:-

"**(13A)** The provisions of section 113 shall not apply to Kot Addu Power Company Limited (KAPCO) for the period it continues to be entitled to exemption under clause (138) of Part-I of this Schedule."

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[1&2][ ]

(16) The provisions of sections [3][113,] 148, 151, 153, 155 [4][and 156] shall not apply to the institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network:

Provided that such institutions shall continue to collect and deduct tax under section [5][149, 151, 152, 153, 155, 156 or 233] from others persons, wherever required thereunder [6][.]

[7to9][ ]

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[1]Clauses (13), (13A), (15) omitted by Finance Act, 2005 dated June 29, 2005. Clause (13A) was earlier inserted by SRO 724(I)/2002 dated October 17, 2002.

[2]Clause (14) omitted by Finance Act, 2006 dated July 01, 2006.

[3]Figure and comma ", 113" inserted by Finance Act, 2009 dated June 30, 2009. Earlier it was omitted by Finance Act, 2008 dated June 27, 2008.

[4]Substituted for ", 156 and 157" by Finance Act, 2003, dated June 17, 2003.

[5]Substituted for "113" by Finance Act, 2003, dated June 17, 2003.

[6]Full stop substituted for colon by Finance Act, 2008 dated June 27, 2008.

[7]Clause (16A) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by Finance Act, 2009 dated June 30, 2009.

[8]Proviso omitted by Finance Act, 2008 dated June 27, 2008.

[9]Clauses (17) and (18) omitted by Finance Act, 2005, dated June 29, 2005.

Cls. (14) to 15- Before omission it read as follows:-

"(14) A company registered and authorized by the Federal Government to import gold and silver shall be liable to pay tax on import of gold at the rate of two rupees per eleven grams six hundred and sixty-four milligrams and five rupees per kilogram in the case of silver in accordance with the provisions of section 148 and such payment of tax shall be deemed to be full and final liability of tax in respect of income accruing from such import including liability of tax under section 113."

"(15) The provisions of section 113 shall not apply to companies, qualifying for exemption under clause (132) of Part-I of this Schedule, in respect of receipts from sale of electricity."

Cl (16) 2nd Proviso-omission-Before omission it read as follows:-

"Provided further that in respect of application of section [1][113], this clause shall take effect from the first day of July, 1991."

[1]Substituted for "149, 151, 152, 153, 155, 156 or 233" by Finance Act, 2004, w.e.f. July 1, 2004. Earlier these were substituted for "113" by Finance Act, 2003, dated June 17, 2003.

Cl (16A)-Omission-Before omission by F. Act, 2015, it read as follows:-

"(16A) The provisions of section 153(1)(b) shall not be applicable to the [1][persons making payments to electronic and print media] in respect of the advertising services."

[1]Substituted for "news print media services" by Finance Act, 2012 dated June 26, 2012.

Cl. (16A)-Following is an extract from FBR's Circular No. 03 of 2009 dated July 17, 2009:-

"Through the insertion of new clause 116A in Part IV of Second Schedule, section 153(1)(b) will not be applicable to news print media. However, for media other than print media, provisions of section 153(1)(b) shall continue to apply."

The omitted clauses **(17), (18), (20), (21), (22). (22A), (23), (24), (25), (26), (27), (28),** before omission by Finance Act, 2005, read as follows:–

"(17) The provisions of section 113, shall not apply to [1][Provincial Governments and] local authorities, qualifying for exemption under section 49 and other [2][ ] [3][Government or semi-Government bodies which are otherwise exempt from income tax]:

Provided that nothing contained in this clause shall be construed to authorize any refund of tax already paid or the collection of any outstanding demand created under the said section."

[1]Words inserted by Finance Act, 2003, dated June 17, 2003.

[2]Word "than" omitted by Finance Act, 2004, w.e.f. July 1, 2004.

[3]Substituted for "corporate, Government or semi-Governmental bodies, not otherwise liable to income tax" by Finance Act, 2003, dated June 17, 2003.

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(19) The provisions of [1][sections 113 and] 151 shall not apply to non-residents, (excluding local branches or subsidiaries or offices of foreign banks, companies, associations of persons or any other person operating in Pakistan), in respect of their receipts from Pak rupees denominated Government and corporate securities and redeemable capital, as defined in the [2][Companies Act, 2017 (XIX of 2017)], listed on a registered stock exchange, where the investments are made exclusively from foreign exchange remitted into Pakistan through a Special Convertible Rupee Account maintained with a bank in Pakistan.

[3, 4][ ]

[1]Substituted for "section" by Finance Act, 2009 dated June 30, 2009. Earlier it was substituted for "sections 113 and" by Finance Act, 2008 dated June 27, 2008.

[2]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.

[3]Clauses (20), (21) and (22) omitted by Finance Act, 2005, dated June 29, 2005.

[4]Clauses (22A), (23), (24), (25), (26), (27) and (28) omitted by Finance Act, 2005, dated June 29, 2005. Earlier clause (22A) was inserted by SRO 248(I)/2003, dated January 5, 2003, dated June 17, 2003.

"(18) The provisions of section 113 shall not apply to Pakistan Red Crescent Society." **"(20)** The provisions of section 113 shall not apply to special purpose, non-profit companies engaged in securitizing the receivables of Provincial Governments or the companies."

"(21) The provisions of section 113 shall not apply to non-profit organisations [1][approved under clause (36) of section 2 or clause (58) or included in] clause (61) of Part-I of this Schedule."

[1]Substituted for "including those approved or included in clause (58) or" by Finance Act, 2003, dated June 17, 2003.

"(22) The provisions of section 113 shall not apply to a taxpayer who qualifies for exemption under clause (133) of Part-I of this Schedule."

"**(22A)**The provisions of section 113 shall not apply to a resident person engaged in the business of shipping who qualifies for application of reduced rate of tax on tonnage basis as final tax under clause (21) of Part II of this Schedule."

"(23) The provisions of section 113 shall not apply to a venture capital company and venture capital fund which is exempt under clause (101) of Part-I of this Schedule."

"(24) The provisions of section 113 shall not apply to a modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980)."

"(25) Nothing in section 113 shall apply to Corporate and Industrial Restructuring Corporation (CIRC)."

"(26) The provisions of section 148 shall not apply to goods or classes of goods imported by contractors and sub-contractors engaged in the execution of power project under the agreement between the Islamic Republic of Pakistan and Hub Power Company Limited."

"(27) The provisions of section 148 shall not apply to such specially equipped motor vehicle or support equipment imported by a disabled person, as is allowed by the Federal Government."

"(28) The provision of section 148 shall not apply to in case of such goods imported into Pakistan as are exempt from customs duties and sales tax under [1][Headings 9913, 9914 and 9915 of Sub-Chapter III of Chapter 99 of First Schedule *the Customs Act, 1969 (IV of 1969)]."

[1]Substituted for "SROs 360(I)/2000, 362(I)/2000 and 363(I)/2000 dated 17.06.2000" by Finance Act, 2003, dated June 17, 2003.

*apparently intended word "to" is missing."

Women enterprises.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"As an affirmative action for women entrepreneurs any new proprietorship owned by a woman, any AOP having all women partners and a company having all women shareholders have been granted 25% tax reduction in tax liability in a year. Enabling provision in the form of clause (19) in Part IV of second schedule has been introduced."

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[1to3][ ]

[1]Clause (29) omitted by Finance Act, 2005, dated June 29, 2005. It was earlier substituted by Finance Act, 2003, dated June 17, 2003.
[2]Clause (30) omitted by Finance Act, 2005, dated June 29, 2005. Earlier it was substituted by Finance Act, 2003, dated June 17, 2003 and by Finance Ordinance, 2002 dated June 15, 2002.
[3]Clause (31), (31A), (31B) omitted by Finance Act, 2005, dated June 29, 2005. Earlier clause (31A) was inserted by Notification No. SRO 441(I)/2004, dated June 12, 2004 with immediate effect. Later, confusingly, the same insertion was made by the Finance Act, 2004.Clause (31B) was inserted by Finance Act, 2004, w.e.f. July 1, 2004.

Cl. (29)-Omission.-Before omission by Finance Act, 2005, read as follows:–

"**(29)** The provisions of section 148 shall not apply to goods imported by direct and indirect exporters covered under–

(a) Sub-Chapter 4 of Chapter XII of SRO †450(I)/2001 dated 18.06.2001;

(b) Sub-Chapter 6 of Chapter XII of SRO 450(I)/2001 dated 18.06.2001; and

(c) Sub-Chapter 7 of Chapter XII of SRO 450(I)/2001 dated 18.06.2001;"

†SRO 450(I)/2001, prescribes Customs Rules, 2001.

Cl. (29)-Omission.-Before omission by Finance Act, 2005, it read as follows:–

"(29) The provisions of section 148 shall not apply to goods imported by direct and indirect exporters covered under:–

(i) the Manufacturing in Bond Rules, 1997, issued under Notification No. S.R.O. 1140(I)/97, dated the 6th November, 1997;

(ii) the Common Bonded Warehouse (Conventional) Rules, 1998 issued under Notification No. S.R.O. 843(I)/98, dated the 23rd July, 1998; and

(iii) the Duty and Tax Remission for Export Rules, 2001, issued under Notification No. S.R.O. 185(I)/2001, dated the 21st March 2001."

Cl. (30)-Omission.-Before omission by Finance Act, 2005, it read as follows:–

"**(30)** The provisions of section 148 shall not apply in respect of goods specified under Heading 9929, Sub-Chapter VIII of Chapter 99 of the First Schedule to the Customs Act, 1969 (IV of 1969);"

Before substitution by Finance Act, 2003, it read as follows:–

"**(30)** The provisions of section 148 shall not apply in respect of goods temporarily imported into Pakistan for subsequent exportation and which are exempt from customs-duty under Notification No. S.R.O. 410(I)/2001, dated the 18th June, 2001, and the goods specified at S. Nos. 22 and 23 in Table-II of the Notification No. S.R.O. 444(I)/2001, dated the 18th June, 2001."

Before substitution by Finance Ordinance 2002, it read as follows:–

"(30) The provisions of section 148 shall not apply in respect of goods temporarily imported into Pakistan for subsequent exportation and which are exempt from Notification No. S.R.O. 410(I)/2001 dated 18th June, 2001 and Notification No. S.R.O. 592(I)/97, dated 7th August, 1997."

Cls. (31), (31A), (31B), (32), (34), (35) and (37)-Omission.-Before omission by Finance Act, 2005, the clauses read as follows:–

"(31) The provisions of section 148shall not apply in respect of such mobile telephone sets as are exempt from custom duty and are charged to sales tax in the manner prescribe* in the Notification No. S.R.O 390(I)/2001 dated 18th June, 2001."

*should have been "prescribed".

"**(31A)** The provisions of section 148 shall not apply to plant, machinery and equipment imported as are subject to 5% rate of customs-duty under Chapter 84 of the First Schedule to the Customs Act, 1969 (IV of 1969), or are exempt from customs-duty or subject to a lower rate of customs-duty under relevant Customs notifications."

"**(31B)** The provisions of section 148 shall not apply in respect of agricultural tractors imported in CBU conditions."

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[1to3][ ]

[4][**(36A)** The provisions of clause (a) of sub-section (1) of section 151 shall not apply in respect of any amount paid as yield or profit on investment in Bahbood Savings Certificate or Pensioner's Benefit Account [5]*[*and*Shuhada* Family Welfare Account*]*.]

[6][**(36B)** The provisions of section 151 shall not apply to profit on debt paid on promissory notes and sales tax refund bonds issued under the provisions of the Sales Tax Act, 1990.

(36C) The provisions of section 151 shall not apply to profit on debt paid on Pakistan Banao Certificate.

(36D) The provisions of sections 150 and 151 shall not apply to SARMAYA-E-PAKISTAN LIMITED.

(36E) The provisions of section 151 shall not apply on profit on debt paid on bonds issued under the Federal Government Duty Drawback Bonds Rules, 2019.]

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[1]Clause (32) omitted by Finance Act, 2003, dated June 17, 2003.

[2]Clauses (33) & (36) omitted by Finance Act, 2008 dated June 27, 2008.

[3]Clauses (34), (35) omitted by Finance Act, 2005, dated June 29, 2005.

[4]Clause (36A) inserted by Finance Act, 2004, w.e.f. July 1, 2004.

[5]Words inserted by Finance Act, 2018 dated May 23, 2018. Already the same was inserted by SRO 1280(I)/2017 dated December 22, 2017.

[6]Clauses (36B) to (36E) inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

Cls.(30), (31A), (31B), (32), (34), (35) and (37)-Omission.-Before omission by Finance Act, 2005, the clauses read as follows:–

"(32) The provisions of sections 149 and 152 relating to fee for technical services shall not apply to M/s Siddiq Sons Tin Plate Limited in respect of salaries of expatriate employees, royalty or technological and know-how fee for technical assistance for projects located in Special Industrial Zone, Windher, Balochistan, who have established L/Cs prior to the 31st January, 1996."

"(34) The provision of section 151shall not apply in respect of profit or interest paid on a Term Finance Certificate held by a company which has been issued on, or after, the first day of July, 1999."

"(35) The provisions of section 151 shall not apply to any payment made by way profit or interest to any person on Term Finance Certificates being the instruments of redeemable capital under the Companies Ordinance, 1984 (XLVII of 1984), issued by Prime Minister's Housing Development Company (Pvt) Limited (PHDCL)."

Cls. (33) & (36) omission- Before omission by F.A. 2008, these read as follows:-

"(33) The provisions of sections 151 and 233 shall not apply to any person making payment to National Investment (Unit) Trust or a mutual fund established by the Investment Corporation of Pakistan or an investment company registered under the Investment Companies and Investment Advisers Rules 1971 or a unit trust scheme constituted by an Asset Management Company registered under the Asset Management Companies Rules, 1995 [1][or a real investment trust, approved and authorized under the Real Estate Investment Trust Rules, 2006, established and managed by a REIT management company licensed under the Real Estate Investment Trust Rules, 2006 [2]/or a Private Equity and Venture Capital Fund*/*].**"**

[1]Words etc. inserted by Finance Act, 2006 dated July 01, 2006.

[2]Words inserted by Finance Act, 2007 dated June 30, 2007.

"(36) The provisions of clause (c) of sub-section (1) of section 151 shall not apply in respect of any amount paid as interest or profit on Special US Dollar Bonds issued under the Special US Dollar Bonds Rules, 1998."

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[1][ ]

(38) The provisions of section* 151 [1a][, 153 [2][, 233 and 236Q][] shall not apply to special purpose vehicle for the purpose of securitization [3][or issue of sukuks][.]

[4][**(38A)** The provisions of sections 150, 151 and 233 shall not apply to a Venture Capital Company.]

[5][**(38AA)** The provisions of section 150 shall not apply to China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty-three years.]

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[1]Clause (37) omitted by Finance Act, 2005 dated June 29, 2005.
[1a]Word etc. inserted by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "and 233" by Tax Laws (Amendment) Ordinance, 2016 dated August 31, 2016, effective 01-07-16.
[3]Words inserted by Tax Laws (Amendment) Ordinance, 2016 dated August 31, 2016, effective 01-07-16.
[4]Clause (38A) inserted by Finance Act, 2004, w.e.f. July 1, 2004.
[5]Clause (38AA) inserted by Finance Act, 2016 dated June 24, 2016.

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*should have been "sections"

Cl. (36A)-Capping of maximum tax rate at 10% for profit on pensioner's benefit scheme and behbood fund.-Following is the extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"Under clause (36A) of Part IV of the 2nd Schedule to the Ordinance, no tax is deducted from profit paid on investment in Pensioner's Benefit Scheme and Behbood Fund. However, the income earned therefrom is chargeable to tax at normal rates which may go upto 20% of the profit. Profit on debt on investment schemes of CDNS as well as bank deposits is subject to withholding tax @ 10% as final tax. This anomalous position for pensioners and senior citizens could not be the intention of the legislature, which existed, due to ambiguity in the law. In order to provide relief to pensioners and senior citizens, a new clause (5) has been inserted in Part III of the 2nd Schedule to the Ordinance, by virtue of which profit earned under both the schemes would be taxed at normal rates as a separate block of income but maximum tax rate, in any case, shall not exceed 10% of the profit."

Behbood and other income certificates.–Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"The "yield" or "profit on debt" arising on investment in the Behbood Savings Certificates or Pensioner's Benefit Account was liable to withholding tax at the rate of 10% of the amount of yield or profit and the tax so deducted was adjustable against final tax liability of the concerned person. In order to relieve the senior citizens, pensioners & widows from the inconvenience caused in obtaining refunds if the tax so deducted was in excess of actual liability, a new clause (36A) has been inserted in Part-IV of the second schedule to the Income Tax Ordinance, 2001. A separate circular No.12 of 2004 dated July 1, 2004 explaining the provisions of said clause has also been issued."

Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to exempt the profit on debt on investments in Bahbood Savings Certificate/ Account from withholding tax."

Cls.(30), (31A), (31B), (32), (34), (35) and (37)-Omission.-Before omission by Finance Act, 2005, the clauses read as follows:–

"(37) The provisions of section 151 shall not apply to Pak rupee accounts or certificates referred to in clause (83) of Part I of this Schedule."

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[1][**(38AAA)** The provisions of section 152 shall not apply to Special Purpose Vehicle referred to in clause 99B of Part I of this Schedule.]

[2][ ]

[3][**(38C)** The provisions of section [4][150,] 151, 152, 153 and 233 shall not apply to the Islamic Development Bank.]

[5][**(38D)** The provisions of section 151 and 153 shall not apply to the National Disaster Risk Management Fund.]

[6to7][ ]

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[1]Clause (38AAA) inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

[2]Clause (38B) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2004, w.e.f. July 1, 2004.

[3]Clause (38C) inserted by Finance Act, 2011 dated June 30, 2011.

[4]Figure and comma inserted by Finance Act, 2014 dated June 26, 2014.

[5]Clause (38D) inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

[6]Clause (39) omitted by Finance Act, 2003 dated June 17, 2003.

[7]Clause (40) omitted by Finance Act, 2005 dated June 29, 2005, and notwithstanding any judgment, order or decision of any Court, Tribunal or Authority including Income Tax Authority, shall be deemed always to have been so omitted and shall have effect accordingly.

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*should have been "sections"

Cls. (38A) & (38B).–Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"(a) Seeks to exempt income of Venture Capital Companies from deduction of withholding tax from profit on debt, dividend or commission;

(b) Seeks to exempt dividend income received by Islamic Development Bank from deduction of withholding tax."

Cl. (38B)–Income of Islamic Investment Bank.–Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"All income of the Islamic Development Bank is exempt from tax by virtue of provisions contained in the Islamic Development Bank Act, 1995. The bank has to obtain exemption certificate from the Commissioner of Income Tax concerned for receipt of its dividend income arising in Pakistan without deduction of withholding income tax.

To facilitate the bank and give effect to the provisions of law contained in the bank's statute, a new clause (38B) has been inserted in Part IV of the Second Schedule whereby the provisions of section 150 regarding deduction of tax on dividend income shall not apply to Islamic Development Bank."

Cl. (38B)–Omission.–Before omission by Finance Act, 2014, it read as follows:–

"**(38B)** The provisions of section 150 shall not apply to the Islamic Development Bank."

Cl. (39)–Omission.–Before omission by Finance Act, 2003, it read as follows:–

"(39) The provisions of section 151 shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax."

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[1to3][ ]

[1]Clause (41) omitted by Finance Act, 2017 dated June 20, 2017.
[2]Clauses (41A), (41AA), and (41AAA) omitted by Finance Act, 2014 dated June 26, 2014. Earlier these were inserted by Finance Act, 2012 dated June 26, 2012, clause (41A) was omitted by Finance Act, 2008 dated June 27, 2008 and was inserted by SRO 1130(I)/2005, dated November 14, 2005.
[3]Clause (41B) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by Finance Act, 2007 dated July 1, 2007.

Cl. (40)–Presumption tax regime for manufacturers, omission.–Following is an extract from 'Notes on Clauses of Finance Bill 2005':–

"Seeks to withdraw the option for PTR available to manufacturers with retrospective effect:"

Clause (40) before omission by Finance Act, 2005, read as follows:–

"(40) The provisions of [1][sub-section (6) of section 153] in so far as they relate to payments on account of supply of goods [2][from] which tax is deductible under the said section shall not apply in respect of any person being a manufacturer of such goods, unless he opts for the presumptive tax regime:

Provided that a declaration of option is furnished in writing within three months of the commencement of the [3][tax] year and such declaration shall be irrevocable and shall remain in force for three years:

Provided further nothing contained in this clause shall apply to any manufacturer of goods for which special rates of deduction of tax are specified under the [1][repealed] Ordinance."

[1]Substituted for "replaced" by Finance Act, 2003, dated June 17, 2003. The relevant clause of Finance At, 2003 does not mention the place of substitution. Anyhow apparently intended substitution is made in the Second Proviso.
[1]Substituted for "section 153" by Finance Ordinance, 2002 dated June 15, 2002.
[2]Word inserted by Finance Act, 2003, dated June 17, 2003.
[3]Substituted for "income" by Finance Act, 2003, dated June 17, 2003.

Cl. (41)–Omission.–Before omission by Finance Act, 2017, it read as follows:–

"(41) The provisions of [1][sub-section [2]*[*(1B) of section 152*]*] shall not apply in respect of a non-resident person unless he opts for the presumptive tax regime:

Provided that a declaration of option is furnished in writing within three months of the commencement of the [3][tax] year and such declaration shall be irrevocable and shall remain in force for three years."

[1]Substituted for "section 153" by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "(7) of section 153" by Finance Act, 2006 dated July 01, 2006
[3]Substituted for "income" by Finance Act, 2003 dated June 17, 2003.

Cls. (41A), (41AA), (41AAA) & (41B)–Omission.–Before omission by Finance Act, 2014, these read as follows:–

"**(41A**) The provisions of sub-section (7) of section 148 and clause (a) of sub-section (1) of section 169 shall not apply in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime shall not be less than 60% of tax already collected under sub-section (7) of section148."

"**(41AA**) The provisions of sub-section (4) of section 154 and clause (b) of sub-section (1) of section 169 shall not apply in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime shall not be less than 50% of tax already deducted under sub-section (4) of section 154."

"**(41AAA)** The provisions of clause (a) of sub-section (1) of section 153 and clause (b) of sub-section (1) of section 169 shall not apply in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime shall not be less than 70% of tax already deducted under clause (a) of sub-section (1) of section 153."

Cl. (41A))–Omission.–Before omission by F. Act, 2008, it read as follows:–

"**(41A)** Notwithstanding anything contained in the Finance Act, 2005 (VII of 2005), with respect to the omission of clause (40) of Part IV of the Second Schedule to this Ordinance, nothing in sub-section (6A) of Section 153 of this Ordinance shall apply to any person being a manufacturer, where declaration of option for the presumptive tax regime has been furnished and transactions pertaining to such option have been undertaken and completed on or before the 30th June, 2005:

Provided that all declaration of options already furnished shall cease to have effect after the 30th June, 2005."

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(42) The provisions of[1][sub-section [2][(3)] of section 153] shall not apply in respect of payments received by a resident person for providing services by way of operation of container or chemical or oil terminal at a sea-port in Pakistan or of an infrastructure project covered by the Government's Investment Policy, 1997.

[3&4][ ]

[5][**(43A)**The provisions of sub-section (1) of section 153 shall not apply to payments received by a person [6][ ] on account of supply of petroleum product imported by the same person under the Government of Pakistan's de-regulation policy of POL products;]

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[1]Substituted for "section 153" by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "(6)" by Finance Act, 2011 dated June 30, 2011.
[3]Clause (42A) omitted by Finance Act, 2008 dated June 27, 2008. It was inserted by SRO 1205(I)/2005, dated December 06, 2005.
[4]Clause (43) omitted by Finance Act, 2004, w.e.f. July 1, 2004.
[5]Clause (43A) substituted by Finance Act, 2003 dated June 17, 2003. Earlier it was inserted by Finance Ordinance, 2002 dated June 15, 2002.
[6]Words etc. "including Permanent Establishment of Non-resident Petroleum Exploration and Production (E&P) Companies" omitted by Finance Act, 2008 dated June 27, 2008. Earlier these were inserted by Finance Act, 2007 dated July 1, 2007.

Cl. (41B)–Omission.–Before omission by Finance Act, 2014, it read as follows:–

"**(41B)** The provisions of sub-section (2) of section 152 shall not apply in respect of payments to foreign news agencies, syndicate services and non-resident contributors, who have no permanent establishment in Pakistan."

Cl. (41B)-Remittance to non-resident news services etc.-Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"A new clause (41B) has been inserted in Part IV of Second Schedule to the Income Tax Ordinance, 2001 to exempt payments/ remittances made to non-resident from withholding tax under section 152(2), in respect of –

(i) news agencies;
(ii) syndicate services; and
(iii) individual contributors/writers;

who do not have Permanent Establishment in Pakistan."

Cl. (42A)–Omission.–Before omission by F. Act, 2008, it read as follows:–

"**(42A)** The provisions of sub-section (6) of section 153 shall not apply in respect of payments received by a person for supply of relief goods for earthquake victims against funds from the President Relief Fund for Earthquake Victims, 2005, or any other such source of the Government or the purchases made by approved voluntary Non-Profit Organizations or welfare bodies for the aforesaid purpose."

Cl. (43)–Omission.–Before omission by Finance Act, 2004, read as follows:–

"(43) The provisions of [1][sub-section (1) of section 153] shall not apply to payments received by Pak-Arab Refinery Limited on account of supply of [2][its] products."

[1]Substituted for "section 153" by Finance Ordinance, 2002 dated June 15, 2002.
[2]Substituted for "it" by Finance Act, 2003, dated June 17, 2003.

Cl. (43A)-Supply of Petroleum products by E&P Companies.-Following is an extract from FBR's Circular No. 5 of 2008 dated July 05, 2008:-

"Last year, clause (43A) of the second schedule was amended to provide exemption from withholding tax on supply of petroleum products by Permanent Establishment (PE) of Non-resident Petroleum, Exploration and Production Companies. However, due to drafting deficiency, the amendment was prone to misinterpretation. By amending clause (46) of Part-IV of the Second Schedule, exemption from deduction of tax under section 153 on payments relating to supplies made by PE of non-resident E&P companies has been provided."

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[1][**(43B)** The provisions of clause (a) sub-section (1) of section 153 shall not apply to payments received on sale of air tickets by traveling agents, who have paid withholding tax on their commission income.]

[1a][**(43C)** The provision of clause (a) of sub-section (1) of section 153 shall not be applicable to any payment received by a petroleum agent or distributor who is registered under Sales Tax Act, 1990 on account of supply of petroleum products.]

[2][**(43D)** The provisions of [3][clauses (a) and (b)] of sub-section (1) of section 153 shall not apply in case of an oil tanker contractor with effect from 1st July 2008, provided that such contractor pays tax @ 2.5%, on the payments for rendering or providing of carriage services [4][ ].]

[5][**(43E)** The provisions of [3][clauses (a) and (b)] of sub section (1) of section 153 shall not apply in case of goods transport contractors, provided that such contractors pay tax at the rate of [6][3.5%] on payments for rendering or providing of carriage services.]

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[1]Clause (43B) inserted by Finance Act, 2007 dated July 1, 2007. Earlier a different cl. (43B) was omitted by Finance Act, 2003, dated June 17, 2003 after being inserted by SRO 830(I)/2002 dated November 22, 2002.

[1a]Clause (43C) inserted by SRO 57(I)/2012 dated January 24, 2012. Earlier clauses (43C), (43D), (43E) omitted by Finance Act, 2003, dated June 17, 2003. Earlier cl. (43C) was inserted by SRO 961(I)/2002, dated December 23, 2002; cl. (43D) was inserted by SRO 253(I)/2003, dated March 7, 2003, dated June 17, 2003 and cl. (43E) was inserted by SRO 408(I)/2003, dated May 8, 2003.

[2]Clause (43D) inserted by SRO 126(I)/2013 dated February 13, 2013.

[3]Substituted for "clause (a)" by Finance Act, 2021 dated June 30, 2021.

[4]Expression "w.e.f. tax year 2012" omitted by Finance Act, 2021 dated June 30, 2021.

[5]Clause (43E) inserted by SRO 980(I)/2013 dated November 18, 2013.

[6]Substituted for "3%" by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted for "2.5" by Finance Act, 2019 dated June 30, 2019.

Cl. (43A)-Non-resident petroleum companies.-Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Law provides exemption from withholding tax on any payment received by an oil distribution company or an oil refinery for supply of its petroleum products. In order to bring at par the non-resident petroleum exploration & production companies, PEs of the non-resident companies have also been exempted from withholding tax on supply of crude oil and gas."

Cl. (43A)–Substitution.–Before substitution by F. Act, 2003, it read as follows:–

"**(43A)**The provisions of section 153, shall not apply to payments received by M/s Total PARCO Pakistan Limited for the supply of petroleum products."

Cl. (43B)-WHT on sale of air tickets.-Following is an extract from CBR's Circular No. 1 of 2007 dated July 2, 2007:-

"Traveling agents are paid commission by airlines which is liable to WHT @ 10% and is treated as final tax. While receiving payments on account of sale of air tickets, the same are again subject to WHT tax, which being excess deduction is refundable. a new clause (43B) has been inserted in Part IV of Second Schedule to the Income Tax Ordinance, 2001. Consequently, withholding tax on sale of air tickets made by traveling agents who have paid WHT on their commission income, will not be collected."

Cls. (43B)& (43C)–Omission.–Before omission by F. Act, 2003, these read as follows:–

"**(43B)** The provisions of section 153 shall not apply to the payments received by Al Rahim Trading Co. (Pvt) Limited, Karachi for the supply of petroleum products."

"**(43C)** The provisions of section 153 shall not apply to the payments received by Hascombe Storage (Pvt) Limited, Karachi, for the supply of petroleum products."

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[1][**(43F)** The provisions of section 153 shall not apply in the case of a start-up, being recipient of payment, as defined in clause (62A) of section 2.]

[2][**(43G)** The provisions of section 153 shall not apply to commodity futures contracts listed on a Futures Exchange licensed under the Futures Market Act, 2016 (XIV of 2016).]

[3][**(43H)** The provisions of clause (b) of sub-section (1) of section 153 shall not apply to an exhibitor or a distributor of a feature film, as a payer, on payment made to a distributor, producer or importer of a feature film.]

[4][ ]

(45) The provisions of [5][sub-section [6]*[*(1)*]* of section 153] shall not apply to any manufacturer-cum-exporter as [7][the prescribed person]:

Provided that–

(a) the manufacturer-cum-exporter shall deduct tax from payments made in respect of goods sold in Pakistan;

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[1]Clause (43F) inserted by Finance Act, 2017 dated June 20, 2017.
[2]Clause (43G) inserted by Finance Act, 2021 dated June 30, 2021.
[3]Clause (43H) inserted by Finance Act, 2022 dated June 30, 2022.
[4]Clause (44) omitted by Finance Act, 2005 dated June 29, 2005.
[5]Substituted for "section 153" by Finance Ordinance, 2002 dated June 15, 2002.
[6]Substituted for "(6)" by Finance Act, 2003 dated June 17, 2003.
[7]Substituted for "a payer" by Finance Act, 2003 dated June 17, 2003.

Cls. (43D) & (43E)–Omission.–Before omission by F. Act, 2003, these read as follows:–

"**(43D)** The provisions of section 153 shall not apply to the payments received by M/s. Overseas Trading Corporation, Karachi, for the supply of petroleum products."

"**(43E)**The provisions of section 153 shall not apply to the payments received by M/s. ICI Pakistan Limited, for the supply of petroleum products."

Cl. (44)–Omission.–Following is an extract from 'Notes on Clauses of Finance Bill 2005':-

"Seeks to omit a clause which have been grouped with other similar clauses under a single clause;"

Clause (44) before omission by Finance Act, 2005, read as follows:–

"(44) The provisions of section [1][148] shall not apply to an indirect exporter as defined in the Duty and Tax Remission for Export Rules, 2001 issued under Notification No. S.R.O. [*]185(I)/2001, dated the 21st March 2001."

[1]Substituted for "153" by Finance Ordinance, 2002 dated June 15, 2002.

[*]SRO 185(I)/2001, dated March 21, 2001, had already been repealed by Customs Rules, 2001 notified vide SRO 450(I)/2001, dated June 18, 2001 and the subject was included in the Customs Rules, 2001.

Futures commodity markets.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Development of regulated commodity markets is another important step of the Government. In order to provide enabling environment, for warehousing services, and collateral management services a reduced rate of 3% instead of 8% have been made. In a coordinated move, the establishment of storage houses, issuance of electronic warehouse receipts and their trading on Pakistan Mercantile Exchange are further parts of agricultural transformation plan. In order to provide enabling environment for the trading of electronic warehousing receipts on Pakistan Mercantile Exchange, exemption to futures commodity contracts from withholding tax under section 153(1)(a) has been granted by introduction of clause (43G) In Part IV of the Second Schedule of the Ordinance."

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(b) if tax has not been deducted from payments on account of supply of goods in respect of goods sold in Pakistan, the tax shall be paid by the manufacture-cum-exporter, if the sales in Pakistan are in excess of five per cent of export sales [1][.]

[2][ ]

[3][**(45A)** [4][ ] The rate of deduction of withholding tax under clauses (a) and (b) of sub-section (1) of section 153 shall be one percent on local sales, supplies and services provided or rendered to the [5][taxpayer falling in the] following categories [6][ ], namely:-

(i) textile and articles thereof;
(ii) carpets;
(iii) leather and articles thereof including artificial leather footwear;
(iv) surgical goods; and
(v) sports goods;

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[1]Substituted for "; and" by Finance Act, 2021 dated June 30, 2021.
[2]Clause (c) omitted by Finance Act, 2021 dated June 30, 2021.
[3]Clause (45A) substituted by SRO 333(I)/2011 dated May 02, 2011. Earlier it was inserted by SRO 288(I)/2011 dated April 01, 2011.
[4]Word "(a)" omitted by Finance Act, 2021 dated June 30, 2021.
[5]Words inserted by SRO 669(I)/2013 dated July 17, 2013.
[6]Words "of sales tax zero-rated taxpayers" omitted by SRO 669(I)/2013 dated July 17, 2013.

Clause (45)(c)- Before omission by Finance Act, 2021, read as follows:–

"(c) nothing contained in this clause shall apply to payments made on account of purchase of the goods in respect of which special rates of tax deduction have been specified [1][under the provisions of the repealed Ordinance]."

[1]Substituted for "in exercise" by Finance Act, 2003, dated June 17, 2003.

Withholding regime for exporters.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Following two measures have been introduced to streamline withholding taxes of export oriented sector:

a) Exporters are exempted from withholding tax provisions regarding payment for supply of goods. However, this exemption was not available when reduced rate is provided under the Ordinance for certain goods. In order to remove distort ion this anomaly has been removed. Necessary changes in clause (45) of Part IV of Second Schedule have been made.

b) Many withholding agents of export oriented sectors are defying the provision of law by misinterpreting the language. An explanation has been added that reduced rate is applicable to goods and services related to export oriented sector only. Necessary changes in clause (45A) of Part IV of Second Schedule have been made."

Cl. (45A)–Substitution.– Before substitution by SRO 333(I)/2011, it read as follows:–

"(45A)(a) The rate of deduction of withholding tax under clauses (a) and (b) of sub-section (1) of section 153 shall be one percent on local sales, supplies or services made or rendered to the following categories of sales tax zero-rated taxpayers, namely:-

(i) textile and articles thereof;
(ii) carpets;
(iii) leather and articles thereof including artificial leather footwear;
(iv) surgical goods; and
(v) sports goods;

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[1][*Explanation*.- For removal of doubt, it is clarified that the relief of reduced rate for withholding tax under clause (a) and (b) of subsection (1) of section 153 is available only to the local sales, supplies and services made by the taxpayers of categories specified at serial no (i) to (v) of this clause:]

[2][Provided that the rate of deduction of withholding tax under clauses (a) and (b) of sub-section (1) of section 153 shall be 0.5% on local sales, supplies and services made by traders of yarn to the above mentioned categories of taxpayers.]

[3, 4][ ]

[1]Explanation inserted by Finance Act, 2021 dated June 30, 2021.
[2]Proviso substituted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was substituted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.
[3]Clause (b) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it substituted for "; and" by Tax Laws (Amendment) Act, 2020 dated March 30, 2020 & same was substituted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.
[4]Clause (c) omitted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was omitted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

(b) provisions of clause (a) of sub-section (1) of section 111 of the Income Tax Ordinance, 2001 (XLIX of 2001) shall not apply to the amounts credited in the books of accounts maintained for the period ending the 30th June, 2011 by the sellers suppliers, service providers to the categories of sales tax zero-rated taxpayers as mentioned at sub-clause (i) above; and

(c) provisions of sub-clauses (a) and (b) above shall be applicable only to new cases of sellers, suppliers, service providers of the above mentioned categories of sales tax zero-rated taxpayers, who get themselves registered by the 30th June, 2011."

(45A)-Proviso-Substituted.- Before substitution it read as follows:-

"Provided that withholding tax under clauses (a) and (b) of sub-section (1) of section 153 shall not be deducted from sales, supplies and services made by traders of yarn to the above mentioned categories of taxpayers. Such traders of yarn shall pay minimum tax @ 0.1% on their annual turnover on monthly basis on 30th day of each month and monthly withholding tax statement shall be e-filed under the provisions of section 165 of this Ordinance;"

(45A)(b)-Omission.- Before omission it read as follows:-

"(b) provisions of clause (a) of sub-section (1) of section 111 of this Ordinance shall not apply to the amounts credited in the books of accounts maintained for the period ending on the 30th June, 2011, by the sellers suppliers, service providers to the categories of sales tax zero-rated taxpayers, as mentioned in sub-clause (a) [1][.]"

[1]Substituted for "; and" by Tax Laws (Amendment) Act, 2020 dated March 30, 2020 & same was substituted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

(45A)(c)-Omission.- Before omission it read as follows:-

"(c) provisions of sub-clauses (a) and (b) above shall be applicable only to the cases of sellers, suppliers, service providers of the above mentioned categories of sales tax zero-rated taxpayers, who are already registered and to those taxpayers who get themselves registered by the 30th June, 2011."

Provisions regarding used vehicles.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Used vehicle market is working in an undocumented environment. In order to promote documentation and corporatization of this sector has been granted exemption from withholding tax on the purchase of used vehicle from general public and reduced minimum turnover tax from 1.5% to 0.25%. Necessary changes have been made in clause (45B) of Part IV of Second schedule."

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[1][**(45B)** The provisions of section 153 shall not apply on the purchase of used motor vehicles from general public.]

[2][**(46)** The provisions of sub-section (1) of section 153 shall not apply to any payment received by an oil distribution company or an oil refinery [3][[4][and provisions of sub-section (2A) of section 152 shall not apply to] Permanent Establishment of Non-resident Petroleum Exploration and Production (E&P) Companies] for supply of its petroleum products.]

[5][ ]

[6][**(46AA)** The provisions of section 153 shall not apply to the following persons as recipients of payment, namely:-

(i) a Provincial Government;

(ii) a local authority;

(iii) persons who are residents of Azad Kashmir and execute contracts in Azad Kashmir only and produce a certificate to this effect from the concerned income tax authority;

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[1]Clause (45B) inserted by Finance Act, 2021 dated June 30, 2021.

[2]Clause (46) substituted by Finance Act, 2004, w.e.f. July 1, 2004.

[3]Words inserted by Finance Act, 2008 dated June 27, 2008.

[4]Substituted for "or" by Finance Act, 2015 dated June 30, 2015.

[5]Clause (46A) omitted by Finance Act, 2026 dated June 26, 2026. Earlier clauses (46A) and (46B) inserted by SRO 847(I)/2007 dated August 22, 2007, clauses (46A) and (46B) relating to Total Parco and Enar Tech respectively were omitted by Finance Act, 2004, w.e.f. July 1, 2004 after being inserted by SRO 855(I)/2003 dated August 29, 2003 and SRO 856(I)/2003 dated August 27, 2003, respectively.

[6]Clause (46AA) inserted by Finance Act, 2020 dated June 30, 2020.

Cl. (46)–Substitution.–Before substitution by Finance Act, 2004, read as follows:–

"(46) The provisions of [1][sub-section (1) of section 153], shall not apply in respect of payments received on account of supply of petroleum products by Attock Petroleum Limited."

[1]Substituted for "section 153" by Finance Ordinance, 2002 dated June 15, 2002.

Cl. (46)-Petroleum related businesses.-Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to exempt oil distributing companies and oil refineries from withholding tax on supply of petroleum products."

Cl. (46A)–Omission.–Before omission by Finance Act, 2026, read as follows:–

"**(46A)** The provisions of sub-section [1][(3)] of section 153 shall not apply to any payment received by a manufacturer of iron and steel products relating to sale of goods manufactured by him."

[1]Substituted for "(6)" by Finance Act, 2011 dated June 30, 2011. Earlier it was substituted for "(6B) by Finance Act, 2008 dated June 27, 2008.

Cl. (46A)–Omission.–Before omission by Finance Act, 2004, read as follows:–

"**(46A)** The provisions of sub-section (1) of section 153 shall not apply to the payments received by M/s. TOTAL PARCO Pakistan Limited (TPPL) for the supply of petroleum products."

Measures relating to meat industry.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Organized sector of meat is facing many problems being withholding agent. Therefore, the live animals, raw hides and un packaged meat have been included in the definition of agriculture produce so that withholding tax provisions are not attracted. Changes have been introduced in clause (46AA) of Part IV of Second Schedule."

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[1][(iv) subject to fulfillment of procedure laid down in clause (12) of Part IV of Second Schedule, persons receiving payments exclusively for the supply of agriculture produce including following-

(I) fresh milk;

(II) fish by any person engaged in fish farming;

(III) live chicken, birds and eggs by any person engaged in poultry farming;

(IV) live animals by any person engaged in cattle farming;

(V) unpackaged meat; and

(VI) raw hides:

Provided that this clause shall not apply to the payments for agriculture produce which has been subjected to any process other than that which is ordinarily performed to render such produce to be fit to be taken to the market.]

[2][(v) companies receiving payments for the supply of electricity and gas including companies receiving payments for the transmission of electricity and gas.]

(vi) companies receiving payments for the supply of crude oil;

(vii) hotels and restaurants receiving payments in cash for providing accommodation or food or both, as the case may be;

(viii) shipping companies and air carriers receiving payments for the supply of passenger tickets and for the cargo charges of goods transported;

(ix) individuals who are not registered under section 181 of the Ordinance, receiving payments for the supply of sand, bricks, grit, gravel, crushed stone, soft mud or clay; and

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[1]Clause (46AA)(iv) substituted by Finance Act, 2021 dated June 30, 2021.
[2]Clause (46AA)(v) substituted by Finance Act, 2021 dated June 30, 2021.

Cl. (46AA)(iv)–Substitution.–Before substitution by Finance Act, 2021, read as follows:–

"(iv) persons receiving payments from a company or an association of persons having turnover of fifty million rupees or more or from an individual having turnover of fifty million rupees or more exclusively for the supply of agriculture produce including fresh milk, fish by any person engaged in fish farming, live chicken, birds and eggs by any person engaged in poultry farming and by an industrial undertaking engaged in poultry processing which has not been subjected to any process other than that which is ordinarily performed to render such produce fit to be taken to market;"

Cl. (46AA)(v)–Substitution.–Before substitution by Finance Act, 2021, read as follows:–

"(v) companies receiving payments for the supply of electricity and gas;"

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(x) artisans, plumbers, electricians, surface finishers, carpenters, painters or daily wagers, receiving payments in respect of services provided or rendered to the construction sector including construction of buildings, roads, bridges and other such structures or the development of land, subject to the following conditions, namely:-

(a) services under this clause are provided or rendered by an individual who is not registered under section 181;

(b) the name, Computerized National Identity Card Number and address of such individual is recorded by the recipient of such service; and

(c) payment for such services is made directly to such individual.]

[1to3][ ]

[4][**(47A)** The provisions of section 153 shall not apply in respect of payments received by a resident person for supply of such goods as were imported by the same person and on which tax has been paid under section 148.]

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[1]Clause (46B) omitted by Finance Act, 2009 dated June 30, 2009. Earlier it was inserted by SRO 847(I)/2007 dated August 22, 2007.

[2]Clause (46C) omitted by Finance Act, 2004, w.e.f. July 1, 2004. Earlier it was inserted by SRO 857(I)/2003, dated August 27, 2003.

[3]Clause (47) omitted by Finance Act, 2009 dated June 30, 2009.

[4]Clause (47A) inserted by Finance Ordinance, 2002 dated June 15, 2002.

Cl. (46B)–Omission.–Before omission by Finance Act, 2009, read as follows:–

"**(46B)** The provisions of sub-section (6B) of section 153, in so far as they relate to payments on account of sale of goods from which tax is deductable under section 153, shall not apply in respect of an individual or association of persons being a manufacturer of such goods, for the tax year 2007."

Cls. (46B) and (46C)–Omission.–Before omission by Finance Act, 2004, read as follows:–

"**(46B)** The provisions of sub-section (1) of section 153 shall not apply to the payments received by M/s. Enar Petrotech Services (Pvt) Limited for the supply of its products."

"**(46C)** The provisions of sub-section (1) of section 153 shall not apply to the payments received by M/s. Bosicor Pakistan Limited for the supply of its products."

Cl. (47)–Omission.–Before omission by Finance Act, 2009, read as follows:–

"(47) The provisions of [1][sections 151 and 155] shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax."

[1]Substituted for "section 153" by Finance Ordinance, 2002 dated June 15, 2002.

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[2][**(47B)** The provisions of sections 150, 151 [3][151A] [4][,] 233 [5][and Part I, Division VII of the First Schedule] shall not apply to any person making payment to National Investment Unit Trust or a collective investment scheme [6][ ] or Approved Pension Fund or an Approved Income Payment Plan or a REIT Scheme [7][including Special Purpose Vehicle] [6][ ] or a recognized provident fund or an approved superannuation fund or an approved gratuity fund.]

[8][***Explanation***.— For the purpose of this clause, Special Purpose Vehicle shall have the same meaning as defined under the Real Estate Investment Trust Regulations, 2015.]

[9][**(47C)** The provisions of sub-section (1) of section 154 shall not apply to an exporter in respect of cooking oil or vegetable ghee exported to Afghanistan, from whom advance tax has been collected under section 148 on import of edible oil.]

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[2]Clause (47B) substituted by Finance Act, 2008 dated June 27, 2008. It was inserted by Finance Ordinance, 2002 dated June 15, 2002.
[3]Inserted by Finance Act, 2026 dated June 26, 2026.
[4]Substituted for "and" by Finance Act, 2012 dated June 26, 2012.
[5]Words inserted by Finance Act, 2012 dated June 26, 2012.
[6]Words "or a modaraba" & "or a Private Equity and Venture Capital Fund" respectively omitted by Finance Act, 2021 dated June 30, 2021.
[7]Words inserted by Finance (Supplementary) Act, 2022 dated January 15, 2022.
[8]Explanation inserted by Finance (Supplementary) Act, 2022 dated January 15, 2022.
[9]Clause (47C) inserted by Finance Act, 2004, w.e.f. July 1, 2004.

Cl. (47B)-Substitution.- Before substitution by F.A. 2008, it read as follows:-

"**(47B)** The provisions of sections 150, 151 and 233 shall not apply to any person making payment to National Investment (Unit) Trust or a mutual fund established by the Investment Corporation of Pakistan or [2]*[*a collective investment scheme authorized or registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 or a modaraba*]* [3]*[*or Approved Pension Fund or an Approved Income Payment Plan constituted by a Pension Fund Manager registered under Voluntary Pension System Rules, 2005 [4][or a Real Estate Investment Trust approved and authorized under Real Estate Investment Trust Rules, 2006, established and managed by a REIT Management Company licensed under the Real Estate Investment Trust Rules, 2006 [5]*[*or a Private Equity and Venture Capital Fund*]]*.

[2]Substituted for "an Investment Company registered under the Investment Companies and Investment Advisors Rules, 1971 or a Unit Trust Scheme constituted by an Asset Management Companies Rule, 1995, or a modaraba management company" by Finance Act, 2003, dated June 17, 2003.
[3]Words inserted by Finance Act, 2005, June 29, 2005.
[4]Words etc. inserted by Finance Act, 2006, July 01, 2006.
[5]Words inserted by Finance Act, 2007, June 30, 2007.

Cl. (47B).- Rationalization of Exemptions from Specific Provisions [Part IV of the Second Schedule - clauses (47B), (111AB), (114A) and (115)]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Amendment has been made in clause (47B) of Part IV of the Second Schedule to provide that advance withholding tax on capital gains on debt securities under section 151A shall also not apply to collective investment scheme and such other persons as specified in that clause as recipient of payment."

Cl. (47C).–Following is an extract from 'Notes on Clauses of Finance Bill, 2004' explaining the amendment:–

"Seeks to exempt export proceeds of cooking oil/vegetable ghee exported to Afghanistan from deduction of withholding tax."

Cl. (47D)-Substitution.–Before substitution by Finance Act, 2011, it read as follows:–

"(47D) The provisions of sub-section (6A) of section 153 shall not apply to cotton ginners."

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[1][**(47D)** The provisions of clause (a) of sub-section (3) of section 153 shall not apply to cotton ginners.]

[2][ ]

[3][ ]

[4][ ]

[1]Clause (47D) substituted by Finance Act, 2011 dated June 30, 2011. Earlier it was inserted by SRO 989(I)/2005, dated September 19, 2005.

[2]Clauses (48), (49), (50) and (51) omitted by Finance Act, 2003, dated June 17, 2003.

[3]Clause (52) omitted by Finance Act, 2010 dated June 30, 2010.

[4]Clauses (53), (54) and (55) omitted by Finance Act, 2005, dated June 29, 2005. Earlier: Clause (53) was inserted by SRO 833(I)/2004, dated September 29, 2004; Clause (54) was inserted by SRO 174(I)/2005, dated February 17, 2005; and Clause (55) was inserted by SRO 423(I)/2005, dated May 13, 2005.

Cls. (48), (49), (50) and (51)–Omission.–Before omission by Finance Act, 2003, read as follows:–

"(48) The provisions of section 236 shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax."

"(49) The provisions of section 236 shall not apply where the subscriber is a non-taxable non-profit organisation."

"(50) The provisions of section 234 shall not apply to a person who produces a certificate from Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax."

"(51) The provisions of section 235 shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax."

Cls. (53) and (54)–Omission.-Following is an extract from 'Notes on Clauses of Finance Bill 2005':–

"Seeks to omit two clauses which have been grouped with other similar clauses under a single clause;"

Cl. (52)–Omission.–Before omission by Finance Act, 2010, it read as follows:–

"(52) The provisions of clause (vi) of Notification No. SRO 593(I)/91, dated the 30th June, 1991, shall not apply to any importer being an industrial undertaking engaged in the manufacture of vanaspati ghee or oil."

Cls. (53, (54) and (55)-Omission.-Before omission by Finance Act, 2005, read as follows:–

"**(53)** The provisions of [1]*[*sections 148 and 153*]* shall not apply to the wheat imported by Trading Corporation of Pakistan in pursuance of Economic Coordination Committee of the Cabinet's decision No. ECC-67/5/2004 dated the 2nd July, 2004."

[1]Substituted for "section 148" by SRO 918(I)/2004, dated November 11, 2004.

"(**54**) The provisions of section 148 shall not apply to sugar imported in pursuance of Economic Coordination Committee of the Cabinet's decision No. ECC16/2/2005 dated 08-02-2005."

"(**55**) The provisions of section 148 shall not apply to the import of the following items, namely:-

(a) onions;

(b) potatoes;

(c) tomatoes;

(d) garlic;

(e) halal meat of –

(1) (i) goat; and
(ii)sheep; and

(2) beef; and

(f) live animals (bovine animals i.e. buffalos, cows, sheep, goats and camels only)."

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[1][**(56)** The provisions of section 148, regarding withholding tax on imports shall not apply in respect of-

(i) goods classified under Pakistan Customs Tariff falling under [2][Chapter 86 and 99 except PCT Heading 9918];

[3][(ia) Petroleum oils and oils obtained from bituminous minerals crude (PCT Code 2709.0000), Furnace-oil (PCT Code 2710.1941), High speed diesel oil (PCT) Code 2710.1931), Motor spirit (PCT Code 2710.1210), J.P.1 (PCT Code 2710.1912), base oil for lubricating oil (PCT Code 2710.1993), Light diesel oil (PCT Code 2710.1921) and Super Kerosene Oil imported by Pakistan State Oil Company Limited, Shell Pakistan Limited, Attock Petroleum Limited, Byco Petroleum Pakistan Limited, Admore Gas Private Limited, Chevron Pakistan Limited, Total-PARCO Pakistan(Private) Limited, Hascol Petroleum Limited, [4][Bakri Energy (Private) Limited], Gas and Oil Pakistan (Pvt) Ltd [5][or any other oil marketing company licensed by Oil and Gas Regulatory Authority (OGRA)] and oil refineries.]

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[1]Clause (56) substituted by Finance Act, 2008 dated June 27, 2008. Earlier it was substituted by SRO 567(I)/2008 dated June 11, 2008 and was originally inserted by Finance Act, 2005, June 29, 2005.
[2]Substituted for "Chapter 27, 86 and 99" by Finance Act, 2015 dated June 30, 2015.
[3]Sub-clause (ia) inserted by Finance Act, 2015 dated June 30, 2015.
[4]Substituted for "Bakri Trading Company Pakistan (Pvt) Ltd, Overseas Oil Trading Company (Pvt) Ltd"by Finance Act, 2017 dated June 20, 2017.
[5]Words inserted by Finance Act, 2017 dated June 20, 2017.

Cl. (56), substitution.-Before substitution by Finance Act 2008 and as substituted by SRO 567(I)/2008,read as follows:-

"**(56)** The provisions of section 148, shall not be applicable to the import of goods classified under Pakistan Customs Tariff falling under Chapters 27, 52.01, 86 and 99."

The clause before substitution by SRO 567(I)/2008, read as follows:-

"**(56)** The provisions of section 148, regarding withholding tax on imports, shall not apply in respect of;–

(i) goods or classes of goods imported by contractors and sub-contractors engaged in the execution of power project under the agreement between the Islamic Republic of Pakistan and Hub Power Company Limited;

(ii) such specially equipped motor vehicle or support equipment imported by a disabled person, as is allowed by the Federal Government;

(iii) such goods imported into Pakistan as are exempt from customs duties and sales tax under Headings 9913, 9914 and 9915 of Sub-Chapter III of Chapter 99 of First Schedule the Customs Act, 1969 (IV of 1969);

(iv) goods imported by direct and indirect exporters covered under -

(a) Sub-Chapter 4 of Chapter XII of S.R.O. 450(I)/2001 dated18.06.2001;

(b) Sub-Chapter 6 of Chapter XII of S.R.O. 450(I)/2001 dated 18.06.2001; and

(c) Sub-Chapter 7 of Chapter XII of S.R.O. 450(I)/2001 dated 18.06.2001;

(v) goods specified under Heading 9929, Sub-Chapter VIII of Chapter 99 of the First Schedule to the Customs Act, 1969 (IV of 1969);

[1][(vi) Liquefied Petroleum Gas (LPG)

[1]Sub-Clauses (vi) and (vii) substituted by Finance Act, 2006 dated July 01, 2006.

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(ii) goods imported by direct and indirect exporters covered under sub-chapter 7 of Chapter XII of SRO 450(1)/2001 dated June 18, 2001.

(iii) goods temporarily imported into Pakistan for subsequent exportation and which are exempt from customs duty and sales tax under Notification [1][No.492(I)/2009, dated the 13th June, 2009]; [2][ ]

[3][(iiia) Goods temporarily imported into Pakistan by international athletes which would be subsequently taken back by them within one hundred and twenty days of temporary import;]

(iv) Manufacturing Bond as prescribed under Chapter XV of Customs Rules, 2001 notified *vide* S.R.O. 450(I)/2001, dated June 18, 2001 [4][; and]

[5][(v) mineral oil imported by a manufacturer or formulator of pesticides which is exempt from customs-duties under the customs Notification No. S.R.O. 857(I)/2008, dated the 16th August, 2008.]

[6][(vi) the Federal Government;

(vii) a Provincial Government;

(viii) a Local Government;

(ix) a foreign company and its associations whose majority share capital is held by a foreign government;

(x) a person who imports plant and machinery for execution of a contract with the Federal Government or a provincial government or a local government and produces a certificate from that government;

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[1]Substituted for "No. S.R.O. 1065(I)/2005, dated the 20th October, 2005" by Finance Act, 2012 dated June 26, 2012.
[2]Word "and" omitted by SRO 860(I)/2008 dated August 19, 2008.
[3]Sub-clause (iiia) inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.
[4]Substituted for full stop by SRO 860(I)/2008 dated August 19, 2008.
[5]Sub-clause (v) inserted by SRO 860(I)/2008 dated August 19, 2008.
[6]Sub-clause (vi) to (xii) inserted by Finance Act, 2020 dated June 30, 2020.

(vii) Liquefied Natural Gas (LNG)]

(viii) agricultural tractors imported in CBU condition;

(ix) an indirect exporter as defined in the Duty and Tax Remission for Export Rules, 2001 issued under Notification No. S.R.O. 85(I)/2001, dated the 21st March 2001;

[2][(x) Radio Navigational Aid Apparatus imported for an airport on or after first January, 2006.]

[2]Sub-clause (x) substituted by Finance Act, 2006 dated July 01, 2006.

Exemption from tax on import.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Currently the import of books, corn harvester and silage making machines, motor vehicles upto 1000cc are subject to tax at the rate of 5.5% on import. These have been exempted from collection of advance income tax at the import stage by inclusion in Clause (56) of Part IV of the Second Schedule."

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(xi) companies importing high speed diesel oil, light diesel oil, high octane blending component or kerosene oil, crude oil for refining and chemical used in refining thereof in respect of such imports; and

(xii) Petroleum (E&P) companies covered under the Customs and Sales Tax Notification No. S.R.O. 678(I)/2004, dated the 7th August, 2004, except motor vehicles imported by such companies.]

[1][(xiii) Goods produced or manufactured and exported from Pakistan which are subsequently imported in Pakistan within one year of their exportation, provided conditions of section 22 of the Customs Act, 1969 (IV of 1969) are complied with;

(xiv) plant and machinery imported for setting up of a bagasse/biomass based cogeneration power project qualifying for exemption under clause (132C) of Part-I of this Schedule.;

(xv) persons authorized under Export Facilitation Scheme 2021 notified by the Board with such scope, conditions, limitation, restrictions and specification of goods.;

(xvi) motor vehicles upto 1000cc in CBU condition;

(xvii) Printed books excluding brochures, leaflets and similar printed matter, whether or not in single sheets.(PCT code 49.01);

(xviii) Newspapers, journals and periodicals, whether or not illustrated or containing advertising material (PCT code 49.02); and

(xix) blind talking mobile phones imported by blind persons as per rules issued by the Board (respective PCT headings);]

[2][(xx) Import of Cystagon, Cysta drops and Trientine capsules;]

[1]Clauses (56)(xiii) to (xix) inserted by Finance Act, 2021 dated June 30, 2021.
[2]Clause (56)(xx) inserted by Finance Act, 2025 in force from July 1, 2025.

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[4][ ]

(xii) import of the following items, namely:–

(a) onions;

(b) potatoes;

(c) tomatoes;

(d) garlic;

(e) *halal* meat of–

(1) (i) goat; and

(ii) sheep; and

(2) beef; and

(f) live animals (bovine animals *i.e.* buffalos, cows, sheep, goats and camels only);] [1][and]

[1][ ]

[2][(xiv) goods donated for the relief of earthquake victims as are exempt from customs duties and sales tax [3][;and]

[3][(xv) tents, tarpaulin and blankets.]

[4][ ]

[5][(xvii) import of ships and floating craft including tugs, dredgers, survey vessels and other specialised crafts, registered in Pakistan.]

[6][(xviii) goods specified in column (2) of the Table below, falling under the PCT heading number mentioned in column (3) of the said Table, namely:–

S.No.	Description of goods.	PCT heading number.
(1)	(2)	(3)
1.	Camera.	9007.1100
2.	Studio lights.	9405.4010
3.	Screen.	9010.6000
4.	Camera all kind lenses.	9002.1100
5.	Stand filters.	9002.2000
6.	Lenses video assist.	9002.1900
7.	Lights/studio lights.	9405.4010
8.	Laboratory for processing.	9010.5000
9.	Steam back.	9405.4010
10.	Mixing studio facility.	9010.5000
11.	Re-mixing and accessories.	9010.5000
12.	Jimmy gib.	9010.5000
13.	Negative.	9010.5000
14.	Positive.	9010.5000
15.	Sound .	9010.5000
16.	Magnetic sound/negative.	9010.5000
17.	Lighting equipment imported by M/s. Rafi Peer Theatre Workshop.	9405.4010.]

[1]Sub-clauses (xi), (xiii) and (xvi) omitted by Finance Act, 2006 dated July 01, 2006. Earlier, sub-clause (xiii) was inserted by SRO 1010(I)/2005, dated September 26, 2005; and sub-clause (xvi) was inserted by SRO 60(I)/2006, dated January 25, 2006 and the amendment "shall be deemed to have been so made on the 12th June 2004, later the sub-clause was substituted by SRO 517(I)/2006 dated June 2, 2006.

[2]Sub-clause (xiv) inserted by SRO 1034(I)/2005, dated October 10, 2005.

[3]Word "and" and sub-clause (xv) inserted by SRO 1037(I)/2005, dated October 14, 2005.

[4]Sub-clauses (xi), (xiii) and (xvi) omitted by Finance Act, 2006 dated July 01, 2006. See pre-page.

[5]Sub-clause (xvii) inserted by SRO 93(I)/2006 dated February 13, 2006.

[6]Sub-clause (xviii) inserted by SRO 272(I)/2006 dated March 21, 2006.

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[1][ ]

[2][ ]

[3][ ]

[1]Clause (56A) omitted by Finance Act, 2017 dated June 20, 2017. Earlier it was inserted by Finance Act, 2013 dated June 29, 2013.

[2]Clause (56B) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by SRO 341(I)/2014 dated May 02, 2014.

[3]Clause (56B) omitted by Finance Act, 2018 dated May 23, 2018. Earlier it was inserted by Finance Act, 2014 dated June 26, 2014.

Cl. (56A), Omission.-Before omission by Finance Act 2017, read as follows:-

"**(56A)** The provisions of sub-section (7) of section 148 and clause (a) of sub-section (1) of section 169 shall not apply to a person who is liable to withholding tax under section 236E."

[1][(xix) one time import of [1][16] buses by Daewoo Express Bus Service Ltd.]

[3][(xx) goods temporarily imported into Pakistan for subsequent exportation and which are exempt from customs duty and sales tax under Notification No.S.R.O.1065(I)/2005, dated the 20th October, 2005.]

[4][(xxi) capital goods imported by a manufacturer whose sales are 100% exports and produces a certificate from the Commissioner of Income Tax to the effect that the imported capital goods shall be

(a) installed in his own industrial undertaking; and

(b) exclusively used for production of goods to be exported.]

[5][(xxii) Capital goods and raw material imported by manufacturer exporter registered with Sales Tax Department as a manufacturer.

(xxiii) Petroleum (E&P) companies covered under SRO. 678(I)2004 dated 07.08.2004 except motor vehicles imported by such companies.

(xxiv) Companies importing high speed diesel oil, light diesel oil, high octane blending component or motor spirit, furnace oil, JP-1, MTBE, kerosene oil, crude oil for refining and chemical use in refining thereof in respect of such goods;[6][ ]

(xxv) The re-importation of re-usable containers for re-export qualifying for customs-duty and sales tax exemption on temporary import under the Customs Notification No. S.R.O. 344(I)/95 dated the 25th day of April, 1995 [7][and]]

[8][(xxvi) goods donated for relief of flood victims of year 2007 as exempt from customs-duty and sales tax.]"

[1]Sub-clause (xix) inserted by SRO 363(I)/2006 dated April 15, 2006.

[2]Substituted for figure "32" by SRO 505(I)/2006, dated May 31, 2006.

[3]Sub-clause (xx) inserted by SRO 863(I)/2006, dated August 22, 2006.

[4]Sub-clause (xxi) inserted by SRO 1268(I)/2006, dated December 21, 2006.

[5]Sub-clauses (xxii) to (xxv) inserted by Finance Act, 2007 dated July 1, 2007

[6]Word "and" omitted by SRO 759(I)/2007, dated July 31, 2007.

[7]Substituted for full stop by SRO 759(I)/2007, dated July 31, 2007.

[8]Sub-clause (xxvi) inserted by SRO 759(I)/2007, dated July 31, 2007.

Cl. (56B), Omission.-Before omission by Finance Act 2018, **it** read as follows:-

"**(56B)** The provisions of sub-section (7) of section 148, and clause (a) of sub-section (1) of section 169 shall not apply to a person being a commercial importer if the person opts to file return of total income along with accounts and documents as may be prescribed, subject to the condition that minimum tax liability under normal tax regime shall not be less than 5.5%, of the imports, if the person is a company and 6% otherwise."

Cl. (56B), Omission.-Before omission by Finance Act 2015, **it** read as follows:-

"**(56B)** Provisions of section 148 shall not apply in respect of import of potatoes between 5th of May, 2014 and 31st of July, 2014, provided that such imports shall not exceeds 200,000 metric tons in aggregate during the said period."

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[1][ ]

[2][**(56F)** The provisions of sub-section (2) of section 156A and clause (a) of sub-section (1) of section 169 shall not apply in respect of a person if the person opts to file return of total income along with accounts and documents as may be prescribed, subject to the condition that minimum tax liability under normal tax regime shall not be less than 10% of the commission or discount received.]

[3][ ]

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[1]Clauses (56C) to (56E) omitted by Finance Act, 2020 dated June 30, 2020. Earlier these were inserted by Finance Act, 2014 dated June 26, 2014.

[2]Clause (56F) inserted by Finance Act, 2014 dated June 26, 2014.

[3]Clause (56G) omitted by Finance Act, 2020 dated June 30, 2020. Earlier clauses (56B) to (56G) were inserted by Finance Act, 2014 dated June 26, 2014. *these should have been (56C) to (56H).

Cls. (56C) to (56E), Omission.-Before omission by Finance Act 2020, these read as follows:-

"**(56C)** The provisions of sub-section (3) of section 153, in respect of sale of goods and clause (a) of sub-section (1) of section 169 shall not apply to a person, if the person opts to file return of total income along with accounts and documents as may be prescribed subject to the condition that minimum tax liability under normal tax regime shall not be less than 3.5% of the gross amount of sales, if the person is a company and 4% otherwise."

"**(56D)** The provisions of sub-section (3) of section 153, in respect of contracts and clause (a) of sub-section (1) of section 169 shall not apply to a person if the person opts to file return of total income along with accounts and documents as may be prescribed subject to the condition that minimum tax liability under normal tax regime shall not be less than 6% of contract receipts, if the person is a company and 6.5% otherwise."

"**(56E)** The provisions of sub-section (2) of section 153 and clause (a) of sub-section (1) of section 169 shall not apply in respect of a person if the person opts to file return of total income along with accounts and documents as may be prescribed subject to the condition that minimum tax liability under normal tax regime shall not be less than 0.5% of gross amount of services received."

Cl. (56G), Omission.-Before omission by Finance Act 2020, it read as follows:-

"**(56G)** The provisions of sub-section (3) of section 233 and clause (a) of sub-section (1) of section 169 shall not apply in respect of a person if the person opts to file return of total income along with accounts and documents as may be prescribed, subject to the condition that minimum tax liability under normal tax regime shall not be less than 10% of the commission."

Clarification re: substitution of Cl 56 by SRO 567(I)/2008.- Following is the text of Letter No.C.4(1)/TP/2008-Misc/90766-R dated June 08, 2009

"The undersigned is directed to refer to your letter No.MCC/Misc/26/Group.III/2008 dated 20th May, 2009, on the subject and to state that the goods classified under PCT Head 52.01 were included in clause (56) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, in the Finance Bill, 2008. However, National Assembly amended the same and the existing provisions of the Finance Act, 2008 are as under:-

"(56) The provisions of section 148, regarding withholding tax on imports shall not apply in respect of-

(i) goods classified under Pakistan Customs Tariff falling under Chapter 27, 86 and 99."

2. As such SRO 567(I)/2008 dated 11th June, 2008 stands redundant. The matter has already been clarified to the Collectorate vide the Board's letter of even number dated 31st January, 2009 (Copy enclosed for ready reference).

3. Since the SRO 567(I)/208 dated 11th June, 2008 is inconsistent with the provisions of the sub-section (10) of section 239 of the Income Tax Ordinance, 2001, therefore, is invalid."

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[1][ ]

[2][ ]

[1]Clause (56H) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by SRO 716(I)/2014 dated August 07, 2014.
[2]Clause (57) omitted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2005 dated June 29, 2005.

Cl. (56H), Omission.-Before omission by Finance Act 2015, **it** read as follows:-

"**(56H)** Provisions of section 148 shall not apply in respect of import of potatoes between 5th of May, 2014 and 15th of November, 2014 provided that such import shall not exceed 300,000 metric tons in aggregate during the said period."

Waiver from minimum tax in the cases of 'trading houses'.– Following is an extract from CBR's Circular No. 1 of 2006 dated July 1, 2006:–

"Large trading houses were excluded from PTR through Finance Act, 2005.

To further incentives* sector Large Trading Houses, these have been exempted from application of **[minimum tax] for the first ten years starting from the tax year in which the business operations commence."

*some drafting error.
**brackets appear to be superfluous.

Cl. (57), Omission.-Before omission by Finance Act 2026, it read as follows:-

"**(57)** The provisions of [3][section] [4][ ] [5][,] and 153 shall not apply to companies operating Trading Houses which–

(i) have paid up capital of exceeding Rs.250 million;

(ii) own fixed assets exceeding Rs.300 million at the close of the Tax Year;

(iii) maintain computerized records of imports and sales of goods;

(iv) maintain a system for issuance of 100% cash receipts on sales;

(v) present accounts for tax audit every year; and

(vi) is registered [6][under the Sales Tax Act, 1990]:

Provided that the exemption under this clause shall not be available if any of the aforementioned conditions are not fulfilled for a tax year [1][:]

[2][Provided further that minimum tax under section 113 shall be 0.5%upto the tax year [3][2021] and one per cent thereafter.]

[4][*Explanation.*-[5][(i)] For the removal of doubt, exemption under this clause, in respect of section 153, shall only be available as a recipient and not as withholding agent.]

[6][(ii) It is further clarified that in-house preparation and processing of food and allied items for sale to customers shall not disqualify a company from being treated as a Trading House, provided that all the conditions in this clause are fulfilled and sale of such items does not exceed two per cent of the total sales.]

[3]Substituted for "sections 113 and" by Finance Act, 2016 dated June 24, 2016. Earlier it was substituted for "section" by SRO 439(I)/2013 dated May 20, 2013 and was substituted for "sections" by SRO 140(I)/2013 dated February 26, 2013.Figure and word inserted by SRO 439(I)/2013 dated May 20, 2013. Earlier figure "113" omitted by Finance Act, 2008 dated June 27, 2008 and was inserted by Finance Act, 2006 dated July 01, 2006.
[4]Figure "113" omitted by SRO 140(I)/2013 dated February 26, 2013. Earlier it was substituted for "148" by Finance Act, 2009 dated June 30, 2009.
[5]Figure "148" omitted by SRO 140(I)/2013 dated February 26, 2013. Earlier it was inserted by SRO 717(I)/2009 dated August 12, 2009.
[6]Substituted for "with Sales Tax Department" by Finance Act, 2014 dated June 26, 2014.
[1]Colon substituted for full stop and 2nd proviso inserted by Finance Act, 2009 dated June 30, 2009. Earlier full stop was substituted for colon & 2nd Proviso was omitted by Finance Act, 2008 dated June 27, 2008. Before that the proviso was inserted by Finance Act, 2006 dated July 01, 2006.
[2]Proviso substituted by Finance Act, 2016 dated June 24, 2016. Earlier it was inserted by SRO 439(I)/2013 dated May 20, 2013, was omitted by SRO 140(I)/2013 dated February 26, 2013 and 2nd proviso was inserted by Finance Act, 2009 dated June 30, 2009.
[3]Substituted for "2019" by Finance Act, 2018 dated May 23, 2018.
[4]Explanation inserted by Finance Act, 2014 dated June 26, 2014.
[5]Explanation renumbered as (i) by Finance Act, 2015 dated June 30, 2015.
[6]Paragraph (ii) inserted by Finance Act, 2015 dated June 30, 2015.

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[1][ ]

[1]Clause (57A) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2007 July 1, 2007.

Cl. (57)2ndPr.-Omission.-Before omission by SRO 140(I)/2013 it read as follows:-

"Provided further that the exemption from application of section 113 shall be available for the first ten years, starting from the tax year in which the business operations commenced."

Cl. (57)2ndPr.-Omission.-Before omission by Finance Act, 2008 it read as follows:-

"Provided further that the exemption from application of section 113 shall be available for the first ten tax years, starting from the tax year in which the business operations commenced."

Cl. (57)2ndPr.-Substitution.-Before substitution by F. Act, 2016, it read as follows:-

"Provided further that the exemption from application of section 113 shall be available for the first ten years, starting from the tax year in which the business operations commenced."

Cl. (57A)-Omission.-Before omission by F. Act, 2021, it read as follows:-

"**(57A)** The provisions of sections 153 and 169 shall not apply to large import houses:

Provided that the exemption under this clause shall not be available if any of the conditions provided in section 148 are not fulfilled for a tax year;"

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[1][ ]

[2][**(59)** The provisions of section 151, regarding withholding tax on profit on debt, shall not apply-

[3][ ]

(ii) to any payment made by way profit or interest to any person on Term Finance Certificates being the instruments of redeemable capital under the [4][Companies Act, 2017 (XIX of 2017)], issued by Prime Minister's Housing Development Company (Pvt) Limited (PHDCL);

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[1]Clause (58) omitted by Finance Act, 2008 dated June 27, 2008. It was inserted by Finance Act, 2005, June 29, 2005.
[2]Clause (59) inserted by Finance Act, 2005 June 29, 2005.
[3]Clause (59)(i) omitted by Finance Act, 2016 June 24, 2016.
[4]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 June 30, 2021.

'Trading Houses'.-Following is an extract from 'Notes on Clauses of Finance Bill 2005':–

"Seeks to provide exemption from withholding tax on supplies and at import stage to companies operating trading houses which fulfill certain conditions;"

Following is an extract from CBR's Circular No. 1 of 2005, dated July 5, 2005:-

"A special tax regime has been introduced by inserting a new clause (57) in Part-IV of the Second Schedule, for companies operating trading houses. To qualify for this regime, a company should have a paid-up capital exceeding Rs.250 million and fixed assets of more than Rs.300 million and should also be registered with the Sales Tax Department. Under this regime, such companies shall be exempt from the provisions of sections 148 and 153, if they maintained computerized record of imports of sales of goods, issued 100% cash receipts on sale and presented their accounts for tax audit every year.

However, if any of the aforementioned conditions are not fulfilled, the concessions available shall stand withdrawn for the relevant tax year. Exemption from withholding tax provisions shall take effect from July 01, 2005 in the case of companies qualifying under this clause."

Cl. (58)-Omission.- Before omission it read as follows:-

"(58) The provisions of section 205 shall not apply to telecom companies for default of not collecting withholding tax under section 236 (1)(b) on sale of prepaid cards during tax year 2004, if the amount not collected is deposited within three months:

Provided that nothing contained in this clause shall apply to the amounts collected under section 236(1)(b), but not deposited in the Treasury."

Cl. (59)(i)-Omission.- Before omission by F.A. 2016, it read as follows:-

"(i) in respect of profit or interest paid on a Term Finance Certificate held by a company which has been issued on, or after, the first day of July, 1999;"

Cl. (59)(iv)(a)-Omission.- Before omission by F.A. 2013, it read as follows:-

"(a) Defence Savings Certificates, Special Savings Certificates, Savings Accounts or Post Office Savings Accounts, or Term Finance Certificates (TFCs), where such deposit does not exceed one hundred and fifty thousand rupees; and"

Cl 59-Profit on debt.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"(e) In Part-III* in clause (59) the exemption from the applicability of Provisions of section 151 regarding withholding tax on a profit on debt in the case of any resident individual on Defence Savings Certificates, Special Savings Certificates, Savings Accounts or Post Office Savings Accounts or Term Finance Certificates (TFCs), where such deposit does not exceed one hundred and fifty thousand rupees has been withdrawn. Now there is no threshold of invested amount for the purposes of withholding."

*it should be Part-IV.

'Telecom companies'.-Following is an extract from 'Notes on Clauses of Finance Bill 2005':-

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[1][ ]

(iv) in the case of any resident individual, no tax shall be deducted from income or profits paid on,-

[2][ ]

(b) Investment in monthly income Savings Accounts Scheme of Directorate of National Savings, where monthly installment in an account does not exceed one thousand rupees.]

[3][**(60)** Provisions of sections 148 and 153 shall not apply to fully as well partly designed/assembled cypher devices, for use within the country as are verified by [4][Cabinet Division (NTISB)] with reference to design, quality and quantity.]

[5][**(60A)** The provisions of section 148 of the Income Tax Ordinance, 2001 shall not apply for import of plant, machinery and equipment including dumpers and special purposes motor vehicles imported by the following for construction of Sukkur-Multan section of Karachi-Peshawar Motorway project and Karakorum Highway (KKH) Phase-II (Thakot to Havellian Section) of CPEC project respectively:-

(a) M/s China State Construction Engineering Corporation Ltd. (M/s CSCEC); and

(b) M/s China Communication Construction Company (M/s CCCC).]

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[1]Clause (59)(iii) omitted by Finance Act, 2015 June 30, 2015.
[2]Clause (59)(iv)(a) omitted by Finance Act, 2013 June 29, 2013.
[3]Clauses (60) inserted by SRO 85(I)/2005, dated February 03, 2006.
[4]Substituted for "NTISB" by Finance Act, 2006 dated July 01, 2006.
[5]Clause (60A) inserted by Finance Act, 2018 dated May 23, 2018. Earlier same was inserted by SRO 735(I)/2016 dated August 09, 2016.

"Seeks to provide for exemption from additional tax to defaulting telecom companies;"

Following is an extract from CBR's Circular No. 1 of 2005, dated July 5, 2005:-

"A new clause (58) has been inserted in Part IV of Second Schedule to provide one time waiver from the levy of additional tax to telecom companies, on so much of the amount of withholding tax actually not collected from the subscribers during the period of pendancy of their petition filed before the Apex Court, but is now paid within three months. This one time concession shall, however, not be available on the amount of withholding tax collected by these companies during this period but not deposited in the Treasury."

Cl. (59)(iii)-Omission.-Before omission by F. Act, 2015, it read as follows:-

"(iii) to Pak rupee accounts or certificates referred to in clause (83) of Part-I of this Schedule; and"

Cl. (59)-Deduction from 'profit'.-Following is an extract from 'Notes on Clauses of Finance Bill 2005':–

"Seeks to group clauses providing exemption from withholding tax on profit on debt under one single clause."

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[1][**(60AA)** The provisions of section 148 of the Income Tax Ordinance, 2001 (XLIX of 2001), shall not apply for import of construction materials or goods up to a maximum of 10,898,000 million rupees imported by China State Construction Engineering Corporation (M/s CSCEC) for construction of Sukkur-Multan section of Karachi-Peshawar Motorway project of National Highway Authority under CPEC.]

[2][**(60B)** The provisions of section 148 of the Income Tax Ordinance, 2001 shall not apply on import of Thirty-five (35) Armoured and Security vehicles imported by or for Ministry of Foreign Affairs, Government of Pakistan meant for security of visiting foreign dignitaries, subject to the following conditions, namely:-

(a) that the vehicles imported under this clause shall only be used for the security purpose of foreign dignitaries and will be parked in Central Pool of Cars (CPC) in the Cabinet Division for further use as and when needed; and

(b) that the importing Ministry at the time of import shall furnish an undertaking to the concerned Collector of Customs to the extent of customs-dues exempted under this clause on consignment to consignment basis binding themselves that the vehicles imported under this clause shall not be re-exported, sold or otherwise disposed of without prior approval of the Board and in the manner prescribed thereof.]

[3][**(60C)** The provision of section 148 of the Income Tax Ordinance, 2001 (XLIX of 2001) shall not apply on import of equipment to be furnished or installed for Rail Based Mass Transit Projects in Lahore, Karachi, Peshawar and Quetta under CPEC.]

[4][**(60D)** The provisions of section 148 shall not apply on import of fire fighting equipments by industrial undertakings set up in the special economic zones established by the Federal Government.]

[5][**(60DA)** The provisions of section 148 shall not apply to the import of the capital equipment as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021).

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[1]Clause (60AA) inserted by Finance Act, 2018 dated May 23, 2018. Earlier same was inserted by SRO 79(I)/2018 dated January 29, 2018.

[2]Clause (60B) inserted by Finance Act, 2018 dated May 23, 2018. Earlier same inserted by SRO 899(I)/2016 dated September 26, 2016.

[3]Clause (60C) inserted by Finance Act, 2018 dated May 23, 2018. Earlier same inserted by SRO 44(I)/2017 dated January 27, 2017.

[4]Clause (60D) inserted by Finance Supplementary (Second Amendment) Act, 2019 March 09, 2019.

[5]Clause (60DA) substituted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by Finance Act, 2021 June 30, 2021.

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(a) Zone developers as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021) for consumption in the special technology zones for the period of ten years commencing from the date of signing the development agreement;

(b) Zone enterprises as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021) for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and

(c) Special Technology Zones Authority established under Special Technology Zones Authority Act, 2021 (XVII of 2021).]

[1][**(60E)** The provisions of section 148 shall not apply on mobile phones brought in personal baggage under the Baggage Rules, 2006.]

[2][ ]

[3][ ]

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[1]Clause (60E) inserted by Finance Act, 2019 June 30, 2019.

[2]Clause (61) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by SRO 273(I)/2006 dated March 21, 2006.

[3]Clause (61A) omitted by Finance Act, 2015 June 30, 2015.

Cl. (60DA)-Substitution.-Before substitution by Finance Act 2022, it read as follows:

"(60DA) The provisions of section 148 shall not apply to the import of the capital equipment as defined in section 2 of the Special Technology Zones Ordinance 2020 (XIII of 2020) by-

(a) zone developers as defined in section 2 of the Special Technology Zones Ordinance 2020 for consumption in the special technology zones for the period of 10 years commencing from the date of signing the development agreement;

(b) zone enterprises as defined in section 2 of the Special Technology Zones Authority Ordinance, 2020 for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and

(c) Special Technology Zones Authority established under the Special Technology Zones Ordinance 2020."

Cl. (61)-Omission.-Before omission by Finance Act 2021, it read as follows:

"**(61)** The provisions of section 231A shall not apply in respect of any cash withdrawal, from a bank, made by an earthquake victim against compensation received from GOP including payments through Earthquake Reconstruction and Rehabilitation Authority (ERRA) account."

Cl. (61A)-Omission.-Before omission by Finance Act 2015 it read as follows:

"**(61A)** The provisions of section 231A shall not apply in respect of any cash withdrawal by exchange companies duly licensed and authorized by the State Bank of Pakistan on their bank account exclusively dedicated for their authorized business related transactions:

Provided that.-

(a) exemption under this clause shall be available to exchange companies who are issued exemption certificate by the concerned Commissioner Inland Revenue for a financial year; and

(b) the Commissioner shall issue the exemption certificate after obtaining relevant details and particulars of the Bank Accounts."

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[1][**(62)** The following provisions of Section 97 shall not apply in case of transfer of assets on amalgamation of companies or their businesses or acquisition of shares, requiring that transferor:

(a) be resident company; and

(b) belong to a wholly-owned group of resident companies.

Provided that:

(i) the transferee resident company shall own or acquire at least 75% of the share capital of the transferor company or the business in Pakistan of the transferor company;

(ii) the amalgamated company is a company incorporated in Pakistan;

(iii) the assets of the amalgamating company or companies immediately before the amalgamation become the assets of the amalgamated company by virtue of the amalgamation, otherwise than by purchase of such assets by the amalgamated company or as a result of distribution of such assets to the amalgamated company after the winding up of the amalgamating company or companies;

(iv) the liabilities of the amalgamating company or companies immediately before the amalgamation become the liabilities of the amalgamated company by virtue of the amalgamation; and

(v) the scheme of amalgamation is sanctioned by the State Bank of Pakistan, any court or authority as may be required under the law.

[2, 3][ ]

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[1]Clause 62 inserted by SRO 885(I)/2006 dated August 29, 2006.

[2]Clause (63) omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was substituted by SRO 65(I)/2008 dated January 21, 2008 & was inserted by SRO 02(I)/2008 dated January 01, 2008.

[3]Clause (64) omitted by Finance Act, 2009 dated June 30, 2009.Earlier it was inserted by SRO 153(I)/2008 dated February 20, 2008

Clause (63)-Omission.- Before omission by Finance Act, 2020, it read as follows:-

"**(63)** M/s. Dawat-e-Hadiya, Karachi [1][and Lahore University of Management Sciences, Lahore] shall be deemed to have been approved by the Commissioner for the purpose of sub-section (36) of section 2 notwithstanding the provisions of clause (c) of sub-section (36) of section 2."

[1]Words inserted by Finance Act, 2018 dated May 23, 2018.

Clause (63)-Substitution.-The clause originally read as follows:-

(63) The provisions of clause (c) of sub-section (36) of section 2 shall not apply in the case of M/s. Dawat-ul-Hadiya, Karachi."

*there should have been a full stop instead of "; and".

Cl. (64)-Omission.-Before omission the clause read as follows:-

"(64) No tax shall be collected under section 231B during the period commencing from the 21st February, 2008 and ending on the 20th April, 2008 and shall apply to booking of a motor car and delivered during the said period.

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[1][**(65)** Any income derived by a project, approved by Designated National Authority (DNA), from the transfer or sale of Clean Development Mechanism Credits *i.e.* Certified Emission Reductions, verified Emission Reductions; and*]

[2][**(66)** The provisions of section 235 shall not be applicable to the taxpayers [3][ ] registered with sales tax as exporter or manufacturer of–

(a) carpets;

(b) leather and articles thereof including artificial leather footwear;

(c) surgical goods;

(d) sports goods; and

(e) textile and articles thereof.]

[4][**(67)** The provisions of sections 150,151, 152, 153 and 233 shall not apply in respect of payments made to the International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVIII of 1956).]

[5][**(67A)** The provisions of section 100B and Eighth Schedule shall not apply to transactions carried on upto 30th day of June, 2015, on any Stock Exchange of Pakistan, by International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVII of 1956).]

[6][**(68)** The provisions of section 151,153 and 155 shall not apply in respect of payments made to the Pakistan Domestic Sukuk Company Ltd.]

[7][**(69)** The Provisions of section 150, 151, 152, 153 and 233 shall not apply in respect of payments made to the Asian Development Bank established under the Asian Development Bank Ordinance, 1971 (IX of 1971).]

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[1]Clauses (65) & (66) inserted by Finance Act, 2008 dated June 27, 2008.

[2]Clause (66) substituted by SRO 1055(I)/2008 dated October 10, 2008. Earlier it was inserted by Finance Act, 2008 dated June 27, 2008.

[3]Words "who fall under the zero rated regime of sales tax and" by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was omitted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

[4]Clause (67) inserted by SRO 767(I)/2008 dated July 21, 2008.

[5]Clause (67A) inserted by Finance Act, 2015 dated June 30, 2015.

[6]Clause (68) inserted by SRO 772(I)/2008 dated July 22, 2008.

[7]Clause (69) inserted by SRO 1012(I)/2008 dated September 23, 2008.

Substitution of Clause (66).-Before substitution the clause read as follows:-

"**(66)** The provisions of section 235, shall not be applicable to the exporters-cum-manufacturers of–

(a) carpets;

(b) leather and articles thereof including artificial leather footwear;

(c) surgical goods;

(d) sports goods; and

(e) textile and articles thereof;"

Unconditional grant of exemption from tax to different organizations.- Following is an extract from FBR's Circular No. 02 of 2021 dated July 01, 2021:-

"Certain public sector and well renowned organizations and funds have been included in Table I of clause (66) of Part I of the Second Schedule."

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[1][**(70)** The provisions of section 148, regarding withholding tax on imports, shall not apply in respect of goods or classes of goods for the execution of contract, imported by contractors and sub-contractors engaged in the execution of power project under the agreement between the Islamic Republic of Pakistan and HUB Power Company Limited.]

[2][**(71)** The provisions of this Ordinance shall not be applicable to the M/s TAISEI Corporation under the agreement between National Highway Authority, GOP, which falls under the zero rated regime of sales tax and registered with sales tax in respect of supply of products, services and equipment.]

[*3][**(71)** The provisions of section 150, 151, 152, 153 and 233 shall not apply in respect of payments made to The ECO Trade and Development Bank.

[4][ ]

[5][**(72AA)** The provisions of section 152 shall not apply in case of a Hajj Group Operator in respect of Hajj operations.]

[6][ ]

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[1]Clause (70) inserted by SRO 129(I)/2009 dated February 07, 2009.
[2]Clause (71) inserted by SRO 712(I)/2009 dated August 05, 2009.
[3]Clause (71)* inserted by SRO 810(I)/2009 dated September 19, 2009. *It should have been (72).
[4]Clause (72A) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2013 dated June 29, 2013.
[5]Clause (72AA) inserted by Finance Act, 2020 dated June 30, 2020.
[6]Clause (72B) omitted by Finance Act, 2020 dated June 30, 2020. Earlier it was inserted by Finance Act, 2013 dated June 29, 2013.

Cl. 72A-Hajj Group Operators.- Following is an extract from FBR's Circular No. 6 of 2013 dated July 19, 2013:-

"(f) In Part-III, a new clause namely (72A) has been added providing that the provisions of clause (I) of section 21, sections 113 and 152 shall not apply in case of a Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajj for the tax year 2013 and Rs.5,000 per Hajj for the tax year 2014 in respect of income from Hajj operations."

Cl. 72A-Omission.- Before omission by Finance Act, 2021, it read as follows:-

"**(72A)** The provisions of clause (1) of section 21, sections 113 and 152 shall not apply in case of a Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 to [1][2017] in respect of income from Hajj operations."

[1]Substituted for "2016" by Finance Act, 2017 dated June 20, 2017. Earlier it was substituted for "and 2015" by Finance Act, 2016 June 24, 2016. Earlier it was inserted by Finance Act, 2015 dated June 30, 2015.

Cl. 72B-Omission.- Before omission by Finance Act, 2020, it read as follows:-

"**(72B)** The provisions of section 148 shall not apply to an industrial undertaking if the tax liability for the current tax year, on the basis of determined tax liability for any of the preceding two tax years, whichever is the higher, has been paid [1][in the manner as may be prescribed] and a certificate to this effect is issued by the concerned Commissioner.

[2][Provided that the certificate shall only be issued by the Commissioner if an application for the said certificate is filed before the Commissioner, in the manner and after fulfilling the conditions as specified by notification in the official Gazette, issued by the Board for the purpose of this clause [3]*[:]*]

[1]Words inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same were inserted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.
[2]Proviso inserted by Finance Act, 2014 dated June 26, 2014.
[3]Substituted for full stop by Finance Act, 2016 dated June 24, 2016.

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[1][**(73)** To mitigate part of the cost of obtaining foreign support to fill productivity gap, income tax payable by a foreign expert shall be exempted provided that such expert is acquired with the prior approval of the Ministry of Textile Industry.]

[1][**(74)** The provision of sub-section (8) of section 22 shall not apply to Civil Aviation Authority (CAA) in respect of the asset transferred for the purpose of the *ijara* agreement between Pakistan Domestic *Sukuk* Company Limited and the Federal Government.]

[1][**(75)** The provision of sub-section (15) of section 22 shall not apply to Civil Aviation Authority (CAA) on the assets acquired from the Federal Government which were previously transferred for the purpose of the *ijara* agreement between Pakistan Domestic *Sukuk* Company Limited and the Federal Government:

Provided that depreciation shall be allowed at the written down value of the assets immediately before their transfer for the purpose of above mentioned Ijara agreement.]

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[1]Clauses (73) to (75) inserted by Finance Act, 2010 dated June 30, 2010.

[4][Provided further that the Commissioner shall be deemed to have issued the exemption certificate in cases where the certificate is automatically processed and issued by IRIS upon expiry of prescribed time period:

Provided also that the Commissioner may modify or cancel the certificate issued automatically by IRIS on the basis of reasons to be recorded in writing after providing an opportunity of being heard.]

[5][Provided further that the quantity of raw material to be imported which is sought to be exempted from tax under section 148 shall not exceed [6][125] per cent of the quantity of raw material imported and consumed during the previous tax year:

Provided also that the Commissioner shall conduct audit of taxpayer's accounts during the financial year in which the certificate is issued in respect of consumption, production and sales of the latest tax year for which return has been filed and the taxpayer shall be treated to have been selected for audit under section 214C:

Provided also if the taxpayer fails to present accounts or documents to the Commissioner or the officer authorized by the Commissioner, the Commissioner shall, by an order in writing, cancel the certificate issued and shall proceed to recover the tax not collected under section 148 for the period prior to such cancellation and all the provisions of the Ordinance shall apply accordingly [7]*[:]*]

[8][Provided also that exemption certificate shall not be issued to an industrial undertaking importing raw materials, specified in sub-section (8) of section 148.]"

[4]Provisos inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same were inserted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

[5]Provisos inserted by Finance Act, 2016 dated June 24, 2016.

[6]Substituted for "110" by Finance Act, 2017 dated June 20, 2017.

[7]Substituted for full stop by Finance Act, 2017 dated June 20, 2017.

[8]Proviso inserted by Finance Act, 2017 dated June 20, 2017.

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[1][ ]

[2][**(77)** Provisions of sections 148 and 153 shall not be applicable on import and subsequent supply of items with dedicated use of renewable sources of energy like solar and wind etc., even if locally manufactured, which include induction lamps, SMD, LEDs with or without ballast with fittings and fixtures, wind turbines including alternator and mast, solar torches, [3][tubular daylighting devices such as solatube,] lanterns and related instruments, PV modules [4][with or without] the related components including invertors, charge controllers and batteries.]

[5][**(78)** [6][Coal Mining and Coal based Power Generation Projects in Sindh],-

(i) the dividend income of the shareholders of such a project shall be exempt from provisions of section 150 from the date of commencement of business till 30 years from such date; and

(ii) the payments made on account of sale or supply of goods or providing or rendering of services during project construction and operations, shall be exempt from the provisions of section [7][152(2A) and section] 153.]

[8][ ]

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[1]Clause (76) omitted by Finance Act, 2012 dated June 26, 2012. Earlier it was inserted by SRO 1099(I)/2010 dated December 07, 2010.

[1]Clause *(76) omitted by Finance Act, 2012 dated June 26, 2012. Earlier it was inserted with erroneous numbering as (77) by SRO 120(I)/2011 dated February 14, 2011.

[2]Clause (77) inserted by SRO 263(I)/2011 dated March 19, 2011.

[3]Words etc. inserted by Finance Act, 2015 dated June 30, 2015.

[4]Substituted for "alongwith" by Finance Act, 2012 dated June 26, 2012.

[5]Clause (78) inserted by SRO 317(I)/2011 dated April 19, 2011.

[6]Substituted for "With respect to a project situated in the Special Economic Zone at Thar coalfield" by SRO 609(I)/2011 dated June 13, 2011.

[7]Figures and words etc inserted by SRO 235(I)/2015 dated March 18, 2015.

[8]Clause (79) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by SRO 1003(I)/2011 dated October 31, 2010.

Cl. (76)-Omission.-Before Omission by F. Act, 2012, it read as follows:-

"**(76)** The provisions of section 235 shall not be applicable to an industrial undertaking which is manufacturer-cum-exporter, and situated in Karachi Export Processing Zone, which has been declared by the Federal Government as a 'Zone' within the meaning of the Export Processing Zone Authority Ordinance 1980 (IV of 1980)."

Cl. (76)-Omission.-Before Omission by F. Act, 2012, it read as follows:-

"**(77)** The provision of section 148 shall not apply on import of solar PV panels/modules, alongwith related components including investors, charge controllers and batteries, LVD induction lamps, SMD LEDS with or without ballast with fittings and fixtures, fully assembled wind turbines including alternator and mast, solar torches, lanterns and related instruments."

erroneous numbering

Cl. (79)-Omission.-Before Omission by F. Act, 2015, it read as follows:-

"**(79)** The provisions of clause (b) of the proviso to sub-section (3) of section 153 shall not be applicable to the tax withheld on payments receive by a company for providing or rendering of services."

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[1][**(79A)** The provisions of clause (b) of sub-section (1) of section 153 shall not apply to payments received by National Telecommunication Corporation against provision of telecommunication services including ancillary services specified in subsection (3) of section 41 of the Pakistan Telecommunication (Re-organization) Act, 1996 (XVII of 1996).]

[2 to 8][ ]

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[1]Clause (79A) inserted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

[2]Clause (80) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 1487(I)/2012 dated December 24, 2012.

[3]Clause (81) omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by SRO 900(I)/2013 dated October 04, 2013.

[4]Clause (81A) omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March09, 2019.

[5]Clause (82) omitted by Finance Act, 2016 dated June 24, 2016. Earlier it was inserted by SRO 978(I)/2013 dated November 13, 2013.

[6]Clause (83) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by SRO 978(I)/2013 dated November 13, 2013.

[7]Clause (84) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 1040(I)/2013 dated December 05, 2013.

[8]Clause (85) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 1065(I)/2013 dated December 20, 2013.

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*erroneous numbering

Cl. (80)-Omission.-Before Omission by F. Act, 2014, it read as follows:-

"**(80)** The provisions of section 153A shall not apply to any manufacturer till 30th June, 2013."

Cl. (81)-Omission.-Before Omission by F. Act, 2019, it read as follows:-

"**(81)**The provisions of clause (a) of section 165, shall not apply in case of manufacturer, distributor, dealer and wholesaler required to collect advance tax under sub section (1) of section 236H."

Cl. (81A)-Omission.-Before Omission by F. Act, 2019, it read as follows:-

"**(81A)**The provisions of clause (a) of sub-section (1) of section 165 shall not apply to banking companies for furnishing information of taxes collected and deducted under sections 231A and 151."

Cl. (82)-Omission.-Before Omission by F. Act, 2016, it read as follows:-

"**(82)**The provisions of sub-section (2) of section 116 shall not apply for the tax year [1][2014] to an individual or a member of an association of persons whose last declared or assessed income, or the declared income for the year is less than one million rupees."

[1]Substituted for "2013" by Finance Act, 2014 dated June 26, 2014.

Cl. (83)-Omission.-Before Omission by F. Act, 2015, it read as follows:-

"**(83)** The provisions of sub-section (4) of section 116 shall not apply for the tax year 2013 to a person other than a company or a member of an association of persons falling under final tax regime (FTR) and has paid tax less than thirty five thousand rupees."

Cls. (84) & (85)-Omission.-Before Omission by F. Act, 2014, these read as follows:-

"**(84)** For tax year 2013, the provisions of section 177 and section 214C shall not apply to a taxpayer, if the tax paid in the basis of taxable income declared by the taxpayer for the tax year 2013 is at least twenty five percent more than the tax assessed or paid, whichever is higher, for the tax year 2012:

Provided that the taxpayer files separate proforma for the said exemption with return, in the manner specified in the circular issued by the Board."

"**(85)** The provisions of section 114(6)(ba) shall not apply to persons availing the benefit as provided in clause (84) who revise their returns before the due date of filing of return, for tax year 2013."

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[1][ ]

[1]Clause (86) omitted by Finance Act, 2022 dated June 30, 2022. Earlier it was substituted by finance Act, 2018 dated May 23, 2018. Earlier clauses (85) to (88) inserted by SRO 1065(I)/2013 dated December 20, 2013.

Cl. (86)-Omission.-Before omission by F. Act, 2022, it read as follows:-

"**(86)** (a) The provisions of section 111 shall not apply to-

(i) investment made by an individual in a greenfield industrial undertaking directly or as an original allottee in the purchase of shares of a company establishing an industrial undertaking or capital contribution in an association of persons establishing an industrial undertaking;

(ii) investment made by an association of persons in an industrial undertaking; and

(iii) investment made by a company in an industrial undertaking-

if the said investment is made on or after the 1st day of January, 2014 and commercial production commences on or before the 30th day of June, 2019;

(b) The concessions given in this clause shall also apply to investment made in-

(i) Construction industry in corporate sector;

(ii) Low cost housing construction in the corporate sector;

(iii) Livestock development projects in the corporate sector;

(iv) New captive power plants; and

(v) Mining and quarrying in Thar coal, Balochistan and Khyber Pakhtunkhwa.

(c) The concessions given in sub-clause (a) shall not apply to investment made in-

(i) Arms and ammunitions;

(ii) Explosives;

(iii) Fertilizers;

(iv) Sugar;

(v) Cigarettes;

(vi) Aerated beverages;

(vii) Cement;

(viii) Textile spinning units;

(ix) Flour mills;

(x) Vegetable ghee; and

(xi) Cooking oil manufacturing;

(d) The term green field industrial undertaking shall include expansion projects for the purposes of this clause; and

(e) Immunity under this clause shall not be available to proceeds of crime relating to offences under the following laws, namely:-

(i) Control of Narcotics Substances Act, 1997;

(ii) Anti Terrorism Act, 1997; and

(iii) Anti-Money Laundering Act, 2010."

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Cl. (86)-Substitution.-Before substitution by F. Act, 2018, it read as follows:-

"**(86)** (a) The provisions of section 111 shall not apply to-

(i) investment made by an individual in a Greenfield industrial undertaking directly or as an original allottee in the purchase of shares of a company establishing an industrial undertaking or capital contribution in an association of persons establishing an industrial undertaking;

(ii) investment made by an association of persons in an industrial undertaking; and

(iii) investment made by a company in an industrial undertaking:

If the said investment is made on or after the 1st day of January, 2014, and commercial production commences on or before the 30th day of June, [1][2019].

(b) The concessions given in this clause shall also apply to investment made in:-

(i) Construction industry in corporate sector.

(ii) Low cost housing construction in the corporate sector.

(iii) Livestock development projects in the corporate sector.

(iv) New captive power plants.

(v) Mining and quarrying in Thar coal, Balochistan and Khyber Pakhtunkhwa.

[1]Substituted for "2017" by Finance Act, 2016 dated June 24, 2016. Earlier it was substituted for "2016" by Finance Act, 2015 dated June 30, 2015.

(c) The concessions given in sub-clause (a) shall not apply to investment made in:-

(i) Arms and ammunitions

(ii) Explosives

(iii) Fertilizers

(iv) Sugar

(v) Cigarettes

(vi) Aerated beverages

(vii) Cement

(viii) Textile spinning units

(ix) Flour mills

(x) Vegetable ghee and

(xi) Cooking oil manufacturing

(d) The term Greenfield industrial undertaking shall include expansion projects for the purposes of this clause.

(e) Immunity under this clause shall not be available to proceeds of crime relating to offences under the following laws:

(i) Control of Narcotics Substances Act, 1997;

(ii) Anti Terrorism Act, 1997; and

(iii) Anti-Money Laundering Act, 2010."

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[1to3][ ]

[1]Clauses (87) & (88) omitted by Finance Act, 2014 dated June 26, 2014. Earlier it was inserted by SRO 1065(I)/2013 dated December 20, 2013.
[2]Clause (89) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by SRO 17(I)/2014 dated January 07, 2014.
[3]Clause (90) omitted by Finance Act, 2015 dated June 30, 2015. Earlier it was inserted by SRO 17(I)/2014 dated January 07, 2014.

Cl. (87)-Omission.-Before Omission by F. Act, 2014, it read as follows:-

"**(87)** The provisions of sections 182, 205, 177 and 214C shall not apply to an individual, holding an NTN who files a return, as specified in Form "A" below, by twenty eight day of February, 2014, of the tax years from 2008 to 2012, for which returns have not been filed:

Provided that for each of the tax year, a minimum tax of twenty thousand rupees on the basis of taxable income is paid by the taxpayer:

Provided further that the taxpayer shall not be entitled to claim any adjustment of withholding tax collected or deducted under the Ordinance:

Provided also that the due date of filing of return for tax year 2013, in respect of individuals availing concessions under this clause shall be twenty eighth day of February, 2014.

Form 'A' not reproduced due to sake of brevity"

Cl. (88)-Omission.-Before Omission by F. Act, 2014, it read as follows:-

"**(88)** The provisions of sections 182, 205, 177 and 214C shall not apply to an individual, if the individual files a return or returns, as prescribed for this clause, by twenty eighth day of February, 2014 for any or all of the tax years from 2008 to 2012; and

(i) has not filed any return for the last five years;
(ii) is not an NTN holder as on 28th day of November, 2013;
(iii) declares taxable income for the year which exceeds the amount on the basis of which, tax payable is twenty five thousand rupees or more; and
(iv) has paid the tax on the basis of taxable income declared in the return or returns:

Provided that concession under this clause shall only apply for the tax year or years, for which the returns have been filed and for equal number of succeeding consecutive tax years, if tax paid for the succeeding tax years is at least equal to tax paid for tax year 2012:

Provided further that the taxpayers shall not be entitled to claim any adjustment of withholding tax under the Ordinance, collected or deducted during a tax year, for which a return is filed:

Provided also that the due date of filing of return for tax year 2013, in respect of individuals availing concessions under this clause shall be twenty eighth day of February, 2014."

Cl. (89) -Omission.-Before Omission by F. Act, 2015, read as follows:-

"**(89)** The provisions of section 236I shall not apply to-

(a) the Federal Government or a Provincial Government;
(b) an individual entitled to privileges under the United Nations (Privileges and Immunities) Act, 1948 (XX of 1948);
(c) a foreign diplomat or a diplomatic mission in Pakistan; or
(d) a person who is a non-resident and-
  (i) furnishes copy of passport as an evidence to the educational institution that during previous tax year, his stay in Pakistan was less than one hundred eighty-three days;
  (ii) furnishes a certificate that he has no Pakistan-source income; and
  (iii) fee is remitted directly from abroad through normal banking channels to the bank account of the educational institution."

Cl. (90) -Omission.-Before Omission by F. Act, 2015, read as follows:-

"**(90)** The provisions of section 236D shall not apply to-

(a) the Federal Government or a Provincial Government;
(b) an individual entitled to privileges under the United Nations (Privileges and Immunities) Act, 1948 (XX of 1948); or
(c) a foreign diplomat or diplomatic mission in Pakistan."

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[1][**(91)** The provisions of section 148 shall not apply to-

(i) Tillage and seed bed preparation equipment as specified below

	Equipment	**PCT Code**
(i)	Rotavator	8432.8010
(ii)	Cultivator	8432.2910
(iii)	Ridger	8432.8090
(iv)	Sub soiler	[2][8432.3900]
(v)	Rotary slasher	8432.8090
(vi)	Chisel plow	8432.1010
(vii)	Ditcher	8432.1090
(viii)	Border disc	8432.2990
(ix)	Disc harrow	8432.2100
(x)	Bar harrow	8432.2990
(xi)	Mould board plow	8432.1090
(xii)	Tractor rear or front blade	8430.6900
(xiii)	Land leveller or land planer	8430.6900
(xiv)	Rotary tiller	8432.8090
(xv)	Disc plow	8432.1090
(xvi)	Soil-scrapper	8432.8090
(xvii)	K.R.Karundi	8432.8090
(xviii)	Tractor mounted trancher	[2][8701.9200]
(xix)	Land leveler	8430.6900

(ii) Seeding or planting equipment

	Equipment	**PCT Code**
(i)	Seed-cum-fertilizer drill (wheat, rice barley, etc.)	[2][8432.3100]
(ii)	Cotton or maize planter with fertilizer attachment	[2][8432.3900]
(iii)	Potato planter	[2][8432.3900]
(iv)	Fertilizer or manure spreader or broadcaster	[2][8432.4100]
(v)	Rice transplanter	[2][8432.3900]
(vi)	Canola or sunflower drill	[2][8432.3100]
(vii)	Sugarcane planter	[2][8432.3900]

[1]Clauses (91) to (93) inserted by Finance Act, 2015 dated June 30, 2015.
[2]Substituted for "8432.3090", "8701.9020", "8432.3010", "8432.4000" respectively by Finance Act, 2017 dated June 20, 2017.

(iii) Irrigation, drainage and agro-chemical application equipment

	Equipment	**PCT Code**
(i)	Tubewells filters or strainers	8421.2100, 8421.9990
(ii)	Knapsack sprayers	8424.2010
(iii)	Granular applicator	8424.2010
(iv)	Boom or field sprayers	8424.2010
(v)	Self propelled sprayers	8424.2010
(vi)	Orchard sprayer	8424.2010

(iv) Harvesting, threshing and storage equipment

	Equipment	**PCT Code**
(i)	Wheat thresher	8433.5200
(ii)	Maize or groundnut thresher or sheller	8433.5200
(iii)	Groundnut digger	8433.5900
(iv)	Potato digger or harvester	8433.5300
(iv)	Sunflower thresher	8433.5200
(v)	Post hole digger	8433.5900
(vi)	Straw balers	8433.4000
(vii)	Fodder rake	8433.5900
(viii)	Wheat or rice reaper	8433.5900
(ix)	Chaff or fodder cutter	8433.5900
(x)	Cotton picker	8433.5900
(xi)	Onion or garlic harvester	8433.5200
(xii)	Sugar harvester	8433.5200
(xiii)	Tractor trolley or forage wagon	8716.8090
(xiv)	Reaping machines	8433.5900
(xv)	Combined harvesters	8433.5100
(xvi)	Pruner/shears	8433.5900
[1][xvii	Corn harvester/corn picker and silage maker with their respective PCT heading	]

(v) Post-harvest handling and processing & miscellaneous machinery

	Equipment	**PCT Code**
(i)	Vegetables and fruits cleaning and sorting or grading equipment	8437.1000
(ii)	Fodder and feed cube maker equipment	8433.4000]

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[1]Inserted by Finance Act, 2021 dated June 30, 2021.

[1][**(92)** The provisions of section 148 shall not apply to.-

	PCT Code
Aircraft, whether imported or acquired on wet or dry lease	8802.4000
Maintenance kits for use in trainer aircrafts of PCT headings 8802.2000 and 8802.3000	Respective headings
Spare parts for use in aircrafts, trainer aircrafts or simulators	Respective headings
Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized by Aviation Division	Respective headings
Operational tools, machinery, equipment and furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division	Respective headings
Aviation simulators imported by airline company recognized by Aviation Division	Respective headings]

[1][**(93)** The provisions of sub-section (1) of section 154 shall not apply to taxpayers operating halal meat production and qualifying for exemption under clause (126K) of Part-I of this Schedule for the period specified in clause (126K).]

[2][ ]

[1]Clauses (91) to (93) inserted by Finance Act, 2015 dated June 30, 2015.

[2]Clause (94) omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Income Tax (2nd Amendment) Act, 2016 dated January 29, 2016 and the same was inserted by Income Tax (Second Amendment) Ordinance, 2015 dated October 31, 2015.

Cl. (94) -Omission.-Before Omission by F. Act, 2019, read as follows:-

"**(94)** The provisions of clause (b) of the proviso to sub-section (3) of section 153 shall not apply for [1][the period beginning on the first day of July, 2015 and ending on the thirtieth day of June, [2][2019] to a company being a filer and engaged in providing or rendering freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, [3][IT services and IT enabled services as defined in clause (133) of Part I of this Schedule] tracking services, advertising services (other than by print [4][,] electronic media), share registrar services, engineering services or car rental services [5][, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited] [6][inspection, certification, testing and training services]:

[1]Substituted for "tax year 2016" by Income Tax (3rd Amendment) Act, 2016 dated January 29, 2016.
[2]Substituted for "2018" by Finance Act, 2018 dated May 23, 2018. Earlier it was substituted by "2017" by Finance Act, 2017 dated June 20, 2017 & was substituted for "2016" by Finance Act, 2016 dated June 24, 2016.
[3]Words etc. inserted by Finance Act, 2016 dated June 24, 2016.
[4]Substituted for "or" by Finance Act, 2017 dated June 20, 2017.
[5]Words inserted by Finance Act, 2017 dated June 20, 2017.
[8]Words inserted by Finance Act, 2018 dated May 23, 2018.

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[1][**(95)** The provisions of sections 147, 151, 152, 236A and 236K shall not apply to the Second Pakistan International Sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and The Pakistan Global Sukuk Programme Company Limited, as a payer.]

[2][**(95A)** The provisions of section 236A shall not apply in respect of auction of franchise rights to participating teams in a national or international league organized by any board or other organization established by the Government in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognized by the Government with effect from the first day of July; 20l9.]

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[1]Clause (95) substituted by Finance Act, 2022 dated June 30, 2022. Earlier it was substituted by SRO 1457(I)/2021 dated November 11, 2021. Earlier it was substituted by Finance Act, 2018 dated May 23, 2018 & was inserted by Finance Act, 2016 dated June 24, 2016.

[2]Clause (95A) inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

Provided that the tax payable or paid on the income from providing or rendering aforesaid services shall not be less than two percent of the gross amount of turnover from all sources and that the company furnishes in writing an irrevocable undertaking by the fifteenth day of November, 2015 to present its accounts to the Commissioner within thirty days of filing of return, for audit of its income tax affairs for [1]*[*any of the tax years 2016 to [2]*[*2019*]],]* [3]*[:]*]

[4][Provided further that for tax year [5][2019], the company shall furnish irrevocable undertaking by November, [5][2018], to present its accounts to the Commissioner.]"

[1]Substituted for "tax year 2016 *[*or 2017, as the case may be" by Finance act, 2017 dated June 20, 2017. Earlier words in bracket was inserted by Income Tax (3rd Amendment) Act, 2016 dated January 29, 2016.

[2]Substituted for "2018" by Finance Act, 2018 dated May 23, 2018.

[3]Substituted for full stop by Finance Act, 2016 dated June 24, 2016.

[4]Proviso inserted by Finance Act, 2016 dated June 24, 2016.

[5]Substituted for "2018", "2017" by Finance Act, 2018 dated May 23, 2018. Earlier it was substituted for "2017", "2016" respectively by Finance Act, 2017 dated June 20, 2017.

Cl. (95)-Substitution.-Before substitution by F. Act, 2022, it read as follows:-

"**(95)** The provisions of sections 147, 151, 152, 236A and 236K shall not apply to the Second Pakistan International Sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and The Pakistan Global Sukuk Programme Company Limited, as a payer."

Cl. (95)-Substitution.-Before substitution by SRO 1457(I)/2021, it read as follows:-

"(95) The provisions of sections 147, 150A, 151, 152, [1][ ] 236A and 236K shall not apply to "The second Pakistan international Sukuk Company Limited" and the Third Pakistan International Sukuk Company Limited, as a payer."

[1]Expression "231A, 231AA," omitted by Finance Act, 2021 dated June 30, 2021.

Cl. (95)-Substitution.-Before substitution by F. Act, 2018, it read as follows:-

"**(95)** the provisions of sections 147 [1]*[*, 150A*]*, 151, 152, 231A, 231AA, 236A and 236K shall not apply to "The Second Pakistan International Sukuk Company Limited" [1]["and the Third Pakistan International Sukuk Company Limited"], as a payer."

[1]Words inserted by SRO 933(I)/2016 dated October 03, 2016.

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[1][**(96)** The provisions of sections 151, 153, 155 and 236C shall not apply to the Second Pakistan International Sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and the Pakistan Global Sukuk Programme Company Limited, as a recipient;]

[2][**(97)** the provision of section 236C shall not apply to "Pakistan International Sukuk Company Limited.]

[3][**(97A)** The provisions of sections 37, 236C and 236K shall not apply to National Highway Authority in respect of transfer of immovable property to the Pakistan Global Sukuk Programme Company Limited and in respect of transfer of immoveable property to National Highway Authority from the Second Pakistan International Sukuk Company Limited or the Pakistan Global Sukuk Programme Company Limited.]

[4][**(98)** The provisions of section 148 shall not apply to import of ships and other floating crafts including tugs, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistani entity and flying Pakistani flag:

Provided that exemption under this clause shall be available up to the year [5][2030], subject to the condition that the ships and crafts are used for the purpose for which they were procured, and in case such ships and crafts are used for demolition purposes, tax collectible under section 148, applicable to ships and crafts purchased for demolition purposes, shall be chargeable.]

[6][**(99)** The provisions of section 148 shall not apply to import or acquisition of aircraft on wet or dry lease by M/s Pakistan International Airlines Corporation with effect from 19th March, 2015.]

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[1]Clause (96) substituted by Finance Act, 2022 dated June 30, 2022. Earlier it was substituted by SRO 1457(I)/2021 dated November 11, 2021. Earlier it was substituted by Finance Act, 2018 dated May 23, 2018 & was inserted by Finance Act, 2016 dated June 24, 2016.

[2]Clause (97) inserted by Finance Act, 2016 dated June 24, 2016.

[3]Clause (97A) inserted by Finance Act, 2022 dated June 30, 2022. Earlier it was inserted by SRO 1457(I)/2021 dated November 11, 2021.

[4]Clauses (98) & (99) inserted by Finance Act, 2016 dated June 24, 2016.

[5]Substituted for "2020" by Finance Act, 2020 dated June 30, 2020.

Cl. (96)-Substitution.-Before substitution by F. Act, 2022, it read as follows:-

"**(96)** The provisions of sections 151, 153, 155 and 236C shall not apply to the Second Pakistan International Sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and the Pakistan Global Sukuk Programme Company Limited, as a recipient."

Cl. (96)-Substitution.-Before substitution by SRO 1457(I)/2021, it read as follows:-

"**(96)** the provisions of sections 147, 150A, 151, 155 and 236K shall not apply to "The second Pakistan international Sukuk Company Limited" and the Third Pakistan International Sukuk Company Limited, as a recipient.

Cl. (96)-Substitution.-Before substitution by F. Act, 2018, it read as follows:-

"**(96)**the provisions of sections 147 [1]*[*, 150A*]*, 151 [2]*[*, 155 and 236K*]* shall not apply to "The Second Pakistan International Sukuk Company Limited" [3]*[*"and the Third Pakistan International Sukuk Company Limited"*]*, as a recipient."

[1]Words inserted by SRO 933(I)/2016 dated October 03, 2016.

[2]Substituted for "and 155" by SRO 969(I)/2016 dated October 13, 2016.

[3]Words inserted by SRO 924(I)/2016 dated September 30, 2016.

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[1to4][ ]

[5][**(102)** The provisions of section 231B(1A) shall not apply to light commercial vehicles leased under the Prime Minister's Youth Business Loan Scheme.]

[6][**(102A)** The provisions of section 233 shall not apply to commission received by a retail branchless banking agent on any amount disbursed by the Ehsaas Emergency Cash Transfer Programme for the period commencing on 16th April, 2020 and ending on 30th day of September 2020.]

[7][**(103)** The provisions of section 7B shall not apply to yield or profit on investment in Bahbood Savings Certificate or Pensioner's Benefit Account, provided that tax on the said yield or profit on debt is paid at the rates specified in Division I of Part I of the First Schedule subject to clause (6) of Part III.]

[1][**(104)** The provisions of section 5A shall not apply to a company where a restriction has been imposed on distribution of dividend on account of an agreement with the Government of Pakistan.]

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[1]Clause (100) omitted by Finance Act, 2023 dated June 26, 2023. Earlier it was inserted by Finance Act, 2018 dated May 23, 2018. Earlier the same was inserted by SRO 06(I)/2016 dated January 09, 2017.
[2]Clause (101) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2017 dated June 20, 2017.
[3]Clause (101A) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.
[4]Clause (101AA) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2020 dated June 30, 2020.
[5]Clause (102) inserted by Finance Act, 2017 dated June 20, 2017.
[6]Clause (102A) inserted by Finance Act, 2020 dated June 30, 2020. Earlier the same was inserted by SRO 315(I)/2020 dated April 16, 2020.
[7]Clause (103) inserted by Finance Act, 2018 dated May 23, 2018. Earlier the same was inserted by SRO 1217(I)/2017 dated November 23, 2017.
[1]Clause (104) inserted by Finance Act, 2018 dated May 23, 2018. Earlier the same was inserted by SRO 234(I)/2018 dated February 13, 2018.

Cl. (100)-Omission.-Before omission by F. Act, 2023, it read as follows:-

"**(100)** The provisions of section 236U shall not apply to an insurance company collecting premium under:-

(a) Crop Loan Insurance Scheme (CLIS); and

(b) Livestock Insurance Scheme (LIS)."

Cl. (101)-Omission.-Before omission by F. Act, 2021, it read as follows:-

"**(101)** The provisions of section 231A shall not apply in respect of cash withdrawal made from a "Branchless Banking (BB) Agent Account" utilized to render branchless banking services to customers."

Cl. (101A)-Omission.-Before omission by F. Act, 2021, it read as follows:-

"**(101A)** The provision of section 231A shall not apply to a Pak Rupee account if the deposits in the account are made solely from foreign remittances credited directly into such account."

Cl. (101AA)-Omission.-Before omission by F. Act, 2021, it read as follows:-

"**(101AA)** The provisions of sections 231A, 231AA and 236P shall not apply to a Pak Rupee Account in a tax year to the extent of foreign remittances credited into such account during that tax year."

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[1][**(104A)** The provisions of section 4C shall not apply on capital gain derived from the disposal of one residential immovable property, if the property-

(a) has been in the personal use of the person for the last fifteen years;

(b) has been declared by the person in his wealth statement under section 116 for the last fifteen years; and

(c) appears as residence for personal use in tax record of the person.

Provided that this clause shall apply once in fifteen years.]

[2][**(104B)** The provisions of section 4C shall not apply to a person if the export proceeds realized for the tax year represent more than eighty percent of his total turnover for the tax year.]

[3][ ]

[4][**(105A)** The provisions of section 177 and 214C [5][for selection of a person for audit shall not apply whose income tax affairs have been selected for audit in any of the preceding three tax years]:

Provided that the Commissioner may select a person under section 177 for audit with approval of the Board.]

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[1]Clause (104A) inserted by Finance Act, 2025 in force from July 1, 2025.

[2]Clause (104B) inserted by Finance Act, 2026 dated June 26, 2026.

[3]Clause (105) omitted by Finance Act, 2019 dated June 30, 2019. Earlier it was inserted by Finance Act, 2018 dated May 23, 2018.

[4]Clause (105A) inserted by Finance Act, 2022 dated June 30, 2022.

[5]Substituted for "shall not apply to a person whose income tax affairs have been audited in any of the preceding four tax years" by Finance Act, 2025 in force from July 1, 2025.

Cl. (81A)-Omission.-Before Omission by F. Act, 2019, it read as follows:-

"**(105)**The provisions of section 177 and 214C shall not apply to a person whose income tax affairs have been audited in any of the preceding three tax years:

Provided that the Commissioner may select a person under section 177 for audit, with approval of the Board."

Cl. (105A)-Restriction on Frequent Audit Proceedings.- Following is an extract from FBR's Circular No. 15 of 2022, dated 21 July, 2022, explaining the amendment:-

"A new clause (105A) has been inserted in Part IV to Second Schedule to the Ordinance whereby the provisions of section 177 and 214C shall not apply to a person whose income tax affairs have been audited in any of the preceding four tax years. However, the Commissioner may select a person for audit with prior approval of the Board.

Example:

Taxpayer A's audit of income tax affairs of tax year 2017 has been finalized in tax year 2022. Taxpayer A can only be audited again after four tax years i.e. in tax year 2027."

Cl. (105A)- Selection of a Person for Audit.- Following is an extract from FBR's Circular No. 1 of 2025-26 dated August 02, 2025:- [clause (105A) of Part IV of the Second Schedule]

"The original clause in this regard was introduced through Finance Act, 2022 placing bar on selection of any case for audit under sections 177 and 214C for four years if audit of income tax affairs of that case has been audited in any of the four proceeding years. The original intension of the said clause was to avoid repeated audits which have been resulting in genuine hardship to taxpayers. However, multiple interpretation of said clause resulted in multiple outcomes resulting in inconsistency in application of the said clause by the field formation. Through Finance Act, 2025 the said clause has been redrafted for clarity which stipulates that a person whose income tax affairs have been selected for audit in any of the proceeding three tax years, such person will be immune from the selection for audit under sections 177 and 214C of the Ordinance during the currency of that time frame."

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[6][ ]

[1][**(107)** The provisions of section 111 relating to unexplained income or assets shall not apply in respect of any contribution paid to the Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund.

(108) The provisions of sections [2][131 and 151] shall not apply to the Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund.

[3][ ]

[4][**(109A)** The provisions of sections in Division III of Part V of Chapter X and Chapter XII of this Ordinance for deduction or collection of withholding tax which were not applicable prior to commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) shall not apply to individual domiciled or company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, [5][2026] (both days inclusive).]

[6][**(110)** The provisions of sections in Division III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax which were not applicable prior to commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) shall not apply to individual domiciled or company and association of person resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, [5][2026] (both days inclusive).]

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[6]Clause (106) omitted by SRO 1213(I)/2018 dated October 05, 2018. Earlier it was inserted by SRO 887(I)/2018 dated July 23, 2018.

[1]Clauses (107) to (109) inserted by Finance Supplementary (Amendment) Act, 2018 dated October 08, 2018.

[2]Substituted for "113, 151, 231A, 231AA and 236P" by Finance Act, 2021 dated June 30, 2021.

[3]Clause (109) omitted by Finance Act, 2021 dated June 30, 2021.

[4]Clause (109A) inserted by Finance Act, 2019 dated June 30, 2019.

[5]Substituted for "2025" by Finance Act, 2025 in force from July 1, 2025. Earlier it was substituted for "omitted" by Finance Act, 2024 w.e.f. 1 July, 2024. Earlier it was substituted for "2023" by Finance Act, 2023 dated June 26, 2023.

[6]Clause (110) inserted by SRO 1213(I)/2018 dated October 05, 2018.

Cl. (109A)-Extension of Exemptions available to the erstwhile Tribal Areas.- Following is an extract from FBR's Circular No. 1 of 2025-26 dated August 02, 2025:- [Clause 145A) of Part I and Clauses (109A) and (110) of Part-IV of the Second Schedule]

"The exemption, available under clause (1454) of Part I of the Second Schedule to the Ordinance to any income of any individual domiciled or company and association of persons resident in the erstwhile Tribal Areas forming part of the provinces of the Khyber Pakhtunkhwa and Baluchistan under paragraph (d) of Article 246 of the Constitution, has been extended up to the 30th June, 2026. Corresponding change has also been incorporated in respect to withholding tax exemption in clause (109A) and (110) of Part IV of the Second Schedule."

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[7][**(111)** The provisions of section 4B shall not apply to so much of the income of banking company as defined in the said section subject to reduced rate of tax at 20% under rules 7D, 7E and 7F of the Seventh Schedule for tax years 2020 to 2023.]

[1][**(111A)** The provisions of section 100BA and rule 1 of the Tenth Schedule shall not apply to the extent of payment of dividend to non-resident persons.]

[2][**(111AB)** The provisions of section 100BA and rule 1 of the Tenth Schedule shall not apply to [3][Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA), or Non-Resident Rupee Business Value Account (NRBVA)] with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan.]

[4][**(111AC)** The provisions of section 100BA and rule 1 of the Tenth Schedule shall not apply to non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) in respect of transactions on which tax is collectible under section 236C and 236K of the Ordinance;]

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[7]Clause (111) inserted by Finance Supplementary (Second Amendment) Act, 2019 dated March 09, 2019.

[1]Clause (111A) inserted by Finance Act, 2020 dated June 30, 2020.

[2]Clause (111AB) inserted Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

[3]Substituted for "non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) maintaining a Foreign Currency Value Account (FCVA) or Non-resident Pakistani Rupee Value Account (NRVA)" by Finance Act, 2026 dated June 26, 2026.

[4]Clause (111AC) inserted Finance Act, 2022 dated June 30, 2022.

Clause (112)-Omission.- Before Substitution by F. Act, 2021, it read as follows:-

"**(112)** The provision of section 236P shall not apply to special convertible rupee account (SCRA) of a non-resident company having no permanent establishment in Pakistan."

Clause (112A)-Omission.- Before Substitution by F. Act, 2021, it read as follows:-

"**(112A)** The provisions of section 231A, 231AA and 236P shall not apply to the holders of Foreign Currency Value Account (FCVA) or Non-resident Pakistani Rupee Value Account (NRPRVA) in respect of these accounts only."

Clause (112A)-Substitution.- Before Substitution it read as follows:-

"**(112A)** The provisions of section 236P shall not apply to a non-resident rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan of a non-resident individual investing in a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944."

Cl. (111A).- Rationalization of Exemptions from Specific Provisions [Part IV of the Second Schedule - clauses (47B), (111AB), (114A) and (115)]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Clause (111AB) of said Part IV excluded application of enhanced rate of withholding tax under the Tenth Schedule to non-resident individuals holding POC, NICOP or CNIC who maintained FCVA and NRVA. After the amendment the enhanced rate of WHT shall not apply to FCVA, NRVA, foreign currency business value account (FCBVA) or non-resident rupee business value account (NRBVA) with authorised banks in Pakistan under foreign exchange regulations issued by the SBP."

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[5&6][ ]

[1][**(113)** The provision of sub-section (5B) of sections 147 shall not apply in respect of capital gains arising to a non-resident company having no permanent establishment in Pakistan from investment in debt instruments and Government securities including treasury bills and Pakistan investment bonds through special convertible rupee account (SCRA) maintained with a banking company or financial institution in Pakistan.]

[1][**(114)** The provisions of section [2][clause (ae) of sub-section (1) of section 114] and 181 shall not apply to a non-resident company having no permanent establishment in Pakistan solely by reason of capital gain or profit on debt earned from investments in debt securities and Government securities including treasury bills and Pakistan investment bonds through special convertible rupee account maintained with a banking company or financial institution in Pakistan.]

[3][**(114A)** The provisions of clause (ae) of sub-section (1) of section 114 and section 181 shall not apply to a person maintaining a Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA), or Non-Resident Rupee Business Value Account (NRBVA) with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan:

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[5]Clause (112) omitted by Finance Act, 2021 dated June 30, 2021. Earlier clauses (112) to (115) inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020 & same were inserted by Tax Laws (Second Amendment) Act, 2019 dated December27, 2019.

[6]Clause (112A) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was substituted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021 & was inserted by Finance Act, 2020 dated June 30, 2020.

[1]Clauses (113) to (115) inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier same were inserted by Tax Laws (Second Amendment) Act, 2019 dated December 27, 2019.

[2]Substituted for "115(4)" by Finance Act, 2020 dated June 30, 2020.

[3]Clause (114A) substituted by Finance Act, 2026 dated June 26, 2026. Earlier it was substituted Finance Act, 2021 dated June 30, 2021, was substituted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021 & was inserted by Finance Act, 2020 dated June 30, 2020.

Clause (114A)-Substitution.- Before substitution by F. Act, 2026, it read as follows:-

"**(114A)** The provisions of clause (ae) of sub-section (1) of section 114 and section 181 shall not apply to a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) maintaining a Foreign Currency Value Account (FCVA) or a Non-resident Pakistani Rupee Value Account (NRVA) with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan:

Provided that this clause shall not apply if the person referred in this clause has Pakistan-source taxable income other than the following; namely:-

(a) profit on debt on FCVA or Non-resident Pakistani Rupee Value Account (NRVA);

(b) profit on debt earned on Government of Pakistan (GOP) securities either conventional or Shariah Compliant where investment has been made from proceeds of FCVA or NRVA;

(c) capital gain on disposal of immovable property acquired from proceeds of FCVA or NRVA;

(d) capital gain on disposal of securities traded on Pakistan Stock Exchange and units of mutual funds that are acquired from proceeds of FCVA or NRVA; or

(e) dividend income from securities traded on Pakistan Stock Exchange and mutual funds that are acquired from proceeds of FCVA or NRVA.]

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Provided that this clause shall not apply if the person referred in this clause has Pakistan-source taxable income other than the following, namely:-

(a) profit on debt on FCVA, FCBVA, NRVA, or NRBVA;

(b) profit on debt earned on Government of Pakistan (GOP) securities either conventional or Shariah Compliant where investment has been made from proceeds of FCVA, FCBVA, NRVA, or NRBVA;

(c) capital gain on disposal of immovable property acquired from proceeds of FCVA or NRVA;

(d) capital gain on disposal of securities traded on Pakistan Stock Exchange and units of mutual funds that are acquired from proceeds of FCVA, FCBVA, NRVA, or NRBVA; or

(e) dividend income from securities traded on Pakistan Stock Exchange and mutual funds that are acquired from proceeds of FCVA, FCBVA, NRVA, or NRBVA.]

Clause (114A)-Substitution.- Before Substitution it read as follows:-

"**(114A)** The provisions of clause (ae) of sub-section (1) of section 114 and section 181 shall not apply to a non-resident individual solely by reason of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan."

Cl. (114A).- Rationalization of Exemptions from Specific Provisions [Part IV of the Second Schedule - clauses (47B), (111AB), (114A) and (115)]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Section 114(1)(ae) provides that every person whose income is subject to FTR is required to file return of income under section 114. Section 181 required every taxpayer to be registered as prescribed. Amendment made vide Finance Act, 2026 in clause (114A) excludes a person maintaining FCVA, FCBVA, NRVA, NRVBA with authorised banks in Pakistan under the foreign currency regulations issued by the SBP from applicability of section 114(1)(ae) and 181 only if such person has no other Pakistan-source income other than the following:

(a) Profit on debt on FCVA, FCVBA, NRVA or NRVBA;

(b) Profit on debt earned on GoP securities where investment has been made from proceeds of FCVA, FCVBA, NRVA or NRVBA;

(c) Capital gain from disposal of immovable property acquired from proceeds of FCVA or NRVA;

(d) Capital gain from disposal of securities traded on Pakistan Stock Exchange and units of mutual funds that are acquired from proceeds of FCVA, FCVBA, NRVA or NRVBA;

(e) Dividend income from securities traded on Pakistan Stock Exchange and units of mutual funds that are acquired from proceeds of FCVA, FCVBA, NRVA or NRVBA."

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[1][**(115)** The provisions of section 153 shall not apply to traders being individuals having turnover upto [2][two] hundred million Rupees as a prescribed person.

Explanation.- Trader in this clause shall have the meaning as provided in clause (28D) of Part II of the Second Schedule.]

[3][**(116)** The provisions of section 151 [4][ ] shall not apply to The Prime Minister's COVID-19 Pandemic Relief Fund-2020.]

[5][ ]

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[1]Clauses (112) to (115) inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier same were inserted by Tax Laws (Second Amendment) Act, 2019 dated December 27, 2019.

[2]Substituted for "one" by Finance Act, 2026 dated June 26, 2026.

[3]Clause (116) inserted by Finance Act, 2020 dated June 30, 2020. Earlier the same was inserted by SRO 300(I)/2020 dated April 10, 2020.

[4]Expression ", 231A, 231AA and 236P" omitted by Finance Act, 2021 dated June 30, 2021.

[5]Clause (117) omitted by Finance Act, 2021 dated June 30, 2021. Earlier it was inserted by Finance Act, 2020 dated June 30, 2020 & the same was inserted by SRO 300(I)/2020 dated April 10, 2020.

Cl. (115).- Rationalization of Exemptions from Specific Provisions [Part IV of the Second Schedule - clauses (47B), (111AB), (114A) and (115)]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Clause (115) has been amended to provide that a trader being an individual shall not be a prescribed person to withhold tax under section 153 of the Ordinance if his turnover does not exceed two hundred million rupees for a tax year."

Clause (117)-Omission.- Before omission by Finance Act, 2021, it read as follows:-

"**(117)** The provisions of section 236P shall not apply at the time of transfer of any sum to The Prime Minister's COVID-19 Pandemic Relief Fund- 2020."

8-191-15-09-2026

[1][**(118)** The provisions of withholding taxes contained in the Income Tax Ordinance, 2001 (XLIX of 2001) shall not apply to Islamic Naya Pakistan Certificates Company Limited (INPCCL) as a recipient.

(119) The provisions of section 153(1)(a) shall with effect from the first day of July, 2020 not apply to distributors, dealers, wholesalers and retailers of locally manufactured mobile phone devices as withholding agent.]

[2][**(120)** The provisions of Divisions II and III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax shall not apply to the persons mentioned in Table 1 of clause (66) of Part I of the second schedule as recipients of payment:

Provided that such persons shall continue to perform functions as withholding and collecting agent under the aforesaid provisions.]

[3][**(121)** The provisions of section 151 shall not apply to the Prime Minister's Relief Fund for Flood, Earthquake and other calamities with effect on and from the 5th August, 2022.]

[3][**(122)** The provisions of section 236 shall not apply on the amount donated through SMS to the Prime Minister's Relief Fund for Flood, Earthquake and other calamities with effect on and from the 5th day of August, 2022.]

[3][**(123)** The provisions of section 148 shall for a period of three months from the 1st day of December, 2022 not apply to goods required and imported for relief operation for flood affectees, duly certified by the National Disaster Management Authority or the Provincial Disaster Management Authority.]

[3][**(124)** The provisions of section 148 shall not apply to tomato (PCT heading 0702.0000) and onion (PCT heading 0703.1000) imported till the 31st day of December, 2022.]

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[1]Clauses (118) & (119) inserted by Finance Act, 2021 dated June 30, 2021. Earlier these were inserted by Tax Laws (Amendment) Ordinance, 2021 dated February 12, 2021.

[2]Clause (120) inserted by Finance Act, 2022 dated June 30, 2022.

[3]Clauses (121) to (124) inserted by Finance Act, 2023 dated June 26, 2023. Earlier already clauses (121) & (122) inserted by SRO 1590(I)/2022 dated August 23, 2022, clause (123) inserted by SRO 1634(I)/2022 dated August 30, 2022 & clause (124) inserted by SRO 1639(I)/2022 dated August 31, 2022.

Clauses (120) to (124)-Insertion.- Before added by SROs stated above, these read as follows:-

"**(121)** The provisions of section 151 shall not apply to the Prime Minister's Flood Relief Fund, 2022 with effect on and from the 5th August, 2022."

"**(122)** The provisions of section 236 shall not apply on the amount donated through SMS to the Prime Minister's Flood Relief Fund, 2022 with effect on and from the 5th August, 2022."

"**(123)** The provisions of section 148 shall for a period of [1][three months from the 1st December, 2022] not apply to goods required and imported for relief operation for flood affectees, duly certified by the National Disaster Management Authority or the Provincial Disaster Management Authority."

[1]Substituted for "ninety days" by SRO 72(I)/2023 dated January 25, 2023.

"**(124)** The provisions of section 148 shall not apply to tomato (PCT heading 0702.0000) and onion (PCT heading 0703.1000) imported till the 31st day of December, 2022."

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8-173-10-07-2023

[1][THE EIGHT SCHEDULE

[section 100B]

RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES

1. Manner and basis of computation of capital gains and tax thereon.- (1) Capital gains on disposal of listed securities, subject to tax under section 37A, and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited on behalf of taxpayers by NCCPL in the manner prescribed.

[2][(1A) Capital gains on disposal of units of open ended mutual funds and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited by NCCPL in the prescribed manner:

Provided that second and third proviso in Division VII of Part I of the First Schedule regarding capital gains arising on redemption of securities shall continue to apply.

(1B) Gain or loss arising to persons through trading of future commodity contracts on Pakistan Mercantile Exchange, subject to tax under section 37A and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited on behalf of taxpayers by NCCPL in the manner prescribed.]

(2) For the purpose of sub-rule (1) [2][, (1A) and (1B)], NCCPL shall develop an automated system.

(3) Central Depository Company of Pakistan Limited shall furnish information as required by NCCPL for discharging obligations under this Schedule [3][:]

[3][Provided that if the said information is not furnished under this sub-rule or sub-rule (3A), NCCPL shall forward the details to the Commissioner who shall exercise powers under the Ordinance to enforce furnishing of the said information including all penalty provisions.]

[4][(3A) The Asset Management Companies, Pakistan Mercantile Exchange and any other person shall furnish information when required by NCCPL for discharging obligations under this Schedule.]

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[1]Eighth Schedule inserted by Finance Act, 2012 dated June 26, 2012.
[2]Inserted by Finance Act, 2016 dated June 24, 2016.
[3]Substituted for full stop and Proviso inserted by Finance Act, 2016 dated June 24, 2016.
[4]Sub-rule (3A) inserted by Finance Act, 2016 dated June 24, 2016.

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(4) NCCPL shall issue an annual certificate to the taxpayer on the prescribed form in respect of capital gains subject to tax under this Schedule for a financial year:

Provided that on the request of a taxpayer or if required by the Commissioner, NCCPL shall issue a certificate for a shorter period within a financial year.

(5) Every taxpayer shall file the certificate referred to in sub-rule (4) along with the return of income and such certificate shall be conclusive evidence in respect of the income under this Schedule.

(6) NCCPL shall furnish to the Board within [1][forty-five] days of the end of each quarter, a statement of capital gains and tax computed thereon in that quarter in the prescribed manner and format.

(7) Capital gains computed under this Schedule shall be chargeable to tax at the rate applicable in Division VII of Part I of the First Schedule.

[2][(8) The provisions of section 4B shall apply to the taxpayers under this schedule and taxed at the rates specified in Division IIA of Part I of the First Schedule.]

2. Sources of Investment.- (1) Where a person has made any investment in the listed securities, enquiries as to the nature and source of the amount invested shall not be made for any investment made prior to the introduction of this Schedule, provided that –

(a) a statement of investments is filed with the Commissioner along with the return of income and wealth statement for tax year 2012 within the due date as provided in section 118 of this Ordinance and in the manners prescribed; and

(b) that the amount remains invested for a period of forty- five days upto 30th of June 2012, in the manner as may be prescribed.

(2) Where a person has made any investment in the shares of a public company traded at a registered stock exchange in Pakistan from the date of coming into force of this Schedule till June 30, 2014, enquiries as to the nature and sources of amount invested shall not be made provided that–

(a) the amount remains invested for a period of one hundred and twenty days in the manner as may be prescribed ;

(b) tax on capital gains, if any, has duly been discharged in the manner laid down in this Schedule; and

(c) a statement of investments is filed with the Commissioner along with the return of income and wealth statement for the relevant tax year within the due date as provided in section 118 of this Ordinance and in the manner prescribed.

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[1]Substituted for "thirty" by Finance Act, 2017 dated June 20, 2017.
[2]Rule 1(8) inserted by Finance Act, 2015 dated June 30, 2015.

(3) For the purpose of this rule, amount of investment shall be calculated in the prescribed manner, excluding market value of net open sale position in futures and derivatives, if such sale is in a security that constitutes the said investment.

3. Certain provisions of this Ordinance not to apply.- The respective provisions for collection and recovery of tax, advance tax and deduction of tax at source laid down in the Parts IV and V of Chapter X shall not apply on the income from capital gains subject to tax under this Schedule and these provisions shall apply in the manner as laid down in the rules made under this Ordinance, except where the recovery of tax is referred by NCCPL to the Board in terms of rule 6(3).

4. Payment of tax collected by NCCPL to the Board.- The amount collected by NCCPL on behalf of the Board as computed in the manner laid down under this Schedule shall be deposited in a separate bank account with National Bank of Pakistan and the said amount shall be paid to the Board along with interest accrued thereon on yearly basis by July 31st next following the financial year in which the amount was collected.

[1][**4A. Computation, collection and payment of tax under section 4C**.– In addition to capital gains tax, NCCPL shall also compute and collect tax under section 4C at the rates specified in Division IIB of Part I of the First Schedule on the amount of capital gains computed under this Schedule in the manner specified in this Schedule and rules made thereunder.]

[2][ ]

6. Responsibility and obligation of NCCPL.- (1) Pakistan Revenue Automation Limited (PRAL), a company incorporated under the [2][Companies Act, 2017 (XIX of 2017)] or any other company or firm approved by the Board and any authority appointed under section 209 of this Ordinance, not below the level of an Additional Commissioner Inland Revenue, shall conduct regular system and procedural audits of NCCPL on quarterly basis to verify the implementation of this Schedule and rules made under this Ordinance.

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[1]Rule 4A inserted by Finance Act, 2023 dated June 26, 2023.

[2]Rule 5 omitted by Finance Act, 2026 dated June 26, 2026. Before omission it read as follows:-

"**5. Persons to whom this Schedule shall not apply.-** If a person intends not to opt for determination and payment of tax as laid down in this Schedule, he shall file an irrevocable option to NCCPL after obtaining prior approval of the Commissioner in the manner prescribed. In such case the provisions of rule 2 shall not apply."

[3]Substituted for "Companies Ordinance, 1984 (XLVII of 1984)" by Finance Act, 2021 dated June 30, 2021.

R. 5.- Omission and Relocation of Certain Provisions [Eighth Schedule]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Rules contained in the Eighth Schedule provide for computation of capital gain tax by NCCPL under section 237A on disposal of securities. Rule 5 of that Schedule provided that a person may opt out of the rules in that Schedule after obtaining prior approval of the Commissioner. That option has been abolished. Now rules in that Schedule on computation and payment of capital gain tax apply on every person except persons specified in section l00BA to the extent of payment of tax."

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(2) NCCPL shall implement the recommendations, if any, of the audit report under sub-rule (1), as approved by the Commissioner, and make adjustments for short or excessive deductions. However, no penal action shall be taken against NCCPL on account of any error, omission or mistake that has occurred from application of the system as audited under sub-rule (1).

(3) NCCPL shall be empowered to refer a particular case for recovery of tax to the Board in case NCCPL is unable to recover the amount of tax.

7. Transitional Provisions.- In respect of tax year 2012, for the period commencing from coming into force of this Schedule till June 30, 2012, the certificate issued by NCCPL under rule 1(4) shall be the basis of capital gains and tax thereon for that period.]

Asif Ali Zardari,
President.

KARAMAT HUSSAIN NIAZI,
Secretary

8-191-15-09-2026

[1][THE TENTH SCHEDULE

(*See* section 100BA)

RULES FOR PERSONS NOT APPEARING IN THE ACTIVE TAXPAYERS' LIST

1. Rate of deduction or collection of tax.- Where tax is required to be deducted or collected under any provision of this Ordinance from persons not appearing in the active taxpayers' list, the rate of tax required to be deducted or collected, as the case may be, shall be increased by hundred percent of the rate specified in [2][ ] this Ordinance [3][:]

[3][Provided that the tax required to be collected under section 231B shall be increased by two hundred percent of the rate specified in First Schedule in case of persons not appearing in the active taxpayers' list:

[4][Provided further that the tax required to be collected under section 236K shall be at the rates set out in the following table, in case of persons not appearing in the active taxpayers' list:-

TABLE

S. No.	Fair Market Value of Immovable Property	Tax Rate
(1)	(2)	(3)
1	Where the fair market value does not exceed Rs.50 million	[5][10.5%]
2	Where the fair market value exceeds Rs.50 million but does not exceed Rs.100 million	[5][14.5%]
3	Where the fair market value exceeds Rs.100 million	[5][18.5%]:

Provided also that the tax required to be collected or deducted, under sections specified in column (2) against transactions specified in column (3) shall be at the rates specified in column (4) of the following Table, in case of persons not appearing in the active taxpayers' list:–

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[1]Tenth Schedule inserted by Finance Act, 2019 dated June 30, 2019.

[2]Words "the First Schedule to" omitted by Finance Act, 2024 w.e.f. 1 July, 2024.

[3]Full stop substituted and Provisos inserted by Finance Act, 2022 dated June 30, 2022.

[4]Proviso substituted by Finance Act, 2024 w.e.f. 1 July, 2024.

[5]Substituted for "12%", "16%" and "20%" respectively by Finance Act, 2025 in force from 1 July, 2025.

Rule 1(2nd Proviso)-Substitution.- Before substitution it read as follows:-

"Provided further that the tax required to be collected under section 236K shall be increased by two hundred and fifty percent of the rate specified in Division XVIII of Part IV of the First Schedule in case of persons not appearing in the active taxpayers."

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S. No	Section	Description	Tax Rate
(1)	(2)	(3)	(4)
[1][			]
2.	Section 236C	On the gross amount of consideration received on sale or transfer of immovable property	[2][11.5%]
3.	section 236G	On the gross amount of sale to distributors, dealers or wholesalers other than sale of fertilizer.	2%
4.	Section 236H	On the gross amount of sale to retailers	2.5%]

[3][ ]

[1]S. 1 omitted by Finance Act, 2025 in force from 1 July, 2025. Before omission, it read as follows:-

"1.	Section 151	On yield or profit on debt	35%"

[2]Substituted for "10%" by Finance Act, 2025 in force from 1 July, 2025.

[3]Rule 1A omitted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2024 w.e.f. 1 July, 2024. Before omission it read as follows:-

"**1A. Rate of deduction or collection of tax from persons who are appearing on active taxpayers' list but have not filed return by the due date**.- Where tax is required to be collected in respect of persons appearing on the active taxpayers'* list who have not filed the return by the due date specified in section 118 or by the due date as extended under section 119 or 214A, the rate of tax shall be-

(a) as per rates set out in the following Table in case of tax to be collected under section 236C;

TABLE

S. No.	Gross Amount of Consideration Received	Tax Rate
(1)	(2)	(3)
1	Where the gross amount of consideration received does not exceed Rs.50 million	[1][7.5%]
2	Where the gross amount of consideration received exceeds Rs.50 million but does not exceed Rs.100 million	[1][8.5%]
3	Where the gross amount of consideration received exceeds Rs.100 million	[1][9.5%]

(b) as per rates set out in the following Table in case of tax to be collected under section 236K:

TABLE

S. No.	Fair Market Value of Immovable Property	Tax Rate
(1)	(2)	(3)
1	Where the fair market value does not exceed Rs.50 million	[2][4.5%]
2	Where the fair market value exceeds Rs.50 million but does not exceed Rs.100 million	[2][5.5%]
3	Where the fair market value exceeds Rs.100 million	[2][6.5%]:

Provided that the provisions of this rule shall not apply to a person who has filed return by the due date specified in section 118 or by the due date as extended under section 119 or section 214A for all of the last three tax years preceding the tax year for which the return has not been filed by the due date specified in section 118 or by the due date as extended under section 119 or 214A."

[1]Substituted for "6%", "7%" and "8%" respectively by Finance Act, 2025 in force from 1 July, 2025.

[2]Substituted for "6%", "7%" and "8%" respectively by Finance Act, 2025 in force from 1 July, 2025.

*Appears apparently incorrectly as "taxpays'" in the gazette.

R. 1A.- Omission and Relocation of Certain Provisions [Tenth Schedule;]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Rule 1A of the Tenth Schedule provide a relatively higher rate of advance withholding tax under sections 236C and 236K on persons whose names appears on ATL but they filed return of income after the due date or after the extended due date fixed for filing of return. Those relatively higher rate of WHT rates have been abolished.

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2. Persons not required to file return or statement.- (1) Where the withholding agent or the person from whom tax is required to be collected or deducted is satisfied that a person not appearing in the active taxpayers' list was not required to file a return of income under section 114, [1][ ] as the case may be, he shall before collecting or deducting tax under this Ordinance, furnish to the Commissioner a notice in writing electronically setting out-

(a) the name, CNIC or NTN and address of the person not appearing in the active taxpayers' list;

(b) the nature and amount of the transaction on which tax is required to be collected or deducted; and

(c) reason on the basis of which it is considered that the person was not required to file return or statement, as the case may be.

(2) The Commissioner, on receipt of a notice under sub-rule (1), shall within thirty days pass an order accepting the contention or making the order under sub-rule (3).

(3) Where the withholding agent or the person from whom tax is required to be collected or deducted has notified the Commissioner under sub-rule (1) and the Commissioner has reasonable grounds to believe that the person not appearing in the active taxpayers' list was required to file return or statement, as the case may be, the Commissioner may, by an order in writing, direct the withholding agent to deduct or collect tax under rule 1:

Provided that in case the Commissioner does not pass any order within thirty days of receipt of notice under sub-rule (1), the Commissioner shall be deemed to have accepted the contention under sub-rule (2) and approval shall be treated to have been granted.

[1]Words "or a statement under sub-section (4) of section 115," omitted by Finance Act, 2020 dated June 30, 2020.

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3. Provisional assessment.- (1) Where for a tax year a person's tax has been collected or deducted in accordance with rule 1 and the person fails to file return of income [1][ ] for that tax year within the due date provided in section 118 or as extended by the Board, the Commissioner shall notwithstanding anything contained in sub-sections (3) and (4) of section 114 [2][ ], within sixty days of the due date provided in section 118 or as extended by the Board make a provisional assessment of the taxable income of the person and issue a provisional assessment order specifying the taxable income assessed and tax due thereon.

(2) In making the provisional assessment under sub-rule (1), the Commissioner shall impute taxable income on the amount of tax deducted or collected under rule 1 by treating the imputed income as concealed income for the purposes of clause (d) of sub-section (1) of section 111:

Provided that the provision of section 111 shall be applicable on unexplained income, asset or expenditure in excess of imputed income treated as concealed income under this rule.

***Explanation*.-** For the removal of doubt it is clarified that the imputable income so calculated or concealed income so determined shall not absolve the person so assessed, from requirement of filing of wealth statement under sub-section (1) of section 116, the nature and source of amounts subject to deduction or collection of tax under section 111, selection of audit under section 177 or 214C or subsequent amendment of assessment as provided in rule 8 and all the provisions of the Ordinance shall apply.

4. Finalization or abatement of provisional assessment.- (1) The provisional assessment under rule 3, shall be treated as the final assessment order after the expiry of forty-five days from the date of service of order of provisional assessment and the provisions of this Ordinance shall apply accordingly.

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[1]Words "or statement, as the case may be," omitted by Finance Act, 2020 dated June 30, 2020.
[2]Words "or sub-section (5) of section 115" omitted by Finance Act, 2020 dated June 30, 2020.

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(2) The provisional assessment shall stand abated and shall be taken to be assessment finalized under sub-section (1) of section 120 where the returns of income and wealth statement for the relevant tax year and the preceding tax year along with prescribed forms, statements or documents are filed by the person within a period of forty-five days of receipt of provisional assessment order.

(3) Where returns have been filed before provisional assessment or under sub-rule (2), the tax deducted or collected under rule 1 shall be adjustable against the tax payable in the return filed for the relevant tax year.

5. Where the provisional assessment has been treated as final assessment under sub-rule (1) of rule 4, the Commissioner may within thirty days of the final assessment initiate proceedings for imposition of penalties under section 182 on account of non-furnishing of return and concealment of income.

6. For the purposes of this Schedule, imputed income means-

(a) income for individuals and association of persons which would have resulted in the amount of tax given in paragraph (1) of Division I of the First Schedule equal to the tax collected or deducted under rule 1 for not appearing in the active taxpayers' list; or

(b) income for companies which would have resulted in the amount of tax given in Division II of the First Schedule equal to the tax collected or deducted at the higher rate under rule 1 for not appearing in the active taxpayers' list.

7. Where the withholding agent fails to furnish in the withholding statement complete or accurate particulars of persons not appearing on active taxpayers' list, the Commissioner shall initiate proceedings under sections 182 and 191 against the withholding agent within thirty days of filing of withholding statement under section 165.

8. Amendment of assessment.- (1) The Commissioner may amend an assessment order where the imputed income is less than the amount on which tax was deducted or collected under rule 1 or on the basis of definite information acquired from an audit or otherwise, the Commissioner is satisfied that-

(a) any income chargeable to tax has escaped assessment; or

(b) total income has been under-assessed, or assessed at too low a rate, or has been the subject of excessive relief or refund; or

(c) any amount under a head of income has been misclassified.

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(2) Notwithstanding the provisions of sub-rule (1), where a provisional assessment has been treated as final assessment or where in response to the provisional assessment, return has been filed within forty- five days or where assessment has been amended under sub-rule (1) and the assessment order is considered erroneous in so far it is prejudicial to the interest of revenue, the Commissioner may, after making or causing to be made, such enquiries as he deems necessary, amend the assessment order.

(3) For the purposes of sub-rule (1), "definite information" shall have the same meaning as defined in sub-section (8) of section 122.

9. Provisions of Ordinance to apply.- The provisions of this Ordinance not specifically dealt with in the aforesaid rules shall apply, *mutatis mutandis*, in the case of proceedings against the persons not appearing on active taxpayers' list.

10. The provisions of this Schedule shall not apply on tax collectible or deductible in case of the following sections:-

(a) tax deducted under section 149;

[2][(aa) tax deducted under section 151B from payment made to a non-resident person;]

(b) tax deducted under section 152 other than sub-section [1][(2A)(a),] (2A)(b) and (2A)(c) of section 152

[3][(ba) Tax deducted under clause (5A) of Part II of the Second Schedule read with sub-section (2) of section 152.]

[4][(bb) tax deducted under sub-section (2) of section 152 to the extent of clause (5AA) of Part II.]

(c) tax collected or deducted under section 154;

[5][(ca) tax collected or deducted under section 154A;]

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[1]Substituted for "(1), (1AA), (2)," by Finance Act, 2020 dated June 30, 2020.

[2]Inserted by Finance Act, 2026 dated June 26, 2026.

[3]Inserted by Tax Laws (Amendment) Act, 2020 dated March 30, 2020. Earlier the same was inserted by Tax Laws (Second Amendment) Ordinance, 2019 dated December 27, 2019.

[4]Inserted by Finance Act, 2020 dated June 30, 2020.

[5]Clause (ca) inserted by Finance Act, 2022 dated June 30, 2022.

R. 10.- Omission and Relocation of Certain Provisions [Tenth Schedule]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Further, in the Tenth Schedule, rule 10 has been amended whereby a new clause (aa) has been introduced to exclude application of enhanced rate of withholding tax under section 151B on payment to a non-resident person whose name is not on ATL."

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[1][ ]

[1a][(ga) tax deducted under section 231AB;]

[2, 1][ ]

[3][(ha) tax collected under section 234 during the period starting from the date of commencement of the Tax Laws (Second Amendment) Ordinance, 2022 and ending on the 30th day of June, 2023 in respect of goods transport and passenger transport vehicle.]

(i) tax deducted under section 235;

[1, 4][ ]

(l) tax collected under section 236;

[1,2,4,5][ ]

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[1]Clauses (d), (f), (g), (h), (j), (m), (r) and (s) omitted by Finance Act, 2021 dated June 30, 2021. Before omission these read as follows:-

"(d) tax deducted under section 155;

(f) tax deducted under section 231A;

(g) tax deducted under section 231AA;

(h) tax collected under section 233AA;

(j) tax deducted under section 235A;

(m) tax collected under section 236B;

(r) tax collected under section 236L;

(s) tax collected under section 236P;"

[1a]Clause (ga) inserted by Finance Act, 2023 dated June 26, 2023.

[2]Clauses (e), (p) and (t) omitted by Finance Act, 2022 dated June 30, 2022. Before omission these read as follows:-

"(e) tax deducted under section 156B.

(p) tax collected under section 236I;

(t) tax collected under section 236Q;"

[3]Sub-rules (ha) inserted by Tax Laws (2nd Amendment) Ord., 2022 dated August 22, 2022.

[4]Clauses (k), (n), (o), (q) omitted by Finance Act, 2020 dated June 30, 2020. Before omission these read as follows:-

"(k) tax collected under section 235B;

(n) tax collected under section 236D;

(o) tax collected under section 236F;

(q) tax collected under section 236J;"

[5]Sub-rules (u) to (x) omitted by Finance Act, 2020 dated June 30, 2020. Before omission these read as follows:-

"(u) tax collected under section 236R;

(v) tax collected under section 236U;

(w) tax collected under section 236V;

(x) tax collected under section 236X."

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[1][ ]

[1]Clause (y) omitted by Finance Act, 2026 dated June 26, 2026. Earlier it was inserted by Finance Act, 2024 w.e.f. 1 July, 2024. Before omission it read as follows:-

"(y) tax collected under section [1]*[*37A on disposal of securities acquired on and from 1st day of July, 2025;*]*"

[1]Substituted for "37A." by Finance Act, 2025 in force from 1 July, 2025.

R. 10(y).- Omission and Relocation of Certain Provisions [Tenth Schedule]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"Moreover, clause (y) in the aforesaid rule 10 has been omitted meaning thereby the enhanced rate of tax on capital gain on disposal of securities under section 37A shall become applicable if the person's name is not on the ATL."

Rule 10(y).-Tax on Non-Filers of Returns, s. 37A excluded. Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

"41.5 New sub-rule (y) in rule 10 of the Tenth Schedule to provide that the provisions of increased tax rates for non-filers will not apply to the tax collected under section 37A of the Ordinance."

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[1][THE TWELFTH SCHEDULE

(*See* section 148)

PART I

PCT Code	Description
(1)	(2)
[2][07.01	Potatoes, fresh or chilled.
0702.0000	Tomatoes, fresh or chilled.
07.03	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled.
1006.1010	Seed for sowing.
27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal.]
2711.1100	- - Natural Gas
3102.1000	- Urea, Whether Or Not In Aqueous Solution
31.04	Mineral or chemical fertilisers, potassic.
52.01	Cotton, not carded or combed.
52.02	Cotton waste (including yarn waste and garnetted stock).
5203.0000	Cotton, carded or combed.
71.08	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form.
[3][	]
84.01	Nuclear reactors; fuel elements (cartridges), non- irradiated, for nuclear reactors; machinery and apparatus for isotopic separation.
84.02	Steam or other vapour generating boilers (other than central heating hot water boilers capable also of producing low pressure steam); super- heated water boilers.

[1]Twelfth Schedule inserted by Finance Act, 2020 dated June 30, 2020.

[2]Entries inserted by Finance Act, 2022 dated June 30, 2022.

[3]PCT code 72.04 and related entries deleted by Finance Act, 2022 dated June 30, 2022. Before Omission it read as follows:-

"72.04	Ferrous waste and scrap; remelting scrap ingots of iron or steel."

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84.03	Central heating boilers other than those of heading 84.02.
84.04	Auxiliary plant for use with boilers of heading 84.02 or 84.03 (for example, economisers, super- heaters, soot removers, gas recoverers); condensers for steam or other vapour power units.
84.05	Producer gas or water gas generators, with or without their purifiers; acetylene gas generators and similar water process gas generators, with or without their purifiers.
84.06	Steam turbines and other vapour turbines.
84.10	Hydraulic turbines, water wheels, and regulators therefor.
84.11	Turbo- jets, turbo- propellers and other gas turbines.
84.12	Other engines and motors.
84.16	Furnace burners for liquid fuel, for pulverised solid fuel or for gas; mechanical stokers, including their mechanical grates, mechanical ash dischargers and similar appliances.
84.17	Industrial or laboratory furnaces and ovens, including incinerators, non- electric.
84.19	Machinery, plant or laboratory equipment, whether or not electrically heated (excluding furnaces, ovens and other equipment of heading 85.14), for the treatment of materials by a process involving a change of temperature such as heating, cooking, roasting, distilling, rectifying, sterilising, pasteurising, steaming, drying, evaporating, vaporising, condensing or cooling, other than machinery or plant of a kind used for domestic purposes; instantaneous or storage water heaters, non- electric.
84.20	Calendering or other rolling machines, other than for metals or glass, and cylinders therefor.
84.21	Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus, for liquids or gases.
8422.3000	- Machinery for filling, closing, sealing, or labelling bottles, cans, boxes, bags or other containers; machinery for capsuling bottles, jars, tubes and similar containers; machinery for aerating beverages

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8422.4000	- Other packing or wrapping machinery (including heat- shrink wrapping machinery)
84.23 (Except 8423.1000)	Weighing machinery (excluding balances of a sensitivity of 5 cg or better), including weight operated counting or checking machines; weighing machine weights of all kinds.
84.26	Ships' derricks; cranes, including cable cranes; mobile lifting frames, straddle carriers and works trucks fitted with a crane.
84.27	Fork- lift trucks; other works trucks fitted with lifting or handling equipment.

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84.28 (Except 8428.1010 and 8428.4000)	Other lifting, handling, loading or unloading machinery (for example, lifts, escalators, conveyors, teleferics).
84.29	Self- propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers.
84.30	Other moving, grading, levelling, scraping, excavating, tamping, compacting, extracting or boring machinery, for earth, minerals or ores; pile- drivers and pile- extractors; snow- ploughs and snow- blowers.
84.31	Parts suitable for use solely or principally with the machinery of headings 84.25 to 84.30.
84.32	Agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports- ground rollers.
84.33 (Except 8433.1100 and 8433.1900)	Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers; machines for cleaning, sorting or grading eggs, fruit or other agricultural produce, other than machinery of heading 84.37.
84.34	Milking machines and dairy machinery
84.35	Presses, crushers and similar machinery used in the manufacture of wine, cider, fruit juices or similar beverages.
84.36	Other agricultural, horticultural, forestry, poultry- keeping or bee-keeping machinery, including germination plant fitted with mechanical or thermal equipment; poultry incubators and brooders.
84.37	Machines for cleaning, sorting or grading seed, grain or dried leguminous vegetables; machinery used in the milling industry or for the working of cereals or dried leguminous vegetables, other than farm- type machinery.
84.38	Machinery, not specified or included elsewhere in this Chapter, for the industrial preparation or manufacture of food or drink, other than machinery for the extraction or preparation of animal or fixed vegetable fats or oils.

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84.39	Machinery for making pulp of fibrous cellulosic material or for making or finishing paper or paperboard.
84.40	Book- binding machinery, including book- sewing machines.
84.41	Other machinery for making up paper pulp, paper or paperboard, including cutting machines of all kinds.
84.42	Machinery, apparatus and equipment (other than the machines of headings 84.56 to 84.65), for preparing or making plates, cylinders or other printing components; plates, cylinders and other printing components; plates, cylinders and lithographic stones, prepared for printing purposes (for example, planed, grained or polished).
8443.1100	Offset printing machinery, reel-fed
8443.1200	Offset printing machinery, sheet-fed, office type (using sheets with one side not exceeding 22 cm and the other side not exceeding 36 cm in the unfolded state)
8443.1300	Other offset printing machinery
8443.1400	Letterpress printing machinery, reel fed, excluding flexographic printing
8443.1500	Letterpress printing machinery, other than reel fed, excluding flexographic printing
8443.1600	- Flexographic printing machinery
8443.1700	Gravure printing machinery
8443.1910	Hot stamping machines
8443.1920	Label printing/embossing machines
8443.1930	Flat bed printing presses
8443.1940	Proof presses
8443.1951	On cotton textile
8443.1959	Other
8443.1990	Other
8444.0000	Machines for extruding, drawing, texturing or cutting man- made textile materials.
84.45	Machines for preparing textile fibres; spinning, doubling or twisting machines and other machinery for producing textile yarns; textile reeling or winding (including weft- winding) machines and machines for preparing textile yarns for use on the machines of heading 84.46 or 84.47.

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84.46	Weaving machines (looms).
84.47	Knitting machines, stitch- bonding machines and machines for making gimped yarn, tulle, lace, embroidery, trimmings, braid or net and machines for tufting.
84.48	Auxiliary machinery for use with machines of heading 84.44, 84.45, 84.46 or 84.47 (for example, dobbies, Jacquards, automatic stop motions, shuttle changing mechanisms); parts and accessories suitable for use solely or principally with the machines of this heading or of heading 84.44, 84.45, 84.46 or 84.47 (for example, spindles and spindle flyers, card clothing, combs, extruding nipples, shuttles, healds and heald- frames, hosiery needles).
8449.0000	Machinery for the manufacture or finishing of felt or nonwovens in the piece or in shapes, including machinery for making felt hats; blocks for making hats.
84.51	Machinery (other than machines of heading 84.50) for washing, cleaning, wringing, drying, ironing, pressing (including fusing presses), bleaching, dyeing, dressing, finishing, coating or impregnating textile yarns, fabrics or made up textile articles and machines for applying the paste to the base fabric or other support used in the manufacture of floor coverings such as linoleum; machines for reeling, unreeling, folding, cutting or pinking textile fabrics.
84.53	Machinery for preparing, tanning or working hides, skins or leather or for making or repairing footwear or other articles of hides, skins or leather, other than sewing machines.
84.54	Converters, ladles, ingot moulds and casting machines, of a kind used in metallurgy or in metal foundries.
84.55	Metal- rolling mills and rolls therefor.
84.56	Machine- tools for working any material by removal of material, by laser or other light or photon beam, ultrasonic, electro-discharge, electro- chemical, electron beam, ionic- beam or plasma arc processes; water- jet cutting machines.

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84.57	Machining centres, unit construction machines (single station) and multi- station transfer machines, for working metal.
84.58	Lathes (including turning centres) for removing metal.
84.59	Machine- tools (including way- type unit head machines) for drilling, boring, milling, threading or tapping by removing metal, other than lathes (including turning centres) of heading 84.58.
84.60	Machine- tools for deburring, sharpening, grinding, honing, lapping, polishing or otherwise finishing metal or cermets by means of grinding stones, abrasives or polishing products, other than gear cutting, gear grinding or gear finishing machines of heading 84.61.
84.61	Machine- tools for planing, shaping, slotting, broaching, gear cutting, gear grinding or gear finishing, sawing, cutting- off and other machine- tools working by removing metal or cermets, not elsewhere specified or included.
84.62	Machine- tools (including presses) for working metal by forging, hammering or die- stamping; machine- tools (including presses) for working metal by bending, folding, straightening, flattening, shearing, punching or notching; presses for working metal or metal carbides, not specified above.
84.63	Other machine- tools for working metal or cermets, without removing material.
84.64	Machine- tools for working stone, ceramics, concrete, asbestos-cement or like mineral materials or for cold working glass.
84.68	Machinery and apparatus for soldering, brazing or welding, whether or not capable of cutting, other than those of heading 85.15; gas- operated surface tempering machines and appliances.
84.74	Machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading earth, stone, ores or other mineral substances, in solid (including powder or paste) form; machinery for agglomerating, shaping or moulding solid mineral fuels, ceramic paste, unhardened cements, plastering materials or other mineral products in powder or paste form; machines for forming foundry moulds of sand.

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84.75	Machines for assembling electric or electronic lamps, tubes or valves or flashbulbs, in glass envelopes; machines for manufacturing or hot working glass or glassware.
84.77	Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this Chapter.
84.78	Machinery for preparing or making up tobacco, not specified or included elsewhere in this Chapter.
84.79 (Except 8479.8960 and 8479.8990)	Machines and mechanical appliances having individual functions, not specified or included elsewhere in this Chapter.
84.80	Moulding boxes for metal foundry; mould bases; moulding patterns; moulds for metal (other than ingot moulds), metal carbides, glass, mineral materials, rubber or plastics.
84.86	Machines and apparatus of a kind used solely or principally for the manufacture of semiconductor boules or wafers, semiconductor devices, electronic integrated circuits or flat panel displays; machines and apparatus specified in Note 9 (c) to this Chapter; parts and accessories.
8501.3300	Of an output exceeding 75 kW but not exceeding 375 kW
8501.3400	Of an output exceeding 375 kW
8502.1190	Other
8502.1200	Of an output exceeding 75 kVA but not exceeding 375 kVA
8502.3100	Wind-powered
8502.3900	Other
8503.0090	Other
8504.2100	Having a power handling capacity not exceeding 650 kVA
8504.2200	Having a power handling capacity exceeding 650 kVA but not exceeding 10,000 kVA
8504.2300	Having a power handling capacity exceeding 10,000 kVA

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8504.3400	Having a power handling capacity exceeding 500 kVA
8504.5000	Other inductors
85.14	Industrial or laboratory electric furnaces and ovens (including those functioning by induction or dielectric loss); other industrial or laboratory equipment for the heat treatment of materials by induction or dielectric loss.
85.15	Electric (including electrically heated gas), laser or other light or photon beam, ultrasonic, electron beam, magnetic pulse or plasma arc soldering, brazing or welding machines and apparatus, whether or not capable of cutting; electric machines and apparatus for hot spraying of metals or cermets.
8543.3000	- Machines and apparatus for electroplating, electrolysis or electrophoresis
85.45 (Except 8545.1100 and 8545.9020)	Carbon electrodes, carbon brushes, lamp carbons, battery carbons and other articles of graphite or other carbon, with or without metal, of a kind used for electrical purposes.
85.46	Electrical insulators of any material.
85.47	Insulating fittings for electrical machines, appliances or equipment, being fittings wholly of insulating material apart from any minor components of metal (for example, threaded sockets) incorporated during moulding solely for purposes of assembly, other than insulators of heading 85.46; electrical conduit tubing and joints therefor, of base metal lined with insulating material.
89052000	- Floating Or Submersible Drilling Or Production Platforms

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Part II

PCT CODE	DESCRIPTION
(1)	(2)
05.05	Skins and other parts of birds, with their feathers or down, feathers and parts of feathers (whether or not with trimmed edges) and down, not further worked than cleaned, disinfected or treated for preservation; powder and waste of feathers or parts of feathers.
05.06	Bones and horn- cores, unworked, defatted, simply prepared (but not cut to shape), treated with acid or degelatinised; powder and waste of these products.
05.0	Ivory, tortoise- shell, whalebone and whalebone hair, horns, antlers, hooves, nails, claws and beaks, unworked or simply prepared but not cut to shape; powder and waste of these products.
05.08	Coral and similar materials, unworked or simply prepared but not otherwise worked; shells of molluscs, crustaceans or echinoderms and cuttle- bone, unworked or simply prepared but not cut to shape, powder and waste thereof.
0510.0000	Ambergris, castoreum, civet and musk; cantharides; bile, whether or not dried; glands and other animal products used in the preparation of pharmaceutical products, fresh, chilled, frozen or otherwise provisionally preserved.
05.11	Animal products not elsewhere specified or included; dead animals of Chapter 1 or 3, unfit for human consumption.
[1][	]
07.04	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled.
07.05	Lettuce (Lactuca sativa) and chicory (Cichorium spp.), fresh or chilled.
07.06	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled.

[1]Entries deleted by Finance Act, 2022 dated June 30, 2022. Before omission these read as follows:-

"07.01	Potatoes, fresh or chilled.
0702.0000	Tomatoes, fresh or chilled.
07.03	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled."

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0707.0000	Cucumbers and gherkins fresh or chilled.
07.08	Leguminous vegetables, shelled or unshelled, fresh or chilled.
07.11	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.
07.13	Dried leguminous vegetables, shelled, whether or not skinned or split.
10.02	Rye.
10.03	Barley.
10.04	Oats.
10.05	Maize (corn).
[1][	]
11.08	Starches; inulin.
12.01	Soya beans, whether or not broken.
12.05	Rape or colza seeds, whether or not broken.
1206.0000	Sunflower seeds, whether or not broken.
12.07	Other oil seeds and oleaginous fruits, whether or not broken.
12.09	Seeds, fruit and spores, of a kind used for sowing.
12.10	Hop cones, fresh or dried, whether or not ground, powdered or in the form of pellets; lupulin.
12.11	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh, chilled, frozen or dried, whether or not cut, crushed or powdered.
15.02	Fats of bovine animals, sheep or goats, other than those of heading 15.03.
15.07	Soya- bean oil and its fractions, whether or not refined, but not chemically modified.
15.11	Palm oil and its fractions, whether or not refined, but not chemically modified.

[1]Entry deleted by Finance Act, 2022 dated June 30, 2022. Before omission it read as follows:-

"1006.1010	Seed for sowing"

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1518.0000	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading 15.16; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, not elsewhere specified or included.
[1][1520.0000	Glycerol, crude; glycerol waters and glycerol lyes.]
18.03	Cocoa paste, whether or not defatted.
23.06	Oil- cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils, other than those of heading 23.04 or 23.05.
2502.0000	Unroasted iron pyrites.
2503.0000	Sulphur of all kinds, other than sublimed sulphur, precipitated sulphur and colloidal sulphur.
25.04	Natural graphite.
25.05	Natural sands of all kinds, whether or not coloured, other than metal bearing sands of chapter 26.
25.06	Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape.
2507.0000	Kaolin and other kaolinic clays,whether or not calcined.
25.08	Other clays (not including expanded clays of heading 68.06), andalusite, kyanite and sillimanite, whether or not calcined; mullite; chamotte or dinas earths.
2509.000	Chalk.
25.10	Natural calcium phosphates, natural aluminium calcium phosphates and phosphatic chalk.
25.11	Natural barium sulphate (barytes); natural barium carbonate (witherite), whether or not calcined, other than barium oxide of heading 28.16.

[1]Inserted by Finance Act, 2026 dated June 26, 2026.

Pt-II.- Other Amendments [Twelfth Schedule]**.-** Following is an extract from FBR's Circular No. 2 of 2026 dated September 08, 2026, explaining the amendment:-

"In Part II of the Twelfth Schedule, a new PCT code "1520.0000 – Glycerol, crude; glycerol waters and glycerol lyes" has been inserted. Advance tax rate at the rate of 2% of the import value as increased by customs duty, sales tax and federal excise is applicable under section 148 on import of goods as specified in Part II of the Twelfth Schedule. However, the rate of tax shall be 3% ad valorem in case of commercial importer of goods specified in that Part II.

The Board reaffirms its commitment to provide every support for facilitating compliance to the newly introduced provisions in the Ordinance. The Board will also ensure that the provisions related to enforcement are carried out in a judicious manner, with redressal committees in place comprising representatives of the business community and the Board."

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2512.0000	Siliceous fossil meals (for example, kieselguhr, tripolite and diatomite) and similar siliceous earths, whether or not calcined, of an apparent specific gravity of 1 or less.
25.13	Pumice stone; emery; natural corundum, natural garnet and other natural abrasives, whether or not heat- treated.
2514.0000	Slate, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape.
25.18	Dolomite, whether or not calcined or sintered, including dolomite roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape; dolomite ramming mix.
25.19	Natural magnesium carbonate (magnesite); fused magnesia; dead-burned (sintered) magnesia, whether or not containing small quantities of other oxides added before sintering; other magnesium oxide, whether or not pure.
25.20	Gypsum; anhydrite; plasters (consisting of calcined gypsum or calcium sulphate) whether or not coloured, with or without small quantities of accelerators or retarders.
2521.0000	Limestone flux; limestone and other calcareous stone, of a kind used for the manufacture of lime or cement.
25.25	Mica, including splittings; mica waste.
2528.0000	Natural borates and concentrates thereof (whether or not calcined), but not including borates separated from natural brine; natural boric acid containing not more than 85 % of H3BO3 calculated on the dry weight.
25.29	Feldspar; leucite; nepheline and nepheline syenite; fluorspar.
25.30	Mineral substances not elsewhere specified or included.
26.01	Iron ores and concentrates, including roasted iron pyrites.
2602.0000	Manganese ores and concentrates, Including ferruginous manganese ores and concentrates with a manganese content of 20 % or more, calculated on the dry weight.
2603.0000	Copper ores and concentrates.
2604.0000	Nickel ores and concentrates.
2605.0000	Cobalt ores and concentrates.
2606.0000	Aluminium ores and concentrates.
2607.0000	Lead ores and concentrates.
2608.0000	Zinc ores and concentrates.
2609.0000	Tin ores and concentrates.

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2610.0000	Chromium ores and concentrates.
2611.0000	Tungsten ores and concentrates.
26.12	Uranium or thorium ores and concentrates.
26.13	Molybdenum ores and concentrates.
2614.0000	Titanium ores and concentrates.
26.15	Niobium, tantalum, vanadium or zirconium ores and concentrates.
26.16	Precious metal ores and concentrates.
26.17	Other ores and concentrates.
2618.0000	Granulated slag (slag sand) from the manufacture of iron or steel.
2619.0000	Slag, dross (other than granulated slag), scalings and other waste from the manufacture of iron or steel.
26.20	Slag, ash and residues (other than from the manufacture of iron or steel) containing metals, arsenic or their compounds.
[1][	]
27.02	Lignite, whether or not agglomerated, excluding jet.
2703.0000	Peat (including peat litter), whether or not agglomerated.
27.04	Coke and semi- coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon.
2705.0000	Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons.
27.07	Oils and other products of the distillation of high temperature coal tar; similar products in which the weight of the aromatic constituents exceeds that of the non- aromatic constituents.
27.08	Pitch and pitch coke, obtained from coal tar or from other mineral tars.
2709.0000	Petroleum oils and oils obtained from bituminous minerals, crude
28.03	Carbon (carbon blacks and other forms of carbon not elsewhere specified or included).

[1]Entry deleted by Finance Act, 2022 dated June 30, 2022. Before omission it read as follows:-

"27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal."

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28.04	Hydrogen, rare gases and other non- metals.
28.05	Alkali or alkaline- earth metals; rare- earth metals, scandium and yttrium, whether or not intermixed or inter- alloyed; mercury.
28.08	Nitric acid; sulphonitric acids.
28.09	Diphosphorus pentaoxide; phosphoric acid; polyphosphoric acids, whether or not chemically defined.
28.11	Other inorganic acids and other inorganic oxygen compounds of non- metals.
28.14	Ammonia, anhydrous or in aqueous solution.
28.15	Sodium hydroxide (caustic soda); potassium hydroxide (caustic potash); peroxides of sodium or potassium.
2817.0000	Zinc oxide; zinc peroxide.
28.18	Artificial corundum, whether or not chemically defined; aluminium oxide; aluminium hydroxide.
28.19	Chromium oxides and hydroxides.
28.20	Manganese oxides.
28.21	Iron oxides and hydroxides; earth colours containing 70 % or more by weight of combined iron evaluated as Fe2O3.
2822.0000	Cobalt oxides and hydroxides; commercial cobalt oxides.
28.23	Titanium oxides.
28.24	Lead oxides; red lead and orange lead.
28.25	Hydrazine and hydroxylamine and their inorganic salts; other inorganic bases; other metal oxides, hydroxides and peroxides.
28.26	Fluorides; fluorosilicates, fluoroaluminates and other complex fluorine salts.
28.27	Chlorides, chloride oxides and chloride hydroxides; bromides and bromide oxides; iodides and iodide oxides.
28.28	Hypochlorites; commercial calcium hypochlorite; chlorites; hypobromites.
28.29	Chlorates and perchlorates; bromates and perbromates; iodates and periodates.
28.30	Sulphides; polysulphides, whether or not chemically defined.

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28.31	Dithionites and sulphoxylates.
28.32	Sulphites; thiosulphates.
28.33	Sulphates; alums; peroxosulphates (persulphates).
28.34	Nitrites; nitrates.
28.35	Phosphinates(hypophosphites), phosphonates (phosphites) and phosphates; polyphosphates, whether or not chemically defined.
28.36	Carbonates;peroxocarbonates (percarbonates); commercial ammonium carbonate containing ammonium carbamate.
28.39	Silicates; commercial alkali metal silicates.
28.40	Borates; peroxoborates (perborates).
28.41	Salts of oxometallic or peroxometallic acids.
28.42	Other salts of inorganic acids or peroxoacids (including aluminosilicates whether or not chemically defined), other than azides.
28.43	Colloidal precious metals; inorganic or organic compounds of precious metals, whether or not chemically defined; amalgams of precious metals.
28.44	Radioactive chemical elements and radioactive isotopes (including the fissile or fertile chemical elements and isotopes) and their compounds; mixtures and residues containing these products.
28.45	Isotopes other than those of heading 28.44; compounds, inorganic or organic, of such isotopes, whether or not chemically defined.
28.46	Compounds, inorganic or organic, of rare- earth metals, of yttrium or of scandium or of mixtures of these metals.
28.49	Carbides, whether or not chemically defined.
2850.0000	Hydrides, nitrides, azides, silicides and borides, whether or not chemically defined, other than compounds which are also carbides of heading 28.49.
28.52	Inorganic or organic compounds of mercury, whether or not chemically defined, excluding amalgams.

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28.53	Phosphides, whether or not chemically defined, excluding ferrophosphorus; other inorganic compounds (including distilled or conductivity water and water of similar purity); liquid air (whether or not rare gases have been removed); compressed air; amalgams, other than amalgams of precious metals.
29.01	Acyclic hydrocarbons.
29.02	Cyclic hydrocarbons.
29.03	Halogenated derivatives of hydrocarbons.
29.04	Sulphonated, nitrated or nitrosated derivatives of hydrocarbons, whether or not halogenated.
29.05	Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.06	Cyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.07	Phenols; phenol- alcohols.
29.08	Halogenated, sulphonated, nitrated or nitrosated derivatives of phenols or phenol- alcohols.
29.09	Ethers, ether- alcohols, ether- phenols, ether- alcohol- phenols, alcohol peroxides, ether peroxides, ketone peroxides (whether or not chemically defined), and their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.10	Epoxides, epoxyalcohols, epoxyphenols and epoxyethers, with a three- membered ring, and their halogenated, sulphonated, nitrated or nitrosated derivatives.
2911.0000	Acetals and hemiacetals, whether or not with other oxygen function, and their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.12	Aldehydes, whether or not with other oxygen function; cyclic polymers of aldehydes; paraformaldehyde.
2913.0000	Halogenated, sulphonated, nitrated or nitrosated derivatives of products of heading 29.12.
29.14	Ketones and quinones, whether or not with other oxygen function, and their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.15	Saturated acyclic monocarboxylic acids and their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives.

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29.16	Unsaturated acyclic monocarboxylic acids, cyclic monocarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.17	Polycarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.18	Carboxylic acids with additional oxygen function and their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.19	Phosphoric esters and their salts, including lactophosphates; their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.20	Esters of other inorganic acids of non- metals (excluding esters of hydrogen halides) and their salts; their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.21	Amine- function compounds.
29.22	Oxygen- function amino- compounds.
29.23	Quaternary ammonium salts and hydroxides; lecithins and other phosphoaminolipids, whether or not chemicallydefined.
29.24	Carboxyamide- function compounds; amide- function compounds of carbonic acid.
29.25	Carboxyimide- function compounds (including saccharin and its salts) and imine- function compounds.
29.26	Nitrile- function compounds.
29.27	Diazo- , azo- or azoxy- compounds.
29.28	Organic derivatives of hydrazine or of hydroxylamine.
29.2	Compounds with other nitrogen function.
29.30	Organo- sulphur compounds.
29.31	Other organo- inorganic compounds.
29.32	Heterocyclic compounds with oxygen hetero- atom(s) only.
29.33	Heterocyclic compounds with nitrogen hetero- atom(s) only.

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29.34	Nucleic acids and their salts, whether or not chemically defined; other heterocyclic compounds.
29.35	Sulphonamides.
29.36	Provitamins and vitamins, natural or reproduced by synthesis (including natural concentrates), derivatives thereof used primarily as vitamins, and intermixtures of the foregoing, whether or not in any solvent.
29.37	Hormones, prostaglandins, thromboxanes and leukotrienes, natural or reproduced by synthesis; derivatives and structural analogues thereof, including chain modified polypeptides, used primarily as hormones.
29.38	Glycosides, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives.
29.39	Alkaloids, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives.
29.41	Antibiotics.
2942.0000	Other organic compounds.
30.01	Glands and other organs for organo- therapeutic uses, dried, whether or not powdered; extracts of glands or other organs or of their secretions for organo- therapeutic uses; heparin and its salts; other human or animal substances prepared for therapeutic or prophylactic uses, not elsewhere specified or included.
31.02 (except 3102.1000)	Mineral or chemical fertilisers, nitrogenous.
31.03	Mineral or chemical fertilisers, phosphatic.
31.05	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus and potassium; other fertilisers; goods of this Chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg.
32.01	Tanning extracts of vegetable origin; tannins and their salts, ethers, esters and other derivatives.
32.02	Synthetic organic tanning substances; inorganic tanning substances; tanning preparations, whether or not containing natural tanning substances; enzymatic preparations for pre-tanning.

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[1][3204.1100	Disperse Dyes And Preparations Based Thereon
3204.1200	Acid dyes, whether or not premetallised, and preparations based thereon; mordant dyes and preparations based thereon
3204.1300	Basic dyes and preparations based thereon
3204.1400	Direct Dyes And Preparations Based Thereon
3204.1510	Indigo Blue
3204.1590	Other Vat dyes (including those usable in that state as pigments) and preparations based thereon:
3204.1600	Reactive Dyes And Preparations Based Thereon
	Pigments and preparations based thereon:
3204.1710	(a) Powdered
3204.1720	(b) Liquid
3204.1790	(c) Other
3204.1910	Dyes, Sulphur
3204.1990	Dyes, Synthetic
3204.2000	Synthetic Organic Products Of A Kind Used As Fluorescent Brightening Agents
3204.9000	Other Synthetic organic colouring matter
3206.1900	Pigments and preparations based on titanium dioxide]
32.14	Glaziers' putty, grafting putty, resin cements, caulking compounds and other mastics; painters' fillings; non- refractory surfacing preparations for facades, indoor walls, floors, ceilings or the like.
33.02	Mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in industry; other preparations based on odoriferous substances, of a kind used for the manufacture of beverages.
[1][3402.1220	Cationic surface active agents
3402.1300	Non-ionic surface active agents
3402.9000	Surface active preparations and cleaning preparations excluding detergents]

[1]Inserted by SRO 1240(I)/2020 dated November 20, 2020.

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34.03	Lubricating preparations (including cutting- oil preparations, bolt or nut release preparations, anti- rust or anti- corrosion preparations and mould release preparations, based on lubricants) and preparations of a kind used for the oil or grease treatment of textile materials, leather, furskins or other materials, but excluding preparations containing, as basic constituents, 70 % or more by weight of petroleum oils or of oils obtained from bituminous minerals.
[1][3404.9090	Other artificial waxes]
3504.0000	Peptones and their derivatives; other protein substances and their derivatives, not elsewhere specified or included; hide powder, whether or not chromed.
35.05	Dextrins and other modified starches (for example, pre-gelatinised or esterified starches); glues based on starches, or on dextrins or other modified starches.
[1][3506.9110 3506.9190	Hot melt adhesive
3507.9000	Enzymes]
37.02	Photographic film in rolls, sensitised, unexposed, of any material other than paper, paperboard or textiles; instant print film in rolls, sensitised, unexposed.
37.03	Photographic paper, paperboard and textiles, sensitised, unexposed.
3704.0000	Photographic plates, film, paper, paperboard and textiles, exposed but not developed.
3705.0000	Photographic plates and film, exposed and developed, other than cinematographic film.
37.07	Chemical preparations for photographic uses (other than varnishes, glues, adhesives and similar preparations); unmixed products for photographic uses, put up in measured portions or put up for retail sale in a form ready for use.
38.01	Artificial graphite; colloidal or semi- colloidal graphite; preparations based on graphite or other carbon in the form of pastes, blocks, plates or other semi- manufactures.
3803.0000	Tall oil, whether or not refined.

[1]Inserted by SRO 1240(I)/2020 dated November 20, 2020.

3804.0000	Residual lyes from the manufacture of wood pulp, whether or not concentrated, desugared or chemically treated, including lignin sulphonates, but excluding tall oil of heading 38.03.
38.06	Rosin and resin acids, and derivatives thereof; rosin spirit and rosin oils; run gums.
38.09	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included.
38.10	Pickling preparations for metal surfaces; fluxes and other auxiliary preparations for soldering, brazing or welding; soldering, brazing or welding powders and pastes consisting of metal and other materials; preparations of a kind used as cores or coatings for welding electrodes or rods.
38.12	Prepared rubber accelerators; compound plasticisers for rubber or plastics, not elsewhere specified or included; anti- oxidising preparations and other compound stabilisers for rubber or plastics.
38.15	Reaction initiators, reaction accelerators and catalytic preparations, not elsewhere specified or included.
3816.0000	Refractory cements, mortars, concretes and similar compositions, other than products of heading 38.01.
3817.0000	Mixed alkylbenzenes and mixed alkylnaphthalenes, other than those of heading 27. 07 or 29. 02.
3818.0000	Chemical elements doped for use in electronics, in the form of discs, wafers or similar forms; chemical compounds doped for use in electronics.
3821.0000	Prepared culture media for the development or maintenance of micro- organisms (including viruses and the like) or of plant, human or animal cells
38.23	Industrial monocarboxylic fatty acids; acid oils from refining; industrial fatty alcohols.
38.24	Prepared binders for foundry moulds or cores; chemical products and preparations of the chemical or allied industries (including those consisting of mixtures of natural products), not elsewhere specified or included.

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39.01	Polymers of ethylene, in primary forms.
39.02	Polymers of propylene or of other olefins, in primary forms.
39.03	Polymers of styrene, in primary forms.
39.04	Polymers of vinyl chloride or of other halogenated olefins, in primary forms.
[1][3905.3000	Polymers in vinyl alchol
3906.9030	Other acrylic polymers]
39.07	Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms.
39.08	Polyamides in primary forms.
3910.0000	Silicones in primary forms.
39.11	Petroleum resins, coumarone- indene resins, polyterpenes, polysulphides, polysulphones and other products specified in Note 3 to this Chapter, not elsewhere specified or included, in primary forms.
39.12	Cellulose and its chemical derivatives, not elsewhere specified or included, in primary forms.
[1][3912.2010	Cellulose Nitrates Nonplasticised
3912.2090	Other cellulose Nitrates
3912.3100	Carboxymethylcellu lose And Its Salts]
39.14	Ion- exchangers based on polymers of headings 39.01 to 39.13, in primary forms.
[2][3919.9020	- PVC electric insulation tapes in logs exceeding 100 cm.]
40.01	Natural rubber, balata, gutta- percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip.
40.02	Synthetic rubber and factice derived from oils, in primary forms or in plates, sheets or strip; mixtures of any product of heading 40.01 with any product of this heading, in primary forms or in plates, sheets or strip.
4003.0000	Reclaimed rubber in primary forms or in plates, sheets or strip.
40.04	Waste, parings and scrap of rubber (other than hard rubber) and powders and granules obtained therefrom.

[1]Inserted by SRO 1240(I)/2020 dated November 20, 2020.
[2]Inserted by Finance Act, 2022 dated June 30, 2022.

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40.05	Compounded rubber, unvulcanised, in primary forms or in plates, sheets or strip.
41.01	Raw hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment- dressed or further prepared), whether or not dehaired or split.
41.02	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split, other than those excluded by Note 1 (c) to this Chapter.
41.03	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment- dressed or further prepared), whether or not dehaired or split, other than those excluded by Note 1 (b) or 1 (c) to this Chapter.
41.04	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared.
41.05	Tanned or crust skins of sheep or lambs, without wool on, whether or not split, but not further prepared.
41.06	Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared.
41.07	Leather further prepared after tanning or crusting, including parchment- dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41. 14.
4112.0000	Leather further prepared after tanning or crusting, including parchment- dressed leather, of sheep or lamb, without wool on, whether or not split, other than leather of heading 41.14.
41.13	Leather further prepared after tanning or crusting, including parchment- dressed leather, of other animals, without wool or hair on, whether or not split, other than leather of heading 41.14.
41.14	Chamois (including combination chamois) leather; patent leather and patent laminated leather; metallised leather.

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41.15	Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour.
42.05 (Except 4205.0090)	Other articles of leather or of composition leather.
43.01	Raw furskins (including heads,tails, paws and other pieces or cuttings, suitable for furriers' use), other than raw hides and skins of heading 41.01, 41.02 or 41.03.
43.02	Tanned or dressed furskins (including heads, tails, paws and other pieces or cuttings), unassembled, or assembled (without the addition of other materials) other than those of heading 43.03.
44.01	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.
44.02	Wood charcoal (including shell or nut charcoal), whether or not agglomerated.
44.03	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared.
44.04	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking- sticks, umbrellas, tool handles or the like;chipwood and the like.
4405.0000	Wood wool; wood flour.
44.06	Railway or tramway sleepers (cross- ties) of wood.
[1][4407.1100	Of Pine (Pinus Spp.)
4407.1200	Of Fir (Abies Spp.) And Spruce (Picea Spp.)
4407.1900	Other - Coniferous:
4407.2100	Mahogany (Swietenia Spp.)
4407.2200	Virola, Imbuia And Balsa
4407.2500	Dark Red Meranti, Light Red Meranti And MerantiBakau

[1]Inserted by SRO 1240(I)/2020 dated November 20, 2020.

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4407.2600	White Lauan, White Meranti, White Seraya, Yellow Meranti And Alan
4407.2700	Sapelli
4407.2900	Other - Of tropical wood:
4407.9100	Of Oak (Quercus Spp.)
4407.9200	Of Beech (Fagus Spp.)
4407.9300	Of Maple (Acer Spp.)
4407.9500	Of Ash (Fraxinus Spp.)
4407.9700	Of Poplar And Aspen (Populus Spp.)
4407.9900	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planned, sanded or end- jointed, of a thickness exceeding 6 mm. - - Other]
4701.0000	Mechanical wood pulp.
4702.0000	Chemical wood pulp, dissolving grades.
47.03	Chemical wood pulp, soda or sulphate, other than dissolving grades.
47.04	Chemical wood pulp, sulphite, other than dissolving grades.
4705.0000	Wood pulp obtained by a combination of mechanical and chemical pulping processes.
47.06	Pulps of fibres derived from recovered (waste and scrap) paper or paperboard or of other fibrous cellulosic material.
47.07	Recovered (waste and scrap) paper or paperboard.
48.04	Uncoated kraft paper and paperboard, in rolls or sheets, other than that of heading 48.02 or 48.03.
48.10	Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-coloured, surface- decorated or printed, in rolls or rectangular (including square) sheets, of any size.
48.13	Cigarette paper, whether or not cut to size or in the form of booklets or tubes.
48.22	Bobbins, spools, cops and similar supports of paper pulp, paper or paperboard (whether or not perforated or hardened).

4823.9040	- - - Double Side Adhesive Tapes
5001.0000	Silk- worm cocoons suitable for reeling.
5002.0000	Raw silk (not thrown).
5003.0000	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock).
5004.0000	Silk yarn (other than yarn spun from silk waste) not put up for retail sale.
5005.0000	Yarn spun from silk waste, not put up for retail sale.
51.01	Wool, not carded or combed.
51.02	Fine or coarse animal hair, not carded or combed.
51.03	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock.
5104.0000	Garnetted stock of wool or of fine or coarse animal hair.
51.05	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments).
51.06	Yarn of carded wool, not put up for retail sale.
51.07	Yarn of combed wool, not put up for retail sale.
51.08	Yarn of fine animal hair (carded or combed), not put up for retail sale.
52.05	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale.
52.06	Cotton yarn (other than sewing thread), containing less than 85 % by weight of cotton, not put up for retail sale.
53.01	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock).
53.02	True hemp (Cannabis sativa L.), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock).
53.03	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and wastes of these fibres (including yarn waste and garnetted stock).
53.05	Coconut, abaca (Manila hemp or Musa textilis Nee), ramie and other vegetable textile fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garnetted stock).

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53.06	Flax yarn.
53.07	Yarn of jute or of other textile bast fibres of heading 53.03.
54.02	Synthetic filament yarn (other than sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex.
[1][5403.3100	Viscose Rayon, Untwisted Or With A Twist Not Exceeding 120 Turns Per Metre
5403.3910	Cuprammonium Rayon]
55.01	Synthetic filament tow.
55.02	Artificial filament tow.
55.03	Synthetic staple fibres, not carded, combed or otherwise processed for spinning.
[1][5503.2010	Synthetic staple fibres, not carded, combed or otherwise.]
55.04	Artificial staple fibres, not carded, combed or otherwise processed for spinning.
55.05	Waste (including noils, yarn waste and garnetted stock) of man-made fibres.
55.06	Synthetic staple fibres, carded, combed or otherwise processed for spinning.
5507.0000	Artificial staple fibres, carded, combed or otherwise processed for spinning.
55.08	Sewing thread of man- made staple fibres, whether or not put up for retail sale.
55.09	Yarn (other than sewing thread) of synthetic staple fibres, not put up for retail sale.
55.10	Yarn (other than sewing thread) of artificial staple fibres, not put up for retail sale.
55.11	Yarn (other than sewing thread) of man- made staple fibres, put up for retail sale.
55.12	Woven fabrics of synthetic staple fibres, containing 85 % or more by weight of synthetic staple fibres.
55.13	Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m2.

[1]Inserted by SRO 1240(I)/2020 dated November 20, 2020.

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55.14	Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight exceeding 170 g/m2.
55.15	Other woven fabrics of synthetic staple fibres.
55.16	Woven fabrics of artificial staple fibres.
56.01	Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and mill neps.
56.08	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.
59.02	Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon.
63.10	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials.
68.15	Articles of stone or of other mineral substances (including carbon fibres, articles of carbon fibres and articles of peat), not elsewhere specified or included.
70.02	Glass in balls (other than microspheres of heading 70.18), rods or tubes, unworked.
71.05	Dust and powder of natural or synthetic precious or semi-precious stones.

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72.01	Pig iron and, spiegeleisen in pigs, blocks or other primary form.
72.02	Ferro- alloys.
72.03	Ferrous products obtained by direct reduction of iron ore and other spongy ferrous products, in lumps, pellets or similar forms; iron having a minimum purity by weight of 99.94 %, In lumps, pellets or similar forms.
[1][72.04	Ferrous waste and scrap; remelting scrap ingots of iron or steel.]
72.05	Granules and powders, of pig iron, spiegeleisen, iron or steel.
72.06	Iron and non- alloy steel in ingots or other primary forms (excluding iron of heading 72.03).
72.08	Flat- rolled products of iron or non- alloy steel, of a width of 600 mm or more, hot- rolled, not clad, plated or coated.
72.09	Flat- rolled products of iron or non- alloy steel, of a width of 600 mm or more, cold- rolled (cold- reduced), not clad, plated or coated.
72.10	Flat- rolled products of iron or non- alloy steel, of a width of 600 mm or more, clad, plated or coated.
72.11	Flat- rolled products of iron or non- alloy steel, of a width of less than 600 mm, not clad, plated or coated.
72.12	Flat- rolled products of iron or non- alloy steel, of a width of less than 600 mm, clad, plated or coated.
72173010	Of A Kind Used In Manufacture Of Pneumatic Tyres(Bead Wire)
72.18	Stainless steel in ingots or other primary forms; semi- finished products of stainless steel.
72.19	Flat- rolled products of stainless steel, of a width of 600 mm or more.
72.20	Flat- rolled products of stainless steel, of a width of less than 600 mm.
72.25	Flat- rolled products of other alloy steel, of a width of 600 mm or more.
72.26	Flat- rolled products of other alloy steel, of a width of less than 600 mm.
72.27	Bars and rods, hot- rolled, in irregularly wound coils, of other alloy steel.

[1]Inserted by Finance Act, 2022 dated June 30, 2022.

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74.03	Refined copper and copper alloys, unwrought.
74.04	Copper waste and scrap.
7405.0000	Master alloys of copper.
74.06	Copper powders and flakes.
74.07	Copper bars, rods and profiles.
74.08	Copper wire.
74.09	Copper plates, sheets and strip, of a thickness exceeding 0.15 mm.
74.10	Copper foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.15 mm.
74.11	Copper tubes and pipes.
7413.0000	Stranded wire, cables, plaited bands and the like, of copper, not electrically insulated.
75.01	Nickel mattes, nickel oxide sinters and other intermediate products of nickel metallurgy.
75.02	Unwrought nickel.
7503.0000	Nickel waste and scrap.
7504.0000	Nickel powders and flakes.
75.05	Nickel bars, rods, profiles and wire.
75.06	Nickel plates, sheets, strip and foil.
76.01	Unwrought aluminium.
76.02	Aluminium waste or scrap.
76.03	Aluminium powders and flakes.
76.06	Aluminium plates, sheets and strip, of a thickness exceeding 0.2 mm.
76071100	Rolled But Not Further Worked
76.08	Aluminium tubes and pipes.
78.01	Unwrought lead.
7802.0000	Lead waste and scrap.
78.04	Lead plates, sheets, strip and foil; lead powders and flakes.
79.01	Unwrought zinc.
7902.0000	Zinc waste and scrap.

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79.03	Zinc dust, powders and flakes.
79.04	Zinc bars, rods, profiles and wire.
79.07	Other articles of zinc.
80.01	Unwrought tin.
8002.0000	Tin waste and scrap.
8003.0000	Tin bars, rods, profiles and wire
81.01	Tungsten (wolfram) and articles thereof, including waste and scrap.
81.02	Molybdenum and articles thereof, including waste and scrap.
81.03	Tantalum and articles thereof, including waste and scrap.
81.04	Magnesium and articles thereof, including waste and scrap.
81.05	Cobalt mattes and other intermediate products of cobalt metallurgy; cobalt and articles thereof, including waste and scrap.
8106.0000	Bismuth and articles thereof, including waste and scrap.
81.07	Cadmium and articles thereof, including waste and scrap.
81.08	Titanium and articles thereof, including waste and scrap.
81.09	Zirconium and articles thereof, including waste and scrap.
81.10	Antimony and articles thereof, including waste and scrap.
8111.0000	Manganese and articles thereof, including waste and scrap.
81.12	Beryllium, chromium, germanium, vanadium, gallium, hafnium, indium, niobium (columbium), rhenium and thallium, and articles of these metals, including waste and scrap.
8113.0000	Cermets and articles thereof, including waste and scrap.
83.09	Stoppers, caps and lids (including crown corks, screw caps and pouring stoppers), capsules for bottles, threaded bungs, bung covers, seals and other packing accessories, of base metal.

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83.11	Wire, rods, tubes, plates, electrodes and similar products, of base metal or of metal carbides, coated or cored with flux material, of a kind used for soldering, brazing, welding or deposition of metal or of metal carbides; wire and rods, of agglomerated base metal powder, used for metal spraying.
84.07	Spark- ignition reciprocating or rotary internal combustion piston engines.
84.08	Compression- ignition internal combustion piston engines (diesel or semi- diesel engines).
84.09	Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08.
8414.1000	Vacuum pumps
8414.3010	Used with HCFC and non-CFC gases
8414.9010	Of machines of heading 8414.1000 and 8414.3010
84.65	Machine- tools (including machines for nailing, stapling, glueing or otherwise assembling) for working wood, cork, bone, hard rubber, hard plastics or similar hard materials.
84.66	Parts and accessories suitable for use solely or principally with the machines of headings 84.56 to 84.65, including work or tool holders, self- opening dieheads, dividing heads and other special attachments for the machines; tool holders for any type of tool for working in the hand.
84.67	Tools for working in the hand, pneumatic, hydraulic or with self-contained electric or non- electric motor.
8479.8990	Other
84.82	Ball or roller bearings.
84.84	Gaskets and similar joints of metal sheeting combined with other material or of two or more layers of metal; sets or assortments of gaskets and similar joints, dissimilar in composition, put up in pouches, envelopes or similar packings; mechanical seals.
8501.1000	Motors of an output not exceeding 37.5 W
8501.2000	Universal AC/DC motors of an output exceeding 37.5 W
8501.3110	Photovoltaic generators consisting of panels of photocells combined with other apparatus

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8501.4010	Of an output not exceeding 60 watts
8501.4090	Other
8501.5120	AC clutch motors for industrial sewing machine
8501.5310	Of an output exceeding 75 kW but not exceeding 375 kW (500 HP)
85.03 (except 8503.0090)	Parts suitable for use solely or principally with the machines of heading 85.01 or 85.02.
[1][8504.3100	SMD Inductors for LED Bulb and Lights.
8504.4090	Constant Current Power Supply of LED Lights and Bulbs.]
8504.9010	On load-tape changer for power transformers
8504.9020	Bushings for power transformers
8504.9030	Of machines of heading 8504.4090
8504.9040	Toroidal cores and strips
8504.9090	Other
85.05	Electro- magnets; permanent magnets and articles intended to become permanent magnets after magnetisation; electro-magnetic or permanent magnet chucks, clamps and similar holding devices; electro- magnetic couplings, clutches and brakes; electro- magnetic lifting heads.
85.11	Electrical ignition or starting equipment of a kind used for spark-ignition or compression- ignition internal combustion engines (for example, ignition magnetos, magneto- dynamos, ignition coils, sparking plugs and glow plugs, starter motors); generators (for example, dynamos, alternators) and cut- outs of a kind used in conjunction with such engines.
85.12	Electrical lighting or signalling equipment (excluding articles of heading 85.39), windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles.
8528.7213	In CKD/SKD condition
85.29	Parts suitable for use solely or principally with the apparatus of headings 85.25 to 85.28.
[1][8532.2200	Electrical Capacitors Aluminum Electrolytic for LED Bulbs and Lights.]

[1]Inserted by Finance Act, 2022 dated June 30, 2022.

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85.33	Electrical resistors (including rheostats and potentiometers), other than heating resistors.
8534.0000	Printed circuits.
85.35	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (for example, switches, fuses, lightning arresters, voltage limiters, surge suppressors, plugs and other connectors, junction boxes), for a voltage exceeding 1,000 volts.
85.37	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading 85.35 or 85.36, for electric control or the distribution of electricity, including those incorporating instruments or apparatus of Chapter 90, and numerical control apparatus, other than switching apparatus of heading 85.17.
85.38	Parts suitable for use solely or principally with the apparatus of heading 85.35, 85.36 or 85.37.
[1][8539.9020	Base Cap for all Kinds of LED Bulbs.
8539.9090	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Bulbs.
8539.9090	Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Bulbs.]
85.40	Thermionic, cold cathode or photo- cathode valves and tubes (for example, vacuum or vapour or gas filled valves and tubes, mercury arc rectifying valves and tubes, cathode- ray tubes, television camera tubes).
85.41	Diodes, transistors and similar semi- conductor devices; photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light-emitting diodes(LED); mounted piezo- electric crystals.
85.42	Electronic integrated circuits.
8545.1100	Of A Kind Used For Furnaces
8545.9020	For dry battery cells
85.48	Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary cells, spent primary batteries and spent electric accumulators; electrical parts of machinery or apparatus, not specified or included elsewhere in this Chapter.

[1]Inserted by Finance Act, 2022 dated June 30, 2022.

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8701.2010	Components For The Assembly / Manufacture Of Road Tractors For Semi-Trailers (Prime Movers), In Any Kit Form, Of Less Than 280 Hp
8701.2030	Components For The Assembly / Manufacture Of Road Tractors For Semi-Trailers (Prime Movers), In Any Kit Form, Of 280 Hp And Above
8702.1010	Components For Assembly / Manufacture Of Vehicles, In Any Kit Form
8703.2111	Components For The Assembly/ Manufacture Of Vehicles, In Any Kit Form Excluding Those Of Headings 8703.2113 And 8703.2115
8703.2112	Components For The Assembly / Manufacture Of Mini Van Type Vehicles, In Any Kit Form
8703.2114	Components For The Assembly/ Manufacture Of Auto Rickshaws, In Any Kit Form
8703.2191	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form Excluding Those Of Heading 8703.2193 And 8703.2195
8703.2194	Components For The Assembly / Manufacture Of Mini Van, In Any Kit Form
8703.2210	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form Excluding Those Of Heading 8703.2240
8703.2311	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form
8703.2321	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form Excluding Of Heading 8703.2323
8703.2322	Components For The Assembly / Manufacture Of Sport Utility Vehicles 4X4, In Any Kit Form
8703.3310	Components For The Industrial Assembly/ Manufacture Of Vehicles, In Any Kit Form
8704.1010	Components For Assembly/ Manufacture Of Dump Trucks Designed For Off-Highway Use
8704.2110	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form

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8704.2211	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form
8704.2291	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form
8704.2310	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form
8704.3110	Components For The Assembly / Manufacture, In Any Kit Form Excluding Those Of Heading 8704.3130 And 8704.3150
8704.3120	Components For The Assembly / Manufacture Of Mini Cargo Van, In Any Kit Form
8704.3140	Components For The Assembly / Manufacture Of 3-Wheeler Cargo Loader, In Any Kit Form
8711.2010	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form
8908.0000	Vessels and other floating structures for breaking up.
90.32	Automatic regulating or controlling instruments and apparatus.
[1][9001.9000	Lenses for LED Bulbs and Lights.]
91.04	Instrument panel clocks and clocks of a similar type for vehicles, aircraft, spacecraft or vessels.
9107.0000	Time switches with clock or watch movement or with synchronous motor.
9401.9010	Seat Parts Made Of Foam, Head/Arm Rests And Seat Frames For Motor Cars Of Heading 87.03 And Vehicles Of Sub-Headings 8703.2113, 8703.2115, 8703.2193, 8703.2195, 8703.2240,
9401.9030	Other For Motor Cars And Vehicles
[1][9405.1090	Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Lights.
9405.9900	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Lights.]
96.06	Buttons, press- fasteners, snap- fasteners and press- studs, button moulds and other parts of these articles; button blanks.
96.07	Slide fasteners and parts thereof.

[1]Inserted by Finance Act, 2022 dated June 30, 2022.

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Part III

PCT Code	Description
(1)	**(2)**
Respective headings	Goods not specifically mentioned in Part I or II.]

[1]Twelfth Schedule inserted by Finance Act, 2020 dated June 30, 2020.

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GOVERNMENT OF PAKISTAN

REVENUE DIVISION

Central Board of Revenue

Notification No. SRO 428(I)/2002, Islamabad, the July 1, 2002.– In exercise of the powers conferred by section 237 of the Income Tax Ordinance, 2001 (XLVI of 2001), the Central Board of Revenue is pleased to make the following rules, namely: –

[*]INCOME TAX RULES, 2002

CHAPTER–I

1. Short title and commencement.– (1) These rules may be called the Income Tax Rules, 2002.

(2) They extend to the whole of Pakistan.

(3) They shall come into force on the first day of July, 2002; except rules 3 to 9 which shall be applicable in respect of income earned on or after first day of July, 2002, and other rules covered by the rule on "Saving".

2. Definitions.– (1) In these rules, unless there is anything repugnant in the subject or context,–

(a) "Central Board of Revenue" means the Central Board of Revenue, established under the Central Board of Revenue Act, 1924 (IV of 1924);

[**]Note: *Notification No. SRO. 1102(I)/91 (Oct 5, 1991) – the reference "Board" wherever appearing in the Rules includes a reference to "Regional Commissioners of Tax" and "Commissioner of Tax", as the case may be.*

[1][(aa) "Computerized Payment Receipt" means a computer generated receipt issued by the State Bank of Pakistan or the National Bank of Pakistan acknowledging payment of tax;

(ab) "digital certificate" or "digital signatures" means a digital certificate or digital signatures issued by an agency approved by the Central Board of Revenue to issue such certificate or signatures;

(ac) "e-intermediary" means a person registered as,-

[1] Clauses "(aa) to (ac)" inserted by SRO 516(I)/2006, dated June 01, 2006.

[*]Published in the Gazette of Pakistan, Extraordinary, dated July 1, 2002 at pages 1819 to 1966.

[**]This note appears as such in the Rules and is not from the author.

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(i) Chartered Accountant with the Institute of Chartered Accountants of Pakistan;

(ii) Cost and Management Accountant with the Institute of Cost and Management Accountants of Pakistan;

(iii) a legal practitioner entitled to practice in any Court in Pakistan;

(iv) a member of the Association of Chartered Certified Accountants, UK; or

(v) an Income Tax Practitioner, registered with Tax Bar affiliated with All Pakistan Tax Bar Association.]

(b) "electronic transmission" means a facsimile or electronic-mail transmission;

(c) "Ordinance" means Income Tax Ordinance, 2001 (XLIX of 2001), where however, context so provides, Income Tax Ordinance, 1979 (XXXI of 1979) till its relevance in a particular context; [1][ ]

(d) "section" means section of the Ordinance [2][; [3]*[ ]*]

[4][(e) "schedule" means a schedule to these rules [5]*[*;and*]*]

[6][(f) "transmission" means to transmit data through a computer network.]

(2) All other expressions used but not defined in these rules shall have the [†]meaning assigned to them under the Income Tax Ordinance, 2001.

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[1]Word "and" omitted by Notification No. SRO 651(I)/2004, dated July 30, 2004.
[2]Substituted for full stop by Notification No. SRO 651(I)/2004, dated July 30, 2004.
[3] Word "and" omitted by Notification No. SRO 516(I)/2006, dated June 01, 2006.
[4]Clause (e) inserted by Notification No. SRO 651(I)/2004, dated July 30, 2004.
[5] Substituted for full stop by Notification No. SRO 516(I)/2006, dated June 01, 2006.
[6] Clause "(f)" inserted by Notification No. SRO 516(I)/2006, dated June 01, 2006.

[†]should have been "meanings".

8-45-31-03-07

8-19-31-07-04

CHAPTER II

DETERMINATION OF INCOME – HEADS OF INCOME

[1][PART-1: SALARY

3. Valuation of perquisites, allowances and benefits.– For the purposes of computing the income chargeable to tax under the head "salary", the value of all perquisites, allowances and benefits provided by the employer to the employee shall be included in the said income in accordance with the rules 4 to 7.

4. Valuation of Accommodation.– The value of accommodation provided by an employer to the employee shall be taken equal to the amount that would have been paid by the employer in case such accommodation was not provided.

Provided that the value taken for this purpose shall, in any case, not be less than forty five percent of the minimum of the time scale of the basic salary or the basic salary where there is no time scale [2][:]

[2][Provided further that where House Rent Allowance is admissible @ thirty per cent, the value taken for the purpose of this rule shall be an amount not less than thirty per cent of minimum of the time scale of basic salary or the basic salary where there is no time scale.]

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[1]Part I substituted by Notification No. SRO 668(I)/2006, dated June 27, 2006, earlier it was substituted by Notification No. SRO 609(I)/2002, dated September 10, 2002.

[2]Proviso inserted and before it colon substituted for full stop by SRO 716(I)/2008 dated July 02, 2008.

Part 1, substitution.-Before substitution by SRO 668(I)/2006, it read as follows:-

"PART-1: SALARY

3. Valuation of perquisites, allowances[*] benefits.– For the purposes of computing the income chargeable to tax under the head "salary", the value of perquisites, allowances and benefits includable in the said income shall be determined in accordance with the rule[**] 4 to 9.

[†]**4.** For the purpose of determining the value of perquisites, allowances and benefits under rule 3,–

(a) "annual value" of an accommodation means the sum for which the accommodation might reasonably be expected to let from year to year;

(b) "basic salary" means the pay and allowances payable monthly or otherwise, but does not include–

(i) dearness allowance or dearness pay unless it enters into the computation of superannuation or retirement benefits of the employee concerned;

(ii) employer's contribution to a recognised provident fund or a fund to which the Provident Funds Act, 1925 (XIX of 1925), applies and the interest credited on the accumulated balance of an employee in such fund;

(iii) allowances which are exempt from the payment of tax under any provision of this Ordinance;

(iv) allowances and perquisites referred to in sub-clauses (b) to (f) of sub-section (2) of section 12, sub-section (3) of section 12, section 14; and

(v) allowances, perquisites, annuities and benefits referred to in rules 5 to 9;

[*]apparently intended word "and" is missing.

[**]it should have been "rules".

[†]appears as "(4)" in the Notification.

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5. Valuation of conveyance.– The value of conveyance provided by the employer to the employee shall be taken equal to an amount as below: -

(i)	Partly for personal and partly for official use	5% of: (a) the cost to the employer for acquiring the motor vehicle; or, (b) the fair market value of the motor vehicle at the commencement of the lease, if the motor vehicle is taken on lease by the employer;
(ii)	For personal use only	10% of: (a) the cost to the employer for acquiring the motor vehicle; or, (b) the fair market value of the motor vehicle at the commencement of the lease, if the motor vehicle is taken on lease by the employer; and

(c) "salary" means remuneration or compensation for services rendered, paid or to be paid at regular intervals and includes overseas, dearness or cost of living allowance by whatever name it may be described, and bonus or commission which is payable to an employee in accordance with the terms of his employment as remuneration or compensation for services including any amount received by an employee from any employment, whether of a revenue or capital nature, including the amounts referred to in sub-section (2) of section 12, but does not include the employer's contribution to a recognized provident or superannuation fund or gratuity fund or any other sum which does not enter into the computation for pension or retirement benefits;

(e) "unfurnished accommodation or housing" includes electric fans, built in cupboards, cooking range and water heater; and

(f) "furnished accommodation or housing" includes basic furniture and furnishing, appliances for cooking, refrigeration and heating and cooling appliances in addition to the items available in respect of "unfurnished accommodation or housing".

5. **House rent allowances*** **receivable in cash.–** Where the house rent allowance is receivable by the employee in cash, the amount, if any, by which the house rent allowance so receivable exceeds forty-five per cent of the minimum of the time scale of the basic salary or the basic salary where there is no time scale, shall be included in his income.

5A. Rent-free unfurnished accommodation.– Where rent-free accommodation is provided to an employee, there shall be included, in the total income of such employee, an amount calculated as under:–

Value of accommodation	Amount to be included in the total income.
(a) Where the annual value of the accommodation does not exceed an amount equal to forty-five per cent of the minimum of the time scale of his basic salary or the basic salary where there is no time scale.	Nil

*should have been "allowance"
**apparently intended word "unfurnished" is missing.

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6. For the purpose of this part, "employee" includes a director of a company.

7. THESE RULES SHALL BE APPLICABLE FOR THE SALARY INCOME RECEIVED AFTER THIRTIETH OF JUNE, 2006.]

(b)	Where the annual value of the accommodation exceeds an amount equal to forty-five per cent of the minimum of the time scale of his basic salary or the basic salary where there is no time scale.	The amount exceeding forty-five per cent of the minimum of the time scale of his basic salary or the basic salary where there is no time scale, subject to a maximum of fifteen percent of salary.

5B. Rent free furnished accommodation.– Where rent free furnished accommodation is provided to the employee, an amount equal to ten percent of his salary over and above the amount determined for inclusion under rule 5A shall be added to his income.

5C. Accommodation hired by the employee with rent payable by the employer.– Where the accommodation is hired by the employee in his own name but the rent is payable by the employer, the amount includable in the salary shall be determined under rule 5A or 5B, as the case may be as reduced by any payment made by the employee for such accommodation.

5D. Accommodation provided at a concessional rate.– Where the accommodation is provided to the employee, other than a person in the civil or military employment of the Government, at a concessional rate, the difference between the rent actually paid by him and the amount determined to be includible in an employee's salary under rule 5A or 5B shall be added to his income.

5E. House rent allowance receivable in addition to accommodation, etc.– Where any house rent allowance is receivable by the employee in addition to the benefits referred to in rules* 5A, 5B, 5C or 5D, the whole amount of the allowance shall be added in his income in addition to the amount computed under any of the said rules.

6. Conveyance allowance receivable in cash with no conveyance facility.– Where neither any conveyance is provided by the employer nor any conveyance owned or maintained by the employee is used by him in the performance of the duties of office held by him and conveyance allowance is receivable by him in cash, the amount of such allowance exceeding Rs. 3600 or the actual expenditure incurred by the employee, which ever is less, shall be included in his income.

6A. Motor vehicle provided exclusively for personal or private use.– Where a motor vehicle is provided by the employer for the use of the employee exclusively for personal or private purposes, there shall be included in the employee's income an amount equal to–

(a) the sum actually expended by the employer on running and maintenance of the motor vehicle (including normal depreciation, where the motor vehicle is owned or the amount of rental where the motor vehicle is hired by the employer) if the motor vehicle is used by one employee; and

(b) the sum arrived at by dividing the amount as computed under sub-rule (a) by the number of persons entitled to use the motor vehicle if the motor vehicle is used by more than one employee.

6B. Additional conveyance allowance.– Where any conveyance allowance is receivable by an employee in addition to the perquisite mentioned in rule 6A, the whole amount of such allowance *plus* the amount determined under the rule 6A shall be included in his income.

6C. Motor vehicle used partly for personal and partly for business purposes.– Where the motor vehicle is used by the employee partly for his personal and partly for business purposes, there shall be included in his income,–

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*should have been "rule"

(a) where the motor vehicle is owned or hired by the employer and its running (including hire and maintenance) costs are also borne by the employer and the motor vehicle is used exclusively by one person, 50 per cent of the sum actually expended on the running of the motor vehicle (including maintenance and normal depreciation where the motor vehicle is owned or the amount of rental where it is hired by the employer) or Rs. 3600, whichever is the less;

(b) where the motor vehicle is owned or hired by the employer and its running (including hire and maintenance) costs are also borne by the employer and the motor vehicle is used by more than one person, the sum arrived at by dividing the amount representing 50 per cent of the sum actually expended by the employer on the running of the motor vehicle (including maintenance and normal depreciation where the motor vehicle is owned or the amount of rental where it is hired by the employer) by the number of such persons or Rs. 2400, whichever is the less;

(c) where the motor vehicle is owned or hired by the employer and its running cost is borne by the employee, the amount, if any, by which the conveyance allowance paid by the employer exceeds Rs. 2400 or 7.5 per cent of the basic salary, whichever of these two sums is the higher;

(d) where the motor vehicle is owned by the employee and its running (including hire and maintenance) costs are also borne by him the amount by which the conveyance allowance paid by the employer exceed Rs. 3600 or 10 per cent of the basic salary, whichever of these two sums is the higher; and

(e) where the motor vehicle is owned by the employee and its running (including hire and maintenance) costs are borne by the employer, the amount, if any, by which the conveyance allowance paid by the employer exceeds Rs. 1200 or 2.5 per cent of the basic salary, whichever of these two sums is the higher.

6D. **Motor vehicle used exclusively for business purposes.–** Where the motor vehicle is used by the employee exclusively for business purposes, there shall be included in his income,–

(a) where the motor vehicle is owned or hired by the employer and its running (including hire and maintenance) costs are also borne by him, the whole amount of the conveyance allowance, if any, receivable by the employee;

(b) where the motor vehicle is owned or hired by the employer and its running (including hire and maintenance) costs are borne by the employee, the amount, if any, by which the conveyance allowance paid by the employer exceeds the actual expenditure incurred by the employee on the running (including maintenance) of the motor vehicle;

(c) where the motor vehicle is owned or hired by the employee and its running (including maintenance) costs are borne by him, the amount, if any, by which the conveyance allowance paid by the employer exceeds Rs. 4800 or 10 per cent of the basic salary, whichever of these two sums is the higher; and

(d) where the motor vehicle is owned by the employee and its running (including maintenance) costs are borne by the employer, the amount, if any, by which the conveyance allowance paid by the employer exceeds Rs. 2400 or 7.5 per cent of the basic salary, whichever of these two sums is the higher.

7. Provision of passage for travel.– (1) Where free or concessional passage for travel abroad or within Pakistan is provided by the employer to an employee (including the members of his household and dependants), there shall be included in the income of the employee–

(i) where the passage is provided in accordance with the terms of employment, an amount equal to the sum by which the cash payment, if any, made by the employer exceeds the actual expenditure on fare incurred by the employee; or

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[*] should have been "case".

(ii) where the passage is not in accordance with the terms of employment, the whole of the amount paid in cash, if any, or if no cash payment is made, the amount which would have been expended by the employee had the free or concessional passage, as the *cash may be, not been provided by the employer:

Provided that where free or concessional passage for travel abroad is availed of by the employee more than once in two years and more than once in three years for the members of his household and dependants, the whole of the amount paid to him in cash, if any, for such additional passage or if no cash payment is made the amount which would have been expended by him, had the additional passage not been provided by the employer shall be included in his income.

(2) Where the transport is provided free of cost, or at the concessional rate, by an undertaking engaged in the transport of passengers or the carriage of goods to any employee of the undertaking (including the members of the household and dependants) in any conveyance owned or chartered by the undertakings for the purpose of the transport of the passengers or carriage of goods, nothing shall be added in his income.

8. Minor Perquisites.– The provision by an employer to an employee of tea, coffee and other similar refreshment at the employer's business premises during the course of work shall not be treated as salary of employee.

9. Valuation of perquisites, allowances, benefits where salary is Rs. 600,000 or more.– (1) Where income chargeable under the head "Salary" of an employee including the value of perquisites as determined under rule* 4 to 8 is six hundred thousand rupees or more for any tax year, the value of allowances** perquisites and benefits shall be determined in accordance with sub rule† (2 to 5) of this rule.

[1][(2) Where any allowance or perquisite is receivable in cash, the whole of such amount shall be included in the employee's salary except house rent allowance receivable by the employee in cash up to 45% of the minimum of the time scale of his basic salary or the basic salary where there is no time scale subject to a maximum of two hundred seventy thousand rupees.]

(3) Where any perquisite is receivable otherwise, than in cash, the amount chargeable to the employee under the head "salary" for that year shall include the fair market value of the perquisite, determined at time it is provided, except provision of housing or accommodation, and provision of motor vehicle, as reduced by any amount paid by the employee for the perquisite.

(4) The value of accommodation or housing for the purposes of sub-section (12) of section 13 shall be determined as under:

(a) Where free unfurnished accommodation or housing is provided to the employee, the value for addition to the income shall be made on the following basis [2][as reduced by 45% of the minimum of the time scale of his basic salary or the basic salary where there is no time scale, subject to a maximum of two hundred seventy thousand rupees]

Accommodation or housing.	Value for areas falling within the limits of Metropolitan Corporation, Municipal Corporation, Cantonment Board or the Islamabad Capital Territory.	Value for other areas.
1	2	3
	Rs.	Rs.

[1]Sub-rule (2) substituted by Notification No. SRO 590(I)/2004, dated July 7, 2004.
[2]Colon omitted and thereafter words etc. inserted by Notification No. SRO 653(I)/2006, dated June 19, 2006.

*should have been "rules", "(2) to (5)" appears erroneously as "(2 to 5)" in the gazette.
**there should have been a comma.
†should have been "rules (2) to (5)" instead of "rule (2 to 5)" in the gazette.

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With land area upto 250 sq. yards.	40,000	27,000
With land areas exceeding 250 sq. yards but not exceeding 500 sq. yards.	106,000	66,000
With land area exceeding 500 sq. yards but not exceeding 1000 sq. yards.	199,000	106,000
With land area exceeding 1000 sq. yards but not exceeding 2000 sq. yards.	370,000	198,000
With land area exceeding 2000 sq. yards.	462,000	264,000

(b) Where free furnished accommodation is provided to the employee, the value for addition to income shall be the amount determined under clause (a) of this sub-rule as increased by *and a further sum equal to 15 per cent of the said amount.

(5) The value of perquisite representing provision of a motor vehicle, for the purposes of sub-section (3) of section 13, shall be determined as under:–

(a) where the motor vehicle is provided by an employer wholly for private use of the employee, 10% of the cost to the employer for acquiring the motor vehicle or the fair market value of the vehicle at the commencement of lease, if the motor vehicle is taken on lease by the employer;

(b) where the motor vehicle is provided by an employer partly for private use of the employee, 5% of the cost to the employer for acquiring the motor vehicle or the fair market value of the vehicle at the commencement of lease, if the motor vehicle is taken on lease by the employer;

(c) where the motor vehicle is used by more than one employee, the amount as determined in clause (a) or (b), as the case may be, divided by number of employees using the motor vehicle;

(d) where an employee makes any payment to the employer in respect of the use of motor vehicle, the value of perquisite as determined under clause (a), (b) or (c) as reduced by the amount paid by him.]

*word "and" appears to be superfluous.

Rule 4-Basic Salary, clarification. Following is the text of CBR's Circular No. 8 of 1992 dated March 24, 1992:–

"Queries have been made as to whether bonus paid to the employees of banking companies owned and controlled by the Federal Government could be considered as part of the minimum of the time scale of their basic salary and included for valuation of the rent-free accommodation under rules 5 and 6 of the Income Tax Rules, 1982.

2. It has been ascertained that bonus paid to the employees of the aforesaid banking companies is a regular ex-gratia payment. It is not payable to them in accordance with the terms of employment and the same neither constitutes part of basic salary nor enters into computation of pension or retirement benefits.

3. In this view of the matter, it is clarified that bonus paid to the employees of banking companies owned and controlled by the Federal Government may not be treated as part of "salary" as defined in rule 3(2) and cannot be considered for the purposes of valuation of rent-free accommodation under the Income Tax Rules, 1982."

Rule 5-House rent allowance in cash. Following is an extract from RCIT Central Region's Letter No. RCIT./167/MISC. Part II/87-88/8040, dated April 4, 1988:–

"The legal position is that amount received in excess of 45% of the basic salary has to be added to the income as a taxable perquisite. So in all cases where such excess House Rent Allowance has been restricted to 10% of the salary rectification will have to be made to arrive at the correct figure for total income."

Following is an extract from CBR's Letter C. No. ITO 8(5)/88 dated September 19, 1988 in respect of the matter discussed in the RCIT's letter reproduced above:–

"I am directed to request to you that all such cases which have been under-assessed may be re-assessed as required under the law to recover the loss of revenue under

intimation to the Board. It is further proposed that the campaign of rectification of all such orders should be launched immediately so that it is completed before the introduction of new assessment scheme."

Rule 7-Rent free unfurnished accommodation. Following is the text of CBR's Circular Letter C. No. Dy. 458/DT. 14/89 dated October 9, 1989:–

"Please refer to the above.

2. I am directed to say that reference have been received in the Board regarding interpretation of Rule 5(b) of the Income Tax Rules, 1982. The references is "whether the addition is to be restricted to 10% of the basic salary or of the salary of the assessee".

3. It is clarified that Rule 5(b) relating to provision of rent free un-furnished accommodation, exempts the said perquisite if the annual value of such accommodation does not exceed 45% of the minimum of the time scale of the Basic Salary. However, when the annual value exceeds the said limits provisions of rule 5(b) are attracted. The language of rule 5(b) is very clear in that the amount in excess of 45% of the minimum of the time scale of basic salary is again not fully taxed but restricted to 10% of the salary and not the basic salary.

4. I am further directed to request you to kindly issue instructions to all officers concerned that extra care should be taken while making assessment in cases where rule 5(b) of the Income Tax Rules 1982 applies. The above clarification issued by the Board should be strictly followed in all cases."

Free furnished accommodation to Ambassadors. Following is an extract from CBR's Circular letter No. IT-JI-1(28)/85, dated February 6, 1986:-

"Perusal of terms and conditions of appointment of Ambassador as received vide Ministry of Foreign Affairs' O.M. No. Rules -6/2/85, dated January 21, 1986 has revealed that in addition to free furnished accommodation, 75% of all utility charges including the cost of heating, electricity, gas and water charges in respect of residence of the ambassador is also borne by the Government. This facility comes within the ambit of `perquisite' under the Income Tax law.

I am accordingly directed to say that only 10% of the above 75% would be exempt and the balance would be taxable in the hands of the recipient."

Rule 9(2)–Substitution.– Sub-rule (2) before substitution by Notification No. SRO 590(I)/2004, read as follows:–

"(2) Where any perquisite is receivable in cash the whole amount shall be included in employee's salary."

House Rent Allowance.– Following is an extract from CBR's Circular No. 17 of 2004, dated July 17, 2004:–

"The house rent allowance received in cash upto 45% of minimum of the time scale or where there is no time scale of the basic salary subject to maximum of two hundred and seventy thousand rupees has been made exempt from tax in the case of salaried taxpayers whose salary income is six hundred thousand rupees or more. Rule 9 of Income Tax Rules, 2002 has accordingly been amended. This change in exemption limit would be applicable with effect from July 1, 2004 for tax withholding purposes and for tax year 2005 and onwards for the purposes of assessment."

Rent free housing to employees in multi-unit buildings. Following is the text of CBR's Letter C.No.3(18)(ITR)/05, dated October 22, 2005:–

"It has been brought to the notice of the Board that Rule 9(4) of Income Tax Rules 2002 is ambiguous in cases when the accommodation in the areas as mentioned in the said rule has two portions or is a multi story building occupied by different employees.

2. It is clarified that in such cases, the covered area occupied by each occupant shall be taken into consideration for the purposes of valuation for accommodation in terms of Rule 9(4) of the said Rules."

8-39-17-07-06

PART- 2: INCOME FROM BUSINESS

10. Entertainment expenditure.– (1) For the purpose of clause (d) of section 21, which provides for a limitation on the deduction of entertainment expenditure, and subject to sub-rule (2), a deduction for entertainment expenditure shall be limited to expenditure incurred by a person that satisfies the conditions laid down in sub-section (1) of section 20 and which is–

(a) expenditure incurred outside Pakistan on entertainment in connection with business transactions or where such expenditure is allocated as head office expenditure;

(b) expenditure incurred in Pakistan on entertainment of foreign customers and suppliers;

(c) expenditure incurred on entertainment of customers and clients at the person's business premises;

(d) expenditure incurred on entertainment at a meeting of shareholders, agents, directors or employees; or

(e) expenditure incurred on entertainment at the opening of branches.

[1][ ]

(2) A person shall be allowed a deduction under sub-rule (1) only for expenditure incurred on the entertainment of persons related directly to the person's business.

(3) In this rule, "entertainment" means the provision of meals, refreshments, and reasonable leisure facilities in accordance with the tradition of business and subject to overall norms and customs of business in Pakistan.

11. Agricultural produce as raw materials.– (1) This rule applies to a person who is a cultivator or receiver of agricultural produce as rent-in-kind and who uses agricultural produce raised or received as raw materials in a business the income from which is chargeable to tax under the head "Income from Business".

(2) In determining the amount of income of a person to whom this section applies, the market value of any agricultural produce raised or received as rent-in-kind by the person and used as raw materials in the person's business shall be allowed as a deduction.

(3) For the purposes of sub-rule (2), the market value of agricultural

(4) produce shall be–

(a) where the agricultural produce is ordinarily sold in the market in its raw state or after application of any process ordinarily employed by a cultivator or receiver of agricultural produce as rent-in-kind to render it fit to be taken to market, the market

8-67-20-07-09

[1]Clause (f) omitted by SRO 392(I)/2009 dated May 19, 2009.

R. 10(1)(f)-Clause (f) before omission read as follows:-

"(f) any other entertainment expenditure incurred on refreshment to employees as per rule 9."

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price for the produce at the time it is used as raw materials in the person's business; or

(b) in any other case, the sum of the following amounts, namely:–

(i) the expenses of cultivation; and

(ii) the land revenue rent paid for the area in which the produce is grown.

(4) No deduction shall be allowed for any expenditure incurred by a person as cultivator or receiver of agricultural produce as rent-in-kind, other than as specified in sub-rule (2).

12. Particulars required to be furnished for claiming depreciation deduction or initial allowance amortisation deduction.– (1) The following particulars shall be furnished by a taxpayer at the time of furnishing a return of income for any tax year in order to claim a depreciation deduction under section 22, an initial allowance under section 23 or an amortisation deduction under section 24 read with the Third Schedule to the Ordinance, namely:–

(a) a description of each depreciable asset and intangible in respect of which a deduction is claimed;

(b) where a depreciable asset or intangible is used in the tax year only partly in deriving income from business chargeable to tax, the extent of such part use;

[1][ ]

(d) if the depreciable asset or intangible was acquired in the tax year, the date of acquisition;

(e) the written down value of each depreciable asset at the beginning of the tax year computed in accordance with sub-section (5) of section 22 and the cost of each intangible as determined under sub-section (11) of section 24;

(f) the amount of capital expenditure incurred in the tax year on additions, alterations, improvements or extensions in relation to any depreciable asset or intangible and where the depreciable or amortisable amount of such expenditure is limited under the Ordinance, the lower amount shall also be stated;

(g) the total value of each depreciable asset for which a depreciation deduction is allowable for the tax year (this is the sum of the amounts specified in clauses (e) and (f), less any initial allowance allowed for the asset in that year;

(h) the prescribed rate of depreciation and initial allowance (if any) for each depreciable asset or class of asset for the tax year, and the normal useful life for each intangible;

[1]Clause (c) omitted by SRO 392(I)/2009 dated May 19, 2009.

R. 12(1)(c)-Clause (c) before omission read as follows:-

"(c) Prior months for which in[*] assets as in (b) are put to use in deriving business income;"

[*]word "in" appears to be superfluous.

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(i) the amount of depreciation deduction and initial allowance (if any) for each depreciable asset for the year and the amount of amortisation deduction for each intangible for the year;

(j) the total depreciation deduction, initial allowance and amortisation deduction allowed for the tax year; and

(k) the written down value of each depreciable asset and the cost of intangible at the end of the tax year, and the remaining normal useful life.

Explanation: Addition to intangible to be separately shown.

(2) The following particulars shall be furnished by a taxpayer at the time of furnishing a return of income for any tax year in which a depreciable asset or intangible is disposed of in the year, namely:–

(a) the consideration received for the asset or intangible;

(b) the written down value of the asset or intangible disposed of at the beginning of the tax year; and

(c) the excess or deficit of the consideration received in relation to the written down value (i.e., clause (b) less clause (a) or clause (a) less clause (b), as the case may be).

[1][**12A. Decommissioning certificate.-** As required under sub-rule (4A) of rule 2 of Part-I of Fifth Schedule to the Income Tax Ordinance, decommissioning certificate shall be submitted, as set out in Part-XA of the Second Schedule to these rules.]

13. Apportionment of expenditures [3]**[, deductions and allowances].–** (1) This rule applies for the purposes of section 67, which provides for apportionment of expenditure [3][, deductions and allowances] incurred for more than one purposes.

(2) Any expenditure [3][, deductions and allowances] that is incurred for a particular class or classes of income shall be allocated to that class or classes, as the case may be.

[2][(3) (a) Any common expenditure excluding financial expenses relatable or attributable to non-business advances or loans and the amount referred to in sub-rule (2) relatable to business including presumptive and exempt income, shall be allocated to each class of income according to the following formula, namely:-

A x B/C

where–

A is the amount of the expenditure incurred;

B is the total amount of gross receipts (without deduction of expenditures) for the tax year for the class of income; and

[1]Rule 12A inserted by SRO 357(I)/2011 dated May 04, 2011.
[2]Sub-rule (3) substituted by SRO 392(I)/2009 dated May 19, 2009.
[3]Words etc., inserted by SRO 754(I)/2016 dated August 15, 2016.

C is the total amount of gross receipts (without deduction of expenses [1][, deductions and allowances]) and net gains for the tax year of all classes of income;

(b) Where, however, net gain, brokerage, commission and other income is to be taken into account on turnover of such transactions, such income shall be compared with gross profit from business for adopting figures for components "B" and "C" of the formula at (a) above [2]*[;]*]

[3][Explanation.- The terms gross receipt means net off receipt or turnover of Sales Tax or FED paid.]

(4) Where expenditures [1][, deductions and allowances] are to be allocated among different classes of income under sub-rule (3), consideration shall be given to the nature and source of each class of income, on reasonable basis to earn each class of income (particularly, in allocating selling expenses).

(5) Where the allocation of expenditures [1][, deductions and allowances] is made in accordance with sub-rule (3) a certificate by the Chartered Accountants* or Cost and Management Accountant stating the basis of allocation shall be accepted unless significant variations are found; and where books [4][of accounts] are not required to be audited, the reasonable basis based on the [5][sub-rules] (3) and (4) may be adopted which would be accepted by [4][the] Commissioner, unless variation is found. Significant variations would be beyond the limits of 10 $\pm$ in collection as in sub-rule (3) under any head of account.

[6][(6)] In this rule.–

"class of income" means–

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[1]Words etc., inserted by SRO 754(I)/2016 dated August 15, 2016.
[2]Substituted for full stop by SRO 1218(I)/2015 dated December 08, 2015.
[3]Inserted by SRO 1218(I)/2015 dated December 08, 2015.
[4]Inserted by SRO 392(I)/2009 dated May 19, 2009.
[5]Substituted for "sub-rule" by SRO 392(I)/2009 dated May 19, 2009.
[6]Substituted for "(8)" by SRO 392(I)/2009 dated May 19, 2009.

*apparently intended word is "Accountant".

R. 13(3)-Before substitution sub-rule (3) read as follows:-

"(3) (a) Any common expenditure including financial expenses, excluding relatable or attributable to the non-business advances or loans and amount at (2); relatable to business including presumptive and exempt income, shall be allocated to each class of income according to the following formula, namely:–

A x B/C

where–

A is the amount of the expenditure incurred;

B is the total amount gross receipts (without deduction of expenditures) for the tax year for the class of income; and

C is the total amount gross receipts (without deduction of expenses) and net gains for the tax year of all classes of income;

(b) where, however, there is net gain, brokerage, commission and other income is to be taken and turnover of such transactions is taken at these figures, such income is to be compared with gross profit from business for adopting figures for component "B" and "C" of the formula at (a) above."

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(a) Pakistan-source income chargeable under the head "Salary";

(b) foreign-source income chargeable under the head "Salary"

(c) Pakistan-source income chargeable under the head "Income from Property";

(d) foreign-source income chargeable under the head "Income from Property";

(e) Pakistan-source income chargeable under the head "Income from Business" (other than income subject to section 19);

(f) foreign-source income chargeable under the head "Income from Business" (other than income subject to section 19);

(g) Pakistan-source income from a speculation business chargeable under the head "Income from Business";

(h) foreign-source income from a speculation business chargeable under the head "Income from Business";

(i) Pakistan-source income chargeable under the head "Capital Gains";

(j) foreign-source income chargeable under the head "Capital Gains;

(k) Pakistan-source income chargeable under the head "Income from Other Sources"

(l) foreign-source income chargeable under the head "Income from Other Sources"

(m) income exempt from tax;

(n) chargeable to tax under section 5, 6 or 7; and

(o) amounts to which section 169 applies [1][ ]; and

"common expenditure [2][, deductions and allowances]" means expenditure [2][, deductions and allowances] that is not clearly allocable to any particular class or classes of income, such as general administrative and other such allocable expenditures [2][, deductions and allowances].

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[1]Words etc. "except proceed realised from exports from which separate provision is made as sub-rule (8)" omitted by SRO 392(I)/2009 dated May 19, 2009.

[2]Words etc., inserted by SRO 754(I)/2016 dated August 15, 2016.

[1][Part III

COMPUTATION OF CAPITAL GAIN ON DISPOSAL OF SECURITIES UNDER SECTION 37A OF THE INCOME TAX ORDINANCE, 2001

13A. Acquisition of Securities.- (1) A security may be acquired through purchase, exchange, bonus issue, right issue, gift, bequest, inheritance, leverage schemes and derivative contracts.

(2) A security may be acquired in the electronic book entry form or in the form of physical certificate.

(3) A security may be acquired through the trading platform provided by a stock exchange or through off market transactions.

(4) In case of securities other than units of an open mutual fund, broker's bill for the purchase, broker generated computerized ledger statement of the investor's brokerage account, CDC statement of the investor's CDC sub account and payment of cost of acquisition through cheques shall be supportive evidence of acquisition of securities.

(5) In case of units of an open end mutual fund, certified statement of investor's account provided by the asset management company shall be supportive evidence of acquisition of securities.

13B Disposal of securities.- (1) A security may be disposed of through sale, gift, exchange or transfer by the security holder in any other way.

(2) A security may be disposed of in the electronic book entry form or in the form of physical certificate.

(3) A security may be disposed of through the trading platform provided by a stock exchange or through off market transactions.

(4) In case of securities other than units of an open mutual fund, broker's sale proceeds or difference bill, broker generated computerized ledger statement of the investor's brokerage account, CDC statement of the investor's CDC sub-account and proof of payment through cheques shall be supportive evidence of disposal of securities.

(5) In case of units of an open end mutual fund, certified statement of investor's account provided by the asset management company shall be supportive evidence of disposal of securities.

13C Holding period.- (1) Securities held for a period upto a maximum of one eighty-two days and for a period upto a maximum of three sixty-five days shall be taken as held for six months and one year respectively.

(2) In case of short positions, holding period shall be the period intervening between the date when a security is sold short and the date when the security is purchased to cover the short position.

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[1]Part III inserted by SRO 112(I)/2011 dated February 11, 2011.

(3) In case of futures contracts, holding period shall be the period intervening between the date of entry into a futures contract and the date of exit from such contract.

13D Computation of capital gain or loss.- (1) Capital gain or loss arising on the disposal of any security shall be computed on the basis of First In First Out (FIFO) inventory accounting method.

(2) Capital loss arising on disposal of securities in any tax year shall be set off against capital gain arising from the disposal of securities during that tax year to determine the taxable capital gain arising from the disposal of securities.

[1][(3) Capital loss arising on disposal of listed securities in tax year 2019 and onwards that has not been set off against the gain of the person from disposal of listed securities chargeable to tax during the tax year shall be carried forward to the following tax year and set off only against the gain of the person from disposal of listed securities chargeable to tax but no such loss shall be carried forward to more than three tax years immediately succeeding the tax year for which the loss was first determined;]

13E Computation of capital gain or loss on derivatives.- (1) In case of long position in deliverable futures contracts, capital gain or loss shall be computed as the difference between cost of acquisition of securities underlying the futures contract and the consideration from disposal of those securities to close the long position at or before maturity of the contract.

(2) In case of short position in deliverable futures contracts, capital gain or loss shall be computed as the difference between the consideration from short sale of securities underlying the futures contract and the cost of acquisition to purchase those securities to close the short position on or before maturity of the contract.

(3) In case of cash settled futures contracts, capital gain or loss shall be the cash payment which the investor respectively receives from or makes to the other party to such contract to settle the contract on or before maturity of the contract.

(4) In case of options, capital gain or loss shall be the difference between exercise price of the options and the consideration from disposal of the securities underlying such options.

(5) In case of contracts of right, capital gain or loss shall be the difference between cost of acquisition of right shares underlying the contract and the consideration from disposal of those shares.

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[1]Sub-rule (3) substituted by SRO 801(I)/2021 dated June 24, 2021.

R. 13D(3)-Before substitution sub-rule (3) read as follows:-

"(3) Capital loss arising on disposal of securities in any tax year shall not be carried to a subsequent tax year."

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[1][(6) Profit made on sale of borrowed shares shall be treated as capital gain when such shares are acquired from their return to Authorized Intermediary. Period intervening between acquisition and disposal of such borrowed shares shall determine the holding period in which the capital gain or loss falls. Specific Identification Method shall be used to determine the acquisition cost and consideration for disposal of such securities. The difference between cost of acquisition and consideration received against disposal (net off all borrowing costs) of such shares shall be treated as capital gain or loss. This rule shall be applicable to the securities borrowed in accordance with the Securities Lending and Borrowing Scheme approved by Securities and Exchange Commission of Pakistan.

(7) Profit made on disposal of shares acquired under Margin Finance Scheme, Margin Trading Scheme or other Financing or Leverage scheme approved by Securities and Exchange Commission of Pakistan shall be treated as capital gain. The difference between cost of acquisition (inclusive of borrowing cost) and consideration received disposal of such shares shall determine the quantum of capital gain or loss.]

13F Capital loss adjustment disallowed in certain cases.- (1) Capital loss adjustment as provided in rules 13D and 13E shall not be admissible in the following cases, namely:-

[2][**(a) Wash Sales** where capital loss realized on sale of specific security by an investor in preceded or followed in one month's period by purchase of the same security by the same investor whereby the transaction falls within one month between same two parties or their related parties where one was seller and other was buyer and they change places becoming buyer and seller respectively, thus, maintaining portfolio;]

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[1]Sub-rules (6) and (7) inserted by SRO 1149(I)/2011 dated December 27, 2011.

[2]Clause (a) substituted by SRO 1149(I)/2011 dated December 27, 2011.

Cl.(a)-Substitution.- Before substitution it read as follows:-

"(a) Wash Sales where capital loss realized on disposal of a specific security by an investor is preceded or followed in one month's period by purchase of the same security by the same investor, thus maintaining his portfolio.

Explanation.- Wash sale is sale of a security at loss and repurchase of the same security soon before or afterwards the sale so as to realize an unrealized loss to make it claimable as a set off against capital gain. The security sold in a wash sale is repurchased with the aim to re-acquiring it at or near its sale value in order to maintain the risk return profile of portfolio;"

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(b) Cross trades where coordinated reshuffle of securities between two related accounts of the same investor, between two related accounts of the related investors, between two membership cards of the same broker or between two related brokerage houses is undertaken and securities accumulating unrealized losses are sold to related accounts to artificially realize capital losses in one account without actually selling the securities to an outsider and the artificial losses so realized in an account are then used to minimize capital gain tax liability on the capital gain realized in the same account; and

(c) Tax Swap Sales where the investor having realized loss (as in the case of a wash sale) on a particular security does not repurchase the same security but chooses another similar security in the same sector thus not only minimizing or eliminating altogether liability on account of tax on capital gain, but also maintaining the portfolio broadly at the same risk return profile.

13G Exemption from tax on capital gain.- Exemption shall be applicable as provided under the Ordinance.

13H Payment of tax on capital gain.- (1) Every investor shall calculate tax on capital gain arising on securities [1][ ] at the prescribed rates.

(2) Every investor other than individual investor shall e-file statement of advance tax on capital gain on the prescribed format within [2][twenty one] days after the end of each quarter with the tax authority having jurisdiction in the case.

(3) The liability to pay the due tax on capital gain shall lie on the investor who held the securities during the period for which tax on capital gain is to be paid and, in case of any benami accounts, on the investor who de facto owns the securities carried in such accounts.

13I Maintenance of records.- (1) Every investor shall maintain accounts and records separately for each of his brokerage accounts regarding his securities business which sufficiently enable for verification of the discharge of his obligations under these rules.

(2) Without prejudice to the generality of the foregoing provision, every investor shall maintain in particular the following accounts and records, namely:-

[1]Words "held for a period upto six months, and above six months to one year, after the end of each tax year" deleted by SRO 1145(I)/2016 dated December 07, 2016.
[2]Substituted for "seven" by SRO 1149(I)/2011 dated December 27, 2011.

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(a) fortnightly ledger statements of the investor's brokerage account or each brokerage account if there are more than one account whether in the investor's own name or any benami accounts, generated by his broker;

(b) fortnightly CDC statements of the investor's CDC sub account or each CDC sub account corresponding to each brokerage account, if there are more than one brokerage account whether held in the investor's own name or any benami accounts;

(c) record of security holdings and their value carried in the investor's brokerage account as on 30th June of each year;

(d) record of cash carried in the investor's brokerage account as on 30th June of each year;

(e) record of funds deposited in the investor's brokerage account; and

(f) record of funds withdrawn from the investor's brokerage account.

[1][**13J. Exchange of Information.-** Information regarding member, broker, investor of a stock exchange [2][, members of PMEX, unit holders in mutual funds] required by the Federal Board of Revenue shall be obtained directly from National Clearing Company of Pakistan Limited (NCCPL).]

13K Violations and penalties.- Any investor who, in discharge of his obligations under these rules, violates any provision of the rules shall be liable to penalty and other charges provided in the Ordinance.

13L Definitions.- (1) In this Part, unless the context otherwise requires,-

(a) borrowed security means a security which an investor borrows under any security lending and borrowing scheme approved by the Securities and Exchange Commission of Pakistan, with an aim to returning the security to its lender, at any later date;

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[1]Rule 13J substituted by SRO 1149(I)/2011 dated December 27, 2011.
[2]Words inserted by SRO 1145(I)/2016 dated December 07, 2016.

R. 13J-Substitution.- Before substitution it read as follows:-

"13J Liability of broker.- (1) Every broker or stock exchange's member, before closing the brokerage account of an investor, shall require an investor to obtain a tax clearance certificate from the concerned tax authority to the effect that the investor has no tax liabilities outstanding against him.

(2) Any broker or stock exchange's member who closes an investor's brokerage account without obtaining a tax clearance certificate and the investor disappears from the market without satisfying the tax authorities that he has no tax liabilities outstanding against him, such broker shall be liable to discharge such investor's outstanding tax liabilities to the satisfaction of tax authorities."

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(b) **capital gain** means the difference between consideration from disposal of a security and the price paid or would have been paid for acquisition of such security when former exceeds the later, provided that capital gain, in case of a borrowed security, means the difference between consideration received from short selling of the borrowed security and the price paid or payable to purchase it for its return to the lender of such security;

(c) **capital loss** means the difference between cost of acquisition of a security and the consideration from disposal of that security when the former exceeds the later;

(d) **cost of acquisition** of any security means the market price of the security which the investor pays or would have paid to purchase such security, provided that cost of acquisition,-

[1][(i) in case of right share, means the discounted price at which the right shares are issued to a shareholder by the issuer including the cost of acquisition of letter of rights;]

(ii) in case of a security acquired through bequest or inheritance means the market price of security at which the deceased person making bequest or leaving the inheritance, as the case may be, paid or would have paid to purchase such security;

[2][*[*(iii)*]* in case of bonus shares:

(i) shall be ex-bonus price if tax has already been paid under section 236M;

(ii) the value determined under section 236N, if tax is paid under section 236N; and

[3][(iii) shall be zero, in any other case.]

(iv) in case of initial public offering, the actual price paid to the issuer shall be treated as the cost of acquisition of such securities.

---

[1]Substituted by SRO 1956(I)/2022 dated October 24, 2022. Before substitution it read as follows:-

"(i) in case of a right share, means the discounted price at which the right shares are issued to a share holders by the issue;"

[2]Renumbered for "(d)" by SRO 1218(I)/2015 dated December 08, 2015 and clause (d)(iii) substituted by SRO 161(I)/2015 dated February 23, 2015. Before substitution by SRO 161(I)/20215 it read as follows:-

"(iii) in case of bonus issue means the market price of bonus shares immediately following the bonus issue which the investor would have paid to purchase the bonus shares; and"

[3]Substituted by SRO 1956(I)/2022 dated October 24, 2022. Before substitution by SRO 1956(I)/2022 it read as follows:-

"(iii) shall be zero, if no tax is paid under section 236M and 236N."

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(e) **consideration from disposal** of any security means the market price of a security which the investor receives or would have received on the sale of that security;

(f) **derivative products** means a financial product which derives its value from the underlying security or other asset, may be traded on a stock exchange of Pakistan and includes deliverable futures contracts, cash settled futures contracts, contracts of rights and options [1][and future commodity contracts traded at PMEX];

(g) **date of acquisition** shall be determined as under, namely:-

(i) in case of security in electronic book entry form, earlier of the dates on which the investor makes the purchase or otherwise gets title to the security and the security is transferred to the investor's brokerage account, CDC sub account or the concerned broker's or stock exchange's member's CDC Group Account;

(ii) in case of any security in the physical certificate form, earlier of the dates on which selling broker or stock exchange's member sells the security, the date on which an investor acquires physical possession of the security, the date on which investor's name is entered on the security or the date on which the issuing company enters the investor's name in the record of its security holders;

(iii) in case of acquisition of a security on account of a nomination under section 80 of the Companies Ordinance, 1984 (XLVII of 1984) under bequest or inheritance, the date of death of the person making such bequest or leaving such inheritance, or the date of transmission by succession or under a will by the deceased, as the case may be, which ever is earlier;

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[1]Words inserted by SRO 1145(I)/2016 dated December 07, 2016.

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(iv) in case of acquisition of a security under a futures contract, the date of entry into the futures contract;

(v) in case of a borrowed security, the date on which the investor purchases the security to cover his short position and to return the security to the security lender; and

(vi) in case of conversion of global depository receipts into shares, the closing price of shares on the day of such conversion shall be treated as acquisition cost of such shares.

(h) date of disposal of any security in the electronic book entry form means,-

(i) the date on which the investor sells or otherwise disposes of the security and the security is transferred from the investor's brokerage account, CDC sub-account or the concerned broker's or stock exchange's member's CDC Group Account, whichever is earlier;

(ii) in case of any security in the physical certificate form means the date on which selling broker sells the security or the date on which the issuing company deletes the seller's name from the record of its security holders, whichever is earlier;

(iii) in the case of a security underlying a futures contract, means the date of exit from futures contract; and

(iv) in the case of a borrowed security means the date on which the borrower short sells the borrowed security after borrowing it from the security lender;

(i) date of entry into futures contract means, in case of a long position, the date on which securities underlying the futures contract are purchased and are transferred to the investor's brokerage account and, in case of a short position, the date on which securities underlying the futures contract are sold short;

(j) date of exit from futures contract means, in case of a long position, the date on which securities underlying the futures contract are sold and are transferred from the investor's brokerage account and, in case of a short position, the date on which securities underlying the futures contract are purchased to cover the short position;

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(k) date of exercise of option means the date of acquisition of a security underlying an option and is the date on which option is exercised to acquire the underlying security;

(l) exercise price is the cost of acquisition of a security underlying an option and is the price of securities underlying an option which the investor paid to purchase the underlying securities on exercise of the option;

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(m) **holding period** shall be calculated as prescribed under the provisions of sub-section (2) of section 37A of the Income Tax Ordinance, 2001;

(n) **investor** means every person who invests in securities and includes every broker who makes investments in such securities; and

(o) **jurisdiction of tax authority** means the jurisdiction of the tax office in which business of the securities is being carried on by a person and where such business is carried on in more then one place, the person's principal place of business.

(2) All other words and expressions not specifically defined in these rules shall have the meanings assigned to them under the Ordinance.

13M Quarterly statements.- Quarterly statements shall be e-filed in the following format, namely [1][:]

[1][Provided that these statements shall not be applicable in the case of investors falling under Eighth Schedule to the Ordinance read with rule 13N.]

Statement of Capital gains tax liability

Part – I

Particulars of investor's account

1. Investor's Name(s)

(i) ……..……..….

(ii) ……..…..….

(iii) ……..…..….

2. Complete Address(es)

(i) ……..……..….

(ii) ……..……..……..…..….

(iii) ……..…..……..…..….

3. Brokerage Account No. ..……..……..

4. Date of Opening of Brokerage Account……..

5. Type of Account (individual, joint, AOP, firm, company)…….…….

6. Name of Brokerage Firm/ Company……...…

7. Contact No. and Address of Brokerage Firm/ Company …..……..…

8. CDC sub account No…...…….……..…

9. Total Value of Shares carried in account as on 30th June ……....

10. Total Cash carried in account as on 30th June…….……

[1]Colon and hyphen substituted and proviso inserted by SRO 1145(I)/2016 dated December 07, 2016.

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11. Tax period (tax year/quarter) ……..…
12. Capital gain during the tax period ……..……
13. Capital Loss during the tax period……..…
14. Net gain/loss……..……
15. Tax on capital gain payable for the tax period…….
    (Calculated in part II, III & IV of summary of transactions)

Investor's Name …..……

Signature……..……..

Date……

[1][**Part - II**

Summary of Capital Gain on Securities as per Division VII of Part I of First Schedule

Sales				Purchases						Holding period*	Filer / Non Filer	Applicable Rate as per Division VII	Capital Gain (Loss)	CGT payable
(1)				(2)						(3)	(4)	(5)	(6)	(7)
Date of Sale	Particulars of Securities	No. of Securities	Sale price per security	Sale proceeds	Date of purchase	Particulars of Securities	No. of Securities	Purchase price per security	Total Purchase Price					

*Applicable in case the security is acquired after 1 July 2012

Investor's Name .....

Brokerage Account No .....

Signature .....

Date .....

Part - III

Affidavit

I ..... S/O ..... CNIC No ..... resident of ..... holding brokerage account No. ..... with the brokerage firm ..... and holding CDC sub account No ..... with Central Depositary Company do hereby solemnly affirm that particulars of my account given in Part I and the particulars of securities transactions conducted during the tax period given in Part - II of the summary of securities transactions are true and correct and in accordance with the ledger statements and CDC statements of my account for the above mentioned tax period.

[1]Substituted for part II, III, IV & V by SRO 1145(I)/2016 dated December 07, 2016.

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I further affirm that nothing has been concealed or incorrectly stated regarding my account. t know that in case any particulars of my account and share transactions conducted during the above mentioned tax period and given under rule 13M of the Income Tax Rules, 2002 as mentioned above are found to be false being not in conformity with ledger statements and CDC statements of my account, I am liable to be penalized in accordance with rule 13K of the Income Tax Rules. 2002.

Deponent (investor's name)
Signature .....
Date ……..……...

Before substitution Part II to V read as follows:-

"Part – II

Summary of Shares Held upto six months – Tax payable @ 10%

Sales					Purchases					Capital Gain (Loss)	CGT pay-able
Date of Sale	Particulars of Shares	No. of Shares	Sale price per share	Sale Proceeds	Date of Purchase	Particulars of Shares	No. of Shares	Purchase price per share	Total Purchase Price		

Investor's Name ……
Brokerage Account No…….
Signature…….
Date……."

"Part – III

Summary of shares held above six months to one year - tax payable @ 7.5%

Sales					Purchases					Capital Gain (Loss)	CGT pay-able
Date of Sale	Particulars of Shares	No. of Shares	Sale price per share	Sale Proceeds	Date of Purchase	Particulars of Shares	No. of Shares	Purchase price per share	Total Purchase Price		

Investor's Name ……
Brokerage Account No…….
Signature…….
Date……."

"Part – IV

Summary of shares held for more than one year – no tax payable

Sales					Purchases					Capital Gain (Loss)	CGT pay-able
Date of Sale	Particulars of Shares	No. of Shares	Sale price per share	Sale Proceeds	Date of Purchase	Particulars of Shares	No. of Shares	Purchase price per share	Total Purchase Price		

Investor's Name ……
Brokerage Account No…….
Signature…….
Date……."

[1][**13N. Special procedures for computation of capital gains and collection of tax.-** (1) NCCPL shall, in accordance with this rule, collect tax on capital gains as provided in Eighth Schedule to the Ordinance, hereinafter in this Part called as the said Eight Schedule.

(2) The provisions of the said Eighth Schedule and these rules shall apply to capital gains derived from listed securities on or after the 24th April, 2012, except in the case of instrument of redeemable capital where such provisions shall be applicable on capital gain derived from the 1st July, 2012 [1][:]

[2][Provided that in case of Foreign Institutional Investors, provisions of the said Eight Schedule and these rules shall be applicable on capital gain derived from the first day of July, 2014.

Explanation.- For the removal of doubt, it is clarified that all Foreign Institutional Investors shall be subject to the regime as laid down in Eighth Schedule and no exemption whatsoever from withholding tax under Eighth Schedule or under these rules is available to Foreign Institutional Investors for any reason.]

[3][(3) In computing capital gains. NCCPL shall take into account transactions and their values as reported to or provided to or extracted from the systems or procedures in place with NCCPL, stock exchange and the Central Depository Company of Pakistan limited, the clearing members in case of Foreign Institutional Investors, PMEX in case of future commodity contracts and Asset Management Companies in case of open ended mutual funds:

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[1]Substituted for full stop by SRO 161(I)/2015 dated February 23, 2015.

[2]Proviso and Explanation inserted by SRO 161(I)/2015 dated February 23, 2015.

[3]Sub-rule (3) substituted by SRO 1145(I)/2016 dated December 07, 2016.

"Part – V

Affidavit

I …… S/O …….. CNIC No…….. resident of…….....holding brokerage account No. ……..... with the brokerage firm……and holding CDC sub account No……with Central Depositary Company do hereby solemnly affirm that particulars of my account given in Part I and the particulars of share transactions conducted during the tax period given in Part – II, III and IV of the summary of share transactions are true and correct and in accordance with the ledger statements and CDC statements of my account for the above mentioned tax period.

I further affirm that nothing has been concealed or incorrectly stated regarding my account. I know that in case any particulars of my account and share transactions conducted during the above mentioned tax period and given under rule 13M of the Income Tax Rules, 2002 as mentioned above are found to be false being not in conformity with ledger statements and CDC statements of my account, I am liable to be penalized in accordance with rule 13K of the Income Tax Rules, 2002.

Deponent (investor's name) ……

Signature ……

Date …..……..."

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Provided that, where any discrepancy or error is pointed out or found in recording the date of acquisition of security, NCCPL may, with prior approval of the Commissioner Inland Revenue, rectify such date based on the relevant information provided by CDC as obtained from concerned issuer or its share registrar or clearing members in case of Foreign Institutional Investors and accordingly re-compute the capital gain tax liability in the financial year in which such security has been disposed of.]

[1][(3A) Notwithstanding the [2][provisions of the second proviso to sub-section (1) of section 37A and] sub-rule (1), Asset Management Companies and PMEX shall continue to determine, compute and collect Capital gains tax on open ended mutual funds and future commodity contracts respectively, and shall deposit the same with NCCPL within ten working days of the month end.

(3B) NCCPL shall verify the liability of the investor calculated by Asset Management Companies and PMEX as above, and will compute the net capital gains tax liability or refund for each investor to be collected from or refunded to the Asset Management Companies or PMEK Provided that where cumulative refund per investor for the year to date does not exceed Rs 1,000 per investor, it will be carried forward for adjustment in next month(s), however, any refunds, irrespective of amount, shall be refunded at the year end:

Provided that the information to be reported to or provided to NCCPL as above shall be required to be in a manner and time deemed necessary for NCCPL to discharge its obligation under the law and provisions of Rule 3 and 3A of Eight Schedule to the Ordinance shall be applicable in this respect.]

(4) The gain arising on the disposal of a security by a person shall be computed in accordance with the following formula, namely:-

---

[1]Sub-rules (3A) & (3B) inserted by SRO 1145(I)/2016 dated December 07, 2016.
[2]Words inserted by SRO 776(I)/2023 dated June 27, 2023.

Before substitution sub-rule (3) read as follows:-

"(3) In computing capital gains, NCCPL shall take into account transactions and their values as reported to or provided to or extracted from the systems or procedures in place with [1][NCCPL], stock exchanges [2][.] *the Central Depository Company of Pakistan Limited [3][and clearing members in case of Foreign Institutional Investors] [4][:]

[4][Provided that, where, any discrepancy or error is pointed out or found in recording the date of acquisition of security, NCCPL may, with the prior approval of the Commissioner Inland Revenue, rectify such date based on the relevant information provided by CDC as obtained from concerned issuer or its share registrar and accordingly re-compute the capital gain tax liability in the financial year in which such security has been disposed of."

[1]Substituted for "NCPPL" by SRO 161(I)/2015 dated February 23, 2015.
[2]Full inserted by SRO 161(I)/2015 dated February 23, 2015. *it should be "T"
[3]Words etc inserted by SRO 161(I)/2015 dated February 23, 2015.
[4]Colon substituted for full stop and proviso inserted by SRO 498(I)/2016 dated July 27, 2016.

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A - B

Where –

A is the consideration received by the person on disposal of the security; and

B is the cost of acquisition of the security.

(5) Capital gain or loss arising on the disposal of listed securities shall be computed on the basis of First In First Out (FIFO) inventory accounting method:

Provided that while applying FIFO method, market based transactions shall be taken into account first:

Provided further that the FIFO method shall not apply in respect of sale of shares purchased on the same trading day or in same futures or derivative contract [1][, except traded on PMEX] and capital gain or loss shall be computed by applying average method [2][:]

[2][Provided further that the FIFO shall be applied on aggregate inventory held by an investor at UIN level.]

[3][(5A) For the purposes of computation and collection of capital gains tax in this rule applicable rate shall be taken from Division VII of Part I of the First Schedule based on whether the investor is filer or non-filer as per ATL at the time of transaction [4]*[:/]*]

[4][Provided that NCCPL shall adjust the capital gain tax liability based on status of investor as filer or non-filer as per Active Taxpayers' List at the end of tax year.]

[3][(5B) For the purpose of computation of capital gains tax liability on stock fund the applicable rate of tax as per third proviso of the Division VII of Part I of the First Schedule shall be taken on month on month basis.]

(6) Capital loss arising on disposal of listed securities as determined by NCCPL in any financial year shall be set off against capital gain arising from the disposal of securities during that financial year to determine the taxable capital gain arising from the disposal of listed securities.

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[1]Words inserted by SRO 1145(I)/2016 dated December 07, 2016.

[2]Full stop substituted and proviso inserted by SRO 1145(I)/2016 dated December 07, 2016.

[3]Sub-rule (5A) & (5B) inserted by SRO 1145(I)/2016 dated December 07, 2016.

[4]Full stop substituted and proviso inserted by SRO 1956(I)/2022 dated October 24, 2022.

R. 13N(7)-Before substitution sub-rule (7) read as follows:-

"(7) Capital loss arising on disposal of listed securities in any financial year shall not be carried to a subsequent financial year."

[1][(7) Capital loss arising on disposal of listed securities in tax year 2019 and onwards that has not been set off against the gain of the person from disposal of listed securities chargeable to tax during the tax year shall be carried forward to the following tax year and set off only against the gain of the person from disposal of listed securities chargeable to tax but no such loss shall be carried forward to more than three tax years immediately succeeding the tax year for which the loss was first determined.]

[2][(7A) Capital loss arising on disposal of listed securities in tax year 2019 and onward shall be carried forward to a subsequent tax year for setting of(in the manner prescribed as follows:-

(a) The setting off of eligible capital loss carried forward from previous tax year(s) shall be made by NCCPL under this Rule, only in respect of a taxpayer whose name appear or appeared in the Active Tax Payers List [ATL] pertaining to the tax year to which such loss pertains as witnessed by the Active Tax Payers List [ATL] available on FBR's website after updation for the tax year to which such loss pertains;

(b) adjustment of carried forward capital loss(es) shall be made on monthly basis by NCCPL from the first month of updation of ATL for that tax year and on first-in first-out (FIFO) basis;

(c) NCCPL may requisition date wise position of Active Tax Payers List [ATL] in respect of particular taxpayer from Information Technology (IT) Wing of the Board as and when required;

(d) At the end of relevant tax year, NCCPL shall maintain tax year-wise balance of unexpired carried forward capital losses separately identifiable for computation of limitation period for each tax year; and

(e) The manner of adjustment of capital loss carried forward from previous tax years will be in accordance with illustration given in clause (zf) of Rule 13P.]

(8) NCCPL shall deduct or add 0.5 per cent for client's trade and 0.25 per cent for broker's proprietary trade of the consideration received on disposal or cost of acquisition of securities respectively, in lieu of brokerage, commission, transaction fee, levy, Laga or any other similar incidental expenses incurred by the person while disposing or acquiring a security, subject to the condition that such deduction shall only be allowed in respect of market based transactions [3][:]

[3][Provided that the above deductions shall not be applicable in case of units of open ended mutual funds and future contracts entered into by the members of PMEX.]

8-170-10-11-2022

[1]Sub-rule (7) substituted by SRO 801(I)/2021 dated June 24, 2021.

[2]Sub-rule (7A) inserted by SRO 801(I)/2021 dated June 24, 2021.

[3]Full stop substituted and provisos inserted by SRO 1145(I)/2016 dated December 07, 2016.

(9) NCCPL shall also deduct financing cost from the consideration received if financing is availed through NCCPL's leveraged market products.

(10) NCCPL shall collect an amount as computed in the manner laid down in the said Eighth Schedule and these rules on monthly basis in respect of transactions settled in a month, after adjustment of losses [1][including adjustment of carried forward losses as per section 37A(5) and sub-rules (7) and (7A) above] and repayment of amount collected in previous month or months of same financial year, to ensure that at the end of any given month NCCPL possesses an amount equal to the estimated amount of tax liability on capital gains.

(11) Amount computed in the manner laid down in the said Eighth Schedule and these rules shall be collected by NCCPL from or through the clearing member [2][PMEX and Asset Management Companies] on net capital gains derived by person, taxable under the said Eighth Schedule.

(12) Any person, if not satisfied with the computation of capital gain or tax thereon or both made by NCCPL for the purpose of the said Eighth Schedule, such person may re-compute the capital gain and lodge claim of refund, if any, with the Commissioner after filing of return of income and the Commissioner shall refund the amount of tax in accordance with provisions of Part VI of Chapter X of the Ordinance.

(13) For the purpose of the said Eighth Schedule and this rule, the provisions of rules 13F, 13H and 13I shall not apply.

(14) The provisions of rule 13J shall not apply to the person whose tax liability on capital gains is discharged under the said Eighth Schedule, however the brokerage account of the investor [1][, account of unit holder of open ended mutual fund with Asset Management Companies and account of member of PMEX as the case may be] shall not be closed until and unless such person obtains a clearance certificate from NCCPL [3][:]

[3][Provided that accounts of unit holders of open ended mutual funds with Asset Management Companies and account of member of PMEX, if closed without obtaining clearance certificate from NCCPL, Asset Management Company or PMEX shall remain responsible to ensure that any outstanding liability in respect of Capital Gain Tax which has arisen or may arise, has been collected from respective investor and deposited with NCCPL:

Provided further that in case Asset Management Company or PMEX is unable to recover such tax from investor, these non-payments should be reported on monthly basis to NCCPL for onward reporting to Board in terms of rule 6(3) of the Eight Schedule to the Ordinance.]

8-170-10-11-2022

[1]Words inserted by SRO 801(I)/2021 dated June 24, 2021.

[2]Words inserted by SRO 1145(I)/2016 dated December 07, 2016.

[3]Full stop substituted and provisos inserted by SRO 1145(I)/2016 dated December 07, 2016.

(15) NCCPL shall issue certificate as provided in clause (4) of rule 1 of the said Eighth Schedule, as set out in Part I of rule 13O, [1][verifying] capital gains and tax thereon, if any, to each person subject to tax under the said Eighth Schedule within [2][forty-five] days from the end of the financial year.

(16) NCCPL shall furnish electronically to the Board a quarterly statement of amount collected, within [2][forty-five] days from the end of each quarter as set out in Part II of rule 13O.

(17) The person who has opted out of the scheme of taxation provided in the said Eighth Schedule shall file an undertaking to NCCPL in the form prescribed in Part III of rule 13O [3][along with the evidence of obtaining prior approval of Commissioner under rule 5 of the said Eighth Schedule].

[4][Provided that the Commissioner shall not accord prior approval, unless the taxpayer is a filer.]

(18) Statements referred in rule 2 of the said Eighth Schedule shall be furnished on the format prescribed in Part IV of rule 13O.

[5][(18A) Where an irrevocable option has been filed to NCCPL by a person, after obtaining prior approval of the Commissioner to opt out of Eighth Schedule for determination and payment of capital gains tax, NCCPL shall submit to the Board details of capital gains and tax thereon of such person or persons for the tax year or part thereof in respect of which capital gain tax collection has not been made by NCCPL.]

(19) The period of forty-five days or one hundred twenty days, as the case may be, as referred in rule 2 of the said Eighth Schedule, shall be the period or periods in aggregate to, forty-five days or one hundred twenty days, as the case may be, during the period as provided in rule 2(1)(b) and 2(2)(b) of the said Eight Schedule.

(20) For the purpose of rule 2 of the said Eighth Schedule, the investment shall be the time weighted average of the invested amount arranged in descending order for forty-five days or one hundred twenty days, as the case may be. The amount of investment at any particular day shall be netted off with the market value of net open sale position in futures and derivative contract of the same security to the extent of the amount of investment representing such security, before calculating aforementioned time weighted average.

(21) For the purpose of clarity in computing, determining, collecting and depositing the tax on [6][capital gains by Asset Management Companies and PMEX] capital gains by NCCPL, certain transactions and their tax treatments as well as the amount and period of investment referred to in rule 2 of the said Eighth Schedule are as enunciated in rule 13P:

8-170-10-11-2022

[1]Substituted for "showing computation of" by SRO 161(I)/2015 dated February 23, 2015.
[2]Substituted for "thirty" by SRO 1956(I)/2022 dated October 24, 2022.
[3]Words inserted by SRO 161(I)/2015 dated February 23, 2015.
[4]Proviso inserted by SRO 161(I)/2015 dated February 23, 2015.
[5]Sub-rule (18A) inserted by SRO 161(I)/2015 dated February 23, 2015.
[6]Words inserted by SRO 1145(I)/2016 dated December 07, 2016.

Provided that in case of any confusion in respect of such computation, determination, collection or deposit, NCCPL, after computing, determining, collecting or depositing, may refer the case to the Board for clarification and make adjustments, if required, after such clarification.

(22) **Definitions.-** For the purposes of this part,-

(a) "**clearing member"** shall have meaning as defined in NCCPL Regulations, 2003;

(b) **"leveraged market"** shall have the meaning as defined in the Securities (Leveraged Markets and Pledging) Rules, 2011;

(c) "**market based transaction"** means transaction executed at any registered stock exchange in Pakistan or NCCPL's platform; and

(d) "**UIN"** means Unique Identification Number as defined in NCCPL Regulations, 2003.

(23) Notwithstanding anything contained in these rules, for the purpose of computation of capital gains and collection of tax thereon, the date of acquisition [1][, except in the case of foreign institutional investors,] and disposal, the consideration received and cost of acquisition shall be determined in the following manner, namely:-

(a) for the purpose of computation of capital gains, securities held on the 23rd April, 2011 shall be deemed as having held for a period of more than one year and the cost of such securities shall be deemed to be the market price (day-end price) of the securities, as on the 23rd April 2011;

(b) where physical securities have been deposited in an account maintained with Central Depository Company of Pakistan Limited between the 24th April, 2011 and the 23rd April, 2012 (both days inclusive), the date of acquisition of such securities shall be deemed as the 23rd April, 2011 and the cost of securities shall be deemed as market price (day-end price) as on the 23rd April, 2011;

(c) where securities have been acquired or disposed between the 24th April, 2011 and the 23rd April, 2012 (both days inclusive), the cost of acquisition and consideration received for disposal shall be determined in the following manner, namely:-

(i) in case of market-based transactions, the transaction price of the securities;

(ii) in case of transactions other than market-based transactions deal price provided by the stock exchange; and

(iii) in all other cases, the market price (day-end price);

[1]Words inserted by SRO 161(I)/2015 dated February 23, 2015.

(d) where physical securities are deposited on or after the 24th April, 2012 in an account maintained with Central Depository Company of Pakistan Limited, the actual date of acquisition and market price (day-end price) prevailing on such date shall be taken into account for computation of capital gains tax; [1][ ]

[2][(dd) where securities of unlisted company are converted into listed form, the cost of acquisition of such securities shall be the face value and the date of acquisition shall be the date of acquisition as available with CDC:

Provided that the cost of acquisition of securities in case of securities acquired during book building process and initial public offer (IPO) period shall be the applicable IPO price;]

(e) in all other cases, where actual or deal price is not known to NCCPL, the market price (day-end price) shall be taken into account for computation of capital gains tax.

[3][(24) Notwithstanding anything contained in these rules, for the purpose of computation of capital gains and collection of tax thereon with respect to foreign institutional investors, the date of acquisition and disposal, the consideration received and cost of acquisition shall be determined in the following manner, namely:-

(a) for the purpose of computation of capital gains, securities held on the 30th June, 2012 shall be deemed as having held for a period of more than two years and the cost of such securities shall be deemed to be the market price (day-end price) of the securities, as on the 30th June 2012;

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[1]Word "and" deleted by SRO 498(I)/2016 dated July 27, 2016.

[2]Clause (dd) substituted by SRO 1570(I)/2022 dated August 22, 2022. Earlier it was inserted by SRO 498(I)/2016 dated July 27, 2016.

[3]Sub-rules (24) to (27) inserted by SRO 161(I)/2015 dated February 23, 2015.

Rule 13N(23)(dd)-Substitution.- Before substitution it read as follows:-

"(dd) where securities of unlisted company are converted into [1][listed] form, the cost of acquisition of such securities shall be the market price at which the security is listed on the stock exchange and the date of acquisition shall be the date of acquisition as available with CDC [2]*[:]*]

[2][Provided that cost of acquisition of securities in case of securities acquired during book building process and initial public offer (IPO) period shall be the applicable IPO price.]"

[1]Substituted for "electronic" by SRO 1145(I)/2016 dated December 07, 2016.

[2]Semi colon substituted and proviso inserted by SRO 1145(I)/2016 dated December 07, 2016.

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(b) where securities have been acquired or disposed of between the 1st July, 2012 and the 30th June, 2014 (both days inclusive), the cost of acquisition and consideration received for disposal shall be determined in the following manner, namely:-

(i) in case of market-based transactions, the transaction price of the securities;

(ii) in case of transactions other than market-based transactions deal price provided by the stock exchange; and

(iii) in all other cases, the market price (day-end price);

(c) where physical securities are deposited on or after the 1st July, 2014 in an account maintained with Central Depository Company of Pakistan Limited, date and cost of acquisition shall be taken into account as follows:-

(i) the actual date of acquisition and market price (day-end price) prevailing on such date shall be taken into account for computation of capital gains tax, where such securities are acquired after April 23, 2011; and

(ii) the cost of such securities and date of acquisition shall be deemed to be the market price (day-end price) of the securities, as on the 23th* April 2011, where such securities are acquired on or before April 23, 2011; and

(iii) in all other cases, where actual or deal price is not known to NCCPL, the market price (day-end price) shall be taken into account for computation of capital gains tax.

(25) Foreign Institutional Investor may apply to NCCPL for separate Unique Identification Numbers (UIN) for each of its sub-funds under its umbrella.

(26) Where separate UINs have been obtained by Foreign Institutional Investor for each of the sub-funds under its umbrella, capital gain or loss shall be computed separately for each sub-fund and loss under one UIN shall not be allowed to be set off against capital gain arising to another sub-fund with separate UIN.

(27) Where a Foreign Institutional Investor opts not to apply to NCCPL under sub-rule (25), loss arising to any sub-fund shall not be allowed to be set off against capital gain of any sub-fund. However, such loss of a sub-fund may be adjusted against gain arising to such sub-fund at the time of filing of return by the sub-fund.]

[1][(28) A new UIN shall not be assigned to unit holders of open ended mutual funds and members of PMEX if they already have been assigned a UIN by NCCPL.]

[1]Sub-rule (28) inserted by SRO 1145(I)/2016 dated December 07, 2016.

*it should be "rd"

8-168-31-08-2022

13O. **Statements and forms**.- Statements and forms as mentioned in sub-rules (15), (16), (17) and (18) of rule 13N, shall be filled in the following format, namely:-

[1][**Part-I**

Format of annual certificate of capital gains to be issued by NCCPL to taxpayer under rule 1(4) of the Eighth Schedule to the Ordinance

Form A

[See rule 13N(15)]

Original/Duplicate					Date of issue _____
Name of taxpayer					_____
UIN/CNIC/NTN/Company Registration number					_____
Period					July 1, 20__ to June 30, 20____
Amount of net capital gains/ (loss) on securities (Current Tax Year - Exempt)					Rupees _____
Amount of net capital gains/ (loss) on securities (Current Tax Year) (Taxable)					Rupees _____
Capital loss brought forward (if any) from previous years (Tax Year and amounts) Years Amounts Year 1 Year 2 Year 3 Total					Rupees _____
Amount of net capital gains/(Loss) on securities (After adjustment of brought forward capital loss					Rupees _____
Amount of tax liability on capital gains					Rupees _____
Amount of tax liability on capital gains collected and deposited by NCCPL					Rupees _____
Amount and year wise break-up of capital losses carried forward including the limitation period is as follows:					Rupees _____
Tax year	Loss for the year as per NCCPL certificate	Loss already adjusted	Carried forward capita loss	Year of expiry	]

[1]Part I substituted by SRO 801(I)/2021 dated June 24, 2021. Earlier Part I & II of rule 13 substituted by SRO 1145(I)/2016 dated December 07, 2016.

8-159-15-07-2021

[1][**Part-II**

Format of quarterly Statement to be filed by NCCPL to the Board under rule 1(5) of the Eighth Schedule to the Ordinance

[See rule 13N(16)]

NTN No. _____ Address _____

Telephone _____ Fax _____ Email _____

S. No.	Name	UIN	Net amount of capital gains as at quarter ended	Provisional amount of capital gains tax liability as at quarter ended ___

I, _____ holder of CNIC No. _____ in my capacity as Principal Officer/ Representative of NCCPL do hereby solemnly declare that to the best of my knowledge and belief the in information given in this statement is correct and complete and in accordance with the applicable provisions of the Income Tax Ordinance, 2001 and Income Tax Rules, 2002.

Date _____ (dd/mm/yyyy)

Signature _____]

[1]Part II of rule 13 substituted by SRO 1145(I)/2016 dated December 07, 2016.

Before substitution by SRO 801(I)/2021, part I read as follows:-

"Part-I

Format of annual certificate of capital gains to be issued by NCCPL to taxpayer under rule 1(4) of the Eighth Schedule to the Ordinance

[See rule 13N(15)]

Original/Duplicate Date of issue _____

Sr. No.

1. Name of taxpayer _____
2. UIN _____
3. CNIC/NTN _____
4. Period July 1, 20__ to June 30, 20____
5. Amount of net capital gains on securities
6. Amount of tax liability on capital gains. Rupees _____
7. Amount of tax liability on capital gains collected and deposited by NCCPL Rupees _____

This is to further certify that the tax collected has been deposited in the Federal Government Account.

Name of authorized person _____

Signature _____."

8-159-15-07-2021

Before substitution part I & II read as follows:-

"Part-I

Format of annual certificate of capital gains to be issued by NCCPL to taxpayer under rule 1(4) of the Eighth Schedule to the Ordinance
[See rule 13N(15)]

Original/Duplicate Date of issue_____

Sr.No

1. Name of taxpayer _____
2. UIN _____
3. CNIC/NTN _____
4. Period July 1, 20 ___ to June 30, 20___
5. Clearing members Name (a) _____
   (b) _____
   (c) _____

[1][6. Amount of capital gains for holding period:
   (i) Less than 12 months Rupees _____
   (ii) 12 months or more but less than 24 months Rupees _____
   (iii) 24 months or more but less than 48 months Rupees _____
   (iv) 48 months or more Rupees _____
7. Amount of capital loss for holding period:
   (i) Less than 12 months Rupees ___(_____)_____
   (ii) 12 months or more but less than 24 months Rupees ___(_____)_____
   (iii) 24 months or more but less than 48 months Rupees ___(_____)_____
   (iv) 48 months or more Rupees ___(_____)_____
8. Amount of tax liability on capital gains:
   (i) Less than 12 months (15%) Rupees _____
   (ii) 12 months or more but less than 24 months (12.5%) Rupees _____
   (iii) 24 months or more but less than 48 months (7.5%) Rupees _____
   (iv) 48 months or more (0%) Rupees _____
   (v) Adjustment of tax liability due to capital loss Rupees _____
   (vi) Total Liability (i+ii+iii+v) Rupees _____]

[1]Substituted for Sr. 6 to 8 by SRO 498(I)/2016 dated July 27, 2016. Earlier substituted for Sr. 6 & 7 by SRO 161(I)/2015 dated February 23, 2015. Before substitution by SRO 498(I)/2016, these read as follows:-

"6. Amount of capital gains for holding period of:
   (i) Less than 12 months Rupees _____
   (ii) 12 months or more but less than 24 months Rupees _____
   (iii) 24 months or more Rupees _____
7. Amount of capital loss for holding period of: (effective July 1, 2015)
   (effective July 1, 2015)
   (i) Less than 12 months Rupees ___(_____)_____
   (ii) 12 months or more but less than 24 months Rupees ___(_____)_____
   (iii) 24 months or more Rupees ___(_____)_____

8-159-15-07-2021

8. Amount of tax liability on capital gains (effective July 1, 2015)
   (i) Less than 12 months (12.5%) Rupees _____
   (ii) 12 months or more but less than 24 months (10%) Rupees _____
   (iii) 24 months or more (0%) Rupees _____0_____
   Total Liability (i+ii) Rupees _____"

Before substitution by SRO 161(I)/2015, these read as follows:-

"6. Amount of capital gains for holding period of:
   (i) Less than 6 months Rupees _____
   (ii) 6 to 12 months Rupees _____
   (iii) more than 12 months Rupees _____
7. Amount of tax liability on capital gains. Rupees _____"
*8. Amount of tax liability on capital gains collected and deposited by NCCPL Rupees _____

This is to further certify that the tax collected has been deposited in the Federal Government Account.

Name of authorized person _____
Signature _____"

*Sr No. 8 should be substituted but SRO 161(I)/2015 is salient

"Part-II

Format of quarterly Statement to be filed by NCCPL to the Board under rule 1(5) of the Eighth Schedule to the Ordinance
[See rule 13N(16)]

NTN No. _____ Address _____
Telephone _____ Fax _____ Email _____

S. No.	Name	UIN	[1][*Net amount of capital gains as at quarter ended*			*Provisional amount of capital gains tax liability as at quarter ended* _____
			Holding period of less than 12 months	Holding period of 12 months or more but less than 24 months	Holding period of 24 months or more]	

I, _____ holder of CNIC No. _____ in my capacity as Principal Officer / Representative of NCCPL do hereby solemnly declare that to the best of my knowledge and belief the information given in this statement is correct and complete and in accordance with the applicable provisions of the Income Tax Ordinance, 2001 and Income Tax Rules, 2002.

Date _____ (dd/mm/yyyy)
Signature _____"

[1]Column (4) of Table II substituted by SRO 161(I)/2015 dated February 23, 2015. Before substitution these read as follows:-

*"Net amount of capital gains as at quarter ended*_____		
Holding period of less than 6 months	Holding period of 6 to 12 months	Holding period of more than 12 months"

8-125-31-12-16

Part III

Format of irrevocable option to be filed by the taxpayer under rule 5 of the Eighth Schedule to the Ordinance, who opts out of the mechanism for determination and payment of tax liability on capital gains laid down in the Eighth Schedule to the Ordinance
[See rule 13N(17)]

To, (NCCPL)

In terms of rule 5 of the Eighth Schedule to the Ordinance, I / we (name of person), hereby undertake to opt out of the mechanism for determining and payment of tax liability laid down in the said Eighth Schedule.

My other particulars are as under:

UIN _____

NTN / CNIC _____

Business address _____

Residence address _____

Telephone No. _____

E-mail address _____

I do hereby solemnly declare that information stated above is complete and correct to the best of my knowledge and belief.

_____

Signature of the authorized person

Dated: _____

Part-IV

Statement of investments to be filed by taxpayer with the Commissioner under rule 2(1) of the Eighth Schedule to the Ordinance
[See rule 13N(18)]

To,

The Commissioner, Inland Revenue.

I hereby declare my investments in listed securities as of __ [1][20___], in terms of rule 2(1) of the Eighth Schedule to the Ordinance, as under:-

S.No.	Name of Security	Rupees

[1]Substituted for "2012" by SRO 161(I)/2015 dated February 23, 2015.

8-125-31-12-16

My other particulars are as under:

Name _____

NTN / CNIC _____

Business address _____

Residence address _____

Telephone No. _____

E-mail address _____

I do hereby solemnly declare that information stated above is complete and correct to the best of my knowledge and belief.

Signature of the authorized person _____

Dated _____

13P. Clarifications and explanations.- Clarification and explanation as mentioned in sub-rule (21) of rule 13N regarding computation of capital gains and tax payable thereon under the Eighth Schedule to the Ordinance, and the amount and period of investment referred to in rule 2 of the said Eighth Schedule are as under:-

(a) Sales transactions:-

(i) Details of the transaction

An investor, holding securities, sells such securities in a stock exchange. The transaction is settled by transferring the securities sold from his account maintained in Central Depository System to the investor(s) buying the securities with credit of sale proceeds to the account of investor disposing of the securities.

(ii) Tax treatment

Disposal of security is to be taken as taxable event, at settlement date. Capital gain will be computed by applying FIFO method. If the securities holding period is more than one year, then no CGT shall be collected, otherwise, as per holding period, CGT shall be collected as per the holding period.

8-125-31-12-16

(iii) Example

A, being a client of a broker, has 2,000 shares of company ABC in his account. He acquired 1,000 shares on the 1st January, 2011 at Rs. 15 per share, 500 on the 1st July, 2012 at Rs. 16 per share and 500 on the 1st January, 2012 at Rs. 14 per share. He disposed off 500 shares on the 1st February, 2012 at Rs. 13 per share, 500 shares on the 7th February, 2012 at Rs. 14 per share, 500 shares on the 21st February, 2012 at Rs. 15 per share and 500 shares on the 28th February, 2012 at Rs.22 per share.

The cost of acquisition is deemed to include 0.50% of the acquisition cost as incidental expenses incurred.

NCCPL shall collect CGT as per following example [1][(below rates are hypothetical and used solely for understanding purposes, therefore, rate as per Division VII of Part I of First Schedule will be applicable in case of actual transactions)]:

Purchases / Acquisitions				**Disposal**				
Date	No. of shares	Price	Cost	1st Feb, 2012	7th Feb, 2012	21st Feb, 2012	28th Feb, 2012	Total
1-Jan-11	1,000	15	15,000	500	500			1,000
1-Jul-11	500	16	8,000			500		500
1-Jan-12	500	14	7,000				500	500
	2,000		30,000	500	500	500	500	2,000

Selling price per share	13	14	15	22	
Sell proceed	6,500	7,000	7,500	11,000	32,000
Less: Cost	7,500	7,500	8,000	7,000	30,000
	(1,000)	(500)	(500)	4,000	2,000
Less: 0.50% of sale proceeds as expense	32.50	35	37.50	55	160
Less: Cost	(1,032.50)	(535)	(537.50)	3,945	1,840
Adjustment of eligible losses			537.50	(537.50)	
Loss not eligible for set-off	1,032.50	535			
	-	-	-	3,407.5	
Holding period	396	402	235	58	
Tax rate applicable	0%	0%	8%	10%	
Tax to be collected	-	-	-	340.75	
	-	-	-	3,066.75	

**Cost has been deemed to include 0.50% of cost of acquisition for ancillary expenses, hence not separately mentioned*

[1]Words inserted by SRO 1145(I)/2016 dated December 07, 2016.

8-125-31-12-16

(b) Squaring up transactions in ready, futures and derivatives

(i) Details of the transaction

An investor holding shares disposes of such shares, but on the same day or in same futures or derivative contract he buys same quantity of shares. The system does not change the inventory balances of the person in his account. The net difference of sale and purchase is either paid being profit or recovered being loss from the investor.

(ii) Tax treatment

Since there is no movement in the account, the net difference is payable to the investor, the same shall be taken as capital gain for holding period less than 6 months and the net difference will be subject to tax collection at 10%. If the net difference is recoverable, then the same shall be treated as loss and no tax shall be collected.

(iii) Example

In the example given in clause (a)(iii), in addition to the above, if A on the 28th February 2013 sold 500 shares, at Rs. 23, purchased 500 shares at Rs. 21 and then sold 500 shares at Rs. 22.

In this case, the average selling price of the two sales would be Rs. 22.5 per share which will be taken as the basis for computing capital gains. Consequently, gain of Rs. 750 (500 x (22.5-21)) shall be taken as taxable at 10%. Whereas, on remaining 500 shares sold the taxable gain, if any, will be computed by taking sale consideration at Rs. 22.5 per share by apply FIFO method on inventory held by A in his account.

(c) Transfer owing to privatization

(i) Details of the transaction

Owing to privatization, the shares of Government owned entities may be offered to public through stock exchanges. In such case, the Government shareholding is placed in the account of Privatization Commission and, after subscription, the shares are transferred from Privatization Commission's account to the accounts of the buyers.

(ii) Tax treatment

Transfer of shares by the Federal or Provincial Government in an entity will not be subject to capital gains tax due to exemption contained in section 49 of the Ordinance.

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Acquisition of shares shall not be subject to any tax. The cost of acquisition of the shares shall be the price paid by the buyers to acquire the shares and such cost base shall be taken into account for computation of capital gain on any subsequent disposal of shares by the buyers.

(d) Negotiated deal transactions

(i) Details of the transaction

Certain investors holding shares may sell through negotiated deal at a price agreed with the buyer e.g. a strategic sale and purchase of shares to acquire or dispose of controlling shares. Such transactions are reported as negotiated deal transactions at the relevant stock exchange through a stock broker in the manner prescribed by such stock exchange.

(ii) Tax treatment

The price reported as selling price or the market price, whichever is higher, shall be taken into account to compute capital gain on the basis of holding period of such securities.

(iii) Example

A holding 51% shares in company ABC (51,000 shares acquired at Rs. 10). He negotiated a price of Rs. 30 per share with a foreign investor who intends to hold company ABC. The transaction is reported to the stock exchange through the broker. In case the market price of such shares on that date of transaction is Rs. 25, the capital gain shall be computed at the price of Rs.30 being higher of reported selling price and market price. Gain will be computed at Rs. 20 per share (Rs. 30 less Rs. 10) .

In case the market price of such shares on that date of transaction is Rs. 35, the capital gain shall be computed at the price of Rs.35 being higher of reported selling price and market price. In this case gain will be computed at Rs. 25 per share (Rs.35 less Rs.10)

(e) Transfer owing to acquisition

(i) Details of the transaction

Certain transactions in listed securities, fulfilling the rules and regulations, are entered into to acquire voting shares and takeovers under the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002. Such transaction may be entered into at negotiated price or may be executed through the pricing mechanism of stock exchange.

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(ii) Tax treatment

The actual selling price, negotiated or quoted, whichever is higher, in accordance with the provisions of relevant laws, as reduced by the cost of securities on FIFO basis, shall be taken as capital gain or loss and considering the example given in clause (a)(iii), any taxable gain shall attract collection of tax at applicable rate.

(f) Buy-back of shares

(i) Details of the transaction

Pursuant to section 95A of the Companies Ordinance, 1984, a company may buy back its shares from its shareholders. If an investor holding shares exercise option then shares held by him are transferred to the company.

(ii) Tax treatment

The transfer of shares under buy-back arrangement will be taken as disposal and the price paid by the company to acquire the shares shall be taken as sale price to compute capital gain and collect tax thereon, if such gain is taxable.

(g) Transfer from one account of investor to his another account

(i) Details of the transaction

An investor holding securities in his one account transfers such securities to another. In case where securities are transferred from singly owned account to another singly owned account that may be maintained with same or different participant or from a joint account to another joint account with same combination of joint holders this will be treated as portfolio transfer as no change has occurred in overall portfolio of the investor. However, in case of transfer

[1]Clause (g)(i)&(ii) substituted by SRO 1145(I)/2016 dated December 07, 2016.

Before substitution these read as follows:-

"(i) Details of the transaction

An investor holding shares in his one account transfers shares to another. In case where shares are transferred from singly owned account to another singly owned account that may be maintained with different participant or from a joint account to another joint account with same combination of joint holders this will be treated as portfolio transfer as no change has occurred in overall portfolio of the investor. However, in case of transfer of shares from a singly owned or joint account to an account where ownership structure is different, such transfers shall be treated as disposal.

(ii) Tax treatment

In case of portfolio transfer where ownership of shares does not change, no capital gain tax shall be computed. Whereas in all other cases, such transfer shall be treated as disposal and shall be taxed accordingly."

of securities from a singly owned or joint account to an account where ownership structure is different, such transfers shall be treated as disposal.

(ii) Tax treatment

In case of portfolio transfer where ownership of securities does not change, no capital gain tax shall be computed. In such a case the date and cost of acquisition of the securities shall not be changed owing to such portfolio transfer.

In all other cases, including transfer by investor from one fund in an Asset Management Company to another fund maintained by same or another Asset Management Company, such transfer shall be treated as disposal and shall be taxed accordingly.]

(h) Securities lending and borrowing (SLB)

(i) Details of the transaction

An investor borrows securities from a person holding such security for a specified period under an outright purchase and re-sale contract. Investor sells the borrowed security in the market and on or before contract completion date repurchases it to return to the lender. The borrowing investor while returning the security to the lender pays financial charges for the period of use of security.

(ii) Tax treatment

In accordance with rule 13L(1)(b), the net difference in the hands of the borrower resulting in completing the whole transaction, including the financial charges incurred on borrowing the securities, is to be treated as capital gain or loss, as the case may be. The income of the lender, being mark-up income, shall not be subject to capital gain tax.

(iii) Example

A borrowed 1,000 shares from B for short term. The agreed value of the borrowed shares is Rs. 100 per share on which mark-up for the specified period is to be paid by the borrower at the time of returning the borrowed securities. A sold such borrowed securities at Rs. 101 per share and subsequently on the date agreed to return the shares to the lender [(below rates are hypothetical and used solely for understanding purposes, therefore, rate as per Division VII of Part I of First Schedule will be applicable in case of actual transactions)], re-purchased 1000 shares at Rs. 90. At the time of settlement, the borrower also paid a sum of Rs. 2 per share as mark up on borrowed security to the lender.

[1]Words inserted by SRO 1145(I)/2016 dated December 07, 2016.

	No of shares	Price	Amount
Net gain/ loss of the borrower			
Sale of borrowed shares	1,000	101	101,000
Repurchase of shares and returned to the lender	(1,000)	90	(90,000)
O.50% of sale proceeds as incidental expenses on sale			(505)
0.50% repurchase price being incident expenses on acquisition			(450)
Financial Cost paid to the lender		2	(2,000)
Net gain / (loss)	-		8,045
Tax to be collected @ 10% on net gain			**804.50**
Financial income of the lender			2,000
No CGT to be collected			**0**

For the lender, on return of the borrowed shares by the borrower, the cost and date of acquisition shall remain the same as was before lending the shares to the borrower.

(i) Transfer / transmission upon death

(i) Details of the transaction

Upon death of an individual, the securities held are transferred to the executor or beneficiary.

(ii) Tax treatment

In accordance with section 79 of the Ordinance, no gain or loss is recognized on transmission of an asset to an executor or the beneficiary on the death of a person. Accordingly, no capital gain tax is required to be computed and collected at the time of such transfer. The date of acquisition and cost of the [1][securities] in the hands of executor or beneficiary will be the same as was in the hands of deceased person.

(j) Transfer for / against GDRs

(i) Details of the transaction

A person holding shares of a company, for which GDR is issued, may deposit the shares with the Depository for issuance of shares. Conversely, the GDR issued may either be redeemed at specified time or cancelled before time in which case the Depository issues shares to the GDR holder.

(ii) Tax treatment

When the person deposits shares into the Depository and get issued GDRs, the shares will be taken as disposed of and consequently, capital gain will be required to be computed.

[1]Substituted for "shares" by SRO 1145(I)/2016 dated December 07, 2016.

Since the value of GDRs issued will not be available to NCCPL, therefore, the market price (day-end price) of the date of transfer shall be taken as consideration received by the person for the purpose of computation and collection of capital gain tax.

Similarly, when GDRs are converted into shares, the deposit of shares in the person's account shall not be a taxable event, being an acquisition of shares. However, as the value for which GDRs converted into shares will not be available with NCCPL, therefore, the cost of acquisition for such shares shall be taken the market price (day-end price) of the date on which the shares are deposited.

(k) Gift (to family members or to members other than family members)

(i) Details of the transaction

Securities may be transferred from an investor's account to another account belonging to his family or another member not belonging to family by reason of a gift, by use of reason code established under Central Depository System [1][or similar code in Asset Management companies and PMEX system].

(ii) Tax treatment

In accordance with section 79 of the Ordinance, no gain or loss is recognized on disposal of an asset by reason of a gift of the asset. Accordingly, such transfer will not attract capital gain tax. The date of acquisition and cost of the securities shall remain same in the hands of transferee as were in the hands of transferor.

(l) Reversal of erroneous transfers

(i) Details of the transaction

Sometime, securities may be transferred from one investor's account erroneously, which are then returned from the participants account to whom such erroneous delivery is made.

(ii) Tax treatment

If at the time of transaction such an error is not identified, NCCPL will compute and collect tax on transfer of [2][securities] at first stage, if applicable. However, since subsequent reversal of erroneous transfers is not due to disposal therefore such rectification of mistake to correct the inventory in participants' accounts will not be considered as taxable event.

[1]Words inserted by SRO 1145(I)/2016 dated December 07, 2016.
[2]Substituted for "shares" by SRO 1145(I)/2016 dated December 07, 2016.

(iii) Example

A sold 500 shares which were bought by B. Erroneously, 5,000 shares were transferred from A's account to C's account. On detection of error, C' returns 5,000 shares to A and then A transfers 500 shares to B.

At the time of first transfer of 5,000 shares the system will record the transaction and compute capital gain tax, if applicable. Subsequent reversals, will be made through erroneous transfer reason code, and being there no actual disposal involved, no gain or loss shall be computed in the case of transfer of shares from C to A and then A to B.

The respective persons, if need arises, may seek adjustments for actual results in their return of income, including refund for excess collection of tax due to erroneous transfer by the investor.

(m) Global custodian related market based transaction

(i) Details of the transaction

Foreign institutional investors not only deal in shares for their own account but also on behalf of other investors through global custodians.

(ii) Tax treatment

[1][CGT shall be charged to the final settlement account of the person settling the underlying trade and such clearing member shall be responsible to collect and deposit with NCCPL, CGT computed on such transactions].

[2][**(iii) Example:**

ABC Company, a foreign institutional investor, sells 20,000 shares of XYZ Company on its own behalf and on behalf of other investors as follows [3][(below rates are hypothetical and used solely for understanding purposes, therefore, rate as per Division VII of Part I of First Schedule will be applicable in case of actual transact ions)]:

Name	Qty	Capital Gain / (Loss)	Holding Period (days)	Rate	Capital Gain Tax	First Settlement Account	Final Settlement Account for CGT Collection
ABC Co.	8,000	Rs 35,000	300	12.5%	Rs 4,375	ABC Company – Proprietary UIN	ABC Company

[1]Substituted for "Provisions of Eighth Schedule to the Ordinance shall not apply on the transactions of foreign institutional investor" by SRO 161(I)/2015 dated February 23, 2015.

[2]Sub-clause (iii) inserted by SRO 161(I)/2015 dated February 23, 2015.

[3]Words inserted by SRO 1145(I)/2016 dated December 07, 2016.

Mr. P	5,000	Rs 31,000	390	10%	Rs 3,100	ABC Company – IBD UIN	Mr. P
Mr. Q	3,000	Rs (11,000)	410	NA	NA	ABC Company – IBD UIN	Mr. Q
Mr. R	4,000	Rs 27,000	750	0%	0	ABC Company – IBD UIN	Mr. R
Total	**20,000**				**Rs7,475**		

As illustrated above, foreign institutional investors (ABC Company) sold shares, on its own behalf and on behalf of other investors. Thus, capital gain tax shall be charged to the final settlement account of the person settling the underlying trade and such clearing member shall be responsible to collect and deposit with NCCPL CGT computed on such transactions. Further, IBD UIN of foreign institutional investor used as a transitional account shall be exempt from capital gain tax.

Similarly, for purchase transactions, final settlement account shall be used for the purpose of inventory maintenance of the clients of foreign institutional investors and inventory shall not be maintained for the IBD UIN of foreign institutional investor.]

(n) Failure in delivery or payment

(i) Details of the transaction

Where a person has sold the securities but unable to settle the transaction by delivery, as per stock market mechanism, the securities are bought from another investor and delivered to the buyer(s). The person in default is charged with certain penalties or charges for his failure to complete the transaction.

Similarly, a buyer may default in making payment for securities purchased. The securities so purchased by him are retrieved and sold to settle his liability towards the seller.

(ii) Tax treatment

Where the seller fails to deliver securities, and the transaction is settled by purchase of securities from another investor to settle the transaction, the person in default shall not be treated as seller of the securities in accordance with criteria of section 75 of the Ordinance. Rather, the person from whom the securities were purchased to settle the transaction is to be taken as person disposing the securities and accordingly he will be subject to capital gain tax, if applicable.

Where a buyer defaults in taking the delivery of security by not making payment due, the securities sold on his behalf will be taken as disposal by him and if any gain arises in the hands of buyer in default such gain will be subject to capital gain tax, if applicable.

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(o) Failed / un-affirmed transaction

(i) Details of the transaction

Clearing Member (CM) of one stock exchange (Originating CM) deals with a CM of another stock exchange (Transacting CM) for sale or purchase of shares. When, the Originating CM does not confirm the transaction to the NCCPL, NCCPL completes the transaction by executing sale or purchase through Transacting CM.

To complete the transaction, shares are delivered to/from the account of Transacting CM.

(ii) Tax treatment

Since such transactions are settled by the Transacting CM, NCCPL shall compute capital gain in respect of such transaction from such Transacting CM.

(p) Pledge call

(i) Details of the transaction

When a borrower defaults in payment to the lender, and [1][securities] were pledged as collateral, the borrower is entitled to transfer such [1][securities] from the person in default to his own account.

(ii) Tax treatment

When the [1][securities] are transferred from the account of person in default to the lender's account, such transfer will be treated as disposal for tax purposes. The system price (day-end price) will be taken as deemed consideration for the purpose of computation of capital and tax thereon. Since no proceeds will be due to the person in default, thus, NCCPL may not be able to collect tax from such person. However, NCCPL shall report such capital gain and the amount tax, if any, in the statements.

[2][**(q) Disposal of bonus shares**

(i) Details of the transaction.-

A company issues bonus shares to its shareholders, which are subsequently sold by the shareholder in the market.

[1]Substituted for "shares" by SRO 1145(I)/2016 dated December 07, 2016.
[2]Clause (q) substituted by SRO 161(I)/2015 dated February 23, 2015.

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[1][**(ii) Tax Treatment.-**

Bonus Share Entitlement prior to the 1st July, 2014 or from 1st July, 2018 onwards:-

Where bonus share entitlement is prior to the first day of July, 2014 or from the first day of July, 2018 onwards, the cost of such shares shall be computed by spreading the cost of old shares over the old shares plus the bonus shares taken together. This cost of a share shall be the same for the old shares and the new shares. Subsequently, when such bonus shares are disposed of, such cost shall be taken for computation of capital gain and tax thereon. Similarly, the cost of old shares shall be taken the same as for bonus shares, and when the old shares are disposed of, such cost shall be taken for computation of capital gain and tax thereon, even if these are sold prior to the crediting of bonus shares in the shareholder's account, but after the date of entitlement of bonus shares.

Example.- A, being a client of a broker, acquired 400 shares of company B in his account. He acquired these shares on 01-01-2019 at Rs.30 per share. On the same day i.e. 01-01-2019, the company declared bonus shares @ 25%, and date of entitlement of the shares was declared as 1-04-2019 and the shares were to be credited in the account of A on 15-5-2019. He disposed off 300 shares on the 15-06-2019 at Rs.35 per share.

NCCPL shall compute capital gains as per following example:-

Purchases /Acquisitions					**Disposal**
Date	**No. of shares**	**Price**	**Cost**	**15-Jun-19**	**Total**
1-Jan-19	400	30	12,000	300	300
I-Jan-19	Bonus shares issued @ 25%				
After entitlement					
1-Jan-19	400	24	9,600		
15-May-19 (Bonus)	100	24	2,400		
				300	300
Selling price per share				35	
Sale proceed				10,500	
Less: Cost				7,200	
Capital Gain				3,300	

[1]Clause (q)(ii) & (iii) substituted by SRO 1956(I)/2022 dated October 24, 2022.

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Bonus Share Entitlement during the 1st July, 2014 till the 30th June, 2018:-

From the first day of July, 2014 till the thirtieth day of June, 2018 for computation of capital gain tax, the cost of bonus shares shall be the price prevailing on first day of book closure (ex-bonus price). Subsequently, when such bonus shares are disposed of, such cost shall be taken for computation of capital gain and tax thereon. Similarly, the cost of old shares 'shall remain same before and after bonus shares are issued, and when the old shares are disposed of, such cost shall be taken for computation of capital gain and tax thereon, even if these are sold prior to the crediting of bonus shares in the shareholder's account, but after the date of entitlement of bonus shares.

Example.- A, being a client of a broker, has 400 shares of company B in his account. He acquired these shares on the 1st January, 2015 at Rs.20 per share. On the same day i.e. 01-01-2015, the company declared bonus shares @ 50%, and date of entitlement of the shares was declared as 1-04-2015 and the shares were to be credited in the account of A on 15-5-2015. The market value (ex-bonus price) of these shares on 31-03-2015 is RS.25 per share. He disposed of 500 shares on the May 20, 2015 at Rs.30 per share.

NCCPL shall compute capital gains as per following example:-

Purchases /Acquisitions					**Disposal**
Date	**No. of shares**	**Price**	**Cost**	**20-May-15**	**Total**
1-Jan-15	400	20	8000	500	500
I-Jan-15	Bonus shares issued @ 50%				
1-Apr-15	400	20	8000		
15-May-15 (Bonus)	200	25	5000		
				500	500
Selling price per share				30	
Sale proceed				15,000	
Less: Cost				10,500	
Capital Gain				4,500	]

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Before substitution by SRO 1956(I)/2022 it read as follows:-

"(ii) Tax treatment.-

Effective from July 1, 2014 for computation of capital gain tax, the cost of bonus shares would be the price prevailing on first day of book closure (ex-bonus price). Subsequently, when such bonus shares are disposed of, such cost will be taken for computation of capital gain and tax thereon. Similarly, the cost of old shares would remain same before and after bonus shares are issued, and when the old shares are disposed of, such cost will be taken for computation of capital gain and tax thereon, even if these are sold prior to the crediting of bonus shares in the shareholder's account, but after the date of entitlement of bonus shares.

iii) Example:-

A, being a client of a broker, has 4 shares of company A in his account. He acquired these shares on the 1stJanuary, 2015 at Rs. 20 per share. On the same day i.e. 01-01-2015, the company declared bonus shares @ 25%, and date of entitlement of the shares was declared as 1-04-2015 and the shares were to be credited in the account of A on 15-5-2015. The market value (ex-bonus price) of these shares on 31-03-2015 is Rs. 25 per share. He disposed of 2 shares on the 15thApril, 2015 at Rs. 20 per share and the remaining 3 shares (including bonus share) @ Rs.20 on the 18th May 2015.

The cost of acquisition is deemed to include 0.50% of the acquisition cost as incidental expenses incurred and sale proceeds are deemed to include 0.5% of the consideration as incidental expenses."

NCCPL shall collect CGT as per following example [1][(below rates are hypothetical and used solely for understanding purposes, therefore, rate as per Division VII of Part I of First Schedule will be applicable in case of actual transactions)]:

Purchases / Acquisitions				Disposal		
Date	**No. of shares**	**Price**	**Cost***	**15-Apr-2015**	**18 May 2015**	**Total**
1-Jan-15	4	20	80	2		2
1-Jan-15	Bonus shares issued @ 25% (Date of entitlement 1-04-15) (Date of credit 15-5-2015)				3	3
1-Apr-15	4	20	80			
15-May-15	1	25	25			
				2	3	5
Selling price per share				20	20	
Sale proceed				40	60	100
Less: Cost				40	65	105
				0	(5)	(5)"

[1]Words inserted by SRO 1145(I)/2016 dated December 07, 2016.

Before substitution by SRO 161(I)/2015 it read as follows:-

"(q) Disposal of bonus shares

(i) Details of the transaction

A company issues bonus shares to its shareholders, which are subsequently sold by the shareholder in the market.

(ii) Tax treatment

At the time of credit of bonus shares in the shareholders account, in accordance with CBR's Letter C.No. 1(13)IT-1/72, dated the 18th May, 1972, the cost of such shares would be computed by spreading the cost of old shares over the old shares plus the bonus shares taken together. This cost of a share would be the same for the old shares and the new shares. Subsequently, when such bonus shares are disposed of, such cost will be taken for computation of capital gain and tax thereon. Similarly, the cost of old shares would be taken the same as for bonus shares, and when the old shares are disposed of, such cost will be taken for computation of capital gain and tax thereon, even if these are sold prior to the crediting of bonus shares in the shareholder's account, but after the date of entitlement of bonus shares.

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(iii) Example

A, being a client of a broker, has 4 shares of company A in his account. He acquired these shares on the 1st January, 2012 at Rs. 20 per share. On the same day i.e. 01-01-2012, the company declared bonus shares @ 25%, and date of entitlement of the shares was declared as 1-04-2012 and the shares were to be credited in the account of A on 15-5-2012. The market value of these shares on 31-03-2012 is Rs. 25 per share. He disposed of 2 shares on the 15th April, 2012 at Rs. 20 per share and the remaining 3 shares (including bonus share) @ Rs.20 on the 18th May 2012.

The cost of acquisition is deemed to include 0.50% of the acquisition cost as incidental expenses incurred and sale proceeds are deemed to include 0.5% of the consideration as incidental expenses.

NCCPL shall collect CGT as per following example:

Purchases / Acquisitions				**Disposal**		
Date	**No. of shares**	**Price**	**Cost***	**15-Apr-2012**	**18 May 2012**	**Total**
1-Jan-12	4	20	80	2		2
1-Jan-12	Bonus shares issued @ 25% (Date of entitlement 1-04-12) (Date of credit 15-5-2012)				3	3
1-Apr-12	4	16	64			
15-May-12	1	16	16			
				2	3	5
Selling price per share				20	20	
Sale proceed				40	60	100
Less: Cost				32	48	80
				8	12	20

Cost as per CBR's Letter C.No. 1(13)IT-1/72, dated the 18th May, 1972 for old and new shares after entitlement date is 80 divided by (4+1)= 16

Market rate as on 31-03-2012 = 25 per share

Market rate as on 01-04-2012 due to adjustment as a result of entitlement= 20 (25/1.25)

It is assumed that no change in market value of the share from 01-04-2012 to 18-05-2012"

8-170-10-11-2022

(r) Right issue

(i) Details of the transaction

A Company may grant letter of rights to its shareholders to acquire further shares in the company at a given price. Such rights are credited to the respective shareholders account and such rights are also traded on stock exchange. A shareholder granted the right, or an investor who bought the right from the stock market, subscribe the shares of the company by making payment of given price of the shares. Shares so acquired may then be disposed of.

[1][(ii) **Tax treatment.-**

The sale proceeds of letter of rights (LoR) or rights shares shall be the market price of the LoRs or rights shares as received by the investor.

Cost of acquisition of LoRs shall be the price paid, if any, by the investor to acquire such LoRs.

Cost of acquisition of the right shares shall be the price paid by the investor to acquire those right shares, including price paid for acquisition of LoRs:

Provided that where right shares are not credited on or before 45 days from date of delisting of LoRs by CDC, these LoRs shall be deemed as disposed of at zero price.

Capital gain or loss on disposal of LoRs or rights shares shall be computed as difference of consideration received from disposal and the cost of acquisition.]

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[1]Clause (r)(ii) substituted by SRO 1956(I)/2022 dated October 24, 2022.

Before substitution by SRO 1956(I)/2022 it read as follows:-

"(ii) Tax treatment

When a person disposes of Letter of Rights (LORs) before subscription, the sale proceeds shall be treated as capital gain. Upon expiry/exercise of right, the disposal of LORs shall be recorded at zero price for the purpose of computation of CGT. Whereas normal sale/purchase of LORs shall be treated in a same manner as provided in clause (a).

When a person disposes shares acquired through right, the subscription cost of the right shares shall be treated as cost of acquisition of such shares and capital gain or loss shall be computed accordingly."

2202-11-04-17-8

[1][(iii) **Example**

Particulars	
LoR Allotment Price	0
LoR Price - Purchased from Market	5.00
LoR Price - Sold in Market	12.00
Right Share subscription price	25.00
Right Shares Price - Sold in Market	40.00

Case A: Investor A is allotted 100 LoRs. He disposes of 12 LoRs, subscribes 70 LoRs, does not exercise remaining 18 LoRs and sells 10 right shares.

Case B: Investor B purchases 100 LoRs. He disposes of 12 LoRs, subscribes 70 LoRs, does not exercise remaining 18 LoRs and sells 10 right shares.

Particulars	**Case A**	**Case B**
Cost of acquisition of 100 LoRs	-	500.00
Capital Gain on disposal of 12 LoRs	144.00	84.00
Cost of acquisition of 70 Right shares	1,750.00	2,100.00
Capital loss on not exercising 18 LoRs	-	(90.00)
Capital Gain on disposal of 10 Right shares	150.00	100.00]

[1]Clause (r)(iii) inserted by SRO 1956(I)/2022 dated October 24, 2022.

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(s) Merger

(i) Details of the transaction

Securities are moved pursuant to order or directive of authorities like SECP, SBP, High Court etc.

(ii) Tax treatment

Since no change of ownership of the shareholder is involved therefore such transfer will not be taken as taxable event and no CGT will be collected on such transfer. [1][Similar treatment shall be applicable in case of merger of funds consequent of an order of court or SECP.]

(iii) Example

A holds 1,000 shares in ABC which he acquired at Rs. 10 each on the 1st January, 2013. ABC merged into company XYZ through scheme approved by the High Court. XYZ issues 1 share for each 2 shares of company ABC. Consequently, in A's account, 1,000 shares in company ABC are replaced with 500 shares of company XYZ. The extinguishment of 1,000 shares in company ABC will be treated as tax neutral event, and 500 shares in XYZ will have the same cost base i.e. Rs. 10,000 (Rs.20 per share). If subsequently, A sells shares of XYZ, capital gain will be computed taking into account the date of acquisition i.e. the 1st January, 2013.

(t) De-merger

(i) Details of the transaction

Consequent to the order of the court, SECP or State Bank of Pakistan, a company may de-merged and split into two companies. Consequently, the shareholding of existing company is also divided into shares of the two companies i.e. existing company and the new company. In Central Depository System, in a shareholders account the existing company's shareholding is reduced to the revised shareholding whereas new shareholding in the new company is also recognized.

(ii) Tax treatment

Pursuance to section 97A of the Ordinance, the splitting will be tax neutral event. The cost base of existing shareholding shall be divided in proportion to the revised shareholding in the existing company and the new company. The date of acquisition of shares in the existing company will remain same for the revised shareholding in the two companies. [1][Similar treatment shall be applicable in case of demerger of funds consequent of an order of court or SECP.]

8-1701-10-11-2022

[1]Words inserted by SRO 1145(I)/2016 dated December 07, 2016.

(u) Capital reduction / Splitting of shares / Conversion

(i) Details of the transaction

A company may consider reducing its paid capital or splitting the [2][securities] under the relevant laws. In such, the existing [3][investors] are either required to surrender the existing [2][securities] and obtain new [2][securities] in the ratio approved, or the existing shares are divided into specified numbers of new [2][securities].

(ii) Tax treatment

Since the existing [3][investors] are issued with new [2][securities] in exchange of their existing [2][securities] due to the corporate requirements, and no change in ownership occurs, therefore, the cancellation of existing [2][securities] is not to be treated as 'disposal' for tax purposes. Further, the cost and date of acquisition of new [2][securities] will remain same, as it was for existing [2][securities].

(v) Specie dividend

(i) Details of the transaction

A company declares dividend in specie, whereby, the dividend is paid in the form of shares in a company (other than the shares of the company declaring dividend). Such shares held in the account of the company are transferred to the respective shareholders' account. The shareholders who received such shares in other company may then dispose of such shares.

(ii) Tax treatment

When a person will be transferring shares in other company to its shareholders as specie dividend, then such shares will be taken as disposed of and will be subject to capital gain tax.

The shares will be added in the share holders' account and the cost [4][of such shares shall be taken as zero] whereas, the acquisition date will be the date on which shares are credited. Such cost base shall be taken into account for computation of gain or loss at the time of disposal of shares received as specie dividend and original shares.

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[2]Substituted for "shares" by SRO 1145(I)/2016 dated December 07, 2016.

[3]Substituted for "shareholders" by SRO 1145(I)/2016 dated December 07, 2016.

[4]Substituted for "will be calculated as calculated for Bonus shares in Example 1.17.3," by SRO 161(I)/2015 dated February 23, 2015.

(w) Offer for sale

(i) Details of the transaction

Pursuant to section 61 of the Companies Ordinance, 1984, transactions for issuance or sale of securities can be carried out as offer for sale.

(ii) Tax treatment

When securities are issued by the company under offer for sale, the issuance is not a taxable event. The date on which such securities are credited to the investor's account shall be taken as acquisition date and the price paid for acquiring such securities shall be taken as cost of acquisition of such securities. Such date and cost base shall then be considered for computation of capital gains tax if such securities are disposed of by the investor subsequently.

If under offer for sale, a person disposes of securities held by him, then such disposal will be taxable event and subject to capital gains tax.

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(x) Court orders

(i) Details of the transaction

There could be certain orders of the courts whereby transfer of securities may be required from an investor's account to another investor's account or any other person, e.g. deposit of securities with Nazir of the Court, transfer of securities in case of dispute among legal heirs, award of decree etc. etc.

(ii) Tax treatment

Capital gains tax on transfer under a court order will depend on the contents of the order. For example, in case of an order in dispute among legal heirs, the transfer of securities may not be taxable being covered under section 79 of the Ordinance. Similarly, in case of mergers or de-mergers, transfers would be tax neutral event. Whereas, in case of a decree against an investor, transfer of securities from his account may constitute taxable event.

NCCPL shall be responsible to compute capital gains tax, where a clearing member report transfer under a court order as taxable event through Central Depository System.

(y) Computation of investment amount for the purpose of rule 2 of the Eighth Schedule to the Ordinance

The period of investment and amount eligible under rule 2 of Eighth Schedule to the Ordinance shall be determined as per following examples [1][(below rates are hypothetical and used solely for understanding purposes, therefore, rate as per Division VII of Part I of First Schedule will be applicable in case of actual transactions)]:

Example-1

Statement of Net Investment With Age - clause 2(1) of Eighth Schedule						
Date	**Description**	**Cost of Investment**	**Value of open Derivatives Sale Position**	**Net Investment**	**No of days**	**Accumulative Investment**
23-Apr-12	Opening Balance	5,000,000	1,000,000	4,000,000	24	4,000,000
17-May-12	Disposal	(2,000,000)	-	2,000,000	8	3,000,000
25-May-12	Disposal	-	1,500,000	(1,500,000)	12	1,500,000
06-Jun-12	Acquisition	4,000,000	-	4,000,000	17	7,000,000
23-Jun-12	Disposal	(5,000,000)	-	(5,000,000)	7	2,000,000
30-Jun-12	**Closing balance**	**2,000,000**				

[1]Words inserted by SRO 1145(I)/2016 dated December 07, 2016.

Sorted in Descending Order	
No of days	**Accumulative Investment**
17	7,000,000
24	4,000,000
8	3,000,000
7	2,000,000
12	1,500,000

Calculation of Time Weighted Average			
No of days	**Accumulative Investment**	**Product**	**Time Weighted Average**
17	7,000,000	119,000,000	
24	4,000,000	96,000,000	
4	3,000,000	12,000,000	
45		227,000,000	
Time weighted Average = Total product/No of days			**5,044,444**

As per clause 2(1), of the Eighth Schedule, amount of investment made prior to April 23, 2012 shall be considered as investment for the purposes of the said clause. The investment has to remain invested for at least 45 days. The above example indicate that amount invested has increased during the 45 days and therefore it is established that the amount of investment as on April 23, 2012 i.e. Rs.4,000,000 remains invested for 45 days till June 30, 2012. If it has been decreased from Rs.4,000,000, the decreased amount should have been taken for the purposed of the said clause 2(1).

Exemple-2

Statement of Net Investment With Age - clause 2(2) of Eighth Schedule						
Date	**Description**	**Cost of Investment**	**Value of open Derivatives Sale Position**	**Net Investment**	**No of days**	**Accumulative Investment**
24-Apr-12	Acquisition	10,000,000	-	10,000,000	14	10,000,000
08-May-12	Disposal	(2,000,000)	500,000	(2,500,000)	17	7,500,000
25-May-12	Disposal	(3,000,000)	-	(3,000,000)	30	5,000,000
24-Jun-12	Acquisition	4,000,000	-	4,000,000	29	9,000,000
23-Jul-12	Disposal	(1,000,000)	1,500,000	(2,500,000)	258	6,500,000
07-Apr-13	Acquisition	500,000	-	500,000	416	8,500,000
28-May-14	Disposal	(6,000,000)	-	(6,000,000)	31	2,500,000
28-Jun-14	Acquisition	12,000,000	-	12,000,000	1	14,500,000
29-Jun-14	Disposal	(2,000,000)	3,000,000	(5,000,000)	1	9,500,000
30-Jun-14	**Closing balance**	**12,500,000**	**5,000,000**	**7,500,000**		

Sorted in Descending Order	
No of days	**Accumulative Investment**
1	14,500,000
14	10,000,000
1	9,500,000
29	9,000,000
416	8,500,000
17	7,500,000
258	6,500,000
30	5,000,000
31	2,500,000

Calculation of Time Weighted Average			
No of days	**Accumulative Investment**	**Product**	**Time Weighted Average**
1	14,500,000	14,500,000	
14	10,000,000	140,000,000	
1	9,500,000	9,500,000	
29	9,000,000	261,000,000	
75	8,500,000	637,500,000	
120		1,062,500,000	
			8,854,167
Time Weighted Average = Total product/ No of days			]

[1][**(z) Free of Payment transactions (transactions executed outside Pakistan).**

Certain foreign institutional investors holding shares may sell through negotiated deal at a price agreed with the buyer outside Pakistan e.g. a strategic sale and purchase of shares to acquire or dispose of controlling shares. Such transactions are reported to respective clearing member of foreign institutional investors to transfer the shares from seller account to buyer account. In such transactions, respective clearing member does not know the transaction price and merely transfers shares from one account to other on the instructions of its foreign client.

Respective clearing member receiving the instructions from foreign institutional investors shall be responsible to report such transactions in the negotiated deal market at the relevant stock exchange through a stock broker in the manner prescribed by such stock exchange or through reporting interface provided by NCCPL for this purpose. The price reported as selling price or the market price (day-end price of the date of transaction), whichever is higher, shall be taken into account to compute capital gain on the basis of holding period of such securities as illustrated in clause (d).

(za) capital gains on disposal of debt security

Tax treatment

By including debt securities in the definition of security in section 37A, the gain or loss on disposal of debt securities shall be computed, collected and paid as provided in Eighth Schedule, unless opted out with the approval of Commissioner. However companies shall not be subject to this regime and will continue to be taxed as in the past with the rates applicable to the companies and not the rates as amended in Division VII of Part I of First Schedule. Individuals on the other hand shall be subject to mechanism as laid down in the Eighth Schedule to the Ordinance, in respect of debt securities for which settlements are undertaken by NCCPL]

[2][**(zb) Sales transactions of securities of private / public unlisted company after its conversion into listed company:-**

(i) **Detail of the transaction**

An investor, holding such securities, sells securities in a stock exchange. The transaction is settled by transferring the securities sold from his account maintained in Central Depository System to the investor buying the securities with credit of sale proceeds to the account of investor disposing of the securities.

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[1]Clauses (z) & (za) inserted by SRO 161(I)/2015 dated February 23, 2015.
[2]Clause (zb) inserted by SRO 498(I)/2016 dated July 27, 2016.

(ii) **Tax treatment**

Disposal of security is to be taken as taxable event, at settlement date. [1][The capital] gain will be computed by applying FIFO method. Capital Gain shall be chargeable to tax as per section 37A read with rates specified in Division VII of Part I of the First Schedule of the Income Tax Ordinance, 2001.

[1][(iii) **Example.-**

(a) A, being a client of a broker, has 1,000 shares of company ABC in his account. He acquired 1,000 shares on the 1st January, 2013 at Rs.10 per share when the Company was private/public unlisted company having face value of share of Rs.10 and transfers the same in electronic form with CDC on 1st February, 2013. ABC company initiated the listing process at stock exchange on the 1st April, 2015 and offered shares to investors during initial public offer ("IPO") period at IPO price of Rs.15. Mr. A acquired 500 shares of ABC Company during IPO period. ABC company listed on stock exchange on the 1st July, 2015 at a listing price of Rs.20. Mr. A acquired 500 shares of ABC company from stock market on the 1st day of September, 2015 at Rs.22 per share. He disposed of 500 shares on the 1st January, 2022 at Rs.25 per share, 1,000 shares on the 8th February, 2022 at Rs.30 per share and 500 shares on the 1st March, 2022 at Rs.35 per share.

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[1]Substituted for "Capital" by SRO 1570(I)/2022 dated August 22, 2022.
[2]Rule 13P(zb)(iii) substituted by SRO 1570(I)/2022 dated August 22, 2022.

Rule 13P(zb)(iii)-Substitution.- Before substitution it read as follows:-

"(iii) **Example**

(a) A, being a client of a broker, has 1,000 shares of company ABC in his account. He acquired 1,000 shares on the 1st January, 2013 at Rs.10 per share when the Company was private/public unlisted company having face value of share of Rs.10 and transfers the same in electronic form with CDC on 1st February, 2013. ABC Company listed on stock exchange on 1st July, 2015 at a listing price of Rs.20. He disposed of 500 shares on 1st January, 2016 at Rs.25 per share and 500 shares on 8th February, 2017 at Rs.30 per share.

(b) NCCPL shall compute capital gain and tax thereon, if any in the following manners:

(c) Date of acquisition will be based on CDS data while face value will be entered as cost of acquisition from ready board quotations:

Purchases / Acquisitions				Disposal		
Date	No. of shares	Price	Cost*	1st Jan, 2016	8th Feb, 2017	Total
1-Jan-13	1,000	10	10,000	500	500	1,000
Selling price per share				25	30	
Sale proceed				12,500	15,000	27,500
Less: Cost				5,000	5,000	10,000
Difference				7,500	10,000	17,500
Less: 0.50% of sale proceeds as expense				62.50	75	137.5
Capital gain				7,437.5	9,925	17,362.5
Holding period				1,095	1,499	
Tax rate applicable				7.5%	0%	
Tax to be collected				**557.81**	-	]"

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(b) NCCPL shall compute capital gain and tax thereon, if any, in the following manner:-

(c) Date of acquisition will be based on CDC data while face value will be entered as cost of acquisition for shares acquired before IPO period, whereas cost of acquisition for shares acquired during IPO period shall be the IPO price.

Purchases/ Acquisitions				Disposal		
Date	No. of Shares	Price	Cost	1st Jan, 2022	8th Feb, 2022	1st March, 2022
1st Jan 2013	1000	10	10,000	500	1,000	500
1st April 2015	500	15	7,500			
1st Sep 2015	500	22	11,000			
Selling Price per Share				25	30	35
Sale Proceed				12,500	30,000	17,500
Less: Cost				5,000	12,500	11,000
Difference				7,500	17,500	6,500
Less: 0.5% of Sales Proceed as Expense				62.5	150	87.5
Capital Gain				7,435.5	17,350	6,412.5
Tax Rate Applicable				12.5%	12.5%	12.5%
Tax to be Collected				929.68	2,168.7	801.5]

8-168-31-08-2022

[1][**(zc) Setoff of losses in case of investors having securities of multiple categories:**

Details of transaction:

An investor holds various securities i.e. shares of company listed in Pakistan Stock Exchange [PSX], units of open ended mutual funds and future commodity contracts traded at PMEX exchange. The investor has arrived at capital gain in case of certain securities while also incurred capital loss on other securities that is eligible for setoff with capital gain arrived at during the period on other securities.

(i) Tax Treatment:

Effective from 1 July 2016, units of open ended mutual funds and future commodity contracts are brought in the ambit of Eighth Schedule under NCCPL. Accordingly the investors will be entitled to have the capital loss adjusted against the capital gain in terms of Rule 13N(6) while NCCPL will calculate capital gain tax liability of net capital gain position i.e. after adjustment of capital losses for the year in terms of Rule 13N(10).

(ii) Example:

The examples in respect of above are given below (below rates are hypothetical and used solely for understanding purposes, therefore, rate as per Division VII of Part I of First Schedule will be applicable in case of actual transactions):

Example 1:

Client Name: Ahmed Ali

UIN: 3520211111119

Financial Year: July 2016 to Juno 2017

Month: September 2016

Description	Tax Obligation AMC-FUND-1		Tax Obligation PMEX		Tax Obligation PSX		Net Tax Obligation	
Tax Position computed by NCCPL	Gain/(Loss)	Tax	Gain/(Loss)	Tax	Gain/(Loss)	Tax	Gain/(Loss)	Tax
	100,000	10,000	200,000	20,000	(150,000)	0	150,000	15,000
Loss Allocation	(50,000)		(100,000)		150,000	0		
Net Tax	50,000	5,000	100,000	10,000	0	0	150,000	15,000
Tax Collection Demand		5,000		10,000				

In the above example, after adjustment of capital loss proportionally (in proportion of capital gains) during the month, NCCPL shall demand Rs 5,000 from AMC-1 and Rs 10,000 from PMEX.

[1]Clauses (zc) to (ze) inserted by SRO 1145(I)/2016 dated December 07, 2016.

Example 2:

Client Name: Ahmed Ali
UIN: 3520211111119
Financial Year: July 2016 to Juno 2017
Month: February 2017

Balance as of December 31, 2016		CGT Computation PSX-February 2017		CGT Computation PMEX-January 2017		Net CGT as of February 2017	
Gain/(Loss)	CGT collection from PMEX	Gain/(Loss)	CGT	Gain/(Loss)	CGT	Gain/(Loss)	CGT
100,000	10,000	50,000	5,000	(70,000)	NIL	80,000	8,000

In the above example, it is assumed that CGT of Rs. 10,000 has been collected by NCCPL from PMEX till December, 31 2016. Now, in the month of February, the investor has capital gains arising on disposal of listed securities at PSX and resulting lax liability on such gains Rs 5.000. However, due to net loss of Rs. (70,000) as reported by PMEX for respective investor, NCCPL will determine net capital gain of Rs. 80.000 (100,000+50,000-70,000) as at February 28, 2017 with net lax liability of Rs. 8.000. But as NCCPL has already collected Rs 10.000 from PMEX as at December 31, 2016 therefore, NCCPL will refund Rs. 2,000 (10,000-8000) to the PMEX.]

[1][**(zd) Future Commodity contracts entered into by the member of PMEX:**

(i) Details of transaction:

A member of PMEX has entered into future commodity contracts which are traded at PMEX. These can either be settled in cash or through actual settlement. Capital gains tax would have to be worked out in accordance with applicable legal framework.

(ii) Tax Treatment:

Effective from 1 July 2016, future commodity contracts entered into by the member of PMEX are brought in the ambit of Eighth Schedule under NCCPL. Accordingly NCCPL will calculate and determine capitals gain lax liability on these contracts in terms of Rule 13N.

(iii) Examples:

The examples in respect of above are as under (below rates are hypothetical and used solely for understanding purposes, therefore, rate as per Division VII of Part I of First Schedule will be applicable in case of actual transactions):

[1]Clauses (zc) to (ze) inserted by SRO 1145(I)/2016 dated December 07, 2016.

Example 1. Cash settled future commodity contracts:

Capital Gain loss and CGT Working

Date	Transaction	No of contracts	Contract Price $	Day end price ($)	Exchange rate (USD to PKR)	Gain/ (Loss) in USD	Gain/ (Loss) in PKR	CGT @ 5%
		A		B	C			
7/1/2016	Purchase	1	14.5	15	105	0.50	52.50	2.63
7/2/2016				15.5	105.5	0.50	52.75	2.64
7/3/2016				14.9	105.3	(0.60)	(63.18)	(3.16)
7/4/2016	Sale	1	16	16.5	105.3	1.10	115.83	5.79
Total						1.50	157.90	7.90

Example 2: Delivery settled future commodity contract- Contract sold before settlement date without physical delivery:

Investor	Date	Transaction	Contract Name	Quantity	Price Rs
A	1-Jul-16	Purchase	TOLA GOLD MON	1	50,100
A	4-Jul-16	Sale	GOLD GOLD MON	1	52,500
Gain on sale					2,400
Applicable tax rate					5%
Capital gain					120

Example 3: Delivery settled future commodity contract- Settled at settlement dales:

Investor	Trade Date	Settlement Date	Transaction	Contract Name	Quantity	Price PKR
A	1-Jul-16	8-Jul-16	Purchase	TOLA GOLD FRI	1	50,100
A	4-Jul-16	11-Jul-16	Purchase	TOLA GOLD MON	1	51,000
A	11-Jul-16	13-Jul-16	Sale	TOLA GOLD WED	1 Tola	52,500

Commodity Name	Units	Inventory Date	Inventory Value
Tola Gold	1 Tola	8-Jul-16	50,100
Tola Gold	1 Tola	11-Jul-16	51,000
Average Value			50,550

Monday Contract is settled on next Monday and Tuesday contract on next Tuesday. Upon settlement, funds and inventory is moved.

Capital Gain Loss Computation

Sale Quantity	1 Tola
Selling Price	52,500
Sale Value	52,500
Less : Cost	50,100
Capital Gain/(Loss)	2,400
Tax rate applicable	5%
Tax to be collected	120

Example 4: *Delivery settled future commodity contract- Settled at settlement dates:*

Opening Inventory at June 30, 2016

Commodity Name	Units	Inventory Date	Purchase Price	Inventory Value
Tola Gold	5 Tola	5-Jul-16	52,000	260,000
Tola Gold	10 Tola	12-Mar-16	51,500	515,000

Purchase after June 30, 2016

Commodity Name	Units	Inventory Date	Purchase Price	Inventory Value
Tola Gold	1 Tola	8-Jul-16	50,100	50,100
Tola Gold	1 Tola	11-Jul-16	51,000	51,000

Total Inventory for sale

Commodity Name	Units	Inventory Date	Purchase Price	Inventory Value
Tola Gold	5 Tola	5-Jul-16	52,000	260,000
Tola Gold	10 Tola	12-Mar-16	51,500	515,000
Tola Gold	1 Tola	8-Jul-16	50,100	50,100
Tola Gold	1 Tola	11-Jul-16	51,000	51,000
	17			876,100

In this case, capital gain loss in the case B example 3, on 13-Jul-2016 shall be computed as under:

Capital Gain Loss Computation

Sale Quantity	1 Tola
Selling Price	52,500
Sale Value	52,500
Less : Cost	52,000
Capital Gain/(Loss)	500
Tax rate applicable	5%
Tax to be collected	25

Example 5. Deposit of commodity and sale thereof:

		Contract Day end Price
1-July-2016	Monday	50,150

In this case deemed value of 10 tala gold deposited on July 1, 2016 shall be as under:

Commodity Name	Units	Inventory Date	Deemed Purchase Price	Inventory Value
Tola Gold	10 Tola	1-Jul-16	50,150	501,500

Capital Gain Loss Computation

Sale Quantity	4 Tola
Selling Price	52,500
Sale Value	210,000
Less : Cost	200,600
Capital Gain/(Loss)	9,400
Tax rate applicable	5%
Tax to be collected	470

Example 6. *Physical commodity deposited but withdrawn later:*

An investor deposits 10 tola gold on July 1. 2016 in the vault and withdraws 5 Tola after 4 days.

The withdrawal would be considered as a tax neutral event. No capital gains tax implications would arise. The remaining inventory would be valued at average cost for the purpose of any future capital gains tax calculation; and]

[1][**(ze) Acquisition of shares in Book Building/Initial Public Offer (IPO) and subsequent sale:**

(i) Details of the transaction:

Shares are offered by company In an IPO including book building. The shares are subscribed and allotted at the applicable price. These can later be sold by the investors.

(ii) Tax treatment:

Capital gain will be computed by applying FIFO method. Capital Gain shall be chargeable to tax as per section 37A read with rates specified in Division VII of Part I of the First Schedule of the Income Tax Ordinance, 2001.

(iii) Example:

XYZ Company offered shares in an IPO on 1 June 2016 and the company's shares started trading at PSX from 15 July 2016. Mr. A, has acquired 1,000 shares having a face value of Rs 10 each at Rs.20 per share being the publically offered IPO price. The shares have been sold at PSX on 30 June 2019 at Rs 70 per share.

Capital gains tax will be calculated as follows. (The tax rate used in this example is hypothetical. In case of actual transaction the rates as per Division VII of Part I of the First Schedule at the time of sale shall be applicable).

Cost of acquisition	(1,000x20)	Rs.20,000
Sales proceeds	(1,000x70)	Rs.70,000
0.5% of sales proceeds as expense		Rs.350
Capital gain		Rs.49,650
Holding period		1124 days
Applicable rate		7.5%
Capital gains tax liability		Rs.3,724]

[2][**(zf) Carry forward of Losses on disposal of listed securities,**

(i) Details of the transaction

Mr. A has a carry forward Capital Loss of PKR 2 million for TY 2019 and PKR 0.2 million for TY 2020. The transaction(s) executed during TY 2021 resulted in net gain of PKR 3.3 million.

(ii) Tax Treatment

The taxpayer will be entitled for adjustment of prior years' capital losses on FIFO basis subject to condition that the capital loss for the current year (if any) will be set-off first. Moreover, the taxpayer would only become entitled for adjustment of carried forward losses after the returns for tax years 2019 and 2020 have been tiled and the ATL for that tax years have been updated on the basis of returns for the relevant tax year.]

[1]Clauses (zc) to (ze) inserted by SRO 1145(I)/2016 dated December 07, 2016.
[2]Clause (zf) inserted by SRO 801(I)/2021 dated June 24, 2021.

8-159-15-07-2021

[1][Part IV

COMPUTATION AND COLLECTION OF TAX UNDER SECTIONS 7C AND 7D

13Q. Application.- This Chapter provides for the mode and manner for collection of tax under sections 7C and 7D from builders and developers, the functions and responsibilities of the authorities approving, suspending and temporarily cancelling No Objection Certificates (NOC) to sell and the matters connected and ancillary thereto.

13R. Definitions.- For the purpose of sections 7C and 7D and for this Chapter,-

(a) "authority" includes:-

(i) the Chief Executive of a building control authority as defined in respective Federal or Provincial law regarding approval, construction and completion of buildings and development of land; or

(ii) the Executive Officer of the Cantonment where the Cantonments Act, 1924 (II of 1924) applies; or

(iii) the Executive Officer of a municipal corporation or municipal committee responsible for approving land development or building construction plan within municipality; or

(iv) the District Officer (Revenue) of a district responsible for approving land development or building construction plan within district; or

(v) a body corporate or council, or any department of such body corporate or council, or any organization or any company which acts for approving the building or land development plans for such area and effects transfer of title of such property; or

(vi) any Government department or functionary or any organization which acts as an authority for approving the building or land development plans for such area by or under any law.

(b) "builder" means a builder as defined in the Federal and respective Provincial laws regarding approval, construction and completion of buildings and includes any person engaged in the construction or building or otherwise and disposes of newly constructed or renovated building.

(c) "building" means a building or part thereof and includes all fittings, fixtures, installations, signs and display structures of the building, but does not include any building notified by the Board.

8-125-31-12-16

[1]Part IV-Rules 13Q to 13ZH inserted by SRO 787(I)/2016 dated August 24, 2016.

Explanation. It is hereby declared and without limiting the generality of this clause that building includes any building whether house, apartment, residential plaza, shopping plaza, office, shop, banglow, villa, duplex or any built up structure under whatever name.

(d) "developer" means a developer as defined in the Federal and respective Provincial laws regarding development of land for the purposes of residential or commercial plotting and includes any person engaged in developing of plot or plots of any kind either for itself or otherwise but does not include any land development notified by the Board.

(e) "Inspector General of Registration" means Inspector General of Registration as defined in Part II of Registration Act, 1908 (XVI of 1908) and includes Provincial Inspector Generals of Registration, Registrars and Sub-Registrars of districts and sub districts, towns as notified by the provincial governments.

13S. Advance tax on builders and developers.- Every authority prescribed under sub-rule (a) of rule 13R shall, at the time of approval of a land development plan or of a building construction plan and before issuing final approval, collect advance tax at the rate of five percent of the tax liability computed at the rates specified in Division VIIIA or Division VIIIB of Part I of the First Schedule to the Ordinance, from a builder or a developer as the case may be.

13T. Mode and manner for payment and collection of tax from builders.- Every builder after obtaining approval of a building plan or of a revised building plan from the authority and NOC to sell, shall furnish on line a copy of building plan and evidence of partial payment of five percent tax to the Chief Commissioner along with computation of final tax liability on the basis of covered area as per rates provided in Division VIIIA of the First Schedule to the Ordinance. The Chief Commissioner shall, after being satisfied that the rates are applied correctly and after making such inquiry as he thinks fit within fifteen days, shall online issue a schedule of advance tax installments to be paid by the builder in accordance with rule 13U.

13U. Schedule of Installments for builders.- The Chief Commissioner shall, upon online application of the builder as prescribed in rule 13V, online issue the schedule of equal Installments on four-monthly basis within fifteen days of the application:

Provided that the duration of payment of tax shall commence from the date of issuance of NOC to sell till the date of completion of building or building project in the approval plan:

Provided further that provisions of this rule shall not apply if a builder opts to pay the entire tax liability in lump sum.

8-125-31-12-16

13V. Application for payment of tax in Installments by builders.- The builder shall online apply for the payment of installments under this Chapter through the following application form,-

APPLICATION FOR ISSUANCE OF SCHEDULE OF INSTALLMENTS FOR PAYMENT OF TAX U/S 7C OF THE INCOME TAX ORDINANCE 2001 READ WITH RULE 13T OF INCOME TAX RULES 2002

1.	Name of the builder/owner	
2.	NTN/CNIC (Attach copy of CNIC)	
3.	Name of building (if any)	
4.	Address of the project/ building	
5.	Phone Number	
6.	Mobile Number of builder/owner	
7.	Email Address	
8.	Name(s), CNIC and office Address(es) of Member(s)/ Director(s) of AOP/ Company (if applicable)	
9.	Category	(commercial/residential & office/dual)
10.	Commercial area of building	
11.	Residential area of building	
12.	Total Area of building	
13.	Total final tax liability	Rs.
14.	Less Tax paid @ 5% on approval	Rs.
15.	Balance tax to be paid in equal four monthly installments	Rs.
16.	Duration of the project in months	Months
17.	Amount of each installment	Rs.
	i. 1st installment due on -/-/-	Rs.
	ii. 2nd installment due on -/-/-	Rs.
	iii. 3rd installment due on -/-/-	Rs.
	iv. 4th installment due on -/-/-	Rs.
	v.	Rs.
	vii	
	viii.	

I, _____ CNIC No _____, in my capacity as self/Member/Member of Association of Persons/Director or Principal officer of company do solemnly declare that to the best of my knowledge and belief, the information given in this application under Rule 4 of Part II of the Tenth Schedule to the Income Tax Ordinance 2001 is/are correct and complete in accordance with the provisions of section 99B read with Tenth Schedule to the Income Tax Ordinance, 2001.

Name _____
CNIC _____
Date _____

8-125-31-12-16

13W. Responsibilities of the Authority.- The authority shall have the following responsibilities.-

(i) No approval plan shall be issued unless five percent of the tax has been collected under rule 3;

(ii) The authority shall inform the Chief Commissioner Inland Revenue in writing about approval of new land development and building construction plans on quarterly basis;

(iii) The authority shall suspend or temporarily cancel the building plan on the written request of the Chief Commissioner in case of default in payment of installments under these rules;

Provided that the Chief Commissioner shall take this action after consultation in writing with Association of Builders and Developers (ABAD) or Registered Association; and

(iv) The authority may revoke temporarily suspension or cancellation under sub-rule (ii) above as the case may be, on the written direction of the Chief Commissioner.

13X. Responsibility of the Inspector General of Registration.- (1) No transfer of building or built up units to the buyers shall be effected unless the builder shall furnish NOC from the Chief Commissioner for payment of tax due for projects approved on or after 1st July.2016.

(2) Provision; of sub-rule (1) shall not apply in case a builder pays one hundred and fifty percent of the tax liability to be computed in accordance with Division VIIIA of the First Schedule.

(3) For the purpose of sub-rule (2) the Inspector General of Registration shall be responsible to collect and deposit tax and all the provisions of section 161 shall apply mutatis mutandis.

13Y. Responsibilities of the Builder.- (1) The builder shall online furnish to the Chief Commissioner a copy of approved construction plan and evidence of tax collection by the authority on the last day of the calendar month in which such plan is approved or within a week if the approved plan in issued in the last week of the calendar month.

(2) The builder shall furnish to the Chief Commissioner a copy of tax payment challan within one week of due date of each installment as per the schedule of payment of installment online.

(3) The builder shall be tax withholding agent on making any payment for which tax withholding is provided under Chapter X and Chapter XII to the Ordinance which includes payment on account of salaries to employees, supplies, services and contract.

13Z. Adjustment of withholding taxes by builders.- The builder shall not be entitled to claim adjustment of withholding tax collected or deducted under any other head during the year to the extent of activities which falls under final tax regime.

8-125-31-12-16

13ZA. Mode and manner for payment and collection of tax from land developers.- (1) Every land developer after obtaining the approval of the development plan or a revised development plan from the authority and NOC to sell, shall online furnish copy of development plan and evidence of payment of five percent tax to the Chief Commissioner along with computation of final tax liability on the oasis of area proposed to be developed as per rates provided in Division VIIIB of the First Schedule to the Ordinance. The Chief Commissioner shall, after being satisfied that the rates are applied correctly and after making such inquiry as he thinks fit, shall within fifteen days issue online a schedule of advance tax installments to be paid by the developer in accordance with rule 13ZB.

13ZB. Schedule of Installments for land developers.- The Chief Commissioner shall, upon online application of the developer as prescribed in rule 13ZC, online issue the schedule of equal Installments on four monthly basis within fifteen days of the application:

Provided that the duration of payment of tax shall commence from the date of issuance of NOC to sell till the date of completion of development project:

Provided further that provisions of this rule shall not apply if a developer opts to pay the entire tax liability in lump sum.

13ZC. Application for payment of tax in installments by land developers: The developer shall online apply for payment of installments under these rules through the following form.-

APPLICATION FOR ISSUANCE OF SCHEDULE OF INSTALLMENTS FOR PAYMENT OF TAX U/S 7D OF THE INCOME TAX ORDINANCE 2001 READ WITH RULE 13ZA OF INCOME TAX RULES 2002

1.	Name of the developer	
2.	NTN/CNIC (Attach copy of CNIC)	
3.	Name of land development project (if any)	
4.	Address of the project	
5.	Phone Number	
6.	Mobile Number of developer/owner	
7.	Email Address	
8.	Name(s), CNIC and office Address(es) of Member(s)/ Director(s) of AOP/ Company (if applicable)	
9.	Category	(commercial/residential and office/dual)
10.	Commercial area of project (Sq.yd)	
11.	Residential area of project (Sq.yd)	

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12.	Total development area	
13.	Final tax liability	Rs.
14.	Less Tax paid @ 5% on approval	Rs.
15.	Balance tax to be paid in equal four monthly installments	Rs.
16.	Duration of the project in months	Months
17.	Amount of each installment	Rs.
	i. 1st installment due on -/-/-	Rs.
	ii. 2nd installment due on -/-/-	Rs.
	iii. 3rd installment due on -/-/-	Rs.
	iv. 4th installment due on -/-/-	Rs.
	v.	Rs.
	vii	
	viii.	

I, _____, CNIC No _____, in my capacity as self/Member/Director of Association of Persons/company do solemnly declare that to the best of my knowledge and belief, the in formation given in this application under Rule 4 of Part II of the Tenth Schedule to the Income Tax Ordinance 2001 is/are correct and complete in accordance with the provisions of section 99B read with Tenth Schedule to the Income Tax Ordinance, 2001.

Name _____
CNIC _____
Date _____

13ZD. Responsibilities of the Authority.- The authority shall have the following responsibilities:

(i) No approval of development plan shall be issued unless five percent of the tax has been collected under Rule 13W;

(ii) The authority shall suspend or temporarily cancel the development plan on the written request of the Chief Commissioner in case of default in payment of installments under these rules:

Provided that the Chief Commissioner shall take this action after consultation with ABAD or Registered Association.

(iii) The authority may revoke suspension or cancellation made under rule (ii) above as the case may be, on the written request of the Chief Commissioner.

13ZE. Responsibility of the Inspector General of Registration. (1) No transfer of developed units to the buyers shall be effected unless the developer shall furnish NOC from the Chief Commissioner for payment of tax dues on all plans approved after 1st July 2016.

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(2) Provisions of sub-rule (1) shall not apply in case a developer pays one hundred and fifty percent of the tax liability to be computed in accordance with rule Division VIIIB of the Ordinance.

(3) For the purpose of sub-rule (2) the Inspector General of Registration shall be responsible to collect and deposit tax and all the provisions of section 161 shall apply mutatis mutandis.

13ZF. Responsibilities of the Land Developer.- (1) The developer shall online furnish to the Chief Commissioner a copy of approved land development plan and evidence of tax collection by it on the last day of the calendar month in which such plan is approved or within a week if the approved plan in issued in the last week of the calendar month.

(2) The developer shall furnish to the Chief Commissioner a copy of tax payment challan within one week of due date of each installment as per the schedule of payment of installment.

(3) The developer shall be tax withholding agent on making any payment for which tax withholding is provided under Chapter X and Chapter XII to the Ordinance which includes payment on account of salaries to employees, supplies, services and contract, etc.

13ZG. Adjustment of withholding taxes.- The land developer shall not be entitled to claim adjustment of withholding tax collected or deducted under any other head during the year to the extent of activities which falls under final tax regime.

13ZH. General provisions for builders and developers.- (1) If a building or a land development project is stopped by any court order or by any government agency during construction of building or land development, the payment of subsequent installments shall stand suspended till the time the stay order is vacated.

(2) If a builder or a developer fails to pay three consecutive installments within due time, the Commissioner shall issue a notice in writing and copy thereof shall be endorsed to Association of Builders and Developers ABAD or Registered Association. In case of no response or unsatisfactory reply, a committee of three members shall be constituted by the Chief Commissioner which shall comprise one member from ABAD or Registered Association. The committee shall unanimously decide further action as deemed fit.

(3) If a building or land development project is disposed off during construction or development, the seller and purchaser shall jointly submit an application in writing to the Chief Commissioner. The Chief Commissioner shall issue NOC after satisfying that the due tax was paid by the seller. The remaining installments of tax shall be paid by the successor-purchaser of the under construction building or under developed land on the terms of schedule of payment of installments issued earlier to the predecessor-seller by the Chief Commissioner. There after all the provisions of this schedule shall apply to the successor-purchaser.

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(4) The Commissioner shall exercise all powers relating to provisions containing recovery of tax, advance tax, default surcharge and prosecution as laid down in Chapter X and in Chapter XII to the Ordinance, in case of any default of non-payment, short payment or late payment of any tax collected or collectable, paid or payable under this Chapter.]

CHAPTER – III

PERSONS

14. Resident individual.– (1) This rule applies for the purposes of section 82, which provides for the determination of persons as resident individuals.

(2) The following rules apply for the purposes [1][ ] of section 82 in computing the number of days an individual is present in Pakistan in a tax year, namely:–

(a) subject to clause (c), a part of a day that an individual is present in Pakistan (including the day of arrival in, and the day of departure from, Pakistan) counts as a whole day of such presence;

(b) the following days in which an individual is wholly or partly present in Pakistan count as a whole day of such presence, namely:–

(i) a public holiday;

(ii) a day of leave, including sick leave;

(iii) a day that the individual's activity in Pakistan is interrupted because of a strike, lock-out or delay in receipt of supplies; or

(iv) a holiday spent by the individual in Pakistan before, during or after any activity in Pakistan; and

(c) a day or part of a day where an individual is in Pakistan solely by reason of being in transit between two different places outside Pakistan does not count as a day present in Pakistan.

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[1]Words "of clauses (a) and (b)" omitted by SRO 392(I)/2009 dated May 19, 2009

CHAPTER – IV

TAXATION OF FOREIGN-SOURCE INCOME OF RESIDENTS

15. Foreign income tax.– (1) This rule applies for the purposes of sections 102 and 103, which provide resident persons with relief from international double taxation.

(2) A foreign levy is a foreign income tax if the following conditions are satisfied, namely:–

(a) the levy is a tax; and

(b) the tax is substantially equivalent to the income tax imposed by the Ordinance.

(3) Subject to sub-rules (4) and (5), a foreign levy is a tax if it requires a compulsory payment pursuant to the authority of the foreign country to levy taxes.

(4) A penalty, fine, interest or similar obligation is not a tax for the purposes of this Chapter.

(5) A foreign levy is not a tax to the extent that a person subject to the levy receives or is entitled to receive, directly or indirectly, a specific economic benefit from the foreign country in exchange for the payment pursuant to the levy.

(6) Subject to sub-rule (7), a foreign tax is substantially equivalent to the income tax imposed under the Ordinance if the following conditions are satisfied, namely:–

(a) the tax is imposed in respect of events that would result in the derivation of income, gains or profits under the Ordinance; and

(b) the taxable amount is computed under the foreign tax by subtracting from gross receipts any significant expenses and the depreciation or amortization of capital costs attributable to such receipts, or, where the tax is imposed under the foreign law or any other basis;

(c) Dividend or interest income earned from foreign source, on being so taken by the CBR, may be treated to have same character for the resident person, as it has under the Ordinance.

(7) The following foreign taxes are substantially equivalent to the income tax imposed under the Ordinance, namely:–

(a) a withholding tax imposed on dividends, gross receipts payable to non-resident persons as final tax; or

(b) tax on wages by withholding imposed as a final tax on salary.

(8) In this rule,

(a) "economic benefit" includes –

(i) any property;

(ii) any service;

(iii) any fee or other payment;

(iv) any right to use, acquire or extract natural resources, patents, or other property owned or controlled by the foreign country; or

(v) any reduction or discharge [1][of] a contractual obligation; and

(b) "specific economic benefit" means an economic benefit that is not available on substantially the same terms –

(i) all persons subject to the income tax generally imposed by the foreign country; or

(ii) if there is no generally imposed income tax, the population of the country in general.

16. Foreign tax credit.– (1) This rule applies for the purposes of section 103, which provides for the foreign tax credit.

(2) A resident taxpayer claiming a foreign tax credit for a tax year shall submit an application for the credit with the taxpayer's return of income for that year.

(3) an application for a foreign tax credit shall be in the form as specified in Part I of the First Schedule to these rules.

(4) Subject to sub-rule (5), an application for a foreign tax credit shall be accompanied by the following [2][documents], namely:–

(a) where the tax has been deducted at source, a declaration by the payer of the income that tax has been deducted and a certified copy of the receipt that the payer has received from the foreign tax authority for the deducted tax; or

(b) in any other case, the original or a certified copy of the receipt that the taxpayer has received from the foreign tax authority for the tax paid.

(5) Where a resident taxpayer cannot obtain evidence of the deduction of tax from the payer of income as required under clause (a) of sub-rule (4), the Commissioner may accept such secondary evidence of the deduction as is determined by him.

[1]Substituted for "or" by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "documentation" by SRO 392(I)/2009 dated May 19, 2009.

CHAPTER - V

TAXATION OF NON-RESIDENTS

17. Application of Chapter.– The rules in this Chapter apply for the purposes of sub-clause (ii) of clause (a) of sub-section (2) of section 237, which provides for the making of rules concerning the manner in, and procedure by, which the income, profits and gains chargeable to tax, and the tax payable thereon, under the Ordinance shall be determined in the case of non-resident persons.

18. Income from royalties.– The income of a non-resident person by way of [1][royalty] received from a resident person or a permanent establishment in Pakistan of a non-resident person shall be–

(a) in the case a royalty received in pursuance of an agreement made before the 8th day of March, 1980, or an agreement made on or after the said date the proposal in respect of which was approved by the Government before the said date, the gross amount of the royalty less the deductions allowed under section 40; or

(b) in any other case, to which sub-section (2) of section 6 does not apply, the gross amount of the royalty less [2][than] the following expenditure–

(i) any expenditure incurred in Pakistan to earn such royalty, wherever paid;

(ii) any expenditure incurred outside Pakistan in pursuance of such agreement not exceeding ten percent of gross amount of royalty.

[3][ ]

(c) in the case of royalty received in pursuance to any other agreement, the gross amount of the royalty less the following expenditures only, namely:–

(i) any expenditure incurred in Pakistan in earning such income;

(ii) any expenditure incurred in Pakistan in respect of any work done in pursuance of such agreement; and

[1]Substituted for "royalties" by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "then" by SRO 392(I)/2009 dated May 19, 2009
[3]Proviso omitted by SRO 590(I)/2004, dated July 7, 2004.

Rule 18(b)(ii) Pr.–Omission.– Proviso before omission by Notification No. SRO 590(I)/2004, read as follows:–

"Provided that a non-resident may opt for taxation under sub-section (2) of section 6 of Income Tax Ordinance, 2001, by filing a written declaration/ option within 15 days of the commencement of contract. Such option shall remain operative till completion of the said contract."

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(iii) any expenditure incurred outside Pakistan in respect of any work done in pursuance of such agreement not exceeding ten per cent of the gross amount of such royalty.

(d) The provisions of [1][clauses] (b) and (c) would not apply where,* royalty is covered by section 169.

19. [2][Fee] for technical services.– (1)† The income of a non-resident person by way of [2][fee] for technical services received from a resident person or a permanent establishment in Pakistan of a non-resident person shall be –

(a) in the case of [2][fee] received in pursuance of an agreement made before the 8th day of March, 1980, or an agreement made on or after the said date the proposal in respect of which was approved by the Government before the said date only in such cases, the gross amount of the [2][fee] less the deductions allowed under section 40;

(b) in the case of [2][fee] received in pursuance of an agreement made on or after 8th day of March, 1980 but before the 4th day of May, 1981, the gross amount of the [2][fee] less the deductions allowed under section 40 with a maximum total deduction equal to twenty per cent of the gross amount of such [2][fee]; or

(c) in any other case to which sub-section (2) of [3][section 6] of the Income Tax Ordinance, 2001 does not apply, the gross amount of [4][fee for technical services] less the following perquisites–

(i) Any expenditure incurred in Pakistan to earn such [4][fee for technical services], wherever paid.

(ii) any expenditure incurred outside Pakistan in pursuance of such agreement not exceeding ten percent of gross amount of [4][fee for technical services].

Provided that a non-resident may opt for taxation under section 6 of Income Tax Ordinance, 2001, by filing a written declaration/ option within 15 days of the commencement of contract. Such option shall remain operative till completion of the said contract.

(d) [5][clause] (c) would not apply where the fee for technical service is covered by the provisions of section 169.

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[1]Substituted for "sub-rule" by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "fees" by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "Section 5" by SRO 392(I)/2009 dated May 19, 2009.
[4]Substituted for "royalty" by SRO 392(I)/2009 dated May 19, 2009.
[5]Substituted for "Sub-rule" by SRO 392(I)/2009 dated May 19, 2009.

*comma appears to be superfluous.
†erroneous numbering as there is no sub-rule (2).

[1]**[19A. Certificate of Residence.** (1) Where any person, resident in Pakistan, seeks to obtain a certificate of residence from the Competent Authority of Pakistan for its presentation before the tax authorities of another country with which Pakistan has signed an Agreement for the Avoidance of Double Taxation and Fiscal Evasion, for the purposes of obtaining tax credit or fiscal relief, the person may submit an application in this behalf in the Form prescribed below, namely:–

Form of Application for Obtaining Certificate of Residence

To
The Competent Authority of Pakistan,
Central Board of Revenue,
Constitution Avenue,
Islamabad.

Sir,

Whereas the applicant is resident in Pakistan by way of [INSERT: Entitlement to residence…….] in respect of the Tax year ending on [INSERT: Date……], and has earned [INSERT: *Type/Head of Income*……..……..] income in [INSERT: *Name of the country*……..], during the period [INSERT: From…….To……..…]; and that Pakistan and [INSTERT: *Name of the other country* ……..….] have signed an Agreement for the Avoidance of Double Taxation and Fiscal Evasion, dated……..., which entitles the applicant to a reduced tax rate/tax credit/tax sparing credit/fiscal relief in [INSERT: *Name of the Country*…….] upon issuance of a Certificate of Residence by the Competent Authority of Pakistan, for which purpose, all relevant particulars are as under, namely:–

1	Name / Nomenclature of the Applicant	
2	Whether Individual, AOP or Company?	
3	CNIC / Registration / Incorporation No	
4	Address in Pakistan	
5	Telephone / Fax / email address	
6	National Tax Number	
7	Income declared for the Tax Year	
8	Name and Designation of Tax Authority to which the Certificate is intended for presentation	
9	Type (s) / Particulars of Income Earned	

Copies of the following documents in support of our claim are enclosed, namely:–

[1]Rules 19A, 19B and 19C inserted by SRO 619(I)/2006, dated 8 June 2006. Later, Rules 19A to 19D have been inserted by SRO 714(I)/2006, dated July 5, 2006. Due to confusion both sets of Rules 19A to 19C have been reproduced till clarification by CBR.

(1) Proof of earning of income in the foreign country;

(2) Copy of NIC;

(3) Copy of NTN Certificate;

(4) Copy of the Certificate of Incorporation (if applicable) ; and

(5) Copy of the Income Tax Return for the latest tax year (if applicable)

Verification

I_____ son/daughter/wife of Mr. _____solemnly declare that to the best of my knowledge and belief, the information given in this application 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 deciding my application.

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

Date_____
Place _____ Signatures: ……..

Name: ……..

(2) The Competent Authority of Pakistan, if required, shall cause to call for a report from the Commissioner concerned.

(3) The Commissioner after verifying all the relevant facts as stated by the taxpayer in the application shall submit his report [1][within thirty days of the receipt of the application by him from the Federal Board of Revenue].

(4) The Competent Authority of Pakistan shall decide upon the request of the taxpayer and issue the Certificate of Residence as per the Form prescribed below within forty five days of the submitting of the application, namely:-

Form of Certificate of Residence
Issued by the Competent Authority

[CERTIFICATE OF RESIDENCE FOR PRESENTATION BEFORE THE TAX AUTHORITIES OF ……IN RESPECT OF THE TAX YEAR……]

I certify that Mr/Ms/M/s_____ is resident in Pakistan by way of _____, and subject to taxes in Pakistan covered in the Agreement for Avoidance of Double Taxation and Fiscal Evasion between Pakistan and …….. The particulars relating to his/her/its person, and the details of economic activities and tax paid in Pakistan during the Tax Year are as under, namely:-

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[1]Substituted for "within fifteen days of the receipt of the application by him" by SRO 392(I)/2009 dated May 19, 2009.

(a) Name :_____

(b) Address:_____

(i) Residence: _____

(ii) Office:_____

(c) Telephone :(Res)_____.(Off)_____(Fax)_____

(d) CNIC/Registration/Passport No. | | | | | | | | | | | | | | |

(e) National Tax No. | | | | | | | | | | | | | | |

(f) Personal Status_____

(g) Main Sources of Income_____

(h) Other Source(s) of Income: _____

(i) Income Declared/Assessed for the Tax year: _____

(j) Total Tax Paid/Payable for the Tax year: _____

(k) LTU/ RTO: _____

THE COMPETENT AUTHORITY
Member (Direct Taxes)

(5) In respect of each tax year a separate application shall be submitted by the taxpayer, and a separate Certificate shall be issued by the Competent Authority of Pakistan.

(6) In case the Competent Authority of Pakistan decides not to issue a Certificate of Residence, it shall communicate its decision along with reasons of rejection thereof to the applicant taxpayer within forty five days of the submitting of the application.

19B. Certificate of payment of tax in Pakistan. (1) Where any person, non-resident in Pakistan, seeks to obtain a certificate of payment of tax in Pakistan by way of deduction, collection or otherwise, which attains finality or which is a final tax under any provision of the Ordinance or that of the Agreement for the Avoidance of Double Taxation and Fiscal Evasion between Pakistan and the country of residence of the applicant taxpayer, for presentation before the tax authorities of the country of his residence, the person may submit an application to the Competent Authority of Pakistan in the Form prescribed below, namely:-

Form of Application for Obtaining Certificate
Of Payment of Tax in Pakistan

To
The Competent Authority of Pakistan,
Central Board of Revenue,

8-67-20-07-09

Constitution Avenue,
Islamabad.

Sir,

Whereas the applicant was resident in [INSERT: *Name of the country*……..], by reason of [INSERT: *Nationality, Incorporation, Situs of Management*……..], and thus non-resident in Pakistan in respect of the Tax year ending on ……..; and that Pakistan and [INSTERT: *Name of the country of residence* …….] have signed an Agreement for the Avoidance of Double Taxation and Fiscal Evasion dated…….., which entitles the applicant to a tax credit / fiscal relief in respect of the tax paid in Pakistan, in the country of his residence upon issuance of a Certificate of Payment of Tax Paid by the Competent Authority of Pakistan. The relevant details in this regard are as under, namely:-

1	Name / Nomenclature of the Applicant	
2	Country of Residence	
3	Personal Status [Individual, AOP, Company]	
4	Tax Year	
5	Particulars / details of income earned in Pakistan	
6	Total tax paid in Pakistan for the Tax Year	
7	Has any appeal been filed against the imposition of the aforementioned tax in Pakistan?	
8	Have you applied or intend to apply for the refund or adjustment of the tax paid against demand of any other year?	

Copies of the following documents in support of our claim are enclosed, namely:–

(i) Proof of income earned in Pakistan

(ii) Proof of tax paid in Pakistan

(iii) Proof of residence in the other country

Verification

I_____ son/daughter/wife of Mr. _____solemnly declare that to the best of my knowledge and belief, the information given in this application and the annexures and statements accompanying it is correct.

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

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

Date_____
Place _____ Signatures: ……..

Name: ……..

(2) The Competent Authority of Pakistan, if required, shall cause to call for a report from the Commissioner concerned.

(3) The Commissioner after verifying all the relevant facts as stated by the taxpayer in the application shall submit his report [1][within thirty days of the receipt of the application by him from the Federal Board of Revenue].

(4) The Competent Authority of Pakistan shall decide upon the request of the taxpayer, and issue a certificate of payment of tax in Pakistan, as per the Form prescribed below within forty five days of the submitting of the application, namely:-

Form of Certificate of Payment of Tax in Pakistan
issued by the Competent Authority

[CERTIFICATE OF TAX PAID IN PAKISTAN FOR PRESENTATION BEFORE THE TAX AUTHORITIES OF ……IN RESPECT OF THE TAX YEAR……]

I certify that Mr/Ms/M/s……..being non-resident in Pakistan has paid income tax in Pakistan in respect of the Tax Year ending on ……as per the following details:–

1. Name:_____
2. Address:_____
   (i). Residence:_____
   (ii) Office :_____
3. Telephone :_____(Res) _____ (Off) _____ (Fax) _____
4. National Tax No. (if any) | | | | | | | | | | | | | | |
5. Personal Status _____
6. Main Sources of Income: _____
7. Other Source(s) of Income: _____
8. Total income declared / assessed: _____
9. Total tax paid during the year: _____
10. Tax Office: LTU / RTO : _____

Note: Average exchange rate prevalent during the year was US$ 1 = PKR _____

THE COMPETENT AUTHORITY
Member (Direct Taxes)

[1]Substituted for "within fifteen days of the receipt of the application by him" by SRO 392(I)/2009 dated May 19, 2009.

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(5) After issuance of the certificate of payment of tax in Pakistan, the Commissioner shall earmark the amount of tax covered by the certificate against refund or adjustment in lieu of tax demand of the taxpayer in respect of any prior or subsequent tax year, under any circumstances.

(6) In case the Competent Authority of Pakistan decides not to issue a certificate of payment of tax in Pakistan, it shall communicate its decision along with the reasons of rejection thereof to the applicant taxpayer within sixty days of the submitting of the application at the available address in Pakistan.

19C. Certificate for tax sparing credit.[1][(1)] Where any person, non-resident in Pakistan, seeks to obtain a certificate for tax sparing credit in respect of income earned through a permanent establishment situated in Pakistan, under a provision, if any contained therein, of the Agreement for the Avoidance of Double Taxation and Fiscal Evasion between Pakistan and the country of residence of such taxpayer, may submit an application to the Competent Authority of Pakistan in the Form prescribed below, namely:-

Form of Application for Obtaining Certificate for Tax Sparing Credit

To
The Competent Authority of Pakistan,
Central Board of Revenue,
Constitution Avenue,
Islamabad.

Sir,

Whereas the applicant was resident in [INSERT: *Name of the country*……..], by reason of [INSERT: *Nationality, Incorporation, Situs of Management*……..], and thus non-resident in Pakistan in respect of the Tax year ending on ……..; and that Pakistan and [INSTERT: *Name of the country of residence* …….] have signed an Agreement for the Avoidance of Double Taxation and Fiscal Evasion dated…….., which entitles the applicant to a tax credit / fiscal relief in respect of the tax paid in Pakistan, in the country of his residence upon issuance of a Certificate of Payment of Tax Paid by the Competent Authority of Pakistan. The relevant details in this regard are as under, namely:-

1	Name / Nomenclature of the Applicant	
2	Country of Residence	
3	Personal Status [Individual, AOP, Company]	
4	Tax Year	

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[1]Figure and bracket inserted by SRO 392(I)/2009 dated May 19, 2009.

5	Particulars / details of income earned in Pakistan	
6	Admitted tax liability paid / payable in Pakistan	
	Total tax payable in Pakistan in case tax incentives / fiscal benefits would not have been allowed Has any appeal been filed against any order of any tax authority in Pakistan?	
7	Amount qualifying for normal tax credit	
8	Amount qualifying for tax sparing credit	

Copies of the following documents in support of our claim are enclosed, namely:-

(i) Proof of income earned in Pakistan

(ii) Proof of tax paid in Pakistan

(iii) Proof of residence in the other country

Verification

I_____ son/daughter/wife of Mr. _____solemnly declare that to the best of my knowledge and belief, the information given in this application 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 deciding my application.

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

Date_____
Place _____ Signatures: ……..

Name: ……..

(2) The Competent Authority of Pakistan, if required, shall cause to call for a report from the Commissioner concerned.

(3) The Commissioner after verifying all the relevant facts as stated by the taxpayer in the application shall submit his report [1][within sixty days of the receipt of the application by him from the Federal Board of Revenue].

(4) The Competent Authority of Pakistan shall decide upon the request of the taxpayer, and issue a certificate for tax sparing credit, as per the Form prescribed below within [2][ninety] days of the submitting of the application, namely:-

[1]Substituted for "within fifteen days of the receipt of the application by him" by SRO 392(I)/2009 dated May 19, 2009.

[2]Substituted for "45" by SRO 392(I)/2009 dated May 19, 2009.

Form of Certificate for Tax Sparing Credit issued by the Competent Authority

[CERTIFICATE FOR TAX SPARING CREDIT FOR PRESENTATION BEFORE THE TAX AUTHORITIES OF ……IN RESPECT OF THE TAX YEAR ……]

I certify that Mr/Ms/M/s…….. being non-resident in Pakistan has paid income tax in Pakistan in respect of the Tax Year ending on ……as per the following details:-

a. Name:_____

b. Address:_____

(i). Residence:_____

(ii) Office :_____

c. Telephone :_____(Res)_____(Off)_____(Fax)_____

d. National Tax No. (if any) | | | | | | | | | | | | | | |

e. Personal Status _____

f. Main Sources of Income: _____

g. Other Source(s) of Income: _____

h. Total income declared / assessed: _____

i. Total tax paid during the year: _____

j Total amount of tax spared_____

k. Tax Office: LTU / RTO: _____

Note:-Average exchange rate prevalent during the year was US$ 1 = PKR _____

THE COMPETENT AUTHORITY
Member (Direct Taxes)

(5) In case the Competent Authority of Pakistan decides not to issue a certificate for tax sparing credit, it shall communicate its decision along with the reasons of rejection thereof to the applicant taxpayer within sixty days of the submitting of the application at the available address in Pakistan.]

[1][**19D. Application for initiation of Mutual Agreement Procedure (MAP)**.- (1) Where a resident taxpayer , or a Pakistani national residing abroad is aggrieved by any action of the tax authorities of any country outside Pakistan with which Pakistan has signed an Agreement for the Avoidance of Double Taxation for the reason that, according to him, such action is not in accordance with the terms of the agreement with such other country outside Pakistan, he may make an

[1]Rule inserted by SRO 714(I)/2006, dated July 5, 2006, originally numbered as "19A", erroneously, later renumbered as "19D" by SRO 1032(I)/2006, dated October 3, 2006.

application to the Competent Authority in Pakistan seeking to invoke the provision of the Mutual Agreement Procedure, if any, provided therein, in the Form prescribed in rule [1][19F].

(2) The Competent Authority of Pakistan upon satisfaction that,-

(a) the taxpayer has reasonable grounds to justify Competent Authority" assistance;

(b) the application has been made within two years from the date of notification of the cause of grievance; and

(c) the double taxation or other impending grievance is more than a mere possibility;

shall cause to take up the matter with the Competent Authority of the country concerned and endeavour to resolve the matter through consultative measures.

(3) In case the Competent Authority in Pakistan decides not to intervene in the matter, it will inform the taxpayer applicant, within thirty days of the receipt of the application, of its decision and grounds thereof in writing.

(4) If during the course of mutual agreement proceedings, the Competent Authority of the other country requires any clarification, verification of facts, or guarantees, that shall be communicated to the applicant taxpayer, and after the receipt of the same shall be passed on to the Competent Authority of the other country.

(5) At any time, if the terms and conditions of the impending resolution are not satisfactory to the taxpayer, he may withdraw from the MAP proceedings and pursue any right of appeal under the normal course available.

(6) The Competent Authority of Pakistan would communicate the outcome of the Mutual Agreement Proceedings taken up with the other country to the applicant taxpayer in writing.]

[2][**19E. Action by the Competent Authority of Pakistan on an application received through the Competent Authority of a treaty partner country.–** (1) Where a reference is received from the Competent Authority of a country outside Pakistan under an agreement with that country with regard to any action taken by any income-tax authority in Pakistan, the Competent Authority in Pakistan shall call for a report from the Commissioner concerned and, if required, examine the relevant records, and shall endeavour to arrive at a resolution of the case on unilateral basis in terms of the liberal interpretation of the legal provisions applicable.

(2) The Competent Authority of Pakistan shall entertain all such requests from the Competent Authority of a treaty partner country that are about but not limited to -

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[1]Substituted for "19C" by SRO 1032(I)/2006, dated October 3, 2006.

[2]Rule inserted by SRO 714(I)/2006, dated July 5, 2006, originally numbered as "19B", erroneously, later renumbered as "19E" by SRO 1032(I)/2006, dated October 3, 2006.

(a) tax demands that have arisen or are likely to arise as a result of a tax audit, assessment or re-assessment proceedings, or a tax appeal, or a review by a Commissioner of Income Tax of an assessment or re-assessment proceedings on the grounds that it is prejudicial to the interest of the revenue;

(b) withholding tax on income or other similar advance taxes that are levied under the Ordinance; and.

(c) interpretation and application of any provision of the laws governing the taxes covered in the relevant treaty as applicable to the non-resident person.

(3) The Competent Authority of Pakistan may decline a MAP request made by the Competent Authority of a treaty partner country, if it is not received within two years from the date of notification of the order or notice giving rise to the cause of grievance.

(4) In case the Competent Authority of Pakistan cannot resolve the matter on unilateral basis, it would cause to communicate with the Competent Authority of the other country, and both authorities would endeavor to resolve the matter through a consultative process, and arrive at a mutually agreed settlement.

(5) If during the course of the mutual agreement proceedings, the Competent Authority of Pakistan requires any clarification, verification of facts, or an irrevocable bank guarantee, the same shall be communicated to the applicant taxpayer, under intimation to the Competent Authority of the country through which the reference for mutual agreement proceedings was received.

(6) Wherever required the Competent Authority of Pakistan shall give an opportunity of being heard to the applicant taxpayer in person, through an authorized representative or a counsel.

(7) The resolution arrived at under mutual agreement procedure, in consultation with the competent authority of the country outside Pakistan, shall be communicated, wherever necessary, to the Commissioner concerned, in writing.

(8) During the pendency of the Mutual Agreement proceedings the Competent Authority of Pakistan may, depending on the merits of each case, direct the Commissioner concerned to put on hold the recovery proceedings of any amount of tax, additional tax or penalty that may be outstanding against such taxpayer, if the taxpayer furnishes, as security, an irrevocable Bank Guarantee issued by any scheduled bank, or a Pakistani branch of a foreign bank approved by the State Bank of Pakistan to carry out business of banking in Pakistan as prescribed in rule [1][19G].

(9) The amount of the irrevocable Bank Guarantee shall be equal to-

(a) the amount of tax, additional tax or penalty as has been imposed through the order or notice that is the subject matter of MAP proceedings; or

[1]Substituted for "19D" by SRO 1032(I)/2006, dated October 3, 2006.

(b) if no amount has yet been imposed through an order or notice, the amount determined by the Commissioner concerned.

(10) The Competent Authority of Pakistan shall endeavour to resolve or close the case within a period of one year from the date on which it receives the reference under the Mutual Agreement Procedure provision as contained in the Agreement for Avoidance of Double Taxation between Pakistan and that other state.

(11) The effect to the resolution arrived at under Mutual Agreement Procedure shall be given by the Commissioner, notwithstanding any time limitations contained in the Ordinance, within thirty days of receipt of the same, if the taxpayer-

(a) gives his acceptance to the resolution delivered under the Mutual Agreement Procedure; and

(b) withdraws his appeal, if any, pending on the issue which was the subject matter for adjudication under Mutual Agreement Procedure.

(12) The amount of tax, additional tax or penalty already determined shall be recomputed in accordance with the decision taken under the Mutual Agreement Procedure in the manner laid down in the Ordinance and the rules in such a way that it does not contravene or negate the resolution arrived at.

(13) The Commissioner concerned shall draw-down upon the Bank Guarantee as specified in sub-rule (8) in writing within ten days from the notice of acceptance of MAP resolution given by the application in pursuance to the issuance of the resolution or notification of closure of the MAP proceedings by the Competent Authority of Pakistan.]

[1][**19F**]**. Form of application for initiation of MAP Proceedings.**– Application under rule 19A shall be submitted on the form prescribed as under:

To
The Competent Authority of Pakistan,
Central Board of Revenue,
Constitution Avenue,
Islamabad.

Sir,

Whereas the applicant is aggrieved by the action of the tax authority of _____ (name of the country) in respect of the tax year ending on _____ for the reasons given hereunder, the matter may kindly be taken up with the competent authority of _____ (name of the country) under Article _____ of the _____ (specify the agreement) between Pakistan and _____ (name of the country). The relevant details in this regard are as under:–

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[1]Rule inserted by SRO 714(I)/2006, dated July 5, 2006, originally numbered as "19C", erroneously, later renumbered as "19F" by SRO 1032(I)/2006, dated October 3, 2006.

Name of the applicant	
Present and permanent address in Pakistan	
Residential status or nationality	
CNIC and NTN	
Entitlement to invoke MAP Proceedings (Residence or Nationality)	
Telephone No.	
Name and designation of Tax Authority in the foreign country (Treaty Partner)	
Date of the notice or order giving rise to the action	
Is the order or action of the income-tax authority of the country outside Pakistan not in accordance with the agreement? If so, the reasons thereof (attach separate sheet if required).	
Have you filed any appeal in the foreign country against the order or notice giving rise to the cause of grievance?	

Copies of the following documents in support of our claim are enclosed, namely:-

(1) Order or Notice giving rise to the cause of grievance

(2) Computerized National Identity Card

(3) ……

Verification

I_____ son/daughter/wife of Mr. _____solemnly declare that to the best of my knowledge and belief, the information given in this application 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 deciding my application.

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

Date _____

Place _____ Signatures:……..

Name: ……..]

[1][**19G**]. **Form of Irrevocable Bank Guarantee.-** An irrevocable Bank Guarantee shall be furnished in all cases, unless specifically exempted by the Competent Authority of Pakistan, on the format as prescribed as under:

To

The President of Pakistan
acting through and represented
by the Commissioner [2][Inland Revenue],
[INSERT: ***LTU / RTO]***
Government of Pakistan
[INSERT: City]

Bank Guarantee

Bank Guarantee as security for keeping the recovery of Tax Demand in abeyance during the pendency of the proceedings of Mutual Agreement Procedure (MAP) under the Agreement for Avoidance of Double Taxation.

This Deed of Bank Guarantee made this …….. day of ……, 20……., by *[INSERT: Name and Address of Guaranteeing Bank]* (hereinafter called "the Bank", which expression shall, unless excluded by or repugnant to the context, include its successors and assignees) to the President of Pakistan acting through and represented by the Commissioner [3][ ] [INSERT: *LTU/RTO*], Government of Pakistan, [INSERT: *City*], (hereinafter called "the Government").

WHEREAS the Government has agreed that [INSERT: *Name, Address, and National Tax Number of the Taxpayer*] (hereinafter called "the Taxpayer", which expression shall, unless excluded by or repugnant to the context, include its successors and assignees) shall furnish a Bank Guarantee in respect of a demand of Rs. [INSERT: *Amount of Tax in dispute*] for the tax year(s) ……., in lieu of which the recovery of any part of such demand shall not be enforced until thirty days after the Commissioner receives written notice of the MAP Agreement arrived at between the Competent Authorities of the Governments of Pakistan and the [INSERT: *Name of the Country*]

AND WHEREAS THE Bank has, at the request of the Taxpayer, agreed to execute these presents:

NOW THEREFORE THIS DEED WITNESSES AS FOLLOWS:

In consideration of the Government agreeing to treat the Taxpayer as not in default for Rs. [INSERT: *Amount of Tax in dispute, plus interest specified in paragraph 1 below*] for the tax year(s) ……,

1. The Bank irrevocably guarantees and undertakes, for the term provided in paragraph 2 that the Bank shall indemnify and keep indemnified the Government to the extent of the said sum of Rs [INSERT:

8-118-05-01-16

[1]Rule inserted by SRO 714(I)/2006, dated July 5, 2006, originally numbered as "19D", erroneously, later renumbered as "19G" by SRO 1032(I)/2006, dated October 3, 2006.
[2]Substituted for "Income Tax Enforcement" by SRO 1218(I)/2015 dated December 08, 2015.
[3]Words "Income Tax Enforcement" deleted by SRO 1218(I)/2015 dated December 08, 2015.

Amount of Tax in dispute] (Rupees [written text] and the recurring additional tax accruing at the rate specified in the Ordinance. The Bank further guarantees and undertakes that on advice from the Government that the Taxpayer has failed and neglected to observe any of its obligations to the Government with regard to the terms and conditions of any agreements between the Taxpayer and the Government or between the Competent Authority of Pakistan and that of the country on whose request MAP proceedings were initiated that may underlie or subsequently cover and encompass this Bank Guarantee, the decision of the Government as to whether any amount should be paid out by the Bank to the Government hereunder shall be final and binding.

2. The Bank further agrees that the guarantee herein contained shall remain in full force and effect for a period of one year from the date hereof or till [INSERT: *date*]; and if the Government, in case the MAP proceedings are not finalized till the aforementioned date, does not receive a renewal of this Bank Guarantee or a substitute Bank Guarantee for the amounts of tax and interest in dispute prior to thirty days before the expiration date of this Bank Guarantee, the Government may instruct the Bank to pay the guaranteed amounts prior to expiration of the Bank Guarantee.

Provided that, notwithstanding any other thing contained herein, the liabilities of the Bank shall be limited to the maximum of the guaranteed amount of Rs. [INSERT: A*mount of tax in dispute] (Rupees [*INSERT: *written text*]), as increased by interest pursuant to paragraph 1 during the term of this Bank Guarantee; and unless a claim in writing is lodged with the Bank, or action to enforce the claim under the guarantee is filed or initiated against the Bank, within six months from the date of expiry of the guarantee period fixed hereunder or where such period is extended under the terms of this guarantee from the date of such extended period as the case may be, all the rights of the Government under this guarantee shall be forfeited and the Bank shall be relieved and discharged from liabilities hereunder.

3. The obligations of the Bank to the Government under this Bank Guarantee will terminate on issuance of the Notification by the Commissioner drawing down upon the bank guarantee upon the occurrence of any of the following; namely:-

(i) the payment by the Bank or the Taxpayer to the Government of the guaranteed amounts;

(ii) the payment by the taxpayer to the government of all amounts owed, as agreed to by the Competent Authorities in a MAP Agreement;

(iii) a MAP Agreement by the Competent Authorities proclaiming that the government will not seek to recover any part of the previously-demanded amount; or

8-118-05-01-16

(iv) the taxpayer furnishes to the Government a fresh security from the Bank, or a similar security from another Bank.

4. The guarantee herein contained shall not be discharged or affected by any change in the constitution either of the taxpayer or of the Bank.

5. The Government shall have the fullest liberty without affecting the guarantee to postpone for any time, or from time to time, any of the powers exercisable by it against the taxpayer, or to either enforce or forbear any of the terms and conditions under this guarantee or under the Ordinance and the rules, and the Bank shall not be released from its liabilities under this guarantee by any exercise by the government of the liberty with reference to the matter aforesaid or by reasons of time being given to the taxpayer, or by any other act of forbearance or enforcement on the part of the Government, or by any indulgence by the Government to the taxpayer, or by any other matter or thing whatsoever which under the law relating to sureties would but for these provision have the effect of so releasing the Bank from its such liability.

6. The Bank hereby agrees and undertakes that any claim which the Bank may have against the taxpayer shall be subject and subordinate to the prior payment and performance in full of all the obligations of the Bank hereunder and the Bank will not without prior written consent of the Government exercise any legal rights or remedies of any kind in respect of any such payment or performance so long as the obligations of the Bank hereunder remain owing and outstanding, regardless of the insolvency, liquidation or bankruptcy of the taxpayer or otherwise howsoever. The Bank will not counter claim or set off against its liabilities to the Government hereunder any sum outstanding to the credit of the Government with it.

7. This Bank Guarantee shall be governed by and construed in accordance with the laws of the Islamic Republic of Pakistan (without regard to its principles of conflict of laws).

8. The Bank undertakes not to revoke this guarantee during its currency except with the prior consent of the Government in writing.

9. Notwithstanding anything hereinbefore contained liability of the Bank under this guarantee is restricted to Rs. [INSERT: *Amount of Tax in dispute, plus interest specified in paragraph 1 above*] (Rupees [*written text*]) and is valid for the period(s) described in paragraph 2 above. Unless a demand or claim under this guarantee is lodged with the Bank on or before [INSERT: *date, as established in paragraph 2 above*], all rights of the Government under the said guarantee shall be forfeited and the Bank shall be relieved and discharged from all liabilities thereunder whether or not this document shall have been returned to the Bank.

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IN WITNESS WHEREOF, the Bank, through its duly authorized representative, has set its hand stamp on this ……day of …… ……...at ……

i. Witness For and on behalf of the Bank

Signature…… Signature.……

Name…… Name …….

Designation ……

ii. Witness [Attorney per power of Attorney No

Signature …… …… Date……....]

Name……]

[1][**19H. Application of this rule**:- (1) This rule applies for the purposes of [2][sub-section (7) of section 37 and] subsections (5), (6) and (7) of section 101A to prescribe:

(a) documents and statement for information required to be furnished to the Commissioner under sub-section (7) of section 101A;

(b) fair market value of the assets for the purposes of sub-section (5) of section 101A; [3][ ]

(c) determination of reasonable attribution of income of the nonresident in respect of assets located in Pakistan for the purposes of sub-section (6) of section 101A [4][; and]

[5][(d) fair market value of shares for the purposes of subsection (7) of section 37.]

(2) The value of a share or interest as mentioned in sub-section (5) of section 101A shall be computed in the following manner, namely:-

(a) in case shares or securities are traded on any stock exchange and the transaction is carried out through the stock exchange, fair market value of such shares and securities shall be the transaction value as recorded in such stock exchange on the date of transaction;

(b) in case shares or securities are traded on any stock exchange and the transaction is not carried out through the stock exchange, fair market value of such shares and securities shall be the market price (day-end price) of such shares or securities traded on stock exchange on the date of transaction:

Provided that if the shares or securities are not traded on the stock exchange on the date of transaction, fair market value of such shares and securities shall be the market price (day-end price) of such shares or securities traded on a date immediately preceding the date of transact ion when such shares and securities were traded on the stock exchange.

(c) in case shares or securities are not traded on any stock exchange and the shares arc equity shares, the fair market value shall be computed according to (he following formula, namely:-

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[1]Rule 19H inserted by SRO 960(I)/2021 dated August 02, 2021.
[2]Words inserted by SRO 776(I)/2023 dated June 27, 2023.
[3]Word "and" deleted by SRO 776(I)/2023 dated June 27, 2023.
[4]Full stop substituted by SRO 776(I)/2023 dated June 27, 2023.
[5]Clause (d) inserted by SRO 776(I)/2023 dated June 27, 2023.

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(A + B + C - D) E/F

where-

A book value of all assets, other than those mentioned in component B;

B fair market value under section 68 in respect of:

(i) immovable property; and

(ii) assets as mentioned in subsection (5) of section 38 under section 68;

C fair market value of shares and securities as computed in this sub-rule;

D book value of liabilities shown in the balance sheet excluding contingent liabilities, provisions made for meeting liabilities, paid-up capital regarding equity shares, reserves and surpluses, amount set apart for dividends where such dividends (regarding equity as well as preference shares) have not been declared and provision made for taxation;

E paid-up value of equity shares; and

F paid-up equity share capital.

(d) in case shares or securities are not traded on any stock exchange and the shares are not equity shares, the fair market value shall be estimated to be price it would retch if sold in the open market on the date of transaction:

Provided that where the Commissioner is not satisfied with the valuation, the Commissioner may appoint any expert as is considered necessary for the purposes of obtaining valuation under section 222.

(c) in case or interest by a member in an association or persons, the fair market value shall be computed in the following manner, namely:-

A+B

where-

A capital contributed by the member in the association of persons;

B share of the member in the value of the association of persons as is in excess of capital contributed.

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(f) value of the association of persons, as mentioned in clause (e) shall be computed in accordance with any internationally accepted valuation methodology:

Provided that where the Commissioner is not satisfied with the valuation or the valuation methodology, the Commissioner may appoint any expert as is considered necessary for the purposes of obtaining valuation under section 222.

(g) If the transaction value of the share is higher than the value of share determined under this rule, then the value of a share shall be the transaction value of the share.

(3) For the purpose of sub-section (6) of section 101A, income attributable to assets located in Pakistan shall be computed according to the following formula, namely:-

(A/B) x C

where-

A Income from the transfer of share of, or interest in, computed in accordance with the provisions of section 101, as if, such share or interest is located in Pakistan;

B fair market value of assets located in Pakistan from which the share or interest referred to in A derives its value substantially

C fair market value of all the assets of the company, computed under these rules.

(4) If the taxpayer required to furnish information under sub-section (7) or under these rules or transferor of the share or interest in the company or the entity tails to provide the information required under section 101 or under these rules the gain shall be computed in such manner as the Commissioner deems appropriate on the basis of whatever information available or obtained from any person or source.

(5) Every taxpayer through which a non-resident company holds, directly or indirectly, assets, the value of which is derived, wholly or principally from the assets located in Pakistan and the non- resident company disposes of the asset, the taxpayer shall furnish to the Commissioner within sixty days of the transaction of disposal or alienation of the asset by the non-resident company, the information and documents as specified in Form A of this rule:

Provided that where the said period of sixty days has already expired before coming into force of this rule, and the transaction has been made after first of July, 2018, the information and documents specified in Form A shall be furnished within thirty days of coming into force of this rule.

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(6) The provisions of Division IV of Part V of Chapter X and section 205 shall apply, *mutatis mutandis*, to the person required to deduct tax under sub-section (8) of section 101A and company required to collect tax under sub-section (9) of section 101A.

[1][(7) For the purpose of determining fair market value of shares under sub-section (7) of section 37, component D in the formula in clause (c) of sub-rule (2) shall be taken as zero.

(8) State Bank of Pakistan shall not allow transfer or registration of repatriable shares unless prescribed certificate from the Commissioner, to the effect that the tax liability under sub-sections (6) to (10) of section 37 is discharged, is provided by the person selling the shares.]

[2][**19I. Application of this rule**.- (1) This rule applies for the purposes of second proviso to sub-section (1) of section 37A.

(2) Section 37A shall not apply to the disposal of shares of listed companies otherwise than through registered stock exchange and which are not settled through NCCPL.

(3) For the purposes of second proviso to sub-section (1) of section 37A, "shares of a listed company" shall not include units of a mutual fund or collective investment scheme or a REIT scheme or derivative products and provisions of section 37A shall remain applicable on disposal of such units, schemes or products.

Explanation.- It is clarified that the provisions of section 37A shall remain applicable on transactions of shares of listed companies as recorded in the system of NCCPL and reported in accordance with Eighth Schedule of the Income Tax Ordinance 2001.]

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[1]Sub-rules (7) & (8) inserted by SRO 776(I)/2023 dated June 27, 2023.
[2]Rule 19I inserted by SRO 776(I)/2023 dated June 27, 2023.

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Form A

[To be filled and furnished along with required documents as per section 107(7)]

Part I

(Taxpayer's Information)

Name and address of the taxpayer required to furnish information under section 101(7) _____

NTN _____

Details of the transaction / asset(s) disposed of _____

_____

Please attach the following documents and information with this form:

(a) Balance Sheet and financial statements of the latest accounting period/tax year of the buyer and the seller

(b) Copy of the Agreement of the transaction

(e) Summary of all written and oral agreements and understandings relating to the transaction

Part II

(Seller's Information)

Name and full particulars of the person _____

Whether the person is Resident or Non-resident _____

Address of the person and country of residence _____

Nature of asset disposed of by the seller _____

Whether the asset was disposed of at fair market value _____

Total Gross Consideration received _____

(including consideration in kind or waiver of any liability etc.)

Part III

Buyer's Information

Name and full particulars of the person _____

Whether the person is Resident or Non-resident _____

Address of the person and country of residence. _____

Nature of asset required _____

Whether the asset was acquired at fair market value _____

Total Gross Consideration paid, _____

(including consideration in kind or waiver of any liability etc.)

Whether independent valuation of the asset was made (Yes/No) _____

if Yes, please provide the copy of independent valuation

if No, what was the basis of valuation of the asset _____

Place/country where transaction was completed, _____.]

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CHAPTER – VI

TRANSFER PRICING

20. Application of this Chapter.– This Chapter applies for the purposes of section 108 mainly , which provide the Commissioner with the power to distribute, apportion or allocate income, expenditures or tax credits between associates in respect of transactions not made in accordance with the arm's length principle.

21. Interpretation.– (1)* In this Chapter,

(a) "comparable uncontrolled transaction", in relation to a controlled transaction, means an uncontrolled transaction that satisfies one of the following conditions, namely:–

(i) the differences (if any) between the two transactions or between persons undertaking the transactions do not materially affect the price in the open market, the resale price margin or the cost plus mark up, as the case may be; or

(ii) if the differences referred to in sub-clause (i) do materially affect the price in the open market, the resale price margin or the cost plus mark up, as the case may be, then reasonably accurate adjustments can be made to eliminate the material effects of such differences;

(b) "controlled transaction" means a transaction between associates;

(c) "transaction" means any sale, assignment, lease, license, loan, contribution, right to use property or performance of services;

(d) "uncontrolled persons" means persons who are not associates; and

(e) "uncontrolled transaction" means a transaction between uncontrolled persons.

22. Subject to the other rules in this Chapter, the Commissioner, in applying this Chapter shall also be guided by international standards, case law and guidelines issued by the various tax-related internationally recognized organizations.

23. Arm's length standard.– (1) In determining the income of a person from a transaction with an associate, the standard to be applied by the Commissioner shall be that of a person dealing at arm's length with a person who is not an associate (referred to as the "arm's length standard").

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(2) A controlled transactions shall meet the arm's length standard if the result of the transaction is consistent with the result (referred to as the arm's length result") that would have been realized if uncontrolled persons had engaged in the same transaction under the same conditions.

* erroneous numbering as there is no sub-rule (2).

(3) Subject to sub-rule (6), the following methods shall apply for the purposes of determining an arm's length result, namely:–

(a) the comparable uncontrolled price method;

(b) the resale price method;

(c) the cost plus method; or

(d) the profit split method.

(4) The method in clause (d) shall apply only where the methods in clauses (a), (b) and (c) cannot be reliably applied.

(5) As between clauses (a), (b) and (c), the method that, having regard to all the facts and circumstances, provides the most reliable measure of the arm's length result as in the opinion of Commissioner shall be applied.

(6) Where the arm's length result cannot be reliably determined under one of the methods in sub-rule (3), the Commissioner may use any method provided it is consistent with the arm's length standard.

24. Comparable uncontrolled price method.– The comparable uncontrolled price method determines whether the amount charged in a controlled transaction gives rise to an arm's length result by reference to the amount charged in a comparable uncontrolled transaction.

25. Resale price method.– (1) The resale price method determines whether the amount charged in a controlled transaction gives rise to an arm's length result by reference to the resale gross margin realized in a comparable uncontrolled transaction.

(2) The following steps shall apply in determining the arm's length result under the resale price method, namely:–

(a) determine the price that a product purchased from an associate has been sold to a person who is not an associate (referred to as the "resale price"); and

(b) from the resale price is subtracted a gross margin (referred to as the "resale gross margin") representing the amount that covers the person's selling and other operating expenses and, in light of the functions performed (taking into account assets used and risks assumed), make an appropriate profit; *

(c) from that amount is subtracted any other costs associated with the purchase of the product, such as customs duty; and

(d) the amount remaining is the arm's length result.

(3) The resale price margin of a person in a controlled transaction may be determined by reference to:–

(a) the resale price margin that the person earns on products purchased and sold in a comparable uncontrolled transaction; or

(b) the resale price margin that an independent person earns in comparable uncontrolled transaction.

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* apparently intended word "and" is missing.

26. Cost plus method.– (1) The cost plus method determines whether the amount charged in a controlled transaction gives rise to an arm's length result by reference to the cost plus mark up realised in a comparable uncontrolled transaction.

(2) The following steps shall apply in determining the arm's length result under the cost plus method, namely:–

(a) determine the costs incurred by the person in a controlled transaction; and

(b) to this amount is added a mark up (referred to as the "cost plus mark up") to make an appropriate profit in light of the functions performed and market conditions; and

(c) the sum of the amounts referred to in clauses (a) and (b) is the arm's length result.

(3) The cost plus mark up of a person in a controlled transaction may be determined by reference to:–

(a) the cost plus mark up that the person earns in a comparable uncontrolled transaction; or

(b) the cost plus mark up that an independent person earns in comparable uncontrolled transaction.

27. Profit split method.– (1) The profit split method may be applied where transactions are so interrelated that the arm's length result cannot be determined on a separate basis.

(2) The profit split method determines the arm's length result on the basis that the associates form a firm and agree to divide profits in the manner that independent persons would have agreed on the basis that they are dealing with each other at arm's length.

(3) The Commissioner may determine the division of profits on the basis of a contribution analysis, a residual analysis or on any other basis as appropriate having regard to the facts and circumstances.

(4) Under contribution analysis, the total profits from controlled transactions shall be divided on the basis of the relative value of the functions performed by each person participating in the controlled transactions.

(5) Under residual analysis, the total profits from controlled transactions shall be divided as follows:–

(a) each person shall be allocated sufficient profit to provide the person with a basic return appropriate for the type of transactions in which the person is engaged; and

(b) any residual profit remaining after the allocation in clause (a) shall be allocated on the basis of division between independent persons determined having regard to all the facts and circumstances.

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(6) For the purposes of clause (a) of sub-rule (5), the basic return shall be determined by reference to market returns achieved for similar types of transactions by independent persons.

[1][CHAPTER - VIA
DOCUMENTATION AND COUNTRY-BY-COUNTRY REPORTING REQUIREMENTS

PART-I
PRELIMINARY

27A. Application of this chapter:- (1) This chapter shall apply for the purposes of sub-sections (3) to (5) of section 108.

(2) The purpose of this Chapter is to prescribe documents, information, files and reports which certain taxpayers are required to keep, maintain and furnish to the [2][Board and the] Commissioner under sub-sections (3) to (5) of section 108.

(3) Nothing in this Chapter shall preclude a taxpayer accounting for income chargeable under the Ordinance, from-

(a) maintaining any books of account, documents or records in addition to those prescribed in these rules; or

(b) maintaining the books of account, documents or records in the manner prescribed keeping in view the head of the income of the taxpayer and, wherever applicable, the nature of the taxpayer's business.

(4) **Definitions**.- In this Chapter,-

(a) "consolidated financial statements" mean the financial statements of an MNE group in which the assets, liabilities, income, expenses and cash flows of the ultimate parent entity and the constituent entities are presented as those of a single economic entity;

(b) "competent authority agreement" means an agreement,-

(i) that is between authorised representatives of those foreign jurisdictions that are parties to an international agreement with Pakistan; and

(ii) that provides legal authority for the automatic exchange of country-by-country reports between the party jurisdictions;

(c) "constituent entity" means,-

(i) any separate entity of an MNE group that is included in the consolidated financial statements of the MNE group for financial reporting purposes or would be so included if equity interests in such business unit of an MNE group were to be traded on a stock exchange;

[1]Chapter VIA – Rules 27A to 27O inserted by SRO 1191(I)/2017 dated November 16, 2017.
[2]Words inserted by SRO 144(I)/2018 dated February 09, 2018.

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(ii) any such entity that is excluded from the MNE group's consolidated financial statements solely on size or materiality grounds; and

(iii) any permanent establishment of any separate entity of the MNE group included in sub-clauses (i) or (ii), provided the entity prepares a separate financial statement for such permanent establishment for financial reporting, regulatory, tax reporting or internal management control purposes;

[1][*Explanation*.-The expression "constituent entity resident in Pakistan" wherever appearing in this Chapter shall include permanent establishment in Pakistan of a non-resident person.]

(d) "country-by-country report" means a report in respect of an MNE group, containing-

(i) the aggregate information in respect of the amount of revenue, profit or loss before income tax, amount of income tax paid, amount of income tax accrued, stated capital, accumulated earnings, number of employees and tangible assets not being cash or cash equivalents, with regard to each country or territory in which the group operates;

(ii) the details and identification of each constituent entity of the group including the country or territory in which such constituent entity is incorporated or organised or established and the country or territory where it is resident; and

(iii) detailed description of the nature and details of the main business activity or activities of each constituent entity; and

[2][(e) "entity" means a company or an association of persons;]

(f) "fiscal year" means-

(i) a tax year, in a case where the ultimate parent entity or surrogate parent entity is resident of Pakistan; and

(ii) an annual accounting period with respect to which the ultimate parent entity of the MNE group prepares its financial statements under any law for the time being in force or the applicable accounting standards of the country or territory of which such entity is a resident, in case the ultimate parent entity or surrogate parent entity is not resident of Pakistan;

(g) "group" means a collection of entities related through ownership or control, such that-

[1]Words inserted by SRO 144(I)/2018 dated February 09, 2018.

[2]Clause (e) substituted by SRO 144(I)/2018 dated February 09, 2018. Before substitution read as follows:-

"(e) "entity" includes a company;"

(i) it is either required to prepare consolidated financial statements for financial reporting purposes under any law for the time being in force or the accounting standards of the country or territory of which the parent entity is resident; or

(ii) would have been required to be prepared had the equity shares of any of the entity were listed on a stock exchange in the country or territory of which the parent entity is resident;

(h) "international agreement" means an agreement referred to in sub-section (1) of section 107 and includes the Multilateral Convention for Mutual Administrative Assistance in Tax Matters, any bilateral or multilateral tax convention or any Tax Information Exchange Agreement to which Pakistan is a party and that by its terms provides legal authority for the exchange of tax information between jurisdictions, including automatic exchange of such information;

(i) "MNE group" means any group that-

(i) includes two or more entities the tax residence for which is in different jurisdictions or includes an entity that is resident for tax purposes in one jurisdiction and is subject to tax with respect to the business carried out through a permanent establishment in another jurisdiction; and

(ii) has a total consolidated group revenue equivalent to seven hundred and fifty million euros or more, or an equivalent amount in Pakistan Rupees, during the fiscal year immediately preceding the reporting fiscal year as reflected in its consolidated financial statements for such preceding fiscal year;

[1][(j) "related party" means an associate as defined in section 85 of the Ordinance.]

[2][(k)] "reporting entity" means the constituent entity including the parent entity or the surrogate parent entity or any constituent entity under rule 27D, that is required to file a country-by-country report in its jurisdiction of tax residence on behalf of the MNE group;

[2][(l)] "reporting fiscal year" means that fiscal year, the financial and operational results of which are reflected in the country-by-country report;

[2][(m)] "surrogate parent entity" means any constituent entity of the MNE group that has been designated by such MNE group, in place of the ultimate parent entity, to file the country-by-country reports in the country or territory in which the said constituent entity is resident, on behalf of such MNE group;

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[1]Clause (j) inserted by SRO 144(I)/2018 dated February 09, 2018.

[2]Clauses (j) to (n) renumbered as (k) to (o) respectively by SRO 144(I)/2018 dated February 09, 2018.

[1][(n)] "systemic failure" with respect to a country or territory means that the country or territory has a competent authority agreement in effect with Pakistan, for automatic exchange of country-by-country reports, but-

(i) has suspended automatic exchange, for reasons other than those that are in accordance with the terms of that agreement; or

(ii) otherwise persistently failed to automatically provide to Pakistan country-by-country reports in its possession of MNE groups that have constituent entity or entities in Pakistan;

[1][(o)] "ultimate parent entity" means a constituent entity of an MNE group that meets the following criteria, namely:-

(i) it owns directly or indirectly a sufficient interest in one or more constituent entities of such MNE group such that it is required to prepare consolidated financial statements under any law for the time being in force or the accounting standards of the country or territory of which the entity is resident or it would have been required to prepare a consolidated financial statement had the equity shares of any of the enterprises were listed on a stock exchange in the country or territory of which the entity is resident; and

(ii) there is no other constituent entity of such MNE group that owns directly or indirectly an interest described in sub-clause (i) in the first mentioned constituent entity.

PART-II

COUNTRY-BY-COUNTRY REPORTING REQUIREMENTS

27B. For every fiscal year, every constituent entity resident in Pakistan, if the constituent entity is not the ultimate parent company or the surrogate parent entity, shall furnish to the Board, on or before the date the constituent entity is required to file return under section 118, the details of the ultimate parent entity or the surrogate parent entity of the MNE group and the country or territory of which the said entities are resident:

Provided that for fiscal year relating to tax year 2017, the information shall be provided by [2][twenty eight] day of February, 2018.

27C. For every fiscal year, every constituent entity resident in Pakistan, if the constituent entity is the ultimate parent company or the surrogate parent entity, shall furnish to the Board, on or before the date the constituent entity is required to file return under section 118, the information whether the constituent entity is an ultimate parent entity or the surrogate parent entity:

[1]Clause (n) renumbered as (o) by SRO 144(I)/2018 dated February 09, 2018.

Provided that for fiscal year relating to tax year 2017, the information shall be provided by [1][twenty eight] day of February, 2018 [2][:]

[3][Provided further that a constituent entity, being a surrogate parent entity, shall furnish to the Board, on or before the date the surrogate parent entity is required to file return under section 118, the details of the ultimate parent entity of the MNE group and the country or territory of which the said entity is resident.]

27D. (1) Every ultimate parent entity or the surrogate parent entity resident in Pakistan shall, for every reporting fiscal year in respect of the MNE group of which it is a constituent entity, furnish country-by-country report to the Board on or before the due date specified under rule 27G.

(2) The Board, for every reporting fiscal year in respect of every MNE group, whose ultimate parent entity or the surrogate parent entity resident in Pakistan is required to furnish country-by-country report under sub-rule (1) or the constituent entity under rule 27E, shall transmit and exchange country-by-country reports to the jurisdictions that are parties to the competent authority agreement as defined in clause (b) of sub-rule (4) of rule 27A, on or before the due date specified under rule 27G.

(3) The requirements under sub-rules (1) and (2) shall be for reporting fiscal years relating to tax year 2017 and onwards [4][:]

[5][Provided that the provisions of this chapter shall not apply to tax year 2017 if it commences before first day of January, 2016.]

27E. A constituent entity resident in Pakistan, which is neither the ultimate parent entity nor the surrogate parent entity of an MNE group, shall file a country-by-country report to the Board with respect to the reporting fiscal year of an MNE group of which it is a constituent entity, on or before the date specified under rule 27G, if -

(a) the ultimate parent entity of the MNE group is not obligated to file a country-by-country report in the country or territory of which the ultimate parent entity is a resident;

(b) the country or territory in which the ultimate parent entity is resident has an international agreement to which Pakistan is a party but does not have a competent authority agreement to exchange country-by-country report; or

(c) there has been a systemic failure of the country or territory of which the ultimate parent entity is a resident and the said failure has been intimated by the Board to such constituent entity:

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[1]Substituted for "fifteen" by SRO 144(I)/2018 dated February 09, 2018.
[2]Substituted for full stop by SRO 144(I)/2018 dated February 09, 2018.
[3]Proviso inserted by SRO 144(I)/2018 dated February 09, 2018.
[4]Substituted for full stop by SRO 144(I)/2018 dated February 09, 2018.
[5]Proviso inserted by SRO 144(I)/2018 dated February 09, 2018.

Provided that where there are more than one constituent entities of the same MNE group that are resident in Pakistan and one or more of the above conditions apply, the MNE group may designate one of such constituent entities to furnish the country-by-country report to the Board with respect to any reporting fiscal year on or before the date specified under rule 27G and to intimate in writing to the Board that the filing is intended to satisfy the filing requirement of all the constituent entities of such MNE group that are resident in Pakistan [1][:]

[2][Provided further that the provisions of this rule shall not apply to a constituent entity if the ultimate parent entity or the surrogate parent entity of the constituent entity is not required to file country-by-country report in its jurisdiction of residence only for the reason that as per rules of the jurisdiction of the ultimate parent entity or the surrogate parent entity, total consolidated group revenue, in near equivalent amount in domestic currency, is less than seven hundred and fifty million euros.]

27F. The provisions of rule 27E shall not apply, if a surrogate parent entity of the MNE group has furnished a country-by-country report with respect to any reporting fiscal year with the tax authority of country or territory of which the surrogate parent entity is a resident on or before the date specified under rule 27G and satisfies the following conditions, namely:-

(a) the surrogate parent entity is required to file the country-by-country reports in the country or territory in which such entity is resident;

(b) the country or territory in which the surrogate parent entity is resident has a competent authority agreement with Pakistan;

(c) the country or territory in which the surrogate parent entity is resident has not intimated the Board of a systemic failure;

(d) the country or territory in which the surrogate parent entity is resident has been intimated in writing by the said entity that it is the surrogate parent entity designated by the MNE group; and

(e) the Board has been intimated in accordance with rule [3][27B].

27G. (1) The country-by-country report required to be filed under this chapter shall be filed not later than twelve months after the last day of the reporting fiscal year of the MNE group, in the manner and as provided in Form A and Tables specified in the Schedule to this Chapter:

Provided that for tax year 2017 country-by-country report required to be filed under this chapter shall be filed [4][not later than fifteen months after the last day of the reporting fiscal year of the MNE group] [5][:]

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[1]Substituted for full stop by SRO 144(I)/2018 dated February 09, 2018.
[2]Proviso inserted by SRO 144(I)/2018 dated February 09, 2018.
[3]Substituted for "27D" by SRO 144(I)/2018 dated February 09, 2018.
[4]Substituted for "by thirty first day of March, 2018" by SRO 144(I)/2018 dated February 09, 2018.
[5]Substituted for full stop by SRO 144(I)/2018 dated February 09, 2018.

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[1][Provided further that where the country-by country report is required to be filed under rule 27E and notification of systemic failure has been received by the constituent entity, the said period of twelve months shall be further extended by forty-five days, from the date of receipt of the notification.]

(2) The country-by-country reports required to be transmitted and exchanged under rule 27D to the jurisdictions that are parties to the competent authority agreement as defined in clause (b) of sub-rule (4) of rule 27A shall be so transmitted and exchanged not later than fifteen months after the last day of the reporting fiscal year of the MNE group, in the manner and as provided in Form A and Tables specified in the Schedule to this Chapter:

Provided that for tax year 2017 country-by-country report required to be transmitted and exchanged by the Board under this chapter shall be transmitted and exchanged by [2][not later than eighteen months after the last day of the reporting fiscal year of the MNE group].

[3][(3) This rule shall not have effect for tax year 2017 in respect of constituent entity required to file country-by-country report under rule 27E provided that the information required to be furnished under rule 278, 27C or under first proviso to sub-rule (1) of rule 27E, as the case may be, has been furnished to the Board.]

27H. (1) The country-by-country reports shall be appropriately used.

(2) Appropriate use of country-by-country reports means that the data or information obtained from such reports shall only be used for purposes of-

(a) conducting high level and informed transfer pricing risk assessment;

(b) assessment of other base erosion and profit shifting (BEPS) related risks;

(c) economic and statistical analysis, where appropriate.

Explanation.- For the purpose of clause (b), BEPS related risks refer to risks that may result in the erosion of Pakistan's tax base resulting from strategies adopted by the MNE groups that make use of tax rules and legislation of different jurisdictions to artificially shift profits to low or no tax jurisdictions where there is little or no economic activity and consequently reduce the overall tax payable by the MNE group. The rules or legislation may include tax credits, carry-forward of losses, hybrid entities, hybrid financial instruments, conduit companies, the use of derivatives to avoid withholding taxes, and profit shifting using the contractual allocation of risk and the pricing of intangibles.

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[1]Proviso inserted by SRO 144(I)/2018 dated February 09, 2018.

[2]Substituted for "thirtieth day of June, 2018" by SRO 144(I)/2018 dated February 09, 2018.

[3]Sub-Rule (3) inserted by SRO 144(I)/2018 dated February 09, 2018.

(3) The data in the country-by-country reports shall not be used for purposes of making transfer pricing adjustments on the basis of an income allocation formula or based on a global formulary apportionment of income.

Explanation.- For the removal of doubt it is hereby clarified that nothing in this rule shall prevent making enquiries into the MNE group's transfer pricing arrangements or into other tax matters in the course of a transfer pricing audit.

(4) Transfer Pricing risk assessment based on the data contained in country-by-country reports shall not be made by an authority below the rank of Commissioner or Director, as the case may be:

Provided that such authority shall obtain prior approval for conducting risk assessment from Director General of Transfer Pricing to ensure that data or information contained in country-by-country report has not been used inappropriately.

(5) To ensure that data or information contained in country-by-country report has been used appropriately in making transfer pricing risk assessment, Director General of Transfer Pricing, on its own or on a request, may issue a circular setting out the guidance or instructions on appropriate use of data contained in such reports and shall be binding on the tax authorities.

(6) Subject to the Ordinance, Director General of Transfer Pricing in issuing circulars referred to in sub-rule (5) shall also be guided by international standards and guidelines issued by the various tax-related internationally recognized organizations.

(7) Where the information or data contained in country-by-country report has not been used appropriately, the Board shall-

(a) notify the breach of appropriate use, to the Co-ordinating Body Secretariat of Organization of Economic Cooperation and Development (OECD) or other competent authority; and

(b) concede inappropriate adjustments in competent authority proceedings that involve a tax adjustment using an income allocation formula or a global formulary apportionment of income based on information from country-by-country report.

(8) The Board may, from time to time, review and update any existing or additional requirements for appropriate use of data or information contained in country-by-country reports.

27I. The Board shall preserve the confidentiality of the information contained in the country-by-country report at least to the same extent that would apply if such information were provided to it under the provisions of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

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27J. On behalf of the Board, Director General of Transfer Pricing shall be the authority authorized to:

(a) receive country-by-country reports as specified in rule 27D; and

(b) transmit and exchange country-by-country reports to the jurisdictions that are parties to the competent authority agreement as defined in clause (b) of sub-rule (4) of rule 27A:

Provided that till the appointment of Director General of Transfer Pricing, the authority to receive, transmit or exchange country-by-country reports shall be the Member (Inland Revenue Policy).

PART-III
DOCUMENTATION REQUIREMENTS

27K. Notwithstanding the provisions of sub-clause (ii) of clause (i) of sub-rule (4) of rule 27A, every taxpayer, being a constituent entity of an MNE group and having a turnover of more than one hundred million Rupees, shall keep and maintain a master file.

27L. Master file as referred to in rule 27K, shall contain standardised information relevant for all MNE group members and must include -

(a) chart illustrating the MNE's legal and ownership structure and geographical location of operating entities;

(b) general written description of the MNE's business including -

(i) important drivers of business profit;

(ii) a description of the supply chain for the group's five largest products or service offerings by turnover plus any other products or services amounting to more than five percent of group turnover. The required description could take the form of a chart or a diagram;

(iii) a list and brief description of important service arrangements between members of the MNE group, other than research and development (R&D) services, including a description of the capabilities of the principal locations providing important services and transfer pricing policies for allocating services costs and determining prices to be paid for intra-group services;

(iv) a description of the main geographic markets for the group's products and services that are referred to in sub-clause (ii);

(v) a brief written functional analysis describing the principal contributions to value creation by individual entities within the group, i.e. key functions performed, important risks assumed and important assets used; and

(vi) a description of important business restructuring transactions, acquisitions and divestitures occurring during the fiscal year;

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(c) information of intangibles, including -

(i) a general description of the MNE's overall strategy for the development, ownership and exploitation of intangibles, including location of principal R&D facilities and location of R&D management;

(ii) a list of intangibles or groups of intangibles of the MNE group that are important for transfer pricing purposes and which entities legally own them including entities responsible for the Development, Enhancement, Management, Protection or Exploitation (DEMPE) functions with respect to such intangibles;

(iii) a list of important agreements among identified associated enterprises related to intangibles, including cost contribution arrangements, principal research service agreements and licence agreements;

(iv) a general description of the group's transfer pricing policies related to R&D and intangibles; and

(v) a general description of any important transfers of interests in intangibles among associated enterprises during the fiscal year concerned, including the entities, countries and compensation involved;

(d) inter-company financial activities, including -

(i) a general description of how the group is financed, including important financing arrangements with unrelated lenders;

(ii) The identification of any members of the MNE group that provides a central financing function for the group, including the country under whose laws the entity is organised and the place of effective management of such entities; and

(iii) a general description of the MNE's general transfer pricing policies related to financing arrangements between associated enterprises; and

(e) annual consolidated financial statement for the fiscal year concerned if otherwise prepared for financial reporting, regulatory, internal management, tax or other purposes.

27M. Every taxpayer shall keep, maintain and make available, a local file for all transactions, exceeding fifty million Rupees, with the associates. The local file shall be made available, if required by the Commissioner under section 108, at any time after the due date of filing of return under section 118.

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27N. Local file referred to in rule 27M, shall include -

(a) local entity structure including its management structure of the local entity, a local organization chart and a description of the individuals to whom local management reports and the country or countries in which such individuals maintain their principal offices;

(b) a detailed description of the business and business strategy pursued by the local entity including an indication whether the local entity has been involved in or affected by business restructurings or intangibles transfers in the present or immediately past year and an explanation of those aspects of such transactions affecting the local entity;

(c) key competitors;

(d) information for each category of controlled transactions in which the taxpayer is involved, including-

(i) a description of all the controlled transactions (e.g. procurement of manufacturing services, purchase of goods, provision of services, loans, financial and performance guarantees, licences of intangibles, etc.) and the context in which such transactions take place;

(ii) the amount of intra-group payments and receipts for each category of controlled transactions involving the local entity (i.e. payments and receipts for products, services, royalties, interest, etc.) broken down by tax jurisdiction of the foreign payer or recipient;

(iii) an identification of associated enterprises involved in each category of controlled transactions and the relationship amongst them;

(iv) detailed list of all inter-company agreements and copies of all such agreements concluded by the taxpayer;

(v) a detailed comparability and functional analysis of the taxpayer and relevant associated enterprises with respect to each documented category of controlled transactions, including any changes compared to prior three years;

(vi) an indication of the most appropriate transfer pricing method with regard to the category of transaction and the reasons for selecting that method;

(vii) detailed information on transfer pricing methods applied including comparable searches criteria, results of searches and application of transfer pricing method;

(viii) information regarding periodically updating and refreshing comparable searches and the period after which such comparable searches are updated and refreshed; and

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(ix) list of all existing unilateral and bilateral or multilateral advance pricing agreements and copies thereof and other tax rulings to which Pakistan is not a party and which are related to controlled transactions described as aforesaid; and

(e) financial information including-

(i) annual local entity financial accounts for the fiscal year concerned. If audited statements exist they should be supplied and if not, existing unaudited statements should be supplied;

(ii) information and allocation schedules showing how the financial data used in applying the transfer pricing method may be tied to the annual financial statements; and

(iii) summary schedules of relevant financial data for comparables used in the analysis and the sources from which that data was obtained.

27O. Failure to maintain or furnish documents by the taxpayer required to be maintained under this chapter shall be subject to penalty or penalties under section 182 of the Ordinance.]

[2][**27P**. Where any time or period has been specified under any of the rules in this Chapter, within which any document, information, file or report is required to be furnished to the Board by certain persons, the Board may, on an application filed by the person, permit through an order in writing, such person to furnish documents, information, files or reports, as the case may be, within such time or period as the Board may consider appropriate subject to such limitations or conditions as may be specified in the order.

27Q. Documents, reports, information and details required to be furnished under Part II of this Chapter by electronic transmission using the specified software in accordance with the specified format or any other requirements including safety valve, security and verification considerations as may be specified by the Federal Board of Revenue from time to time:

Provided that till the time such specified software in accordance with the specified format or any other requirements is developed or procured and installed, the documents, reports, information and details shall be furnished electronically via electronic mail on electronic mail address, namely, cbcr@fbr.gov.pk.]

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[1]Rules 27A to 27O inserted by SRO 1191(I)/2017 dated November 16, 2017.

[2]Rules 27P & 27Q inserted by SRO 144(I)/2018 dated February 09, 2018.

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Schedule

[see rule 27G(2)]

Country-by-Country Report

1. Is this an amended report? ☐ Yes ☐ No

2. Enter the last day of reporting tax year of the MNE group for which you are reporting (see instruction) Year Month Day

3. Does this report cover a full reporting tax year ? ☐ Yes ☐ No

4. If no, indicate the number of month for which you are reporting _____

Reporting Entity Section

Section 1

Reporting Entity Identification

Form A

Check one box only to indicate the type of reporting entity and complete the areas that apply			
Person (Company/Trust/AOP) Incorporation/Registration Number			
Enter the name of MNE group			
Reporting Entity's address			
Reporting Entity's address		Street	
City	Province or territory	Country code	Postal code

Section 2

Role of the Reporting Entity

Check one box only to indicate the reporting role of the entity filing this report (see instructions)

☐ Ultimate parent entity

☐ Surrogate parent entity

☐ Constituent entity

If you selected constituent entity, is this report filed on behalf of all constituent entities of the MNE group in Pakistan for the reporting fiscal year?

☐ Yes ☐ No

If you selected surrogate parent entity or constituent entity, provide the name and country of residence for tax purposes of the ultimate parent entity.

_____ _____

Name of ultimate parent entity Country code

Section 3

Certification

I certify that the information given on this form is, to my knowledge, correct and complete, and fully discloses the reporting entity's related information	If someone other than the reporting entity prepared this form, provide their;	
Name of certifier	Name of contact	
Sign here (it is a serious offence to file a false statement)	Address	
Position/title of certifier		
Telephone number of certifier	Date (DD-MM-YYYY)	Telephone number of contact

COUNTRY-BY-COUNTRY REPORT

TABLE 1

Overview of allocation of income, taxes and business activities by tax jurisdiction

Name of the MNE group: Fiscal year concerned: Currency:										
Tax Jurisdiction	Revenues			Profit (Loss) Before Income Tax	Income Tax Paid (on cash basis	Income Tax Accrued – Current Year	Stated capital	Accumulated earnings	Number of Employees	Tangible Assets other than Cash and Cash Equivalents
	Unrelated Party	Related Party	Total							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)

TABLE 2

List of all the Constituent Entities of the MNE group included in each aggregation per tax jurisdiction

Name of the MNE group: Fiscal year concerned:															
Tax Jurisdiction	Constituent Entities resident in the Tax Jurisdiction	Tax Jurisdiction of organisation or incorporation if different from Tax Jurisdiction of Residence	Main business activity(ies)												
			Research and Development	Holding/managing intellectual property	Purchasing or Procurement	Manufacturing or Production	Sales, Marketing or Distribution	Administrative, Management or Support Services	Provision of services to unrelated parties	Internal Group Finance	Regulated Financial Services	Insurance	Holding shares or other equity instruments	Dormant	Other[1]
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	1.														
	2.														
	3.														
	1.														
	2.														
	3.														

[1]Please specify the nature of the activity of the Constituent Entity in the "Additional Information" section.

TABLE 3

Additional Information

Name of the MNE group: Fiscal year concerned:
Please include any further brief information or explanation you consider necessary or that would facilitate the understanding of the compulsory information provided in the country-by-country report.]

CHAPTER – VII
RECORDS AND BOOKS OF ACCOUNTS

PART-I PRELIMINARY

28. Application of Chapter.– (1) The rules in this Chapter apply for the purposes of section 174.

(2) The purpose of this Chapter is to prescribe the minimum level of books of accounts, documents and records to be maintained by taxpayers.

(3) Nothing in this Chapter shall preclude a taxpayer accounting for income chargeable under the head "Income from Business" from

(a) maintaining any books of account, documents or records in addition to those prescribed in these rules;

(b) adding such further columns or particulars in the forms prescribed in these rules for the taxpayer's own requirement; or

(c) maintaining the books of account, documents or records in the manner prescribed keeping in view the nature of the taxpayer's business.

Interpretation.– In this Chapter–

(a) "legal practitioner" includes an advocate, pleader, tax practitioner and advisor or consultant on income tax, sales tax, customs, central excise or salt tax laws.

(b) "medical practitioner" includes a doctor, surgeon, physician, dentist, psychiatrist, physiotherapist, tabib, homeopath, vaid, veterinarian and any person practicing medicine under any other name.

PART-II BOOKS OF ACCOUNT PRESCRIBED

29. Books of account, documents and records to be maintained.– (1) Every taxpayer deriving income chargeable under the head "Income from business" shall maintain proper books of account, documents and records with respect to–

(a) all sums of money received and expended by the taxpayer and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods and all services provided and obtained by the taxpayer;

(c) all assets of the taxpayer;

(d) all liabilities of the taxpayer; and

(e) in case of a taxpayer engaged in assembly, production, processing, manufacturing, mining or like activities, all items of cost relating to the utilization of materials, labour and other inputs.

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(2) If a taxpayer uses fiscal electronic cash register or computerized accounting software, it may issue cash-memo/invoice/receipt generated by the electronic cash register or computer.

(3) Duplicate copies and electronic or computer records of the cash-memo / invoice / receipt / patient-slip to be issued under this chapter, shall be retained by the taxpayer and form part of the records to be maintained under this chapter.

(4) The books of account, documents and records to be maintained under this Chapter shall be maintained for [1][six] years after the end of the tax year to which they relate.

[2][(5) The provision of sub-rule (4) shall not apply where any proceeding under the Ordinance is pending before any authority or court the taxpayer shall maintain the record till final decision of the proceedings.]

30. In particular, and without prejudice to the generality of the provisions of Rule 29, every taxpayer, other than companies, deriving income chargeable under the head "Income from business" shall issue and maintain the following minimum books of account, documents and records.– (1) Taxpayers with business income upto Rs. [3][500,000] and new taxpayers deriving income from business (excluding taxpayers to whom sub-rules (2), (3) or (4) apply):

(a) Serially numbered and dated cash-memo / invoice / receipt for each transaction of sale or receipt containing the following:–

(i) taxpayer's name or the name of his business, address, national tax number [4][or CNIC] and sales tax registration number, if any; and

(ii) the description, quantity and value of goods sold or services rendered:

Provided that where each transaction does not exceed Rs. 100, one or more cash-memos per day for all such transactions may be maintained;

(b) Daily record of receipts, sales, payments, purchases and expenses; a single entry in respect of daily receipts, sales, purchases and different heads of expenses will suffice; and

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[1]Substituted for "five" by SRO 1218(I)/2015 dated December 08, 2015.
[2]Sub-rule (5) inserted by SRO 1218(I)/2015 dated December 08, 2015.
[3]Substituted for "200,000" by SRO 1218(I)/2015 dated December 08, 2015.
[4]Words inserted by SRO 1218(I)/2015 dated December 08, 2015.

Rule 30- Cash Memos. Following is the text of CBR's Letter C. No. 7(15)DT-14/93 dated August 23, 1993:-

"I am directed to say that the Government places great emphasis on the documentation of economy and expects strict enforcement of the rules requiring such documentation.

Rule 34 of the Income Tax Rules, 1982, provide for issuance of serially numbered cash memos by all assessees whose estimated annual sales are more than Rs. 500,000.

The Regional Commissioners are requested to issue necessary instructions for the enforcement of this rule. Instructions should also be issued for verification whether the persons required to issue cash memos are complying with the requirements of rule 34." [**Ref:** *93 ITL 67 p. 50*]

(c) Vouchers of purchases and expenses.

(2) Taxpayers with business income exceeding Rs. [1][500,000] (excluding taxpayers to whom sub-rules (1), (3) or (4) apply) and wholesalers, distributors, dealers and commission agents:

(a) Serially numbered and dated cash-memo/invoice/receipt for each transaction of sale or receipt containing the following:–

(i) taxpayer's name or the name of his business, address, national tax number [2][or CNIC] and sales tax registration number, if any;

(ii) the description, quantity and value of goods sold or services rendered; and

(iii) in case of a wholesaler, distributor, dealer and commission agent, where a single transaction exceeds Rs. 10,000, the name and address of the customer;

Provided that where each transaction does not exceed Rs. 100, one or more cash-memos per day for all such transactions may be maintained;

(b) Cash book and/or bank book or daily record of receipts, sales, payments, purchases and expenses; a single entry in respect of daily receipts, sales, purchases and different heads of expenses will suffice;

(c) General ledger or annual summary of receipts, sales, payments, purchases and expenses under distinctive heads;

(d) Vouchers of purchases and expenses and where a single transaction exceeds Rs. 10,000 with the name and address of the payee; and

(e) Where the taxpayer deals in purchase and sale of goods, quarterly inventory of stock-in-trade showing description, quantity and value.

(3) Professionals (like medical practitioners, legal practitioners, accountants, auditors, architects, engineers etc.):–

(a) Serially numbered and dated patient-slip/invoice/receipt for each transaction of sale or receipt containing the following:–

(i) taxpayer's name or the name of his business or profession, address, national tax number [2][or CNIC] and sales tax registration number, if any;

(ii) the description, quantity and value of medicines supplied or details of treatment/ case/ services rendered (confidential details are not required) and amount charged; and

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[1]Substituted for "200,000" by SRO 1218(I)/2015 dated December 08, 2015.
[2]Inserted by SRO 754(I)/2016 dated August 15, 2016.

(iii) the name and address of the patient / client:

Provided that the condition of recording address of the patient on the patient slip under this clause shall not apply to general medical practitioners;

(b) Daily appointment and engagement diary in respect of clients and patients:

Provided that this clause shall not apply to general medical practitioners;

(c) Daily record of receipts, sales, payments, purchases and expenses; a single entry in respect of daily receipts, sales, purchases and different heads of expenses will suffice; and

(d) Vouchers of purchases and expenses.

(4) Manufacturers (*with turnover exceeding Rs. 2.5 million*):

(a) Serially numbered and dated cash-memo/invoice/receipt for each transaction of sale or receipt containing the following:–

(i) taxpayer's name or the name of his business, address, national tax number [1][or CNIC] and sales tax registration number, if any;

(ii) the description, quantity and, value of goods sold;

(iii) where a single transaction exceeds Rs. 10,000 with the name and address of the customer;

(b) Cash book and/or bank book;

(c) Sales day book and sales ledger (where applicable);

(d) Purchases day book and purchase ledger (where applicable);

(e) General ledger;

(f) Vouchers of purchases and expenses and where a single transaction exceeds Rs. 10,000 with the name and address of the payee; and

(g) Stock register of stock-in-trade (major raw materials and finished goods) supported by gate in-ward and outward records and quarterly inventory of all items of stock-in-trade including work-in-process showing description, quantity and value.

[2][**30A. Electronic tax register.-** A person required to use an electronic tax register shall –

(a) install the electronic tax register (ETR) within seven days of its authentication by Commissioner holding jurisdiction over such case and obtain a register identification number (RIN) for permanent affixture on the Electronic tax register;

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[1]Inserted by SRO 754(I)/2016 dated August 15, 2016.

[2]Rule 30A inserted by SRO 895(I)/2008 dated August 27, 2008.

(b) use the electronic tax register to record only his own sales and ensure that each sale is made through it and print the receipt of each sale containing the information in accordance with sub-rules(3) and (4) of rule 29 and rule 30, and to deliver the original receipt to the purchaser;

(c) in case of non availability for use of the electronic tax register, the sales may be recorded with the use of a substitute electronic tax register, duly authenticated by the Commissioner;

(d) prepare a daily and a monthly Accounting report containing the informations as prescribed in Chapter VII of these rules;

(e) ensure that the electronic tax register operates correctly with particular regard to correct programming of the names of goods and services and the correct allocation of their tax rates;

(f) promptly report any malfunctioning of the electronic tax register to the person responsible for its servicing;

(g) on demand by an authorized person, produce the electronic tax register for inspection;

(h) ensure the inspection of the electronic tax register before the authorized service management after six months;

(i) keep copies of electronic tax register reports for a period of five years and produce the same for inspection by the Commissioner whenever required to do so;

(j) safely keep the electronic tax register ledger in the electronic tax register's casing and produce it whenever required by the Commissioner to do so; and

(k) ensure the inspection before further use of an electronic register which has been or is suspected to have been interfered or tempered with.]

31. Every taxpayer deriving income chargeable under the head income from salary [1]**[,] property, capital gains or other sources shall issue and maintain the following minimum documents and records:–**

(1) Taxpayers deriving income from Salary:

Salary certificate indicating the amount of salary and tax deducted there from.

(2) Taxpayers deriving income from property:

(a) Tenancy agreement, if executed;

(b) Tenancy termination agreement, if executed;

(c) Receipt for amount of rent received; and

(d) Evidence of deductions claimed in respect of premium paid to insure the building, local rate, tax, charge or cess, ground rent, profit/interest or share in rent on money borrowed, expenditure on collecting the rent, legal services and unpaid rent.

8-130-20-11-17

[1]Inserted by SRO 754(I)/2016 dated August 15, 2016. It was already existed.

(3) Taxpayers deriving income from capital gains:

(a) Evidence of cost of acquiring the capital asset;

(b) Evidence of deduction for any other costs claimed; and

(c) Evidence in respect of consideration received on disposal of the capital asset.

(4) Taxpayers deriving income from other sources:

[1][(a)] Dividends:

Dividend warrants.

[1][(b)] Royalty:

Royalty agreement.

[1][(c)] Profit on debt:

(i) Evidence and detail of profit yielding debt;

(ii) Evidence of profit on debt and tax deducted thereon, like certificate in the prescribed form or bank account statement; and

(iii) Evidence of Zakat deducted, if any.

[1][(d)] Ground rent, rent from the sub-lease of land or building, income from the lease of any building together with plant or machinery and consideration for vacating the possession of a building or part thereof:

(i) Lease agreement; and

(ii) Lease termination agreement.

[1][(e)] Annuity or Pension:

Evidence of amount received.

[1][(f)] Prize money on bond, winning from a raffle, lottery or cross word puzzle:

Evidence of income and tax deducted thereon, like certificate in the prescribed form.

[1][(g)] Provision, use or exploitation of property:

Agreement.

[1][(h)] Loan, advance, deposit or gift:

Evidence of mode of receipt of a loan, advance, deposit or gift i.e., by a crossed cheque or through a banking channel.

[1][(i)] General:

Evidence of deduction for any other expenditure claimed.

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[1]Clauses re-lettered by SRO 392(I)/2009 dated May 19, 2009.

PART-III

GENERAL INSTRUCTIONS ABOUT MAINTAINING BOOKS OF ACCOUNTS, DOCUMENTS AND RECORDS

32. General form of books of accounts, documents and records.– (1) The books of accounts, records and other documents required to be maintained by a taxpayer in accordance with this Chapter may be kept on electronic media, provided sufficient steps have been taken to ensure the sanctity and safe keeping of such accounts, documents and records.

(2) The books of accounts, documents and records required to be maintained by a company in accordance with this Chapter shall be maintained in accordance with international accounting standards and as required under the Companies Ordinance, 1984.

33. Books of account, documents and records to be kept at the specified place.– (1) The books of accounts, documents and records required to be maintained by a taxpayer in accordance with this Chapter shall be kept at the place where the taxpayer is carrying on the business or, where the business is carried on in more places than one, at the principal place of business or at each of such places if separate books of accounts are maintained in respect of each place.

(2) Where a person derives income from sources other than from business, the books of accounts, documents and records shall be kept at the person's place of residence or such other place as may be so declared by such person.

(3) The place or places where the books of accounts, documents and records are kept shall be clearly stated on the tax return form in the column requiring the details of the records maintained.

8-150-15-09-2020

[1][Chapter VIIA

Online Integration of Businesses

[2][Part 1 Preliminary]

[3][**33A. Application**.- The provisions of this Chapter shall apply to all persons mentioned in column (2) of Schedule excluding those specified in column (4).]

33B. Obligations and requirements.- (1) The Person as specified in rule 33A, hereinafter referred to as "integrated enterprise" in this Chapter, shall install [4][and integrate] such fiscal electronic device and software, [4][through a licensed integrator] as approved by the Board, available on its website with complete technical instructions for installation, configuration and integration.

(2) The person shall notify to the Board, [4][on and after 1st July, 2024,] through the Computerized System, of all the establishments, hereinafter referred to as notified establishments, from which they intend to carryon business and shall register each point of sale (POS) to activate the integration duly providing the following information, namely:-

(a) POS Registration Number (to be provided by the System);

(b) Name of business;

(c) Branch name;

(d) Branch address;

(e) POS identification number; [5][ ]

(f) Registration date [6][; and]

[7][(g) licence number of licensed integrator.]

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[1]Chapter VIIA inserted by SRO 779(I)/2020 dated August 26, 2020.
[2]Inserted by SRO 428(I)/2024 dated March 22, 2024.
[3]Rule 33A substituted by SRO 428(I)/2024 dated March 22, 2024.
[4]Words inserted by SRO 428(I)/2024 dated March 22, 2024.
[5]Word "and" deleted by SRO 428(I)/2024 dated March 22, 2024.
[6]Full stop substituted by SRO 428(I)/2024 dated March 22, 2024.
[7]Clause (g) inserted by SRO 428(I)/2024 dated March 22, 2024.

Rule 33A.- Before substitution it read as follows:-

"33A. Application.- The provisions of this Chapter shall apply to all persons mentioned in column (2) of schedule I, excluding those specified in column (4), whose principal place of business is -

(a) in case of a company, anywhere in Pakistan; and

(b) in all other cases, within the civil limits including cantonments of districts specified in Schedule II."

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(3) No sale or service from the notified establishment shall be rendered without being recorded by the [1][ ] electronic fiscal device (EFD), which means a system composed of one Sale Data Controller (SDC) and at least one Point of Sale (POS) connected together, that has the following characteristics and requirements, namely:-

(a) it can perform following tasks, i.e.-

(i) receive, record , analyze and store fiscal data;

(ii) format fiscal data into fiscal invoices or bills;

(iii) transmit the fiscal data to the Board's Computerized System through secure means; and

(iv) print invoice or bill.;

(b) sales data controller (SDC) is the component of an EFD that-

(i) receives transaction data from a POS component of the EFD;

(ii) analyses the transaction data into fiscal data;

(iii) formats the fiscal data as a fiscal invoice or bill creates the digital signature for the EFD and records the digital signature on the fiscal invoice or bill;

(iv) transmits the fiscal invoice or bill number to the POS;

(v) encrypt and preserves the transaction data and fiscal data in an irrevocable and secure manner;

(vi) transmits the fiscal data to the Board's Computerized System;

(c) external SDC (E-SDC) is hardware set up as a separate component of the EFO used by integrated enterprise;

(d) virtual SDC (V-SDC) is software attached to the POS system;

(e) an integrated enterprise must integrate each and every POS of the business to any of the SDC;

(f) an EFD must comply with the following, namely:-

(i) each POS is accredited;

(ii) each POS transmits to the SDC a bill, on which is recorded the transaction data specified in sub-rule (5), for each transaction of the business;

[1]Substituted “duly accredited” by SRO 428(I)/2024 dated March 22, 2024.

(iii) the SDC receives the transaction data, analyses the data, verify calculated taxes to produce fiscal data for the transaction, record the invoice or bill data and transmits the fiscal invoice or bill number to POS;

(iv) POS prints the fiscal invoice or bill with the fiscal invoice or bill number and QR Code;

(v) the SDC transmits the fiscal data to the Board's system; and

(vi) a fiscal invoice or bill is produced for each invoice; and

(g) the point of sale should have the following functionalities, namely:-

(i) provide mechanism to connect to SDC;

(ii) send each invoice or bill to SDC for the issuance of fiscal invoice or bill;

(iii) generate the QR Code on the base of fiscal invoice or bill number generated by the SDC and print the QR Code on bill;

(iv) must perform closing on the close of day, week and month;

(v) send the summary report with following fields to FBR periodically (daily, weekly or monthly)-

(a) total sale; and

(b) total number of invoices or bills for the period;

(vi) every adjustment, modification or cancellation must be recorded duly maintaining logs for each activity; and

(vii) system events need to be recorded.

(4) The invoice or bill for each transaction shall be transmitted to EFD specifying the following particulars, namely:-

(a) POS Registration Number;

(b) unique sequential invoice number;

(c) date and time of sale invoice or bill;

(d) name of customer or service recipient, where recorded;

(e) item-wise description of service and price exclusive of sales tax, if any;

(f) rate for each item, if applicable;

(g) total amount inclusive of sales tax, if any;

(h) discount, if any; and

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(i) mode of payment, cash or credit card. In case of credit card, the name of client and other relevant details thereof.

(5) POS shall print a clear and legible invoice or bill for each transaction, copy of which shall be provided to the customer, containing the following particulars in addition to those as in the preceding sub-rule, namely:-

(a) QR Code (Generated based on FBR Fiscal Invoice Number);

(b) FBR Fiscal Invoice Number;

(c) name of the business;

(d) national tax number; and

(e) name or location of the notified establishment.

(6) The EFDs installed at each notified establishment shall be tamperproof and all the data recorded thereon shall be backed up at an offline site.

(7) In case of sale returns or exchange, a proper credit note or supplementary invoice with prescribed particulars shall be issued containing the reference of original invoice and the detail of amount refunded or additionally charged, along with sales tax involved, if any.

(8) All the transactions made from the notified establishment shall be communicated to the Board's Computerized System through EFD.

(9) The SDC shall be capable of generating and sending alert messages resulting from any malpractice or error or any inconsistent action noticed in the system and keeping a log thereof.

(10) The transactions on each point of sales in the notified establishment shall be recorded by a CCTV camera and the recording thereof shall be retained for a period of at least three months. Such recordings shall be provided to the Commissioner concerned as and when demanded and for the time as specified.

(11) In case ancillary services or sale of goods are made from notified establishment, the transactions thereof shall also be recorded and the invoice or bill issued in the same manner. Such data shall also be communicated to the Board's Computerized System in the same manner.

(12) The cost for integration including the cost of equipment and fiscalization shall be borne by the taxpayer itself.

(13) The taxpayer shall prominently display at each establishment that the POS or the establishment is accredited by FBR to issue invoice or bill and that the registration number of each POS is verifiable through the Board's verification services.

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[1][**33C. Licence of points of sales (POS) systems**.- A licensed integrator, who wants to supply an electronic fiscal device and software must apply to the Board for the licence.]

33D. Record, access and examination.- (1) The integrated enterprise shall maintain the record of all the bills and transactions made from a notified establishment and also at the notified central location. The taxpayer shall provide access to such premises as well as the specific record required to the Inland Revenue officer as authorized by the Commissioner concerned.

(2) Other provisions of the Ordinance regarding record maintenance and access thereto, and otherwise, shall also be applicable.

(3) FBR may issue the parameters for inquiry/investigation.

(4) The FBR may conduct inquiry and investigations at different levels to ensure that the taxpayer is complying with these rules, including by-

(a) checking if the taxpayer is issuing valid invoices or bill;

(b) checking if the POS and SDC for the taxpayer's business are accredited;

(c) checking if the EFD complies with the guidelines set out in these rules;

(d) checking the operation of the protocols; and

(e) requiring taxpayers to provide relevant information and documents as necessary.

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[1]Rule 33C substituted by SRO 428(I)/2024 dated March 22, 2024.

Rule 33C.- Before substitution it read as follows:-

"33C. Accreditation of points of sales (POS) systems.- (1) A vendor, who wants to supply a POS of a particular brand, model and specification to a Person that is not an accredited POS, must apply to the Board for accreditation of the POS of that brand, model and specification.

(2) On receiving the application under sub-rule (1), the Board shall take steps to determine accreditation of the brand, model and specification of the POS. During the accreditation process, the supplier must provide the Board with access to information and equipment, and any other assistance reasonably required for carrying out the process.

(3) After completing the accreditation process, the Board shall either allow accreditation to the brand, model and specification of POS as applied for or refuse the same in accordance with the parameters determined by it.

(4) The Board shall, without delay after accrediting a POS under this sub-rule, publish the details of the brand, model and specification of the POS on its website along with the date of accreditation.

(5) The Board may revoke the accreditation of a POS if the POS ceases to comply with the determined parameters. The notice of revocation shall be sent to the vendor specifying the reasons for revocation and also to the integrated supplier operating such POS. The Board shall also immediately remove the particulars of the POS from its website."

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33E. Online integration during [1][**Initial transitioning**] **period**.- (1) During the intervening period till such time the Board puts into operation a system of accredited secure devices and real time communication of bills and other data as stipulated in rule 33B, the online [1][Initial transitioning] shall be considered to have been achieved if all the conditions specified in this rule are fulfilled.

(2) The taxpayer shall certify, using his user ID and password on the Computerized System, that he shall fulfill all the requirements of this Chapter as relaxed by this rule and that he shall ensure integration of all notified establishments in the manner as stipulated in rule 33B within one month of the date when the Board declares readiness for the same through a notice sent through email or Computerized System. Such person shall provide details of all his establishments in the manner as stipulated in sub-rule (2) of rule 33B. Such person shall also make necessary declaration during this process as stipulated by the Board's Computerized System.

(3) The taxpayer shall upload or transfer the data of all invoices or bills periodically to the Board's Computerized System but the interval during such transfer shall not exceed [2][seven days or any extended period of time as determined by the concerned commissioner which shall not exceed sixty days.]

33F. Consequences of non-compliance or contravention.- A taxpayer found to have tampered with the system or issued bill or invoice otherwise than through the prescribed devices or contravenes any of the provisions of this Chapter, shall be liable to penalty or punishment in accordance with the provisions of Income Tax Ordinance, 2001.

33G. Reporting of failure to transfer sale or bill data to the Board.- The Board shall ensure to provide a facility on its website to a customer of an integrated enterprise Person to verify and ensure that the invoice or bill issued to him has been duly communicated to the Board's Computerized System and in case of non-verification, he may upload the image of invoice or bill to the Board's portal.

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[1]Substituted "intervening" by SRO 428(I)/2024 dated March 22, 2024.
[2]Substituted "seven clear days in any case." by SRO 428(I)/2024 dated March 22, 2024.

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8-150-15-09-2020

[1][THE SCHEDULE

[see rule 33A]

S. No	Description	Exclusion, if any
1	2	3
1.	Restaurants	Where- the facility of air conditioning is not installed.
2.	Hotels, motels, guest houses, marriage halls, Marquees, clubs including race clubs.	Where- the facility of air conditioning is not installed.
3.	Inter-city travel by road.	Where- (a) The taxpayer is only providing non air conditioned travel service; or (b) Travel service maintaining a fleet of less than five vehicles.
4.	Courier services and cargo services	
5.	Services provided for personal care by beauty parlours, clinics and slimming clinics, massage centres, pedicure centres.	Where- the facility of air-conditioning is not installed.
6.	All medical service providers including dentists, physiotherapist s. plastic surgeons, hair implant surgeons, and veterinary doctors.	Where- the fee charges are less than Rs.500/-0
7.	Pathological laboratories, medical diagnostic laboratories including X-Rays, CT Scan, M.R. Imaging etc.	
8.	Private hospitals or medical care centres providing medical consultation, hospitalization or other ancillary services	

[1]Schedule I & II substituted by SRO 428(I)/2024 dated March 22, 2024.

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9.	Health clubs, gyms, physical fitness centres, swimming pools and multipurpose clubs such as Lahore gymkhana, Islamabad club, Chenab Club, Karachi gymkhana, Royal Palm Lahore, Polo club etc. operated by any civilian/ non-civilian administration.	
10.	Photographers, videographers and event managers	Where The fee charges are less than Rs.50,000 per event
11.	Accountants defined as- (a) a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961); or (b) a Cost and Management Accountant within the meaning of the Cost and Management Accountants Act, 1966 (XIV of 1966).	
12.	Retailers including manufacturer cum-retailer, wholesaler-cum retailer, importer-cum-retailer or such other person who combines the activity of retail sale with another business activity.	A retailer who does not fall in any of the following categories. namely:- (a) a retailer operating as a unit of national or international chain of stores; (b) a retailer operating in an air-conditioned shopping mall, plaza or center, excluding kiosks; (c) a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds rupees twelve hundred thousand; (d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to retailers as well as on retail basis to the general body of consumers; or (e) a retailer whose shop measures one thousand square feet in area or more.

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13.	Foreign Exchange Dealers/ Exchange Companies.	
14.	Private schools, colleges, universities, professional institutes/ vocational training centers	Where The fee per child is less than Rs.1,000 per month.]

[1]Schedule I & II substituted by SRO 428(I)/2024 dated March 22, 2024.

Schedule I.- Before substitution it read as follows:-

"THE SCHEDULE - I

[see rule 33A]

S. No.	Description	PCT Heading, if applicable	Exclusion, if any
(1)	(2)	(3)	(4)
1.	Restaurants	9801.2000 9801.7000	Where- a. the restaurant is operating otherwise than as part of a food court; and b. the facility of air-conditioning is not installed or available in the premises.
2.	Hotels, motels, guest houses, marriage halls, Marquees, clubs including race clubs.	9801.1000 9801.3000 9801.4000 9801.5000 9801.6000 9801.7000	Where- a. The covered area is less than 4500 sq. feet b. the facility of air-conditioning is not installed or available in the premises.
3.	Inter-city travel by road.	9803.9000	Where- a. The taxpayer is only providing non air-conditioned travel service; or b. Travel service maintaining a fleet of less than ten vehicles.
4.	Courier services and cargo services	9808.0000 98.04	Where- a. the taxpayer is not a company; and b. the taxpayer is offering only domestic courier or cargo service.
5.	Services provided for personal care by beauty parlours, clinics and slimming clinics, body and slimming clinics, body centres; including cosmetic and plastic surgery by such parlours / clinics,	9810.0000 9821.4000 and 9821 .5000	Where- a. The covered area is less than 1000 sq. feet; or b. the facility of air- conditioning is not installed or available in the premises.
6.	Medical practitioners and consultants	9815 .1000	Where- a. the consultation is being provided at a place other than a hospital or Poly-Clinic; and b. the consultation fee is less than Rs.1500/-.
7.	Pathological laboratories, medical diagnostic laboratories including X-Rays, CT Scan, M.R. Imaging etc.	98.16 98.17	Where- c. the taxpayer is not a company; and d. the taxpayer is not maintaining more than one branch whether under its own name or through an associate.

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8.	Hospitals or medical care centres providing medical consultation, hospitalization or other ancillary services	Respective headings	
9.	Health clubs, gyms, physical fitness centres, and body or sauna massage centres	98.21	Where- a. The covered area is less than 1000 sq. feet; or b. the facility of air- conditioning is not installed or available in the premises.
10.	Photographers	-	Photographers charging less than Rs.100,000 per event
11.	Accountants	-	Accountants who are not operating as part of a firm or a company
12.	Retailers including manufacturer-cum-retailer, wholesaler-cum- retailer, importer-cum-retailer or such other person who combines the activity of retail sale with another business activity.	Respective headings	A retailer who does not fall in any on the following categories, namely:- a. a retailer operating as a unit of national or international chain of stores; b. a retailer operating in an air-conditioned shopping mall, plaza or center, excluding kiosks; c. a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds rupees twelve hundred thousand;
			d. a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to retailers as well as on retail basis to the general body of consumers; or e. a retailer whose shop measures one thousand square feet in area or more.
[1][13.	Foreign Exchange Dealers/ Exchange Companies	Respective headings	]”

[1]S. No.13 and entries relating thereto inserted by SRO 175(I)/2022 dated February 03, 2022.

“THE SCHEDULE - II
[see rule 33A(b)]

S. No.	**Description**
(1)	**(2)**
1.	Karachi
2.	Lahore
3.	Islamabad
4.	Rawalpindi
5.	Faisalabad
6.	Multan
7.	Peshawar
8.	Guiranwala]”

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[1][PART-II

INTEGRATED ENTERPRISES AND LICENSING THEREOF

Definitions.- Unless there is anything repugnant or contrary to the Income Tax Ordinance, 2001 (XLX of 2001) and Income Tax Rules, 2002, the following words and expressions shall have meanings assigned to them as under:-

(a) Applicant means any company or AOP which makes an application for a license under these rules;

(b) Licensing Portal means a web portal, prescribed by the Board, used for:-

- Registration. licensing, suspension and cancellation of the license of Licensed Integrators;
- Registration of Integrated Enterprise;
- Recording and reporting of invoices.

(c) Integration means the real-time process through which the invoice can be read or utilized by Board's prescribed system on a prescribed format. (d) Licensed Integrator means any company or AOP having a valid license, issued by the Board to integrate Integrated Enterprise.

33H. Licensing.- (1) No person shall carry out Integration of the Integrated Enterprise through a software unless they have obtained a license under these rules.

(2) No licensee under these rules shall maintain or operate a system or provide any other service, which is not authorized under these rules.

(3) Every payment counter whether fixed or portable, which generates invoices for receipt of payment either in cash or through debit or credit card or any digital channel shall be integrated with the Board through the system licensed by the Board.

(4) An Integrated Enterprise, who has already developed an in-house POS solution, may apply for license to the Board, with the condition that the license will be non-replicable and non-distributable to other businesses entities.

(5) A Licensed Integrator, who has obtained a license under Sales Tax Rules, 2006, shall be considered as a licensed integrator under these rules.

[1]Part II rules 33H to 33T inserted by SRO 428(I)/2024 dated March 22, 2024.

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33I. Functions of the Licensing Committee. (1) The Board shall notify a licensing committee which shall function in accordance with the provisions of these rules or any other instructions, procedures issued in this respect.

(2) An officer of Inland Revenue nominated by the Member Digital Initiatives shall be the convener of the licensing committee.

33J. Application for Grant of license.- (1) An application for grant of license for Integration of any Integrated Enterprise, shall be submitted through the Licensing Portal prescribed by the Board.

Provided that until a Licensing Portal is made available under sub rule (1), such applications shall be submitted manually or electronically in such form and manner as may be prescribed.

(2) No application under sub rule (1) shall be considered, unless it is accompanied by

(i) a comprehensive profile of the company or AOP.

(ii) brief about managerial and technical personnel indicating name, position, qualification and experience;

(iii) total number of current employees;

(iv) documents showing relevant capacity of the development and integration with enterprise resource planning systems and Payment Processing Systems;

(v) registration certificate issued by Pakistan Software Houses Association and Pakistan Software Export Board. In case of a consortium or joint venture, at least one member or partner needs to have this registration.

(vi) returns of Income filed for the last three tax years (must be on the Active Taxpayer's List);

(vii) list of major clientele;

(viii) incorporation certificate under the Companies Act,2017 or relevant legislation;

(ix) National Tax Number (NTN) Certificate:

(x) the paid-up capital,/business capital for the latest tax year is Rs.10 million or above;

(xi) Computerized National Identity Cards (CNICs) of directors of the company or members of the AOP, as the case may be;

(xii) undertaking that the company or AOP has never been blacklisted by any Government or Provincial department or organization and has not been involved in any cases of fiscal fraud;

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(xiii) list of projects executed in the last three years; and

(xiv) any other documents required though instructions and orders issued by the Board.

(3) The system-based solution offered by the applicant must:

(a) Develop, test, and certify business software for real-time invoicing, ensuring compatibility with existing systems of an Integrated Enterprise;

(b) Employ Agile methodologies for rapid adaptation to changing tax regulations;

(c) Implement robust information security standards (encryption, multifactor authentication, data integrity checks) and adhere to industry compliance standards including ISO 27001;

(d) Define and implement open standards for seamless integration with Enterprise Resource Planning (ERP) and POS systems;

(e) Utilize modem Application Programming Interface (API) and web services for efficient data transmission, supporting industry-standard protocols (e.g. OAuth) for secure authentication;

(f) Implement remote monitoring tools for proactive issue detection and resolution.

(g) Use advanced network and application tracing techniques for rapid troubleshooting:

(h) Provide real-time reporting on system health and performance;

(i) Employ anomaly detection algorithms to identify, and report unauthorized activities;

(j) Monitor the use of uncertified hardware or software and implement real-time alerts for immediate response to potential security breaches;

(k) Design the system with built-in redundancy for continuous real-time reporting;

(l) Ensure high availability to prevent interruption or loss of sales reporting and data;

(m) Implement failover mechanisms to switch seamlessly between redundant systems in case of failure;

(n) Enforce compliance continuously through automated checks and real-time updates;

(o) Implement mechanisms to adapt quickly to changes in tax regulations and compliance standards;

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(p) Provide comprehensive training for end-users to ensure effective use of the system;

(q) Offer responsive support services for troubleshooting and issue resolution; and

(r) Maintain a knowledge base for users to access relevant information and updates.

33K. Procedure for Grant of license.- (1) On receipt of application for grant of license in the Board, the licensing committee shall scrutinize the documents provided. The licensing committee may also carry out visits, if necessary for physical inspection to ascertain the eligibility of the applicant for licensing under these rules.

(2) The licensing committee shall recommend or reject an application within forty five days of date of submission of the application, specifying reasons for rejection of any application under these rules:

Provided that in cases of unforeseeable or unavoidable events or circumstances, beyond the control of licensing committee, an application for extension in timelines may be made to the Member Digital Initiatives and the Member Digital Initiatives may consider such application for extension.

(3) The licensing committee shall make recommendations to Member Digital Initiative for grant of license.

33L. Rights Granted to the Licensee.-

(1) A licensee shall install, configure, integrate, operate and maintain the point of sale on real time basis in accordance with conditions of the license issued to him.

(2) The license granted under these rules shall be subject to provisions of the Ordinance and shall be valid for five years from date of issuance.

(3) The license granted under these rules shall be non-transferable and shall not be allowed to be used by any sub-contractor.

33M. Renewal of license.-

(1) The application for renewal of license shall be made to the Board three months before its expiry.

(2) The licensing committee shall evaluate the application and make recommendations to Member Digital Initiatives for the renewal of the license or otherwise.

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33N. Technical support.-

(1) The licensee shall be responsible for post deployment maintenance of Point of sale as detailed below:

(a) setting up and maintenance of all information technology equipment; and

(b) the licensee shall be authorized to,-

(i) upgrade and enhance the system;

(ii) all bug fixes; and

(iii) immediate response to trouble shooting of any post deployment problems for un-interrupted working of the system.

(2) The licensee shall be responsible for the provision of the system logs, if and when required by the Board.

(3) The licensee shall be responsible for safe and secure capture of real time transmission of invoices from its point of origin to the Board's computerized system at all times.

33O. Responsibilities of the Member Digital Initiatives.- An officer of the Inland Revenue, Member Digital Initiatives shall be responsible for overall supervision of the system and the steps taken to address problems encountered during operation of the systems.

33P. Procedure for suspension, cancellation or termination of license.-

(1) Member Digital Initiatives as a result of supervision of the system or on receipt of a report from any of the Commissioner Inland Revenue, or on a complaint, has reasons to believe that the licensee has;

(a) failed to provide specified services to the satisfaction of the Board;

(b) tempered with the system; or

(c) contravened any provision of these rules or the Income Tax Ordinance, 2001.

Member Digital Initiative shall immediately refer the matter to the licensing committee for further action under these rules.

(2) Where the licensing committee, on the basis of material evidence, is satisfied that there are sufficient grounds against the licensee, the following procedure shall be followed, namely:

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Suspension and Cancellation.-

(i) The licensing committee shall suspend the license for the period of one month to safeguard public revenues and to prevent any other serious damage.

(ii) Such suspension of the license shall take place through a system generated order of the licensing committee, specifying reasons for suspension.

(iii) Following the suspension, the licensed integrator shall cease to have access to online portal and all the Integrated Enterprises integrated by such licensed integrator shall be sent notifications through the online system with an option to change their licensed integrator.

(iv) The licensed integrator shall, within one month of issuance of order of suspension, satisfy the licensing committee, through a scheduled hearing, clearly indicating that the contraventions and violations pointed out in the suspension order or any practices of misreporting of invoice has been rectified.

(v) After giving an opportunity of hearing to the licensed integrator through a scheduled hearing, if the licensing committee is satisfied, it may issue an order through system for revoking of suspension of the licensed integrator; consequently, licensed integrator's access to the online portal will be reinstated.

(vi) In case. after giving an opportunity of hearing, if the offence is confirmed, the licensing committee shall issue an self-speaking appealable order through system for cancellation of the license of the licensed integrator, and shall proceed to take legal and penal action under the relevant provisions of the Ordinance and Rules;

(vii) Following the cancellation, the licensed integrator shall cease to have access to online portal and all the Integrated Enterprises integrated by such licensed integrator shall be sent notifications through the online system to change their licensed integrator within one month of the receipt of such notification.

(3) Intervening Period.-

(i) After cancellation of license or change of licensed integrator, as the case may be, the licensed integrator authorized for integration of an Integrated Enterprise with Board’s computerized system shall ensure provision of smooth, uninterrupted handing-over or migration of the system to the new licensed integrator for integration under these rules failing which proceedings under the act shall be initiated.

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(ii) In cases where a licensed integrator is delisting an `Integrated Enterprise, such licensed integrator shall notify the licensing committee and ensure provision of smooth, un-interrupted handing-over or migration of the system to the new licensed integrator for integration under these rules failing which proceedings under the act shall be initiated:

Provided that where an Integrated Enterprise is changing licensed integrator or the license integrator is delisting an Integrated Enterprise, during the intervening period until the new licensed integrator has integrated the Integrated Enterprise, the Integrated Enterprise shall continue issuing invoices through the web API or offline local software data controller module as prescribed under the act and the relevant rules.

(4) Appeals Against Suspension and Cancellation of License

(a) Board shall notify a grievance redressal committee which shall function in accordance with the provisions of these rules or any other instructions, procedures, issued by the Board.

(b) An appeal against any appealable order passed under these rules, shall be filed to the grievance redressal committee, within 30 days of issuance of such order, through the licensing portal in the manner prescribed under these rules.

(c) The grievance redressal committee may, after giving the concerned parties to the appeal an opportunity of being heard, pass such order, to confirm or cancel the order appealed against:

Provided that such order shall be passed not later than 60 days from the date of filing of appeal. Order passed by the grievance redressal committee shall be implemented by Member Digital Initiatives.

33Q. Audit of the License Integrator.- Member Digital Initiatives, on his own or on the written complaint by the concerned Commissioner, may authorize an officer of the Inland Revenue to conduct system audit of Licensed Integrator or Integrated Enterprise.

33R. Fee and Charges.- (1) The licensee shall charge the fee for configuration and integration of point of sale from the Integrated Enterprises.

(2) No fee shall be charged from any of the field formation or the Board.

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33S. Responsibilities of the Integrated Enterprises.-

The Integrated Enterprises shall-

(a) make all payment counters comprising of point of sale at each out let, available for installation of the systems;

(b) be responsible for smooth functioning of point of sale;

(c) report to the Board and the concerned Commissioner Inland Revenue within twenty four hours of any operational failure, damage disruptions or tampering of the system; or

(d) report any inoperative point of issuance of invoice to the Commissioner Inland Revenue holding the jurisdiction.

33T. Functions of Commissioner Inland Revenue.-

(1) The Commissioner having jurisdiction, shall ensure proper and uninterrupted operation of the system through periodic visits by an officer of Inland Revenue authorized in this behalf.

(2) Where a Person does not account for sales without generating an invoice containing QR code or FBR invoice number, the commissioner shall take action in accordance to the provisions of the Ordinance and rules.]

[1]Part II rules 33H to 33T inserted by SRO 428(I)/2024 dated March 22, 2024.

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CHAPTER – VIII

RETURNS, EMPLOYER'S CERTIFICATE, WEALTH STATEMENT AND STATEMENT TO BE FILED BY CERTAIN PERSONS

[1][**34. Return of income.–** (1) This rule shall apply to provide for the furnishing of returns of income.

[2][(2) A return of income as required to be furnished under section 114 shall be in the form as specified in Annexure-XIII of Part VI of the Second Schedule [3][:]

[3][Provided that where return has been furnished prior to coming into force of Notification No. S.R.O. 1891(I)/2022, dated the 13th day of October, 2022, the form specified in the said Notification shall be furnished separately by the 31st December, 2022.]

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[1]Rule 34 substituted by SRO 651(I)/2004 dated July 30, 2004.

[2]Sub-rule (2) substituted by SRO 392(I)/2009 dated May 19, 2009.

[3]Colon substituted and proviso inserted by SRO 2068(I)/2022 dated December 01, 2022.

Rule 34(2)–Substitution.–:- Rule 34(2) before substitution by SRO 392(I)/2009, read as follows:-

"(2) A return of income as required to be furnished under section 114 shall be in the form specified in:

(a) Part-I (for companies);

(b) Part-II (for non-salaried individuals and association of persons); and

(c) Part-IIIA (for salaried individuals having other sources of income etc., as attachment to employer's certificate in lieu of return of income);

of the Second Schedule to these rules."

Rule 34–Substitution.– Rule 34 before substitution by Notification No. SRO 651(I)/2004, read as follows:–

"34. Return of income.– (1) This rule and the rule numbers 35 and 36 shall apply for the purposes of returns of income, certificate and wealth statement to be filed.

[1][(2) A return of income as required to be furnished by a person under section 114 shall be in the form specified in Part-I (for companies) and Part-II (for individuals and association of persons) of the Second Schedule to these rules.]

(3) A return of income shall be verified in the manner specified in the form.

[2][(4) A return of income shall be accompanied by such documents, statements, certificates and annexes as specified in Part VI of Second Schedule to these rules.]"

[1]Sub-section (2) substituted by Notification No. SRO 861(I)/2003, dated September 1, 2003. Earlier substitution was made by Notification No. SRO 707(I)/2003, dated July 12, 2003.

[2]Sub-section (4) substituted by Notification No. SRO 861(I)/2003, dated September 1, 2003.

Rule 34(2)–Return of Income-Substitution.– Before substitution by Notification No. SRO 861(I)/2003, read as follows:–

"(2) A return of income as required to be furnished by a person under section 114 shall be in the form specified in Part II (for individuals and association of persons) of the Second Schedule to these rules."

8-171-20-01-2023

(3) A return of income shall be verified in the manner specified in the form.

(4) A return of income shall be accompanied by the following, namely:–

(a) applicable documents;

(b) statements;

(c) certificates; [1][ ]

(d) annexes; [2][and]

[2][(e) in case of companies, the return of income shall be accompanied by audited accounts and reconciliation of profits as per accounts and taxable income as declared in the return.]

[3][ ]

[4][**34A. Time limit for notifying income tax return form**.- (1) This rule shall apply for the purpose of setting timelines in respect of various steps involved in notifying income tax return forms for a tax year.

(2) The return form specified in sub-rule (2) of rule 34 shall be notified for suggestions from all persons likely to be affected thereby on or before the first day of December of the financial year [5][ ] to which the return relates by observing following timelines:-

(a) Inland Revenue Policy Wing shall identify the legal amendments to be incorporated in income tax return forms by thirty-first day of August of the financial year [5][ ] to which the return relates;

(b) preparation of change request form (CRF) shall be finalized by Inland Revenue Policy Wing and Information Technology Wing, in consultation with PRAL, by fifteenth day of September of the financial year [5][ ] to which the return relates;

(c) analysis and scrutiny of change request form (CRF) by Chief Income Tax Policy and Chief Business Domain Team shall be conducted by sixteenth day of September of the financial year [5][ ] to which the return relates and the same shall be submitted to Member Inland Revenue Policy for approval on the same day;

(d) PRAL shall complete configuration and development of the approved CRF by thirty first day of October of financial year [5][ ] to which the return relates; and

[1]Word "and" omitted by SRO 392(I)/2009 dated May 19, 2009.

[2]Word "and" and clause (e) inserted by SRO 392(I)/2009 dated May 19, 2009

[3]Word etc. "as are specified in Part-VI of the Second Schedule." Earlier the words "the annexures to" appearing after the word "in" were omitted by SRO 1032(I)/2006, dated October 3, 2006.

[4]Rule 34A inserted by SRO 1185(I)/2020 dated November 06, 2020.

[5]Words "following the financial year" deleted by Corrigendum dated November 24, 2020.

Rule 34(4)–Return of Income-Substitution.– Before substitution by Notification No. SRO 861(I)/2003, read as follows:–

"(4) A return of income shall be accompanied by such documents, statements and certificates as specified in the form, and in the Ordinance and these rules."

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(e) User Acceptance Test (UAT) of the amended return forms on testing environment shall be finalized by Inland Revenue Policy Wing and Information Technology Wing, in consultation with PRAL, by fifteenth day of November of financial year [1][ ] to which the return relates and the same shall be submitted to Member Inland Revenue Policy for approval on the same day.

(3) The Return Form shall remain available on the portal for suggestions till seventh day of January of financial year [1][ ] to which the return relates.

(4) The final return form shall be notified on or before the thirty first day of January of financial year [1][ ] to which the return relates by observing following timelines:-

(a) Inland Revenue Policy Wing and Information Technology Wing shall review the suggestions received from stakeholders by twelfth day of January of financial year [1][ ] to which the return relates;

(b) a new Change Request Form (CRF), if required, shall be finalized by Inland Revenue Policy Wing and Information Technology Wing, in consultation with PRAL, by 15th day of January of the financial year [1][ ] to which the return relates and the same shall be approved by Member Inland Revenue;

(c) PRAL shall complete configuration and development of the approved CRF by 20th day of January of the financial year [1][ ] to which the return relates;

(d) User Acceptance Test (UAT) of the final Return forms on testing environment shall be finalized by Inland Revenue Policy Wing and Information Technology Wing, in consultation with PRAL, by 25th day of January of the financial year [1][ ] to which the return relates and the same shall be submitted to Member Inland Revenue Policy for approval;

(e) final income tax return forms shall be available on IRIS by the thirty first day of January of financial year [1][ ] to which the return relates;

(f) in case, any further amendments are made in the financial year to which the return relates that have an impact on the finally notified income tax return forms referred to at clause (e), such amendments shall also be incorporated accordingly; and

(g) notwithstanding anything contained in this rule, the time so specified may, if requested by the Member Inland Revenue Policy, be extended by the Board to such extent and subject to such conditions and limitations as it may deem proper.]

8-134-10-02-2021

[1]Words "following the financial year" deleted by Corrigendum dated November 24, 2020.

[1][**34B. Taxpayer's profile**.- (1) This rule shall apply for the purposes of section 114A of the Income Tax Ordinance, 2001, which provides for the furnishing of a taxpayer's profile.

(2) A taxpayer's profile shall be filed electronically on the prescribed format and manner as provided on IRIS Web Portal.

(3) The taxpayer's profile shall be verified in the manner specified on IRIS Web Portal.]

[1]Rule 34B inserted by SRO 13(I)/2021 dated January 08, 2021.

[1][ ]

36. Wealth statement.– (1) This rule shall provide for the furnishing of a wealth statement.

(2) A wealth statement shall be–

(a) in the form specified in Part [2][IV] of the Second Schedule to these rules;

(b) verified in the manner specified in the form; [3][ ]

(c) accompanied by such documents, statements and certificates as specified in the form, and in the Ordinance, these rules and circulars issued under the Ordinance [4][and]

[4][(d) accompanied by a wealth reconciliation statement.]

[1]Rule 35 deleted by SRO 1218(I)/2015 dated December 08, 2015. Earlier it was substituted by SRO 651(I)/2004, dated July 30, 2004.

[2]Substituted for "V" by SRO 861(I)/2003, dated September 1, 2003.

[3]Word "and" omitted by SRO 392(I)/2009 dated May 19, 2009.

[4]Word "and" and clause (d) inserted by SRO 392(I)/2009 dated May 19, 2009.

Rule 35–Omission.– Rule 35 before omission by SRO 1218(I)/2015, read as follows:–

"**35. Employer's certificate in lieu of return of income.–** (1) This rule shall apply to provide for the furnishing of an employer's certificate in lieu of return of income.

(2) An employer's certificate in lieu of return of income as required under section 115 shall be in the form specified in Part III of the Second Schedule.

(3) An employer's certificate in lieu of return of income shall be accompanied by the following, namely:–

(a) applicable documents;

(b) statements;

(c) certificates; and

(d) annexes;

as are specified in the annexures to Part VI of the Second Schedule."

Rule 35–Substitution.– Rule 35 before substitution by SRO 651(I)/2004, read as follows:–

"35. Employer's certificate in lieu of return of income.– (1) This rule shall apply to provide for the furnishing of an employer's statement instead of furnishing a return of income.

(2) An employer's certificate that may be furnished by an employee instead of a return of income shall be –

(a) in the form specified in Part [1][III] of the Second Schedule;

(b) verified in the manner specified in the form; and

(c) accompanied by such documents, statements and certificates as specified in the form, and in the Ordinance and these rules.

(3) A portion relating to certification of remuneration by employer shall be signed by employer or his designated officer, and portion relating to the calculation of tax and any other income shall be signed by the employee, as well. This certificate shall be filed signed both by employer or employee, on the specified portion as stated. Where employee has any other source of income, other than profit on debt, a return of income as prescribed under [2][Part-III of the Second Schedule] shall be filed and salary income shall be supported by the certificate."

[1]Substituted for "IV" by Notification No. SRO 861(I)/2003, dated September 1, 2003.

[2]Substituted for "Part-II of the First Schedule" by Notification No. SRO 861(I)/2003, dated September 1, 2003.

8-173-10-07-2023

[1][**36A. Foreign income and assets statement**.- (1) This rule shall provide for furnishing of a foreign income and assets statement.

(2) A foreign income and assets statement shall be-

(a) in the form specified in Part IVA of the Second Schedule to these rules providing the particulars of-

(i) the person's total foreign assets and liabilities as on the last day of the tax year;

(ii) any foreign assets transferred by the person to any other person during the tax year and the consideration for the said transfer; and

(iii) complete particulars of foreign income, the expenditure derived during the tax year and the expenditune wholly and necessarily for the purposes of deriving the said income;

(b) verified in the manner specified in the form; and

(c) accompanied by such documents, statements and certificates as specified in the form and in the Ordinance, these rules and circulars issued under the Ordinance.

(3) Failure to furnish foreign income and assets statement by every resident individual required to be furnished under this rule shall be subject to penalty under S. No. IAAA of sub-section (1) of section 182 of the Income Tax Ordinance, 2001(XLX of 2001).]

[1]Rule 36A inserted by SRO 777(I)/2023 dated June 27, 2023.

8-173-10-07-2023

37. Return to be furnished by a non-resident ship owner or charterer.– (1) This rule shall apply for the purposes of sections** 143, which provides for the furnishing of returns by non-resident ship owners or charterers.

(2) A return required to be furnished under section 143 shall be in the following form, namely:–

(3) A return required to be furnished under section 143 shall be accompanied by such documents, statements and certificates as specified in the form, and in the Ordinance, these rules and circulars issued under the Ordinance.

(4) A return required to be furnished under section 143 may be furnished by any of the methods specified in rules 73 and 74.

---

[1]Form substituted for by SRO 1955(I)/2022 dated October 24, 2022. Before substitution it read as follows:-

"Name of ship	Name of owner/ [1][Charterer]	Dates of arrival/ departure.	Receipts for freight and passenger, cargo livestock etc. embarked from Pakistan.	Total freight earned for goods, services passengers [2][, livestock] embarked outside Pakistan	Total in respect [2][of] freight received in Pakistan embarked outside Pakistan (whether covered by the tax treaty. Please specify).
1	2	3	4	5	6

[3][Tax amount on earnings as per columns 4, 5 and 6.]	Remarks whether containers charges and other charges separately shown in the Normal Return of income. If received by the agent or assigned to other person, in that case rent/lease or assignment charges.	Challan No †date of payment	Remarks
7	8	9	10

[1]Substituted for Charter" by SRO 392(I)/2009 dated May 19, 2009.
[2]Words inserted by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "Tax amount on earnings as Col:6" by SRO 392(I)/2009 dated May 19, 2009.
†apparently intended word "and" is missing.

Authorised/Representative
Signature _____
Name _____
Designation _____
Seal _____
Date _____."

8-170-10-11-2022

38. Return to be furnished by a non-resident aircraft owner or charterer. – (1) This rule shall apply for the purposes of sections 144, which provides for the furnishing of quarterly returns by non-resident aircraft owners or charterers.

(2) A return required to be furnished under section 144 shall be in the following form, namely:–

[1]Form substituted for by SRO 1955(I)/2022 dated October 24, 2022. Before substitution it read as follows:-

"[1][specif-ication of the air craft]	Name of owner/ [2][Charterer]	Dates of arrival [3][/dep-arture.]	Quarterly receipts for freight and passenger, cargo livestock etc. embarked from Pakistan.	Total freight earned for goods, services passengers [3][, livestock] embarked outside Pakistan	Total in respect [3][of] freight received in Pakistan embarked outside Pakistan (whether covered by the tax treaty. Please specify.)
1	2	3	4	5	6

[4][Tax amount on earnings as per columns 4, 5 and 6.	Remarks whether containers charges and other charges separately shown in the Normal Return of income if received by the agent or assigned to other Person, in that case rent/lease or assignment charges.	Challan No.& Date of payment	REMARKS
7	8	9	10

[1]Substituted for "Name of Air-craft" by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "Charter" by SRO 392(I)/2009 dated May 19, 2009.
[3]Words inserted by SRO 392(I)/2009 dated May 19, 2009.

Authorised/Representative
Signature _____
Name _____
Designation _____
Seal _____
Date _____."

[4]Substituted for "Tax amount on earnings as Col:6" by SRO 392(I)/2009 dated May 19, 2009.

(3) A return required to be furnished under section 144 shall be accompanied by such documents, statements and certificates as specified in the form, and in the Ordinance, these rules and circulars issued under the Ordinance.

(4) A return required to be furnished under section 144 may be furnished in any of the methods specified in rules 73 and 74.

[1][**38A. Statement to be furnished by Online Marketplace**.- (1) This rule shall apply for the purpose of administering sub-section (2) of section 165C, which provides for the furnishing of a monthly statement by online marketplaces providing transactional and aggregate quantum of sellers registered with them:

Provided that where an Online Marketplace is providing courier services as well, it shall also file the statements required under sub-rule (2) of Rule 44 read with Part-X of the Second Schedule to these rules.

(2) The statement required to be furnished under sub-section (2) of section 165C shall be in the following two forms i.e. Form-A1 and Form-A2:-

FORM-A1

MONTHLY STATEMENT BY ONLTNE MARKETPLACE AGAINST DIGITALLY ORDERED GOODS AND SERVICES

[See Rule 38A(2)]

Particulars of Online Marketplace								
NTN/ STRN _____								
Name						E. Mail _____		
Details of supplier-wise transactions during the Month of								
Particulars of supplier from whom Sale tax Withheld						Particulars of Payment Mad		
Sr.	Date dd/mm/yyyy	CNIC/ NTN/ STRN	Name	Address	Aggregate Monthly Amount of Sales by Seller	Aggregate Monthly Amount Deposited in Seller's Bank Account	Amount of Tax Deducted during the Month	
							By Courier	By Payment Intermediary
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TOTAL								
Verification		I, holder of CNIC/NTN/STRN number _____ in my capacity as _____ do hereby solemnly declare that to the best of my knowledge and belief the information given in this Monthly Statement is correct, complete and in accordance with the provisions of the Sales Tax Act, 1990 and Sales Tax Rules, 2006 and notifications issued thereunder						
Date (dd/mm/yyyy)					Stamp		Signature: _____	

[1]Rule 38A inserted by SRO 1775(I)/2025 dated September 10, 2025.

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FORM-A2

MONTHLY STATEMENT BY ONLINE MARKETPLACE AGAINST DIGITALLY ORDERED GOODS AND SERVICES

[See Rule 38A(2)]

Particulars of Online Marketplace									
NTN/ STRN _____						Name _____			
Telephone: _____						E. Mail _____			
Details of supplier-wise transactions during the Month of _____									
Particulars of supplier					Particulars of Payment Made and Amount of Tax Deducted		Particulars of Tax Paid		
Sr.	Date (dd/mm/yyyy)	CNIC/ NTN/ STRN	Name	Address	Invoice Number	Invoice value	Amount Deposited in Seller's Bank Account	Amount of Tax Deducted	
								Courier	Payment Intermediary
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
TOTAL									
Verification	I, holder of CNIC/NTN/STRN number _____ in my capacity as _____ do hereby solemnly declare that to the best of my knowledge and belief the information given in this Monthly Statement is correct, complete and in accordance with the provisions of the Sales Tax Act, 1990 and Sales Tax Rules, 2006 and notifications issued thereunder								
Date _____ (dd/mm/yyyy)					Stamp			Signature: _____]	

[1][ ]

[1]Rule 39 deleted by SRO 1218(I)/2015 dated December 08, 2015.

Rule 39–Omission.– Rule 39 before omission by SRO 1218(I)/2015, read as follows:–

"**39. Statement in lieu of Return of income.–**(1) Where in lieu of Return of income statement is required to be filed namely incomes covered by sections 5, 6 and 7 or where tax deduction is to be taken as a final discharge of tax liability u/s 169 a statement in the prescribed form shall be filed as prescribed in Part [1][IV] of the Second Schedule to the Rules.

(2) Where a taxpayer has income from a source which does not form part of total income and also income under any head of income given in section 11 (except salary), Return is specifically required to be filed on a prescribed statement as well as shall be filed."

[1]Substituted for "V" by SRO 1032(I)/2006, dated October 3, 2006. Earlier it was substituted for "VI" by SRO 861(I)/2003, dated September 1, 2003.

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[1][Chapter VIIIA
Banking Companies Reporting Requirements

39A. This chapter shall apply to the banking companies reporting requirement for the purposes of section 165A of the Ordinance.

Definitions.- (1) In this Chapter, unless there is anything repugnant in the subject or context,-

(a) "account holders deposits statement" means account holders deposits statement as specified in Form A;

(b) "banking company officer" means a senior officer stationed at the head office and nominated by a banking company to coordinate with the Board for the provision of any information and documents required by the Board;

(c) "credit card payments statement" means credit card payments statement as specified in Form B;

(d) "cash withdrawal statement" means cash withdrawal statement as specified in Form C;

(e) "information" includes account holders deposits statement, credit card payments statement, cash withdrawal statement, profit on debt statement, and details of any information or data as required by the Board from the banking company in terms of section 165A(2) of the Ordinance;

(f) "reporting banking company" means a banking company required under section 165A of the Ordinance to provide to the Board all the information and documents electronically or otherwise, mentioned in the said section; and

(g) "profit on debt statement" means profit on debt statement as specified in Form D.

39B. Furnishing of information.- (1) The information, required to be furnished under section 165A of the Ordinance shall be provided by the reporting banking company, in the manner as specified in account holders deposits statement, credit card payments statement, cash withdrawal statement and profit on debt statement.

(2) The information other than that provided in sub-rule (1) shall be provided by the reporting banking company if requisitioned by the Board.

[1]Chapter VIIIA substituted by SRO 773(I)/2020 dated August 24, 2020. Earlier it was inserted by SRO 115(I)/2014 dated February 19, 2014.

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39C. Authorized Persons.- (1) Banking company officer, shall be nominated by the reporting banking company not later than thirty days of coming into force of the rules contained in this chapter.

(2) Where a banking company officer is not nominated within the time allowed as specified in sub-rule (1), the President or principal officer of the reporting banking company, stationed at the head office, shall be treated as banking company officer.

(3) The information required to be reported to the Board shall be provided by the banking company officer to the Federal Board of Revenue.

39D. Time of furnishing information.- (1) Every banking company officer shall furnish to the Board a monthly account holders deposits statement, credit card payments statement, and cash withdrawal statement as specified in Form A. Form B, and Form C, respectively, for immediately preceding calendar month within fifteen days of the end of the preceding calendar month.

(2) Every banking company officer shall furnish to the Board an annual profit on debt statement as specified in Form D for immediately preceding calendar year within three months of the end of the preceding calendar year.

Chapter VIIIA-Substitution- Before substitution it read as follows:-

"CHAPTER VIIIA

Banking Companies Reporting Requirements

39A. This chapter contains rules for banking companies reporting requirements for the purpose of section 165A of the Ordinance.

39B. Definitions.- (1) In this Chapter, unless there is anything repugnant in the subject or context,-

(a) "Account Holders Deposits Statement" means Account Holders Deposits Statement as specified in Form 'A';

(b) "Banking Company Officer" means a senior officer stationed at the head office and nominated by a banking company to coordinate with the Board for provision of any information and documents required by the Board;

(c) "Credit Card Payments Statement" means Credit Card Payments Statement as specified in Form 'B';

[2][ ]

(e) "information" includes Account Holders Deposits Statement, Credit Card Payments Statement, [3][Profit on Debt Statement], [4][ ] or any other information as required by the Board from the banking company;

(f) "reporting banking company" means a banking company required under section 165A of the Ordinance to provide to the Board all the information and documents electronically or otherwise, mentioned in the said section;

[2][ ]

[5][(h) "Profit on Debt Statement" means Profit on Debt Statement as specified in Form 'C';]

[1]Chapter VIIIA inserted by SRO 115(I)/2014 dated February 19, 2014.

[2]Clauses (d) & (g) deleted by SRO 29(I)/2019 dated January 08, 2019.

[3]Substituted for "Written Off Loans Statement" by SRO 29(I)/2019 dated January 08, 2019.

[4]Words "currency transactions report, suspicious transactions report, details of any information or data of account holders through online access to central database of the banking company" deleted by SRO 29(I)/2019 dated January 08, 2019.

[5]Clause (h) substituted by SRO 29(I)/2019 dated January 08, 2019.

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(3) Every banking company officer, shall furnish to the Board any information and documents in addition to those mentioned in sub-rules (1) and (2) within the time allowed by the Board.]

Rule 39B(1)(d)&(g)-Omission- Before omission these read as follows:-

"(d) "Currency Transactions Report" means currency transactions report generated and submitted by a banking company to the Financial Monitoring Unit under the Anti-Money Laundering Act, 2010 (VII of 2010)"

"(g) "Suspicious Transactions Report" means suspicious transaction report generated and submitted by a banking company to the Financial Monitoring Unit under the Anti-Money Laundering Act, 2010 (VII of 2010); and"

Rule 39B(1)(h)-Substitution- Before substitution it read as follows:-

"(h) "Written off Loans Statement" means Written off Loans Statement as specified in Form 'C';"

[6][(i) "Cash Withdrawals Statement" means Cash Withdrawals Statement as specified in Form 'D';]

39C. Furnishing of information.- (1) The information, required to be furnished under section 165A of the Ordinance [2][ ] shall be [3][filed electronically on FBR's web portal], by the reporting banking company, in the manner as specified in Account Holders Deposits Statement [4][, Cash Withdrawal Statement], Credit Card Payments Statement [5][and Profit on Debt Statement].

(2) The information and online access required to be provided under clause (a) of sub-section (1) of section 165A, shall be provided, by the reporting banking company, through online access to its central database containing details of its account holders and all transactions made in their accounts.

(3) The information other than information provided in sub-rule (1) [6][ ] shall be provided by the reporting banking company as specified in a notice issued in terms of section 165A(2) of the Ordinance.

39D. Authorized Persons.- (1) Banking company officer, shall be nominated by the reporting banking company not later than thirty days of coming into force of rules contained in this chapter.

(2) Where a banking company officer is not nominated within the time allowed as specified in sub-rule (1), the President or any Principal Officer of the reporting banking company, stationed at the head office, shall be treated as banking company officer.

(3) The information required to be reported to the Board shall be provided by the banking company officer to the Chairman, Federal Board of Revenue or any officer authorized by the Chairman in this behalf.

Provided that the officer authorized by the Chairman shall not be below the rank of Member of the Board.

39E. Time of furnishing information.- (1) Every banking company officer, shall [7][file electronically on FBR's web portal] a monthly Account Holders Deposits Statement [8][,] Credit Card Payments Statement [9][and Cash Withdrawals Statement] as specified in Form 'A' [8][,] Form 'B' [9][and Form 'D'] respectively, for immediately preceding calendar month within seven days of the end of the preceding calendar month.

[1]Clause (i) inserted by SRO 1305(I)/2018 dated October 30, 2018.
[2]Words "(other than information required under clause (a) of sub-section (1) of section 165A)" deleted by SRO 1305(I)/2018 dated October 30, 2018.
[3]Substituted for "provided" by SRO 29(I)/2019 dated January 08, 2019.
[4]Words inserted by SRO 1305(I)/2018 dated October 30, 2018.
[5]Substituted for ", Written Off Loans Statement, currency transactions report and suspicious transactions report" by SRO 29(I)/2019 dated January 08, 2019.
[6]Words etc. "and (2)," deleted by SRO 29(I)/2019 dated January 08, 2019.
[7]Substituted for "furnish to the Board" by SRO 29(I)/2019 dated January 08, 2019.
[8]Substituted for "and" by SRO 29(I)/2019 dated January 08, 2019.
[9]Words inserted by SRO 29(I)/2019 dated January 08, 2019.

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(2) Every banking company officer shall [1][file electronically on FBR's web portal] an annual [2][Profit on Debt Statement] as specified in Form 'C' for immediately preceding calendar year within three months of the end of the preceding calendar year.

[3][ ]

(4) Every banking company officer, shall furnish to the Board any information and documents in addition to those mentioned in sub-rules (1) to (3), within the time allowed by the Board.

39F. Exclusions.- (1) The information [4][in Form 'A' and Form 'B'] may not be provided by the banking company officer in respect of a person who holds National Tax Number and has also filed return of income for the immediately preceding tax year.

(2) The information regarding the person mentioned in sub-rule (1) may be provided to the reporting banking company by the Board, on 10th of every month.

FORM-A

[See rule 39B(1)(a)]

ACCOUNT HOLDERS DEPOSITS STATEMENT

REPORTING BANKING COMPANY: _____

BANKING COMPANY OFFICER: _____

INFORMATION OF PERSONS WHO HAVE DEPOSITED RS. ONE MILLION OR MORE DURING THE MONTH OF: _____

S. No.	Name	CNIC	Most recent particulars including address(es)	Amount deposited during the month	Remarks
(1)	(2)	(3)	(4)	(5)	(6)

VERIFICATION

I, the undersigned, solemnly declare that to the best of my knowledge and belief, the information given in this statement is correct and complete;

I, further declare that I am competent to make this declaration and verify it in my capacity as nominee of the reporting Banking Company _____.

Signature _____ Name _____ CNIC: _____

[1]Substituted for "furnish to the Board" by SRO 29(I)/2019 dated January 08, 2019.

[2]Substituted for "Written Off Loans Statement" by SRO 29(I)/2019 dated January 08, 2019.

[3]Rule 39E(3) deleted by SRO 29(I)/2019 dated January 08, 2019.

[4]Words inserted by SRO 29(I)/2019 dated January 08, 2019.

Rule 39E(3)-Omission- Before omission it read as follows:-

"(3) Every banking company officer, shall furnish to the Board a copy of each currency transactions report and suspicious transactions report generated by it at the time it is submitted to the Financial Monitoring Unit under the Anti-Money Laundering Act, 2010 (VII of 2010)."

FORM-B

[See rule 39B(1)(c)]

CREDIT CARD PAYMENT STATEMENT

REPORTING BANKING COMPANY: _____

BANKING COMPANY OFFICER: _____

INFORMATION OF PERSONS WHO HAVE MADE CREDIT CARD PAYMENTS OF RS. ONE HUNDRED THOUSAND OR MORE DURING THE MONTH OF: _____

S. No.	Name	CNIC	Most recent particulars including address(es)	Credit Card Payment during the month	Remarks
(1)	(2)	(3)	(4)	(5)	(6)

VERIFICATION

I, the undersigned, solemnly declare that to the best of my knowledge and belief, the information given in this statement is correct and complete;

I, further declare that I am competent to make this declaration and verify it in my capacity as nominee of the reporting Banking Company _____.

Signature _____ Name _____ CNIC: _____

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[1][**FORM-C**
[See rule 39B(1)(h)]

PROFIT ON DEBT STATEMENT

REPORTING BANKING COMPANY: _____

BANKING COMPANY OFFICER: _____

INFORMATION OF PERSONS RECEIVING PROFIT ON DEBT EXCEEDING ONE MILLION FOR FILERS AND FIVE HUNDRED THOUSAND RUPEES FOR NONFILERS AND TAX DEDUCTIONS THEREON DURING THE FINANCIAL YEAR OF

_____

S. No.	Name	CNIC	Most recent particulars including address(es)	Amount of profit on debt during the year	Tax deducted	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)]

[1]Form C substituted by SRO 29(I)/2019 dated January 08, 2019.

[1][**Form-D**
[see rule 39B(1)(i)]

CASH WITHDRAWALS STATEMENT

REPORTING BANKING COMPANY: _____

BANKING COMPANY OFFICER: _____

INFORMATION OF PERSONS WHO HAVE WITHDRAWN CASH EXCEEDING FIFTY THOUSAND RUPEES IN A DAY AND TAX DEDUCTIONS THEREON FOR FILERS AND NON-FILERS, AGGREGATING TO RUPEES ONE MILLION OR MORE DURING THE MONTH OF _____

S. No.	Name	CNIC	Most recent particulars including address(es)	Amount withdrawn during the month	[2][Tax deducted	[3][Remarks
(1)	(2)	(3)	(4)	(5)	(6)]	(7)]

[1]Form D inserted by SRO 1305(I)/2018 dated October 30, 2018.
[2]Column (6) inserted by SRO 469(I)/2019 dated April 17, 2017.
[3]Existing column (6) renumbered as (7) by SRO 469(I)/2019 dated April 17, 2017.

Form C-Substitution- Before substitution it read as follows:-

"FORM-C
[See rule 39B(1)(h)]

WRITTEN OFF LOANS STATEMENT

REPORTING BANKING COMPANY: _____

BANKING COMPANY OFFICER: _____

INFORMATION IN RESPECT OF LOANS WRITTEN OFF EXCEEDING RS. ONE MILLION OR MORE DURING THE CALENDER YEAR: _____

S. No.	Name	CNIC	Most recent particulars including address(es)	Amount Written Off during the month	Remarks if any
(1)	(2)	(3)	(4)	(5)	(6)

VERIFICATION

I, the undersigned, solemnly declare that to the best of my knowledge and belief, the information given in this statement is correct and complete;

I, further declare that I am competent to make this declaration and verify it in my capacity as nominee of the reporting Banking Company _____.

Signature _____ Name _____ CNIC: _____"

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CHAPTER – IX

CERTIFICATES, STATEMENTS AND PROCEDURE FOR PAYMENT OF ADVANCE TAX

PART I – SECTION 159 CERTIFICATE

40. Exemption or lower rate certificate u/s 159.– (1) An application for a certificate under sub-section (1) of section 159 shall be made in the form specified in Part-VII of the First Schedule to these rules.

(2) A certificate issued by the Commissioner under sub-section (1) of section 159 shall be in the form specified in Part VIII of the First Schedule to these rules.

[1][(3) An application for a certificate under sub-section (1) of section 159 read with clause (v) of paragraph 1 of Notification No. S.R.O. 947(I)/2008, dated the 5th September, 2008, shall be in the form specified in Part VII(a) of the First Schedule to these rules.

(4) A system based exemption certificate issued by the Commissioner for goods specified under clause (v) of paragraph 1 of Notification No. S.R.O. 947(I)/2008, dated the 5th September, 2008 shall be in the form specified in Part-VIII(a) of the First Schedule to these rules.]

[2][**Part IA**

Imported Goods

Division I

General

40A. Application.- The provisions of this Part shall apply to addition, omission or amendment of entries in the Twelfth Schedule and application of reduced rate on goods falling under Part III of said schedule imported by persons as raw material for its own use.

Division II

Reclassification in the Twelfth Schedule

40B. Committee on Imported Goods.- (1) There shall be a Committee on Imported Goods which shall consist of the following members, namely,-

(a)	Member Inland Revenue Policy, FBR	..... Chairperson
(b)	Member Inland Revenue Operations, FBR	..... Member
(c)	Member Taxpayers Audit, FBR	..... Member

[1]Sub-rules "(3) and (4)" inserted by SRO 1139(I)/2008 dated October 31, 2008.

[2]Part IA inserted by SRO 715(I)/2020 dated August 12, 2020.

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(2) The Chief Income Tax Policy shall act as secretary to the committee.

(3) The Committee on Imported Goods shall be empowered to add in the Twelfth Schedule of the Ordinance any entry thereto or omit any entry therefrom or amend any entry therein.

(4) The Chairperson of the Committee may, *suo moto* or on application of a taxpayer being an importer of such goods, place a matter pertaining to sub-rule (3) before the committee by way of convening a meeting including a virtual meeting or by way of circulation which shall decide the matter within sixty days.

40C. Reclassification of imported goods.- (1)The Committee on Imported Goods, may after taking into consideration all relevant facts , add in the Twelfth Schedule of the Ordinance, any entry thereto or omit any entry therefrom or amend any entry therein:

Provided that such decision of the Committee shall be made by majority.

(2) A decision under sub-rule (1) to add in the Twelfth Schedule of the Ordinance any entry thereto or omit any entry therefrom or amend any entry therein shall be notified in the Official Gazette by the Board.

Division III

Exemption and Reduced Rate Certificates

40D. Import under an Exemption Certificate.- (1) A taxpayer eligible under sub-section (1) of section 159 of the Ordinance may submit an application to the Commissioner for an exemption certificate through Iris, and submit supporting documents and data in electronic form:

Provided that till such time Iris is enabled for the purpose of this sub-rule, the application and supporting documents and data may be submitted manually to the Commissioner.

(2) On receipt of a complete application along with the documents prescribed under sub-rule (1), the Commissioner may carry out such verification as he may consider necessary to ascertain, inter alia, whether-

(a) such goods are relevant to the activity of the taxpayer whose income is exempt from tax under the Ordinance or is subject to hundred percent tax credit [1][under the Ordinance]; and

[1]Substituted for "under section 100C of the Ordinance" by SRO 934(I)/2023 dated July 20, 2023.

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(b) similar goods previously imported by the taxpayer have not been supplied to its associate or any other person in a non-arm's length transaction.

(3) The Commissioner may, within fifteen days of application by the taxpayer through an order in writing,-

(a) approve such quantity of goods as it may deem fit to be imported by the person without collection of tax under section 148 of the Ordinance; or

(b) reject the application of the taxpayer.

40E. Import under a Reduced Rate Certificate.- (1) A taxpayer desirous of importing goods classified under Part III of the Twelfth Schedule to the Ordinance as raw material for its own use may submit an application to the Commissioner for a reduced rate certificate through Iris, and submit the following documents and data in electronic form , namely:-

(a) the site plan of the manufacturing unit indicating the location of the premises and the details of the total area, covered area and manufacturing area and separate storage areas for manufactured goods, factory rejects and wastages;

(b) complete details of the type of machinery installed;

(c) the installed production capacity per day and the average production per day for the last two tax years;

(d) the complete manufacturing process flow, clearly indicating, inter alia, the following , namely-

(i) the stage at which local and imported raw materials shall be consumed; and

(ii) the stage at which finished goods shall be manufactured;

(e) inventory statement, consumption statement and input-output ratios of locally procured and imported goods for the last assessed tax year and the period starting on the first day after the last assessed tax year and ending on the day on which an application under sub-rule (1) is made; and

(f) an estimate of advance tax under sub-section (4A) of section 147 of the Ordinance, if not already furnished:

Provided that till such time Iris is enabled for the purpose of this sub-rule, the application and supporting documents and data may be submitted manually to the Commissioner:

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Provided further that a taxpayer shall not be required to furnish documents and data under clause (a) and (b) where the taxpayer has been granted a reduced rate certificate under this rule in the previous tax year and the taxpayer submits a declaration to the effect that there is no change in particulars specified under clause (a) and (b).

(2) On receipt of a complete application along with the documents prescribed under sub-rule (1), the Commissioner may, after such verification as he may consider necessary, calculate the quantity of raw material allowable to be imported during the tax year at reduced rate which shall be computed in accordance with the following formula, namely:-

$$[(125\% \times A) - B] \times [1 + C)$$

Where

A is lesser of previous year's import or consumption of the raw material;

B is the raw material available with the taxpayer at the time of application; and

C is the percentage change in turnover estimated under section 147 compared to last assessed tax year.

(3) The Commissioner may, within fifteen days of application by the taxpayer through an order in writing,-

(a) approve such quantity of goods as it may deem fit to be imported by the person as if such goods were classified under Part II of the Twelfth Schedule; or

(b) reject the application of the taxpayer

(4) All orders under sub-rule (3) shall be reviewed quarterly by the Review Committee, which shall consist of the following members, namely:-

(a)	Member Inland Revenue Operations, FBR	..... Chairperson
(b)	Chief Inland Revenue Operations, FBR	... .. Member
(c)	Chief Income Tax Policy, FBR	... .. Member

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40F. Monitoring by the Commissioner.-(1) The Commissioner or an officer authorized by the Commissioner shall have free access to the premises, registered office or any other place where any stocks, business records or documents required under these rules are kept or maintained or whose business activities are covered under these rules; and such officer may, at any time, inspect the goods, stocks, records, data, documents, correspondence, accounts and statements or any other record to verify, inter alia, the following, namely-

(a) the production capacity and stock consumption as stated by the taxpayer; and

(b) the raw material being imported is in line with the manufacturing activity or capacity and it is being used 'as raw material for own use only.

(2) The Commissioner may conduct audit of consumption, production and sales of the latest Tax Year for which return of income has been filed at any time during the year in order to verify that the quantum of annual production is in accordance with the consumption of raw materials and the input-output co-efficient.]

[1][Part IAA
Exemption under Section 152

40FA. Exemption, or lower rate certificate under sections 152 and 159 to non-resident persons or permanent establishment of non-resident person.- (1) Notwithstanding rule 40(1) and Part VII of the First Schedule to these rules, an online application by a non-resident person or a PE of a nonresident person for a certificate under sub-section (1) of section 159 shall be made in the form specified in Part VII(B) of the First Schedule to these rules, duly furnishing therewith all the requisite information and documents.

(2) An online application or notice for a certificate under sub-section (4B) of section 152 and sub-section (5) of section 152 shall be made by a payer in the form specified in Part VII(C) of the First Schedule to these rules, duly furnishing therewith all the requisite information and documents.

(3) An exemption certificate or a reduced rate certificate shall be issued to the non-resident person or PE of a non-resident person only if the Commissioner Inland Revenue is satisfied that the applicant-

(i) has furnished return or returns of income when became due, if any, on or before the date on which the application or notice is made, and

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[1]Part IAA inserted by SRO 923(I)/2020 dated September 29, 2020.

(ii) is not in default or deemed to be in default in respect of any tax (including penalties, default surcharge, advance tax under section 147 or tax payable under section 137) unless the same is stayed by Commission-IR, Commissioner-IR (Appeal), Appellate Tribunal Inland Revenue, High Court, Supreme Court or any other statutory body under the Income Tax Ordinance, 2001 (XLIX of 2001).

(4) The non-resident person or PE of a non-resident person shall file an affidavit to the effect that neither its withholding agent (payer) has filed application or notice for exemption or reduced rate certificate nor payer's application or notice has been rejected. In case of misrepresentation, issued exemption or reduced rate certificate shall be cancelled forthwith.

(5) The resident person or PE of a non-resident person shall file an affidavit that neither the payee (non-resident person and PE of a non-resident person) has filed application or notice for exemption or reduced rate certificate nor has it been rejected. In case of misrepresentation, issued exemption or reduced rate certificate shall be cancelled forthwith.

(6) The applicant shall provide the details of all the contracts made for the sale of goods, rendering or providing of services or for execution of contract in Pakistan.

(7) The Commissioner Inland Revenue may call for information, documents, record in respect of matters arising during the proceedings under section 152(48), 152(5) or 159(1) of the Ordinance or cause further enquiry including but not limited to cohesive business operation.

(8) The Commissioner Inland Revenue may call for any information, documents, record from any person in connection with the application in order to determine that the amount is chargeable to tax being Pakistan -source income under the Ordinance.

(9) The Commissioner Inland Revenue shall, after providing an opportunity of being heard, pass an order within thirty days of receipt of application. However, any period adjourned at the request of the applicant or is postponed due to any proceedings, stay order, alternative dispute resolution proceedings or for any other reason, shall be excluded in the computation of the aforementioned period.

(10) The Commissioner Inland Revenue shall afford an opportunity of being heard to the applicant and, in case of default on the date of hearing, he may proceed ex parte to decide the application on the basis of the available record.

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(11) The certificate shall be valid for the period as allowed by the Commissioner IR unless withdrawn by the Commissioner IR earlier.

(12) The Commissioner Inland Revenue shall keep and maintain all record, inter-alia, encompassing the application and notice, necessary enclosures and annexure and the orders passed.]

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[1][Part II
Collection or Deduction of Tax at Source
Division I
Employer's Certificate

[2][ ]

[1]Part II comprising of rules 41 to 45 substituted by SRO 641(I)/2005, dated June 27, 2005.
[2]Rule 41 omitted by SRO 1062(I)/2007, dated October 27, 2007.

Rule 41-Omission.-Before omission, Rule 41 read as follows:-

"41. Certificate of deduction of tax from salary.– (1) As required under sub-section (1) of section 164, any person responsible for deducting tax from salary under section 149 shall issue a certificate to the person from whom tax has been deducted, in the form as set out in Part III of the Second Schedule to these rules, within forty-five days after the end of the financial year.

(2) Where the employment of an employee ceases for any reason before the end of the financial year, the certificate under sub-rule (1) shall be issued for the period of employment in that year within seven days of the ceasing of the employment or at the time of making payment of final settlement whichever is later.

(3) Where the certificate issued under sub-rule (1) or (2) has been lost, stolen or destroyed the recipient of the certificate may request, in writing, to the issuer of the certificate to issue a duplicate thereof.

(4) Where a request has been made under sub-rule (3), the issuer of the certificate shall comply with the request and the certificate so issued shall be clearly marked "duplicate".

(5) The certificate issued under sub-rules (1), (2) or sub-rule (3) shall be in duplicate and serially numbered."

Part II–Substitution.– Part II before substitution by Notification No. SRO 641(I)/2005, read as follows:–

"PART II – SALARY

Division I – Deduction of Tax

41. Tax deducted from salary.– (1) Subject to sub-rule (2), every employer shall deduct tax from a payment of salary at the rate specified in section 149 read with * in the First Schedule to the Income Tax Ordinance, 2001.

(2) The Commissioner may, upon application in writing by an employer (other than the Government) and notwithstanding anything contained in these rules, permit an employer to pay tax deducted from salary paid to employees in a lump sum for each employee every month based on the average amount of tax deductible every month from such income and to furnish a reconciliation statement at the end of the financial year in the prescribed form sub-rule 6.

(3) Where an employer has been granted permission under sub-rule (1), the employer shall–

(a) compute the tax due on the income chargeable under the head "Salary" for each employee and make any adjustments as necessary in the deduction from salary for the month of June; and

(b) furnish a reconciliation statement to the Commissioner in the prescribed form for each employee within fifteen days after the end of the financial year.

(4) Where an employee leaves employment before the end of the financial year, the adjustment referred to in clause (a) of sub-rule (3) shall be made, and the statement referred to in clause (b) of sub-rule (3) shall be furnished, within fifteen days after termination of the employee's employment.

**(4) Where an employer ceases to carry on business in a financial year, the adjustment referred to in clause (a) of sub-rule (3) shall be made, and the statement referred to in clause (b) of sub-rule (3) shall be furnished prior to ceasing business.

(5) The adjustments referred to in sub-rule (3) shall be made for each individual employee and any excess recovered from one employee should not be adjusted against any short recovery from another employee.

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(6) A reconciliation statement shall be in the following form, namely:–

Reconciliation Statement of Tax Deducted from Salary for the year ended 30th June, 20

S. No.	Name of Employee	National Tax Number	Designation	Tax deducted from July to May	Tax deducted during June	Total tax deducted.
1	2	3	4	5	6	7

* something is missing.
** erroneous numbering.

8-151-15-10-2020

Division II

Certificate for Collection or Deduction of Tax (other than from salary)

[1][**42. Certificate of collection or deduction of tax** [2][ ]**.**– (1) As required under sub-section (1) of section 164, any person responsible for–

(a) collecting tax under Division II of Part V of Chapter X of the Ordinance;

(b) deducting tax from a payment under Division III of Part V of Chapter X of the Ordinance, except in the case of salary;

(c) collecting or deducting tax under Chapter XII of the Ordinance; or

(d) deducting tax under the Sixth Schedule to the Ordinance,

shall issue a certificate to the person from whom tax has been collected or deducted, in the form as set out in Part VII of the Second Schedule to these rules, within fifteen days after the end of the financial year or discontinuation of business etc.

(2) Where the person from whom tax has been collected or deducted requests for the issuance of the certificate before the end of the financial year, the certificate under sub-rule (1) shall be issued for the period in that year within seven days of the request made.

(3) Where the certificate issued under sub-rule (1) or sub-rule (2) has been lost, stolen or destroyed the recipient of the certificate may request, in writing, to the issuer of the certificate to issue a duplicate thereof.

(4) Where a request has been made under sub-rule (3), the issuer of the certificate shall comply with the request and the certificate so issued shall be clearly marked "duplicate".

(5) The certificate issued under sub-rule (1), (2) or sub-rule (3) shall be in duplicate and serially numbered.

---

[1]Part II comprising of rules 41 to 45 substituted by SRO 641(I)/2005, dated June 27, 2005.
[2]Words "other than from salary" omitted by SRO 1062(I)/2007, dated October 27, 2007.

"Division II – Payment of Deducted Tax

42. Payment of tax deducted.– (1) All amounts deducted under section 149 by, or on behalf of, the Government shall be paid to the credit of the Federal Government on the day the amount was collected or deducted.

(2) Except where sub-rule (1) or (5) applies, all amounts deducted under section 149 in a month shall be paid to the credit of the Federal Government by remittance to the Government Treasury, an authorised branch of the State Bank of Pakistan or the National Bank of Pakistan within 15 days from the end of the month.

(3) Where the annual salary paid by an employer to its employees for a tax year is estimated to be less than 300,000 rupees per employee, the employer may apply to the Commissioner for permission to pay tax deducted under section 149 on a quarterly basis, provided the quarterly returns are regularly filed.

(4) An application under sub-rule (3) shall be made to the Commissioner in writing –

(a) specifying the reasons for the application;

(b) number of employees with less than 300,000 income; and

(c) total estimated tax deduction covered by such deferral of tax.

8-127-20-04-17

Division III

Payment of Tax Collected or Deducted

[1][**43. Payment of tax collected or deducted.**– As required under section 160 and under the Sixth Schedule to the Ordinance, the tax collected or deducted under Division II or Division III of Part V of Chapter X of the Ordinance, Chapter XII of the Ordinance or Sixth Schedule to the Ordinance shall be paid to the Commissioner by way of credit to the Federal Government,–

(a) where the tax has been collected or deducted by the Federal Government or a Provincial Government on the day the tax was collected or deducted; or

[2][(b) where the tax has been collected or deducted by a person other than the Federal Government or a Provincial Government,-

(i) by remittance to the Government Treasury or deposit in an authorized branch of the State Bank of Pakistan or the National Bank of Pakistan, within seven days from the end of each week ending on every Sunday; and

---

[1]Part II comprising of rules 41 to 45 substituted by SRO 641(I)/2005 dated June 27, 2005.
[2]Rule 43(b) substituted by SRO 255(I)/2017 dated April 12, 2017.

---

(5) Where the Commissioner grants an application under sub-rule (4), all amounts deducted under section 149 in a quarter shall be paid to the credit of the Federal Government by remittance to the Government Treasury, an authorised branch of the State Bank of Pakistan, or the National Bank of Pakistan –

(a) for the quarter ending on the 30th day of September, by the 15th day of October;

(b) for the quarter ending on the 31st day of December, by the 15th day of January;

(c) for the quarter ending on the 31st day of March, by the 15th day of April; and

(d) for the quarter ending on the 30th day of June, by 23rd day of June.

(6) The amount paid by 23rd day of June, for the quarter ending the 30th day of June shall be based on the amount paid for the quarter ending the 31st day of March and the employer shall make an adjustment based on actual salary paid for the quarter by the 31st day of July next following.

(7) The payment of any amount to which this rule applies shall be accompanied by an income tax challan.

(8) Blank copies of income tax challans may be obtained from the Commissioner.

(9) The prescribed income tax authorities for the purposes of submission of original copies of income tax challans under this rule shall be specified by the Central Board of Revenue through open circular from time to time."

Rule 43(b)–Substitution.– Before substitution by SRO 255(I)/2017, read as follows:–

"(b) where the tax has been collected or deducted by a person other than the Federal Government or a Provincial Government, by remittance to the Government Treasury or deposit in an authorized branch of the State Bank of Pakistan or the National Bank of Pakistan, within [1][seven days from the end of each week ending on every Sunday] [2][:]

[1]Substituted for "seven days from the end of each fortnight" by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for full stop and Proviso inserted by SRO 498(I)/2015 dated July 24, 2015.

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(ii) by remittance abroad to a non-resident through State Bank or any other banking company, prior to remitting abroad of the amount from which tax is to be deducted or collected.]

---

[1][Provided that the tax collected by a banking company upto 19th July, 2015 in respect of advance tax on banking transactions under section 236P of the Ordinance may be deposited into the Government Treasury by 31st July, 2015.]"

[1]Substituted for full stop and Proviso inserted by SRO 498(I)/2015 dated July 24, 2015.

Division III – Employer's Certificate

[1][**43. Certificate of deduction of tax from salary.–** (1) An employer shall issue to every employee employed by the employer in a financial year a certificate of deduction of tax from salary in the form specified in Part-III of Second Schedule to these rules within sixty days after the end of the employee's tax year.

(2) Where an employee leaves employment before the end of the financial year, the employer shall issue to the employee a certificate of deduction of tax from salary for the period of employment in the year within seven days after termination of the employee's employment.

(3) An employer who ceases to carry on business in a financial year shall issue a certificate of deduction of tax from salary to each employee prior to ceasing business.

(4) An employer who fails to issue a certificate of deduction of tax from salary as required under sub-rules (1), (2) or (3) shall commit an offence punishable on conviction under clause (c) of sub-section (1) of section 191.

(5) Where a certificate of deduction of tax from salary has been lost, stolen or destroyed, the recipient of the certificate may request, in writing, that the issuer of the certificate issue a duplicate certificate.

(6) Where a request has been made under sub-rule (5), the issuer of the certificate shall comply with the request and the certificate so issued shall be clearly marked "duplicate".

(7) The certificate of deduction of tax issued by an employer to an employee shall be treated an "Employer's Certificate in lieu of Return of Income" for the purposes of rule 35.]

[2][ ]

[3][ ]

[4][**46. Certificate issuing authorities.–** (1) An employer's certificate in lieu of return of income referred to in rule 43 shall, in the case of a Government employee, be prepared and issued to the employee by–

(a) civil audit officers for all gazetted officers and others who draw their pay from audit offices on separate bills and also for all pensioners who draw their pensions from audit offices;

(b) chief accounts officer, Ministry of Foreign Affairs, for all gazetted officers and others in the employment of the said Ministry;

(c) treasury officers for all gazetted officers and others who draw their pay from treasuries on separate bills without countersignature and also for all pensioners who draw their pensions from treasuries;

[1]Rule 43 substituted by Notification No. SRO 651(I)/2004, dated July 30, 2004.

[2]Rule 44 omitted by Notification No. SRO 651(I)/2004, dated July 30, 2004. Earlier it was substituted by Notification No. SRO 861(I)/2003, dated September 1, 2003.

[3]Rule 45 omitted by Notification No. SRO 651(I)/2004, dated July 30, 2004.

[4]Rule 46 substituted by Notification No. SRO 651(I)/2004, dated July 30, 2004.

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(d) heads of civil or military offices for all non-gazetted officers whose pay is drawn on establishment bills or on bills countersigned by the head of office;

(e) forest disbursing officers and Public Works Department disbursing officers in cases where direct payment from treasuries is not made, for themselves and their establishments;

(f) head postmasters for,–

(i) themselves, their gazetted subordinates and the establishments of which the establishment pay bills are prepared by them;

(ii) supervising and controlling gazetted officers of whose headquarters post offices they are in-charge; and

(iii) pensioners drawing their pensions through post offices;

(g) head record clerks or account officer railway mail service, for themselves and all the staff whose pay is drawn in their establishment pay bills; and

(h) the disbursing officers in the case of the administrative and audit officers;

(i) controllers of military accounts (including divisional military supply, marine and field controllers) for all gazetted military officers under their audit;

(j) disbursing officers in the military works department for themselves and their establishments; or

(k) chief accounts officers or chief auditor of railways concerned for all railway employees under their audit.

(2) An employer's certificate in lieu of return of income referred to in rule 43 shall, in any other case, be prepared and issued to the employee by,–

(a) the designated officer of the department under specific order,

(b) secretary of company;

(c) accounts officer authorized in this behalf for payment of salary;

(d) managing member or partner of an association of persons; or

(e) employer.]

Rule 43–Substitution.– Rule 43 before substitution by Notification No. SRO 651(I)/2004, read as follows:–

"43. Furnishing of employer's certificate to employees.– (1) An employer shall issue to every employee employed by the employer in a financial year an employer's certificate in the form specified in these rules within fifteen days after the end of the year.

(2) Where an employee leaves employment before the end of the financial year, the employer shall issue to the employee an employer's certificate for the period of employment in the year within seven days after termination of the employee's employment.

(3) An employer who ceases to carry on business in a financial year shall issue an employer's certificate to each employee prior to ceasing business.

(4) An employer who fails to issue an employer's certificate as required under sub-rules (1), (2) or (3) shall commit an offence punishable on conviction with a fine. Section 164 read with clause (c) of sub-section (1) of section 191.

(5) Where an employer's certificate has been lost, stolen or destroyed, the recipient of the certificate may request, in writing, that the issuer of the certificate issue a duplicate certificate.

(6) Where a request has been made under sub-rule (5), the issuer of the certificate shall comply with the request and the certificate so issued shall be clearly marked "duplicate".

(7) An employee required to furnish a return of income for a tax year shall attach to the return or statement in lieu of Return the employer's certificate received for each employment exercised by the employee in the year."

Sub-Rule (2)–Substitution. Before substitution by SRO 790(I)/2006, it read as follows:–

"(2) Pursuant to sub-section (2) of section 165, a person responsible for collecting or deducting tax under Division II or Division III of Part V of Chapter X of the Ordinance or under Chapter XII of the Ordinance shall furnish a quarterly statement for each period of three months ending on the 30th day of September, 31st day of December, 31st day of March and 30th day of June, within fifteen days of the end of the said period in the form as set out in Part X of the Second Schedule to these rules."

8-127-20-04-17

[1][Division IIIA

Advance Tax on Air Tickets

43A. Advance tax on air tickets.-(1) This rule shall apply for the purposes of section 236B and 236L.

(2) Airlines issuing tickets directly to passengers, either manually or electronically, shall charge and collect advance tax, at the rates applicable for sections 236B and 236L, directly from the passengers and shall be paid within the time as prescribed in rule (4).

Explanation: For the purpose of this rule, airline means airline issuing tickets for uplifting passengers of any airline, whether having its head office or registered office or an agent in Pakistan or not, if the journey originates in Pakistan. The obligation to charge, collect and deposit tax is in respect of the airline uplifting the passengers in respect of the journey originating in Pakistan.

(3) Where the tickets are issued by persons, other than the Airlines, and the persons issuing tickets on behalf of the Airlines, are charging and collecting advance tax from the passengers and making payment of tax to the Airline directly, or though IATA, or through any other entity authorized in that behalf, the tax so collected by the airlines from such persons shall be paid as per sub-rule (4).

(4) Tax collected by the airlines under sub-rule (3), shall be paid by the 15th day of the following second month in respect of tickets issued up to the last working day of each calendar month:

Provided that for the month of May and June, the tax shall be paid by 15th day of June on the basis of average tax paid in respect of July to April. Any short or excess tax paid, in respect of tickets issued during May and June, shall be adjusted in the tax required to be paid by the 15th day of July.

(5) Every airline issuing international air tickets shall make adequate arrangements for collection of tax under this rule from the persons issuing tickets on its behalf or through electronic means, and in case of default, the said tax shall be collected from the airline, without prejudice to any other liability which it may incur under the Ordinance.

(6) Notwithstanding anything contained in Second Schedule to the Income Tax Rules, 2002, monthly and annual statements of tax collected under section 236B and 236L, shall be submitted by every airline to the respective Commissioner Inland Revenue, in the form and verified in the manner as indicated in sub-rule (8).

(7) Monthly statement for the tax deposited by 15th of each month, under sub-rule (4), shall be filed by 21st of that month:

[1]Division IIIA inserted by SRO 817(I)/2014 dated September 15, 2014.

9-10-2018

Provided that the monthly statement for the month of September, 2014 shall be furnished along with the monthly statement of October, 2014.

(8) The forms and manner in which the monthly and annual statements are to be filed, are as below:

Form

Monthly statement of tax collected under section (236B/236L) _____ of the Income Tax Ordinance, 2001, during the month of _____, 20_____

Airline/Uplifting Airline:						
SN	Name of Airline for which tickets issued.	Gross Fare	Tax @ 5% or 4%	Date of collection	Date of Deposit	CPR No.

I certify that the above statement contains complete information of tax collectible under section 236B of the Income Tax Ordinance, 2001, during the month / year ending on the _____, 20 _____

Name and Signature of person responsible _____

Signature _____

Date _____

Seal _____

Annual statement of tax collected under section (236B/236L) _____ of the Income Tax Ordinance, 2001, for the year ending on the _____, 20 ____

Airline/ Uplifting Airline:										
SN	Name of Airline for which tickets issued.	Document or Ticket No	Passenger Name	NIC/ Passport No.	Route / Sector	Gross Fare	Tax @ 5%	Date of collection	Date of Deposit	CPR No.

I certify that the above statement contains complete information of tax collectible under section 236B of the Income Tax Ordinance, 2001, during the month / year ending on the _____, 20 _____

Name and Signature of person responsible _____

Signature _____

Date _____

Seal _____.

(9) Provisions of section 236G and 236L, shall not be applicable in the case of a foreign diplomat or diplomatic mission in Pakistan.]

8-11-2016-01-16

[1][**43B. Amount actually paid under section 158**.- [2][(1)] The amount actually paid as per clause (c) of section 158 of the Ordinance includes,-

(a) amount paid by the person, as withholding agent;

(b) amount paid on behalf of the person, as withholding agent;

(c) amount paid at the instruction of the person, as withholding agent; and

(d) gross amount settled or discharged by the person, as withholding agent, to other person before netting off or adjusting such amount against any receivable from the said other person.]

[3][(2) In case of remittance abroad to non-resident, seven days before the amount is intended to be remitted abroad to that non-resident, through State Bank or any banking company.]

Division IV

[4][ ] [5][ ] [6][**Statement**] **of Tax Collected or Deducted**

[7][**44.** [8][**Statement**] **of tax collected or deducted.**– [9][ ]

[10][(2) Pursuant to sub-section (2) of section 165 and sub-section (1) of section 165C, a courier or a payment intermediary, responsible for collecting or deducting tax under Division II or Division III of Part V of Chapter X of the Ordinance or under Chapter XII of the Ordinance shall furnish or e-file a quarterly statement as set out in Part X of the Second Schedule to these rules as per the following timelines, namely:

---

[1]Rule 43B inserted by SRO 958(I)/2015 dated September 29, 2015.

[2]Renumbered as (1) by SRO 1314(I)/2017 dated December 22, 2017.

[3]Sub-rule (2) inserted by SRO 1314(I)/2017 dated December 22, 2017.

[4]Words "Annual and" deleted by SRO 1218(I)/2015 dated December 08, 2015.

[5]Word "Monthly" deleted by SRO 849(I)/2019 dated July 24, 2019. Earlier it was substituted for "Quarterly" by SRO 1032(I)/2006, dated October 3, 2006.

[6]Substituted for "Statements" by SRO 1218(I)/2015 dated December 08, 2015.

[7]Part II comprising of rules 41 to 45 substituted by SRO 641(I)/2005, dated June 27, 2005.

[8]Substituted for "Annual statement" by SRO 849(I)/2019 dated July 24, 2019.

[9]Sub-rule (1) deleted by SRO 1218(I)/2015 dated December 08, 2015.

[10]Sub-rule (2) substituted by SRO 1775(I)/2025 dated September 10, 2025. Earlier it was substituted by SRO 790(I)/2006 dated August 3, 2006.

Rule 44(1)–Omission.- Before omission by SRO 1218(I)/2015, it read as follows:–

"(1) An annual statement required to be furnished under sub-section (1) of section 165 for a financial year shall be in the form as set out in Part VIII and Part IX of the Second Schedule to these rules."

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(a) in respect of quarter ending on the 31st day of March, on or before the 20th day of April;

(b) in respect of quarter year ending on the 30th day of June, on or before the 20th day of July;

(c) in respect of quarter ending on the 30th day of September, on or before the 20th day of October; and

(d) in respect of quarter ending on or before the 31st day of December, on or before the 20th day of January.]

(3) The statement referred to in sub-rule (2) shall be accompanied by the evidence of deposit of tax collected or deducted to the credit of the Federal Government.

(4) A person required to furnish the [1][statement] under sub-rule [2][ ] (2) shall, wherever required by the Commissioner, furnish a reconciliation of the amounts mentioned in the aforesaid [3][ ] [4][quarterly] [1][statement] with the amounts mentioned in the return of income, [1][statement], related annexes and other documents submitted from time to time.

[5][(5) Pursuant to sub-section (6), a person responsible for deducting tax under section 149 shall furnish or e-file annual statement by the 31st day of the month of July after the end of a financial year in the form set out in Part IX of the Second Schedule to these rules.]

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[1]Substituted for "statements" by SRO 1218(I)/2015 dated December 08, 2015.

[2]Words etc "(1) or" deleted by SRO 1218(I)/2015 dated December 08, 2015.

[3]Words for "annual and" deleted by SRO 1218(I)/2015 dated December 08, 2015. *SRO wrongly omitting the word "amended", which is not available in sub-rule (4). It should be omission of words "annual and"

[4]Substituted for "biannual" by SRO 1775(I)/2025 dated September 10, 2025. Earlier it was substituted for "monthly" by SRO 849(I)/2019 dated July 24, 2019, it was substituted for "Quarterly" by SRO 1032(I)/2006 dated October 3, 2006.

[5]Sub-rule (5) inserted by SRO 754(I)/2016 dated August 15, 2016.

Rule 44(2)–Substitution.- Before substitution by SRO 1775(I)/2025, it read as follows:–

"(2) Pursuant to sub-section (2) of section 165, a person responsible for collecting or deducting tax under Division II or Division III of Part V of Chapter X of the Ordinance or under Chapter XII of the Ordinance shall furnish [1][or e-file] a [2][biannual] statement [3][ ] as set out in part X of the Second Schedule to these rules [4]/as per the following timelines, namely:-

(a) in respect of the half-year ending on the 30th June, on or before the 31st day of July; and

(b) in respect of the half-year ending on the 31st December, on or before the 31st January/.]"

[1]Words inserted by SRO 1218(I)/2015 dated December 08, 2015.

[2]Substituted for "monthly" by SRO 849(I)/2019 dated July 24, 2019.

[3]Words "by the 15th day of the month following the month to which withholding tax pertains" deleted by SRO 849(I)/2019 dated July 24, 2019. Earlier it was substituted for "within twenty days of the end of each month" by SRO 1218(I)/2015 dated December 08, 2015. Earlier word "twenty" was substituted for "ten" by SRO 695(I)/2008 dated June 26, 2008 Earlier it was substituted for "fifteen" by SRO 353(I)/2008 dated April 03, 2008.

[4]Words inserted by SRO 849(I)/2019 dated July 24, 2019.

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45. Statement of tax deducted under the Sixth Schedule to the Ordinance.- The statement required to be furnished under sub-clause (b) of clause 11 of Part II of the Sixth Schedule to the Ordinance for a financial year shall be in the form as set out in Part XI of the Second Schedule to these rules.]

Simplification of rules- extension of date of filing the annual statements for the period ending on 30.06.2005.– Following is the text of CBR's Circular letter C. No. 1(10)ITR/05 dated 31 August, 2005:–

"I am directed to refer to the subject mentioned above and to say that various representations have been received regarding the hardship faced by the withholding agents in filing the Annual Statements on the new format, notified vide SRO No. 641(I)/2005 dated 27.06.2005.

2. Keeping in view the hardships faced by the withholding agents, it has been decided that the statement for the period ending on 30.06.2005 may be accepted upto 15.09.2005 without taking any adverse action.

3. I am further directed to say that the submission of evidence of tax deducted and deposited (challans) alongwith the quarterly statement is required to be strictly enforced, however, the same may not be pressed to be submitted with annual statements."

Rule 44–Omission.– Rule 44 before omission by Notification No. SRO 651(I)/2004, read as follows:–

"**44. Certificate of deduction from salary.**– (1)* The certificate of deduction of tax to be furnished under section 164 by a person paying income chargeable under the head "salary" shall be in the following form, namely:–

CERTIFICATE OF DEDUCTION OF TAX
FROM INCOME CHARGEABLE UNDER THE HEAD SALARY

As required by section 164 of the Income Tax Ordinance, 2001

Tax Year

Employee's Identification

Zone Circle National Tax No. –

*erroneous numbering as there is no sub-rule (2).

NIC No.

Name

Employer's Identification

Zone *(if any)* Circle *(if any)* National Tax No. – *(if any)*

Name

Employer's Address

Employee's Residential Address

8-185-15-09-2025

Phone No.(s)	(i)		Phone No.(s)	(i)	
	(ii)			(ii)	
Fax No.			Fax No.		
E-mail					

Residential Status (Please mark ✓ in the relevant box) Resident 01 Non-Resident 02

SALARY PAID BY EMPLOYER AND TAX DEDUCTED THEREON

Particulars		Amount		Code	Taxable
1.	Pay, wages or other remuneration (see Note 1)	Gross			
		Exempt*			
2.	Perquisite whether convertible to money or not (see Note 2)	Gross			
		Exempt*			
3.	Amount of any allowance provided by an employer to an employee (see Note 3)	Gross			
		Exempt*			
4.	Amount of any expenditure incurred by an employee that is paid or reimbursed by the employer (see Note 4)	Gross			
		Exempt*			
		Exempt*			
5.	Amount of any profits in lieu of, or in addition to, salary or wages, including any amount paid (see Note 5)	Gross			
		Exempt*			
6.	Any pension or annuity, or any supplement to a pension or annuity	Gross			
		Exempt*			

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7.	Any amount chargeable to tax for shares issued under an employee share scheme	Gross			
		Exempt*			
8.	Tax paid by the employer on chargeable income from salary	Gross			
9.	Sub-total (Add 1 to 8)	Gross			
		Exempt*			
10.	If taxable income at sub-total exceeds Rs. 600,000				
	(a) Add: Exemption claimed in respect of rent and conveyance allowance				
	(b) Add: Difference in valuation and exemption of perquisites (motor vehicle, accommodation or housing and leave fare assistance) as applicable to employees with salary exceeding Rs. 600,000 at sub-total (B) above				
11.	Total income from Salary [9 + 10(a) + 10(b)]				
12.	Tax deducted u/s 149				

13. **Employer's Verification**

I, the undersigned, declare on solemn affirmation that to the best of my knowledge and belief:

a) the information/particulars given in this Certificate are correct, true and complete;

b) no amount other than the above-stated amounts, was paid to the employee during the tax year for which the Certificate is furnished;

c) all perquisites provided to the employee have been mentioned correctly;

The amount of Rs. _____ have been deducted under section 149 of the Income Tax Ordinance, 2001 was duly deposited in Federal Government account as per rules.

I am competent to issue this Certificate and verify it in my capacity as

Signature: _____

_____ (Designation)

Name: _____

Date: [ ][ ] - [ ][ ] - [2][0][0][ ]
d d m m y y y y

Notes:

* Calculate exemptions and value of perquisites initially as applicable, where the taxable income does not exceed Rs. 600,000.

1. Including bonus, commission, deferred pay, fees, gratuity, honorarium, leave pay, overtime, payment in lieu of leave, reward, special pay or work condition supplements
2. Including accommodation or housing, difference in profit on loan obtained from employer at Nil or below the benchmark rate, fair market value of property transferred or services provided, insurance payable by employer, leave fare assistance, medical or hospitalization, motor vehicle provided wholly or partly for the private use, obligation of the employee towards employer or an other person waived off or paid by the employer, rations, services of a housekeeper, driver, gardener or other domestic assistant, special perquisites, transport and utilities etc., as reduced by payment made by the employee to the employer for such perquisites
3. Including a compensatory, computer, conveyance, cost of living, dearness, education, entertainment, flying, instruction, medical, orderly, non-practicing, personal, personal staff subsidy, rations (in lieu of), rent, research, qualification, senior post, special, servant, submarine, subsistence, sumptuary, superior judicial, teaching, transfer, travel and utilities etc. but shall not include any allowance solely expended in the performance of the employee's duties of employment
4. Other than expenditure incurred on behalf of the employer in the performance of the employee's duties of employment

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5. As consideration for a person's agreement to enter into an employment relationship; as consideration for an employee's agreement to any conditions of employment or any changes to the employee's conditions of employment; on termination of employment, whether paid voluntarily or under an agreement, including any compensation for redundancy or loss of employment and golden handshake payments; or from a provident or other fund, to the extent to which the amount is not a repayment of contributions made by the employee to the fund in respect of which the employee was not entitled to a deduction; and as consideration for an employee's agreement to a restrictive covenant in respect of any past, present or prospective employment;]

Rule 44–Substitution.– Rule 44 before substitution by Notification No. SRO 861(I)/2003, read as follows:–

"44. Certificate of deduction from salary.– (1)* The certificate of deduction of tax to be furnished under section 164 by a person paying income chargeable under the head "Salary" shall be in the following form, namely:–†"

*erroneous numbering as there is no sub-rule (2).

†form has not been reproduced for the sake of brevity.

Rule 45–Omission.– Rule 45 before omission by Notification No. SRO 651(I)/2004, read as follows:–

"45. Furnishing of employer's certificates to Commissioner.– (1) An employer shall furnish to the Commissioner within two months after the end of the financial year a copy of each employer's certificate issued for the year.

(2) Pursuant to sub-section (2) of section 165 and in addition to the annual furnishing of employer's certificates under sub-rule (1), an employer shall furnish an employer's certificate in the same form for each period of three months ending the 30th day of September, the 31st day of December, the 31st day of March and the 30th day of June, within fifteen days after the end of the period."

Rule 46–Substitution.– Rule 46 before substitution by Notification No. SRO 651(I)/2004, read as follows:–

"46. Certificate issuing authorities of deduction from salary.– (1)* A deduction of tax certificate referred to in rule 43 and an employer's certificate referred to in rule 44 shall, in the case of a Government employee, be prepared and issued to the employee by–

(a) Civil Audit Officers for all Gazetted officers and others who draw their pay from audit offices on separate bills and also for all pensioners who draw their pensions from audit offices;

(b) Chief Accounts Officer, Ministry of Foreign Affairs, for all Gazetted officers and others in the employment of the said Ministry;

(c) Treasury Officers for all Gazetted Officers and others who draw their pay from treasuries on separate bills without countersignature and also for all pensioners who draw their pensions from treasuries;

(d) Heads of civil or military offices for all non-gazetted officers whose pay is drawn on establishment bills or on bills countersigned by the head of office;

(e) Forest disbursing officers and Public Works Department disbursing officers in cases where direct payment from treasuries is not made, for themselves and their establishments;

(f) Head Postmasters for:

(i) themselves, their gazetted subordinates and the establishments of which the establishment pay bills are prepared by them;

(ii) supervising and controlling Gazetted officers of whose headquarters post offices they are incharge; and

(iii) pensioners drawing their pensions through post offices;

(g) Head Record Clerks/ Account Officer Railway mail Service, for themselves and all the staff whose pay is drawn in their establishment pay bills; and

* erroneous numbering as there is no sub-rule (2).

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[1][ ]

[1]Part III omitted by Notification No. SRO 641(I)/2005, dated June 27, 2005.

(h) the disbursing officers in the case of the Administrative and Audit officers;

(i) Controllers of Military Accounts (including Divisional Military Supply, Marine and Field Controllers) for all Gazetted military officers under their audit;

(j) Disbursing officers in the Military Works Department for themselves and their establishments;

(k) Chief Accounts Officers or Chief Auditor of Railways concerned for all railway employees under their audit; and

(l) in any other case, by the designated officer of the department under specific order, by Secretary of company or by Accounts officer authorized in this behalf for payment of salary or by employer, or by managing member of an association of persons, as the case may be."

Part III–Omission.–Part III before omission by Notification No. SRO 641(I)/2005, read as follows:–

"PART III– AMOUNTS SUBJECT TO ADVANCE TAX (OTHER THAN SALARY)

Division I – Collection or Deduction of Tax

47. Collection or deduction of tax.– Every person obliged under the Ordinance to collect tax from an amount or deduct tax from a payment shall collect or deduct the tax as specified in the Ordinance.

48. Certificate of collection or deduction.– (1) This rule applies for the purposes of sub-section (1) of section 164, which obliges a person –

(a) collecting tax under Division II of Part V of Chapter X of the Ordinance;

(b) deducting tax from a payment under Division III of Part V of Chapter X of the Ordinance except in the case of salary;

(c) collecting or deducting tax under Chapter XII; or

(2) deducting tax under the Sixth Schedule, to issue a certificate as specified in rule 50 to the person from whom tax has been collected or to whom the payment has been made.

(3) A certificate required to be furnished under sub-section (1) of section 164 (other than in respect of the deduction of tax from salary and under sub-rule (2)) shall be in the form specified under rules in this Division.

(4) Where a certificate issued under sub-section (1) of section 164 has been lost, stolen or destroyed, the recipient of the certificate may request, in writing, that the issuer of the certificate issue a duplicate certificate.

(5) Where a request has been made under sub-rule (5)**, the issuer of the certificate shall comply with the request and the certificate so issued shall be clearly marked "duplicate".

49. Certificate of collection/deduction of tax at source.– Certificate u/s 164 to issue to the recipient payee or to the person who would receive credit for such tax deduction/ collection. The certificate has to be serially numbered and issued in duplicate to the person* "

Certificate of Collection or Deduction of Tax

S. No. _____ Original/ Duplicate/ Triplicate Date of Issue _____

Certified that a sum of Rs. _____ (Amount of tax collected/deducted in figures)

(_____ (Amount in words)

on account income tax has been collected/ deducted from _____

(Name & Address of the person whom tax collected/ deducted)

*something is missing.

**apparently intended sub-rule is "(4)".

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holding National Tax No. _____ (if any)
on _____ (Date of collection/ deduction)
under section* _____ (Specify section of Income Tax Ordinance, 2001)
on account of* _____ (Specify nature)
vide _____ (Particulars of LC, contract etc)
on the value/ amount of _____
(Gross amount on which tax collected/ deducted in the matter of collection of tax u/s 234, 235 and 236)

Date(s) of payment for which tax deducted/ prior to which deduction relate to/ prior to which tax deposit relate to _____
_____ (Amount in words)

This is to further certify that the tax collected/deducted has been deposited in the _____ (Main)
of _____
at _____ (City)
on _____ (Date of deposit)
vide challan/ treasury/ Voucher No booked/ instrument entries through (MAG, CNA etc, Pl. Specify A/C No) in the Federal Government/ Income Tax Head of account.

Company/ office etc. collecting/ deducting the tax
Name _____
Address _____
_____
NTN (if any) _____

Signature _____
Name of authorised person _____
Date _____ Seal Designation _____

(Key on the Back Page)

*Section on account of

148	Import of goods.	154(1)	Realisation of foreign exchange proceeds on account of export of goods.
150	Dividend	154(2)	Realisation of foreign exchange proceeds on account of indenting commission.
151	Profit on debt.	154(3)	Realisation of the proceeds on account of sale of goods to an exporters under an inland back-to back letter of credit.
152(1)	Royalty or fees for technical services paid to non-resident.	155	Rent of immovable property etc.
152(2)	Other payments (specify) to non-resident person excluding those covered u/s 152(1), 149, 150, 153, 155 and 156.	156	Prize on a prize bond, winnings from a raffle, lottery or cross word puzzle.
		233	Brokerage or commission
153(1)	Sale of goods/ rendering of services/ execution of contract by a resident person.	234	Alongwith motor vehicle tax.
153(3)	Execution of a turnkey contract; a contract or sub-contract for design, construction or supply of plant and equipment under a power project; a contract or sub-contract under a	235	Electricity consumption

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	construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project; or any other contract for construction or services rendered, other than a contract to which section 152 applies; by a non-resident person.		
		236	Telephone users.

Division II – Payment of Tax Collected or Deducted

50. Payment of tax collected or deducted.– (1) This rule applies for the purposes of section 160, which provides for–

(a) the payment of tax collected under Division II of Part V of Chapter X of the Ordinance or deducted under Division III of Part V of Chapter X or Chapter XII of the Ordinance;

(b) the payment of tax collected or deducted under Chapter XII of the Ordinance; and*

**(2) the payment of tax deducted under the Sixth Schedule to the Ordinance.

(3) All amounts to which this rule applies that have been collected or deducted by, or on behalf of, the Government† shall be paid to the credit of the Federal Government on the day the amount was collected or deducted.

(4) All amounts to which this rule applies (other than where sub-rule (2) applies) that have been collected or deducted by a person shall be paid to the credit of the Federal Government by remittance to the Government Treasury, an authorised branch of the State Bank of Pakistan or the National Bank of Pakistan within one week from the date the amount was collected or deducted.

(5) The payment of any amount to which sub-rule (2) applies shall be accompanied by an income tax challan and the statement in respect of sub-rule (2) as under:–

STATEMENT OF DEDUCTION MADE FROM PAYMENT OF CONTRIBUTIONS TO AN APPROVED SUPERANNUATION FUND

In case where the trustees of an approved superannuation fund repay any contribution made by the employer to an employee during his lifetime but not at or in connection with the termination of his employment, or in lieu or in commutation of an annuity, they shall forthwith send to the *a statement giving the following particulars, namely.–

Name of the Employee	Address	National Tax Number	The period for which the employer has contributed to the superannuation fund.	The amount of contributions repaid.	
				Principal	Interest†
1	2	3	4	5	6

The average of deduction of income tax during the preceding three years.	Amount of income tax deducted on repayment.	Date of deposit of tax in government treasury.	Treasury Challan No.
7	8	9	10

(6) Blank copies of income tax challans may be obtained from the Commissioner.

*word "and" appears to be superfluous.

**appears to be erroneous numbering, this should have been numbered as clause (c) of sub-rule (1) and consequently sub-rules (3) to (7) should have been renumbered as (2) to (6).

†there should have been a comma.

*apparently intended word "commissioner" is missing.

†it should have been "profit".

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(7) The prescribed income tax authorities for the purposes of submission of original copies of income tax challans under this rule shall be specified by the Central Board of Revenue through open circular from time to time.

Division III – Quarterly, Six Monthly and Annual Statements of Tax Collected or Deducted

51. Section 165 statement, related forms and the time-frame.– (1) This rule applies for the purposes of section 165, which provides for the furnishing of statements by persons –

(a) collecting tax under Division II of Part V of Chapter X of the Ordinance or deducting tax under Division III of Part V of Chapter X of the Ordinance; and

(b) collecting or deducting tax under Chapter XII of the Ordinance; or*

(2) An annual statement required to be furnished under sub-section (1) of section 165 for a financial year shall be –

(a) in the form specified in the following rules; and

(b) furnished within two months after the end of the year.

(3) Pursuant to sub-section (2) of section 165 and in addition to the annual statement referred to in sub-rule (2), a person required to collect tax under section [1][ ] 236, or deduct [2][or collect] tax under sections* 149, 151, 152, 153, 154, [3][156A, 233 or 233A] shall furnish a statement for each period of three months ending on the 30th day of September, 31st day of December, 31st day of March and 30th day of June, within 15 days of the end of the period [2][and a monthly statement under rule 66A within seven days of the end of each month].

(4) Pursuant to sub-section (2) of section 165 and in addition to the annual statement referred to in sub-rule (2), the Collector of Customs required to collect tax under section 148 shall furnish a statement for each period of six months ending on the 31st day of December and 30th day of June, within 15 days of the end of the period.

(5) In case of dividend issued/ paid by the relevant company a statement in the prescribed form shall be furnished within 60 days from declaration.

(6) Where –

(a) a person is required to furnish both quarterly and annual statements in relation to tax collected or deducted; or

(b) a person is required to furnish both six monthly and annual statements in relation to tax collected or deducted,

the annual statement shall include a reconciliation of the total amount paid, the total tax deducted or collected, the amount where tax was not deducted or collected owing to the application of an exemption certificate or where provision of the relevant section for deduction or collection was not applicable or due to the amount being lower than threshold, tax was not deducted should be added as part of the statement.

[1][(7) The Commissioner may, on sufficient cause being shown, extend the date for the delivery of any statement so, however, that no extension of time for a period or periods amounting in all to more than fifteen days from the date specified in sub-rules (1), (2), (3), (4) and (5) shall be allowed.]

51A. [2][Annual] statement under section 165 read with section 149 regarding salary during the financial year.– A return under section 165 shall be furnished by every person responsible for paying income chargeable under the head "Salary", where the income so paid by him to any person exceeds the maximum taxable limit, to the Commissioner having jurisdiction to such recipients, in the following form and shall be verified in the manner indicated therein, namely:–

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*since the word "or" is used it should have been "section".

[1]Words etc. "232 (but not in respect of transfer of funds etc on or after first day of July, 2002) or" omitted by SRO 936(I)/2004, dated November 24, 2004.

[2]Inserted by SRO 936(I)/2004, dated November 24, 2004.

[3]Substituted for "157 or 233" by SRO 936(I)/2004, dated November 24, 2004.

[1]Sub-section (7) inserted by SRO 590(I)/2004, dated July 7, 2004.

[2]Substituted for "Quarterly" by SRO 590(I)/2004, dated July 7, 2004.

STATEMENT UNDER SECTION 165 READ WITH SECTION 149 OF THE INCOME TAX ORDINANCE, 2001 FOR THE YEAR

FROM 1ST JULY, _____ TO 30TH JUNE _____

S.No	Name of Employee	National Tax Number	Address	Appointment or nature of appointment	Pay, wages or other remuneration including leave pay, payment in lieu of leave, overtime payment, bonus, commission fees, gratuity or work condition supplement (such as unpleasant or dangerous working conditions)	Perquisites whether convertible to money or not
1	2	3	4	5	6	7

		Amount of any profits in lieu of or in addition	
Amount of any allowance including cost of living, subsistence rent, utilities, education, entertainment or travel allowance, but excluding any allowance solely expended in the performance of the employee's duties of employment	Amount of any expenditure incurred by an employee that is paid or reimubrsed by the employer, other than expenditure incurred on behalf of the employer in the performance of the employee's duties of employment.	As consideration for a person's agreement to enter into an employment relationship.	As consideration for an employee's agreement to any conditions of employment or any changes to the employee's conditions of employment.
8	9	10	11

to, salary or wages including any amount received.				
On termination of employment, whether paid voluntarily or under an agreement, including any compensation for redundancy or loss of employment and golden handshake payments.	From a provident or other fund, to the extent to which the amount is not a repayment of contributions made by the employee to the fund in respect of which the employee was not entitled to a deduction.	As consideration for an employee's agreement to a restrictive convenant in respect of any past, present or prospective employment.	Any pension or annuity, or any supplement to a pension or annuity.	Any amount chargeable to tax u/s 14 on account of employee share's scheme
12	13	14	15	16

Remuneration paid by employer or domestic and personal services provided to the employee	Value of rent free accommodation or any concession in rent free accommodation provided by the employer on account of			
	Rent free unfurnished accommodation	Rent free furnished accommodation	Accommodation hired by employee with rent payable by employer	Accommodation provided at a concessional rate.
17	18	19	20	21

Utilities	Medical hospitalization fees, expenses paid.	Value of free conveyance provided by the employer			Value of free of concessional passage provided by the employer
		Conveyance provided exclusively for personal or private use.	Conveyance used partly for personal and partly for business purpose.	Conveyance used exclusively for business purposes.	
22	23	24	25	26	27

Employer's contribution.		
Recognized provident fund	Recognized superannuation fund	Interest credited to employer's account in a recognized provident/ superannuation fund
28	29	30

Value of any benefit or annuity provided by the employer free of cost or at a concessional rate, or any other sum not included in the preceding columns such a** food-free or at concessional rate.	Amount * but not paid given full particulars with due date and period for which payable.	Total
31	32	33

Amount liable to tax under the Income Tax Ordinance, 2001.	Contribution to		
	Benevolent fund	Group insurance	Contribution to provident or superannuation fund, life insurance, premium, other investments
34	35	36	
			37

Taxable income	Tax payable	Tax deducted and deposited to credit of Federal Government. 40	Date on which deposited. 41
38	39		

Treasury Challan No.	Remarks.
42	43

I _____, certify that the above statement contains a complete list of the total amount paid to–
(i)all person* who were receiving or to whom the said amount was due on the 30th day of June, 20_____.
(ii)all persons **form whose salaries any tax was deducted during the year ended on the 30th June, 20___, and that all the particulars furnished above are correct.

Date: _____ Signature _____
Designation _____

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*something is missing.

**apparently intended word should have been "as".

[1][**51B. Quarterly statement under section 165 read with section 149 regarding salary**.– A statement under section 165 read with section 149 thereof, shall be furnished by every person responsible for paying income chargeable under the head "Salary", where the income so paid by him to any person exceeds the maximum taxable limit, to the Commissioner having jurisdiction to such recipients, in the following form and shall be verified in the manner indicated therein, namely:–

QUARTERLY STATEMENT OF DEDUCTION OF TAX ON INCOME CHARGEABLE UNDER THE HEAD "SALARY"

Name and address of employer _____

National Tax Number of employer _____

Statement for the quarter ending _____

S. No.	Name of the employee.	National Tax Number.	Appointment or nature of employment.	Total amount of salary, wages, annuities, pension, gratuity, fees, commission and allowances of all kinds, perquisites, utilities, etc.	Net amount on which tax has been deducted.
(1)	(2)	(3)	(4)	(5)	(6)

Amount of tax deducted.		Date on which deposited to the credit of Government .	Challlan No.	Remarks.
During the month	Up to and including the month			
(7)	(8)	(9)	(10)	(11)

I, _____, being the person responsible for paying the salary shown in the above statement, do hereby declare that the above statement is complete and that the particulars given therein are, correct.

Date: _____ Signature: _____

Name of person responsible for paying the salary
(if not the employer): _____

Note:–

1.The total amount of salary, the net amount on which tax has been deducted and the amount of tax deducted from the beginning of the financial year or from such month after the 1st day of July as the employee entered the service of the employer should be shown.

2.In the case of an employee who has left the service of the employer progressive totals of the amount paid, etc., and the tax deducted should be shown up to the last month of the each quarter.

3.The address of the former employer of a new employee and the address of the new employer of an outgoing employee shall be given in the remarks column of the above statement wherever practicable.]

52. Annual statements of tax deducted from dividends.–† The six monthly and annual statement to be furnished under section 165 by a resident company deduct tax from dividends paid shall be in the following form and verified in the manner indicated therein, namely:–

ANNUAL STATEMENT OF TAX COLLECTED OR DEDUCTED UNDER SECTION 150 OF THE INCOME TAX ORDINANCE, 2001

FOR YEAR ENDING 30TH JUNE, 200 ____

[1]Rule (51B) inserted by Notification No. SRO 590(I)/2004, dated July 7, 2004.

*should have been "persons".

**should have been "from".

Name of the company _____

Address _____

National Tax Number | | | | | | | | | | | | | |

S. No	Name of the shareholder	Address	National Tax number	Number and description of share held by the share-holder	Date of declaration of dividends/ Bonus shares	Nature of dividends/ [bonus shares] final/ interim	Amount of dividend [bonus shares]	Amount of tax deducted
1	2	3	4	5	6	7	8	9

Date of deposit to government treasury	Treasury challan No.	Remarks in case no or low tax is deducted (Please specify the details of the recipient, reasons for non deduction or low tax with amount paid.
10	11	12

I, the Principal Officer of the Company, hereby certify that the above statement contains a complete list of:–

(i) the resident, non-resident shareholders which are companies and to whom a dividend was distributed.

(ii) Other resident/non-resident shareholders of the company to whom a dividend or aggregate dividend exceeding Rs.10,000 was or were distributed during the period.

Signature of the Principal Officer _____

Name

(2) The annual statements required to be furnished under *sub-clause (1) shall be delivered to the Commissioner with responsibility for assessing the company and any other officer authorized in this behalf by the Central Board of Revenue.

53. (1)** **Quarterly and annual statements of tax deducted from profit on Bonds, Certificates, Debentures, Securities, or Instruments.–** The quarterly and annual statements to be furnished under section 165 by a person deducting tax under clause (c) [1][or (d)] of sub-section (1) of section 151 from profit paid by the person shall be in the following form, namely:–

QUARTERLY/ANNUAL STATEMENT OF DEDUCTION OF TAX UNDER SECTION 151(1)(c) [1][or (d)] OF THE INCOME TAX ORDINANCE, 2001

FOR YEAR ENDED 30TH JUNE, 200_____/FOR QUARTER ENDED ____

Nature of payment.	Name of recipient	Gross amount paid after zakat but before deduction of tax (see section 151)	Tax deducted and deposited.	Date of deposit of tax into Government Treasury.	Treasury Challan No.
1	2	3	4	5	6

Any other mode of transfer of tax deduction to the income tax head of account maintained in the designated bank. Please specify and give details.	Remarks in case no tax or low tax is deducted (Please specify the details of the recipient, reasons for non deduction or low deduction of tax with amount paid.
7	8

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[1]Word etc. inserted by Notification No. SRO 590(I)/2004, dated July 7, 2004.

*apparently intended word is "sub-rule".

**erroneous numbering as there is no sub-rule (2).

Bonds
Certificates
Debentures
Securities
Other instruments.
Name of the company/Bank/Office making payment
Signature_____
Name & Designation_____
Address _____ Date_____
National Tax Number (if any):

54. Quarterly and annual statements of tax deducted from profit on debt, brokerage, commission or professional fees.– (1)* The quarterly and annual statements to be furnished under section 165:–

(a) by a person deducting tax under clause (a) or (b) of sub-section (1) of section 151 from profit on debt paid by the person;

(b) by a person deducting tax under section 233 from brokerage or commission paid by the person;

(c) by or on behalf of Government, a local authority, public company (including a banking company), a foreign consultant or consortium deducting tax under section 152 from professional fees, shall be in the following form and verified in the manner indicated therein, namely:–

55. QUARTERLY /ANNUAL STATEMENT OF DEDUCTION OF TAX UNDER SECTION 151(1)(b) or (c), 152 or 233 OF THE INCOME TAX ORDINANCE 2001.–

FOR YEAR ENDED 30TH JUNE 20-__/FOR QUARTER ENDED ____

Name of the payer _____

Address _____

National Tax Number _____

S. No	Name of the payee	Address	National Tax Number	Whether payee is resident/ non-resident	Date of payment	Profit on debt	Nature of payment	
							Brokerage	Commission Agent
1	2	3	4	5	6	7	8	9

Professional fees	Total amount	Date of deposit to Government	Treasury Challan	Remarks in case no tax or low tax is deducted (Please specify the details of the recipient, reasons for non deduction or low deduction of tax with amount paid & names of person(s).
10	11	12	13	14

I,_____ of _____ hereby certify that the above statement contains a complete list of persons to whom profit on debt /brokerage/ commission/ professional fee* for the year/quarter months ended on _____.

Signature_____
Name_____
Designation_____

State name of Government, local authority, public company, foreign contractor, consultant or consortium.

(2) The payment exceeding the monetary limits for which statement is required to be filed under sub-rule (1) shall be:–

* erroneous numbering as there is no sub-rule (2).
*apparently intended words "paid or payable" are missing.

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(i) in the case of a non-resident person _____ Nil

(ii) in the case of a resident person

(a) where the amounts paid are in the nature of profit on debt Rs.1,000; and

(b) where amounts paid are other than profit on debt Rs.5,000.

56. Statement under section 153 regarding deduction of tax made from contractors, suppliers etc.– Any person making deduction in accordance with the provisions of Section 153 shall by the fifteenth day of each quarter send to the Income Tax Authorities specified under rule _____ a quarterly statement in respect of payment made by him during the preceding quarter in the following form, verified in the manner indicated therein, namely:–

STATEMENT OF DEDUCTION OF TAX MADE
UNDER SECTION 153 OF INCOME TAX ORDINANCE, 2001

Name of the recipient	Address	National Tax Number	Nature of payment	Contract order No.	Date of payment	Total amount payable before deduction of tax	Amount paid after deduction of tax
1	2	3	4	5	6	7	8

Income tax deducted and deposited		Date of deposit of tax to government treasury	Treasury Challan No.	Remarks if any amount paid without deducing tax or low rate mentioning amounts
9	10	11	12	13

57. Quarterly and annual statements of tax deducted from rent of immovable property.– The quarterly and annual statements to be furnished under section 165 by a person deducting tax under section 155 from payments of rent of immovable property shall be in the following form, namely:–

QUARTERLY /ANNUAL STATEMENT OF DEDUCTION OF TAX
UNDER SECTION 155 OF THE INCOME TAX ORDINANCE 2001

FOR THE YEAR ENDED 30TH JUNE 20-__/FOR THE QUARTER ENDED ____

S. No.	Name of recipient	Address	NTN	Address of property	Amount paid before deduction of tax.	Amount paid after deduction of tax.	Tax deducted and deposited treasury Challan No. & date.	Dates of deposit/ transfer through Bank to the NBP/SBP in federal govt. treasury.
1	2	3	4	5	6	7	8	9
Remarks in case no/ low tax is deducted (Please specify the details of the recipient, reasons for non deduction or low deduction of tax with amount paid.								
10								

Name of officer making payment:_____ Signature _____

Address: _____ Name and Designation _____

NTN: Date: _____

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58. Quarterly and annual statements of tax deducted from payments to non-resident persons.– The quarterly and annual statements to be furnished under section 165 by a person deducting tax under section 152 from a payment made by the person to a non-resident person shall be in the following form and verified in the manner indicated therein, namely:–

QUARTERLY/ANNUAL STATEMENT OF DEDUCTION OF TAX
UNDER SECTION 152 OF THE INCOME TAX ORDINANCE, 2001

FOR YEAR ENDED 30TH JUNE 20__/FOR QUARTER ENDED _____

Name and address of the non-resident to whom payment is made.	Nature of payment.	Dates of payment	Total amount paid	Challan No.	Tax deducted and deposited	Date of deposit to government treasury
1	2	3	4	5	6	7

Treasury Challan No.	Remarks in case no tax or low tax is deducted (Please specify the details of the recipient, reasons for non/ low deduction of tax with amount paid*.
8	9

I _____, hereby certify that the above statement contains a complete list of persons from whom tax was deductible under section 152 of the Income Tax Ordinance, 2001), during the year/quarter ending on _____200 _____.

Name and Address _____ Signature

Date _____ Designation

59. Annual statement of tax deducted from certain export payments.– The annual statement to be furnished under section 165 by a person deducting tax under sub-sections (1) and (2) of section 154 in respect of exporters shall be in the following form and verified in the manner indicated therein, namely:–

ANNUAL STATEMENT OF DEDUCTION OF TAX UNDER SECTION 154 OF THE INCOME TAX ORDINANCE, 2001

FOR YEAR ENDED 30TH JUNE, 20___/FOR THE QUARTER ENDED ____

S. No.	Name and address of exporter	National tax number	Description of items exported	Amount realized in Foreign exchange	Date of Payment	Total Amount (in Rs) before deduction of tax
1	2	3	4	5	6	7

Tax deducted and deposited challan No.	Date of deposit in Govt. Treasury
8	9

I, _____ hereby certify that the above statement contains a complete list of persons from whom tax was deductible under section 154 of the Income Tax Ordinance, 2001, during the year ended on the 30th June, 20_____.

Name of the authorized dealer in foreign Exchange Signature_____

Address Dated _____

National Tax Number

60. Annual statement of tax deducted in relation to the sale of goods to exporters under inland back to back letter of credit.– The annual statement to be furnished under section 165 by a banking company deducting tax under sub-section (3) of section 154 from the proceeds of a sale of goods to an exporter under an inland back-to-back letter of credit or other prescribed arrangement shall be in the following form and verified in the manner indicated herein, namely:–

ANNUAL STATEMENT OF TAX DEDUCTED UNDER SECTION 154 OF THE INCOME TAX ORDINANCE, 2001

FOR YEAR ENDED 30TH JUNE, _____.

S. No.	Name, address and National Tax Number of supplier of goods to exporter	Name, address and National Tax Number of exporter	Description of Items supplied to exporter	Amount realised through back to back LC	Date of payment
1	2	3	4	5	6

*closing bracket is missing.

8-30-31-08-05

Total amount before deduction of tax	Tax deducted and deposited	Date of deposit in Govt. Challan No.	Remarks in case no tax/ low tax is deducted (Please specify the details of the recipient, reasons for non/ low deduction of tax with the amount paid*.
7	8	9	10

I, _____ do hereby certify that the above statement contains a complete and correct list of persons from whom tax was deductible under section 154 of the Income Tax Ordinance, 2001 during the year ended on 30th June _____

Name of authorized dealer in foreign exchange _____ Signature _____

Address _____ Dated _____

National Tax Number. _____

61. Annual statement of tax deducted from prize bonds, or winnings from a raffle, lottery or cross-word puzzle.– The annual statement to be furnished under section 165 by a person deducting tax under section 156 from a prize bond, or winnings from a raffle, lottery or crossword puzzle paid by the person shall be in the following form and verified in the manner indicated therein, namely:–

ANNUAL STATEMENT OF DEDUCTION OF TAX UNDER SECTION 156 OF THE INCOME TAX ORDINANCE, 2001

FOR THE YEAR ENDED 30TH JUNE 20__

S.No.	Name and address of recipient	Nature of payment of prize or bonus, raffle, lottery etc.	Dates of payment	Total amount payable before deduction of tax.	Tax deducted and deposited with* No. and date.
1	2	3	4	5	6
Dates of transfer to NBP/SBP income tax head of account through bank transfer			Remarks in case no tax deduction or low deduction (Please specify the details of the recipient, reasons for non deduction of low deduction of** tax with amount paid.		
7			8		

I _____ hereby certify that the above statements† contains a complete list of persons from whom tax was deductible under section 156 of the Income Tax Ordinance, 2001 during the year ended 30th June 20__.

Name of the payer _____ Signature _____

Address _____ Designation_____

NTN

62. Six monthly and annual statements of tax collected.– The six monthly and annual statements to be furnished under section 165 by the Collector of Customs collecting tax under section 148 shall be in the following form and verified in the manner indicated therein, namely:–

SIX MONTHLY/ANNUAL STATEMENT OF TAX DEDUCTED UNDER SECTION 148 OF THE INCOME TAX ORDINANCE, 2001

FOR YEAR ENDED 30TH JUNE, _____/FOR SIX MONTHS ENDED _____

S. No.	Name & address of Importer	National Tax Number	Description of goods	Appraised value of goods	Amount of customs duty & Sales tax etc.	Total Value of goods	i. Amount of tax collected ii. If no tax has been Collected specify reason of exemption
1	2	3	4	5	6	7	8

8-30-31-08-05

*closing bracket is missing.

Dates of deposit of tax into Govt. Treasury/ Bank	Bank/ Treasury Challan No.	Remarks in case no/ low tax is deducted(Please specify the details of the recipient, amount paid and reasons for non/ low deduction of tax
9	10	11

I_____ hereby certify that the above statement contains a complete list of importers who imported goods during the year/six months ended on _____ 20___.

Name and Designation Signature _____
Office Date _____

63. Quarterly and annual statements of collection of tax in relation to the issue or clearance of certain financial instruments.– The quarterly and annual statements to be furnished under section 165 by a person collecting tax under section 232 in relation to certain financial instruments shall be in the following form and verified in the manner indicated therein, namely:–

QUARTERLY/ANNUAL STATEMENT OF TAX DEDUCTED UNDER SECTION 232 OF THE INCOME TAX ORDINANCE, 2001

FOR YEAR ENDED 30TH JUNE, _____/FOR QUARTER ENDED ____

S. No.	Name & code No. of Bank Branch	Total number of financial instruments (TT's, DD's, DRFDRs, issued during the quarter)	Total value of all the financial instruments issued during the quarter	Identifiable number of instruments on which tax has been collected.	Total value of financial instruments on which exempted tax has been collected u/s 232 (pleas enclose)	Amount of tax collected	Date of deposit of tax into government treasury with the date
1	2	3	4	5	6	7	8

Any other mode of transfer of tax – collection amount to Challan No. of account in the SBP or bank branch designated for the purpose. Please specify and give details.	Remarks in case no/ low tax is deducted (Please specify the details of the recipient, amount reasons for non/ low deduction of tax with amount and names of person(s).
9	10

I _____ hereby certify that the above statement contains a complete list of persons from whom tax was collectible under section 232 of the Income Tax Ordinance, 2001, during the year/quarter ended on ___ 200_____.

Name and Designation Signature _____
Bank Branch Date _____

Note: i) The statement shall be prepared date-wise, by each branch of the bank or collecting institution.
ii) The statement shall be supplied to local or designated income tax office.

Signature _____

_____
Designation of person
Paying interest/ profit

8-30-31-08-05

64. Quarterly and annual statements of tax collected in relation to motor vehicles.– The quarterly and annual statements to be furnished under section 165 by a person collecting tax under section 234 in relation to motor vehicles shall be in the following form and verified in the manner indicated therein, namely:–

---

*apparently intended word "Challan" is missing.
**apparently intended word is "or".
†apparently intended word is "statement".

Quarterly/Annual Statement Of Tax Collected Under Section 234 Of The Income Tax Ordinance, 2001 *For Year From Ended 30th June,_____/For Quarter Ended

S. No.	Name and address of owner	Registration No. of the Motor vehicle	Motor vehicle make/model engine capacity	Year of manufacture	Date of first registration of the vehicle in Pakistan	Registered capacity/ laden weight of the vehicle
1	2	3	4	5	6	7

Amount of tax deducted/ collected and deposited	Date of deposit in govt. Treasury Challan No.	Remarks in case no/low tax is deducted (Please specify the details of the recipient, reasons for non/ low deduction of tax with amount paid.
8	9	10

I, _____hereby certify that the above statement contains a complete list of persons from whom tax was collected under section 234 of the Income Tax Ordinance, 2001 for year/quarter ended on ____,.

Name of motor vehicle tax collecting Authority — Signature _____ Address _____

Dated _____

National Tax Number | | | | | | | | | | | | | |

65. Quarterly and annual statements of tax deducted from commission or discount allowed to petrol pump operators.– The quarterly and annual statements to be furnished under section 165 by a person deducting tax under section 157 from commission or discount allowed by the person to petrol pump operators shall be in the following form and verified in the manner indicated therein, namely:–

QUARTERLY/ANNUAL STATEMENT OF TAX DEDUCTED UNDER SECTION 157 OF THE INCOME TAX ORDINANCE, 2001

FOR THE YEAR ENDED 30TH JUNE___/FOR THE QUARTER ENDED ___

S. No.	Name & Address of Petrol Pump Operator	National Tax Number	Item sold to petrol pump operator	Date of sales	Amount of sales	Commission/ discount allowed on the sales	Income tax collected from commission/ discount
1	2	3	4	5	6	7	8

Dates of deposit of tax in SBP/NBP & Br. Challan No./ Receipt No.	Any other mode of transfer of the income tax head of account in the designated bank	Remarks in case no/ low tax is deducted (Please specify the details of the recipient, reasons for non/ low deduction of tax with amount paid.
9	10	11

I,_____ do hereby certify that the above statement contains a complete and correct list of persons from whom tax was collectible under section 157 of the Income Tax Ordinance, 2001 during the year/quarter ended on _____.

Name of company/seller)_____ Signature _____

Address _____ Name _____

National Tax Number _____ Date _____

8-30-31-08-05

66. Quarterly and annual statements of tax collected with telephone bills.– The quarterly and annual statements to be furnished under section 165 by a person collecting tax under section 236 shall be in the following form and verified in the manner indicated therein, namely:–

QUARTERLY/ANNUAL STATEMENT OF TAX COLLECTED UNDER SECTION 236 OF THE INCOME TAX ORDINANCE, 2001

FOR YEAR ENDED ON THE ____/FOR QUARTER ENDED ___.

apparently intended words are “For The Year” instead of “For Year From”.

S. No.	Name of Subscriber and address	Phone No.	NTN and NIC Number	Total amount of bills for the quarter ending or the year or* ended 30-6-	Bills** Amount not subjected to tax	Advance income tax collected
1	2	3	4	5	6	7

Date of deposit of tax in the SBP/NBP and Branch Challan No.	Indicate reasons for non-collection if any, i.e., subscriber is (1) Govt. (2) a Diplomat or (3) non-taxable or charitable institution	Remarks in case no/ low tax is deducted (Please specify the details of the recipient, reasons for non/ low deduction of tax with amount paid.
8	9	10

I_____do hereby certify that the above statement contains a complete and correct list of persons from whom tax was collected under section 236 of the Income Tax Ordinance, 2001, for the year/quarter ended on _____.

Signature_____
Name and designation _____
Name of company _____
Address _____
(Seal) _____
Date _____

[1][**66A. Monthly statement of deduction of tax by registered stock exchange regarding purchase of shares, sale of shares, trading of shares and financing of carry over trade (*Badla*) in shares**. – A statement under section 165 in respect of persons from whom tax has been deducted under sub-section (1) of section 233A shall, on or before the 15th day of every month, be furnished to the respective Commissioner of Income Tax in the following form and verified in the manner indicated therein, namely:-

Monthly statement of deduction of tax u/s 233A of the Income Tax Ordinance, 2001, for the month ending on the _____, 200____.

S.No.	Name of the member/broker.	Purchase of shares.		Sale of shares	
		Amount.	Tax collected.	Amount.	Tax collected.
(1)	(2)	(3)	(4)	(5)	(6)

Badla.			Date of payment into government treasury.
Investment.	Amount of mark-up on COT.	Tax collected.	
(7)	(8)	(9)	(10)

I certify that the above statement contains complete information of tax deductible under section 233A of the Income Tax Ordinance, 2001 (XLIX of 2001), during the month ending on the _____, 200___.

Name of registered stock exchange:_____
National tax number:_____
Address: _____
Name and designation of person responsible: _____
Signature _____
Date _____
Seal .]

8-30-31-08-05

*word "or" is superfluous.
**apparently intended oblique "\" is missing.
[1]Rule 66A inserted by SRO 936(I)/2004, dated November 11, 2004.

[1][PART-IV
SWAPS RULES

46. Applicability.- (1) The provisions of this Chapter shall apply to all SWAPS agents as defined in clause (62B) of section 2 of the Income Tax Ordinance, 2001, (XLIX of 2001) from such date, and to the extent notified by the Board.

(2) The notified SWAPS agents shall fulfil requirements and obligations as prescribed in this Chapter.

47. Definitions.–

(a) "Digital Invoice" means an invoice generated from FBR's web-based portal or computerized system integrated in the manner prescribed by the Board from time to time;

(b) "SWAPS" means FBR'S web-based portal or any computerized system of the notified SWAPS Agents integrated with the Board as notified from time to time for the purpose of processing payments for goods and services;

(c) "SWAPS ID" means a unique number for identifying transactions carried out by a SWAPS Agent; and

(d) "SWAPS Payment Receipt" means proof of payment relating to transactions carried out by a SWAPS Agent.

48. Registration.- Every SWAPS Agent shall update its IRIS profile upon notification under Sub-rule (1) of Rule (46).

49. Obligations and Requirements- (1) A notified SWAPS Agent shall install and integrate such fiscal electronic device and software as approved by the Board for carrying out any transactions liable to withholding tax in the mode and manner prescribed in this Chapter.

Provided that payments referred to in sub-rule (1) shall include advance or partial payments, whether having any statutory exemption or the exemption certificate granted by the Commissioner Inland Revenue.

(2) From the date to be notified by the Board, no SWAPS Agent shall carry out any transactions specified in sub-rule (1), otherwise than through SWAPS.

(3) From the date to be notified by the Board, no SWAPS Agent shall carry out any transaction specified in sub-rule (1) without receiving a digital invoice.

(4) From the date to be notified by the Board, no SWAPS Agent shall carry out any transaction specified in sub-rule (1) unless the CNIC, NTN, and IBAN of the withholdee bear the same title.

(5) The Board may prescribe additional requirements for integration, registration, or the mode and manner of carrying out transactions under this chapter.

8-177-25-04-2024

[1]Inserted by SRO 419(I)/2024 dated March 21, 2024.

50. SWAPS Payments Receipt.- The SWAPS Payment Receipt, hereinafter 'SPR', shall include such particulars as may be prescribed by the Board, including-

(a) SWAPS-ID, and SPR number;

(b) name, address, NTN, and STRN of SWAPS Agent and the supplier;

(c) quantity, and description of goods, contract or service;

(d) for partial payments, number, date, and amount of partial payments;

(e) vendor number, where applicable;

(f) digital invoice number of the withholdee;

(g) total amount of transaction, including and excluding taxes and duties;

(h) withholding income tax section, and amount;

(i) sales tax section, withholding sales tax schedule, chargeable and charged amount;

(j) FED section, duty chargeable, and charged amount;

(k) provincial sales tax section, chargeable, and charged amount; and

(l) any other data field as prescribed from time to time.

51. Certificate of payment of tax.- The SWAPS Payment Receipt (SPR) shall be the only proof of collection or deduction of tax, including for claiming a refund, or tax credit.

52. Extension of time for integration as SWAPS Agents.- (1) A notified SWAPS Agent may request the Commissioner Inland Revenue through IRIS, for extension in time for registration or integration as SWAPS Agent, stating the reasons for such delay.

(2) The Commissioner Inland Revenue may allow the request in sub-rule (1), if deemed appropriate, for a period not exceeding thirty days, and not exceeding 90 days in aggregate.

53. Consequences of non-compliance.- A SWAPS Agent found to have contravened any of the provisions of this chapter shall be subjected to penal provisions prescribed under the Income Tax Ordinance, 2001.]

8-177-25-04-2024

CHAPTER X
PRESCRIBED FORMS

67. Application of Chapter.– This chapter prescribes forms to be used for the purposes of the Ordinance.

68. Amended assessment notice.– *An amended assessment order related issue notice or / letter issued by the Commissioner under section 122 shall be in the manner or proforma specified in Part II of the First Schedule to these rules.

69. Section 140 notice.– A notice issued by the Commissioner under section 140 shall be in the form specified in Part IV of the First Schedule to these rules.

70. Section 145 certificate.– A certificate issued by the Commissioner to the Director of Immigration or immigration authority under section 145 shall be in the form specified in Part V of the First Schedule to these rules.

71. Section 170 application.– (1) An application under section 170 for a refund of tax shall be in the proforma specified in Part VI of the First Schedule to these rules.

(2) The application shall be verified in the manner specified in the form.

(3) The application shall be accompanied by such documents, statements and certificates as specified in the form, and in the Ordinance and these rules.

72. Section 175 authorization.– The authorization of a [1][officer of Inland Revenue] for the purposes of section 175 shall be in the manner specified in Part XIII of the First Schedule to these rules.

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[1]Substituted for "taxation officer" by SRO 1218(I)/2015 dated December 08, 2015.
*there is some drafting error.

8-177-25-04-2024

CHAPTER - XI

FURNISHING OF DOCUMENTS; SERVICE OF DOCUMENTS; FORMS AND NOTICES

73. Furnishing of documents and returns etc.– (1) This rule applies for the purposes of furnishing of documents under the Ordinance or these rules.

(2) Except as provided in the Ordinance or these rules, any application, statement or other document to be furnished to the Commissioner shall be furnished in the following manner, namely:–

(a) by post or courier service;

(b) delivered by hand to the officer having jurisdiction over the person or to such other officer as the Commissioner may specify; or

[1][(c) on computer or by electronic transmission using the specified software in accordance with the specified format or any other requirements including safety valve, security and verification considerations as may be specified by the Central Board of Revenue from time to time.]

[2][(2A) In the case of a Company, electronic filing of income tax return and withholding tax statements shall be mandatory from the first day of July 2007 onwards.]

[3][(2AA) In case of Federal Government departments, electronic filing of withholding statements shall be mandatory from the first day of July, 2009 onwards.]

[4][(2B) In the case of a non-resident ship owner and aircraft owner or charterer thereof, the electronic filing of the income tax return and application for port clearance shall be mandatory from the 1st day of July 2008 onward.]

[5][(2C) In case a person registered for sales tax, electronic filing of income tax return [6][and withholding statements] shall be mandatory from the first day of July, 2009 onwards.

(2D) In case of an Association of Persons, electronic filing of income tax return and withholding tax statements shall be mandatory from the first day of July, 2009 onwards.]

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[1]Clause (c) substituted by SRO 516(I)/2006, dated June 01, 2006.
[2]Sub-rule (2A) inserted by SRO 708(I)/2007 dated July 14, 2007.
[3]Sub-rule (2AA) inserted by SRO 392(I)/2009 dated May 19, 2009.
[4]Sub-rule (2B) inserted by SRO 695(I)/2008 dated June 26, 2008.
[5]Sub-rules (2C) & (2D) inserted by SRO 684(I)/2009 dated July 23, 2009.
[6]Words inserted by SRO 1218(I)/2015 dated December 08, 2015.

8-186-10-11-2025

Rule 73(2)(c)-Before substitution clause (c) read as follows:-

"(c) on computer media or by electronic transmission in accordance with specified software or other requirements of the Commissioner or Regional Commissioner as the case may be, also prescribing safety valves and security and verification consideration."

Rule 73-Furnishing of statements, specification of authorities. Following is the text of Circular No. 2 of 1987, dated March 22, 1987:–

[1][(2DD) In case of an individual, electronic filing of income tax return and withholding statement shall be mandatory.]

[2][(2E) From Tax Year 2009 onwards, wherever refund of tax is claimed in a non-company case, income tax return shall be filed electronically, and in all cases, whether relating to a company or a non-company, electronic filing of refund application as prescribed in Part-VI of the First Schedule shall be mandatory.]

(3) A return, statement, certificate, application or other document furnished by a person that includes the [3][digital] signature of the person or the person's [3][e-intermediary] shall be taken to be signed by that person.

(4) A person who furnishes a return, statement, certificate, application or other document by electronic transmission which includes the electronic signature of another person who has not consented to the inclusion of the signature shall commit an offence punishable on conviction with a fine or imprisonment not exceeding one year, or both.

[4][(5) An Electronic Income Tax Return filed under these rules shall be deemed to be a return for the purposes of sub-section (2A) of section 114 of the Ordinance.]

[5][(6) The e-intermediary shall get the authority letter in the manner specified below, from the taxpayer and produce it before the concerned income tax authority whenever demanded, namely:-

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[1]Sub-rule (2DD) substituted by SRO 2107(I)/2025 dated November 10, 2025. Earlier it was inserted by SRO 754(I)/2016 dated August 15, 2016.
[2]Sub-rule (2E) inserted by SRO 986(I)/2009 dated November 17, 2009.
[3]Substituted for "electronic" and "representative", respectively by SRO 516(I)/2006 dated June 01, 2006.
[4]Sub-rule (5) substituted by SRO 516(I)/2006 dated June 01, 2006.
[5]Sub-rules (6) and (7) inserted by SRO 516(I)/2006 dated June 01, 2006.

"The undersigned is directed to say that the Central Board of Revenue is pleased to specify the Directors of Survey, Vigilance, Inspection and Audit, Islamabad, Lahore and Karachi and their subordinate officers for the respective Regions as the prescribed authorities/' authorised officers' respectively for the purposes of Rule 51 and 199 of the Income Tax Rules."

Previously CBR specified the authorities vide Circular No. 18 of 1982, dated October 25, 1982 text wherefrom is as follow:–

"The undersigned is directed to say that the Central Board of Revenue is pleased in specify the Commissioner of Income Tax (Survey and Collation), Karachi and the officers subordinate to him as the prescribed authority/"authorised person" respectively for purposes of Rules 51 and 199".

Rule 73(2DD)-Before substitution it read as follows:-

"(2DD) In case of an individual declaring taxable income one million rupees and more or turnover or receipts exceeding fifty million rupees electronic filing of income tax return and withholding statement shall be mandatory from the first day of July, 2016 onwards."

Rule 73(5)-Before substitution it read as follows:-

"(5) In this section, "electronic signature" means the unique identification, in electronic form, that is approved by the Commissioner or Regional Commissioner for use by the person or the person's representative."

8-186-10-11-2025

AUTHORITY LETTER

I/We…….S/o……..……resident of/having registered office at……..… holder of CNIC No/company registration number …….. solemnly declare that a signed copy of the return/certificate/statement/document/annexure/etc. have been provided to my/our e-intermediary Mr/Ms…….(Name and Address) who is a Chartered Accountant /Cost and Management Accountant/ a legal practitioner entitled to practice in any civil Court in Pakistan/ a member of the Association of Chartered Certified Accountants, UK/ ITP registered with Tax Bar affiliated with All Pakistan Tax Bar Association of Pakistan. I/We further authorize the said e-intermediary to transmit my/ our return/certificate/statement/document/annexure/etc. to the designated officer of Central Board of Revenue.

(Signatures)
Name: _____
Address: _____

(7) The return/certificate/statement/document/annexure/etc. and all supporting documents of the taxpayers shall be retained by the e-intermediary who shall provide them to the taxation officer concerned whenever demanded.]

[1][(8) The Board may direct that the provisions of any of the sub-rules of this rule shall not apply for a tax year.]

74. Service of documents electronically.– (1) This rule applies for the purposes of the service of documents under the Ordinance or these rules.

[2][(2) Where a person has provided an electronic address, the document required to be served on the person shall be considered sufficiently served if sent to that address.]

---

[1]Sub-rule (8) inserted by SRO 498(I)/2015 dated July 24, 2015.
[2]Sub-rule (2) substituted by SRO 597(I)/2022 dated May 19, 2022.

Rule 74(2)–Substitution.– Before substitution by SRO 597(I)/2022, read as follows:–

"(2) Where a person has notified the Commissioner in writing of an electronic address for service of documents under the Ordinance or rules, a document required to be served on the person by the Commissioner or [1][Chief] Commissioner shall be considered sufficiently served if sent to that address."

[1]Substituted for "Regional" by SRO 1218(I)/2015 dated December 08, 2015.

8-107-15-06-2022

(3) For the purposes of sub-rule (2), a document is considered sent to an electronic address if the sender receives–

(a) in the case of a message sent to a facsimile number, confirmation from the sending facsimile machine that the transmission is sent; [1][ ]

(b) in the case of a message sent to an electronic mail address, confirmation from the server of the recipient that the message has been received [2][; and]

[3][(c) from the Board a digitally signed e-mail acknowledging the receipt of Electronic Income Tax Return [4]/or electronic withholding tax statement./.]

(4) In this rule–

(a) "document" means any notice, order or requisition under the Ordinance; and

(b) "electronic address" means a facsimile number or electronic mail address.

75. Forms and notices.– Any order, notice, assessment, computation or other document required to be issued under the Ordinance or these rules may be generated by computer and the order, notice, assessment, computation or other document shall not require the signature of the [5][officer of Inland Revenue] whose name and designation is specified thereon.

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[1]Word "and" omitted by SRO 516(I)/2006 dated June 1, 2006.
[2]Substituted for full stop by SRO 516(I)/2006 dated June 1, 2006.
[3]Clause (c) inserted by SRO 516(I)/2006 dated June 1, 2006.
[4]Words inserted by SRO 392(I)/2009 dated May 19, 2009.
[5]Substituted for "taxation officer" by SRO 754(I)/2016 dated August 15, 2016.

22/06/01-10-8

CHAPTER XII
APPEALS

[1][**76. Appeal to the Commissioner Inland Revenue (Appeals) on web portal**.- An appeal under section 127 of the Income Tax Ordinance, 2001 shall be filed, as prescribed on Iris web portal from the 1st day of January, 2021.

76A. Date of filing of appeal.- The date filing of appeal shall be the date on which it was filed electronically.

76B. Documents to accompany appeal.- (1) The appellant shall electronically attach documents along with appeal namely:-

(a) the order appealed against;

(b) notice of demand; and

(c) proof of payment of appeal fee.

(d) any other supporting document(s)

(2) The appellant shall annex an electronic index showing the documents filed under this rule.

76C. Intimation of filing of appeal to the respondent.- The appeal shall also be electronically transmitted to the respondent through Iris.

76D. Filing of affidavit regarding contrary facts.- Where a fact, which cannot be borne out by or is contrary to the record, is alleged, it shall be stated clearly and concisely by a duly sworn affidavit and shall have to be filed electronically with appeal and shall be produced in original before the Commissioner (Appeals).

76E. Defective appeals etc.- (1) Where an appeal is not filed electronically in the manner specified in these rules, an electronic notice shall be issued within three days requiring the appellant or his authorized representative, if any to bring the appeal in conformity with the rules, within the time limitation as specified in sub-section (5) of section 127 of the Ordinance subject to just exceptions under sub-section (6) of the aforesaid section and the appeal so received shall not be deemed to have been filed unless the provisions of these rules have been fully complied with.

(2) Where the appellant or his authorized representative does not meet the requirement under sub-rule (1), the matter shall be decided by the Commissioner (Appeals) through appropriate orders.

8-153-31-12-2020

[1]Rules 76 to 76O substituted by SRO 1315(I)/2020 dated December 09, 2020. Earlier Rule 76 was substituted by SRO 279(I)/2018 dated March 05, 2018 and Rules 76A to 76O inserted by SRO 279(I)/2018 dated March 05, 2018.

76F. Power of attorney etc., by authorized representative.- Where an authorized representative has been appointed or declared as defined in section 172 of Ordinance, such representative shall electronically attach with the appeal, the document showing his authority and his/her acceptance thereof, which shall be signed and dated by the representative and shall also specify his capacity in which he/she is acting as such. Further, this shall be produced in original before the Commissioner (Appeals).

76G. Procedure for filing and disposal of stay application.- (1) On receipt of stay application electronically the official authorized in this behalf shall fix the application for hearing in the following manner, namely:-

(a) For applications received before 01:00PM on a working day, hearing shall be fixed on the next working day; and

(b) For applications received after 01:00PM on a working day, hearing shall be fixed on the day after the next working day.

(2) Stay applications shall be disposed by the Commissioner (Appeals) electronically within seven working days of fixation.

76H. Date and place of hearing of appeal and stay applications.- (1) The Commissioner (Appeals) shall issue notices electronically to both the parties to the appeal informing them about the date and place of hearing of appeal or the stay application as the case may be.

(2) The Commissioner Inland Revenue (Appeals) may, where deemed necessary, require the respondent department to submit para-wise comments electronically in response to the appellant's electronic submissions, if any, on or before the date of hearing.

76I. Hearing of Appeal or stay application.- (1) On the day fixed for hearing or any other day to which the hearing is adjourned the appellant shall be heard and the Commissioner (Appeals) shall then hear the respondent against the appeal or stay application and in that case the appellant shall have a right to reply.

(2) The Commissioner Inland Revenue (Appeals) may from time to time adjourn the hearing of the appeal.

76J. Notice to be issued electronically to both parties under sub-section (2) of section 129.- The Commissioner Inland Revenue (Appeals) shall issue notices electronically to both parties for providing them a reasonable opportunity to present their stance in case of increase in the amount of any assessment order or decrease in the amount of any refund.

8-153-31-12-2020

76L. Reports.- (1) The Commissioner Inland Revenue (Appeals) shall submit electronically a monthly performance report as prescribed on Iris web portal by the 5th of every month.

(2) Commissioner Inland Revenue (Appeals) shall submit the stay applications disposal report as prescribed on Iris web portal by the 5th and 20th day of every month

76M. Uploading Manual Orders/letters Received: The Commissioner Inland Revenue (Appeals) shall make it sure that orders/decisions received from the Tribunal or Higher Courts and all other documents which have been received manually from quarters other than the appellant, are immediately uploaded in Iris in soft form with the relevant case on web portal.

76N. Electronic Order: The order passed electronically on Iris web portal shall not require any seal or signature of the Commissioner (Appeals). The date of order shall be the date as mentioned on the order generated by the system.

76O. Explanation. (1) No case pertaining to the Tax Year 2014 onwards, shall be filed manually from 1st of January 2021, and the cases already filed manually before the said date shall be proceeded as per the SRO 279(1)/2018) dated 5th March, 2018. All such cases shall be finalized as per law but not later than [1][31st December, 2021]. If any case is left out or remanded back by the Tribunal or Higher Judiciary, from the cases processed earlier manually, the Commissioner (Appeals) shall process it electronically with the effect from 1st July, 2021.

(2) The cases pertaining to periods prior to the Tax Year, 2014 would be processed as per SRO 279(1)/2018 dated 05-03-2018.]

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[1]Substituted for "30th Jun, 2021" by Corrigendum dated May 24, 2021.

8-158-15-06-2021

Rule 76-Before substitution by SRO 1315(I)/2020 it read as follows:-

"76. Prescribed form of appeal to the Commissioner (Appeals).- An appeal under section 127 shall be in the following form and verified in the manner indicated therein, namely:-

FORM OF APPEAL

APPEAL NO, _____
APPEAL DATE _____
(For office use only)
To
THE COMMISSIONER
(APPEALS) ZONE _____

Amount of appeal fee paid		Date of payment of appeal fee	
Amount of tax demand based on return of income.		Date of payment	

Amount of tax levied additionally whether requirement of tax payment for filling of appeal met or not? Yes ☐ No ☐

National Tax Number of Appellant

or CNIC

Tax Year

Zone _____ Jurisdiction _____

Name of Appellant

Appellants status" Individual | AOP | Company
(Pl. encircle the appropriate box)

Address of Appellant

Name of Authorized Representative (if any)

Status of Representative CA | C&MA | ADV | ITP | AR
(Pl. encircle the appropriate box)

Address to which the Notice may be sent

Name of the Commissioner (who passed the order)

CIT Code

8-153-31-12-2020

Income Declared											Assessed							

Signature of the official _____

Who received the appeal _____

Name _____

(in capital letter)

Designation

_____

TAX ASSESSED

											General Guidelines.
(a) Income tax											
(b) Default Surcharge											1. Indicate the section and sub-section of the Income Tax Ordinance under which appeal filed.
(c) Penalty											2. Where payment made on more than one date please give details on a separate sheet.
(d) Others											3. AOP: Association of Persons
(e) Total											4. CMA: Cost & Management Accountant.
(f) Undisputed liability. This shall not be less than the tax due on the basis of return.											5. AR: Authorized Representative
(g) Tax Demand ["u/s 137(2)"]											

N.B. (i) The appeal should be filed in duplicate and should be accompanied with

(a) the order appealed against;

(b) notice of demand;

(c) proof of payment of appeal fee;

(d) a certificate showing the date of service of notice of demand or the impugned order to the appellant; and

(e) a certificate showing the date of communication of the memorandum of appeal and grounds of appeal to the respondent department alongwith evidence of service.

BRIEF HISTORY AND FACTS OF THE CASE

_____

_____

_____

_____

GROUNDS OF APPEAL

(Attach separate sheets, if required)

1. _____
2. _____
3. _____
4. _____

BRIEF CLAIM IN APPEAL/ PRAYER

_____

_____

_____

8-153-31-12-2020

VERIFICATION

1. I, _____ S/o _____ the proprietor/partner/managing director/member of M/s. _____the appellant, do hereby declare that whatever is stated above is true to the best of my knowledge and belief.

2. I am competent to file the appeal in my capacity as _____

3. 1 further certify that a true copy of this form of appeal has been sent by Registered Post/AD/ Courier service, or delivered personally to the concerned Office of the Commissioner Inland Revenue, Zone _____ on _____(date).

Evidence of service by any of the following modes attached:-

(Please tick the relevant box)

(i) Receipt of registered post ☐

(ii) Receipt of courier service ☐

(iii) Receipt of personal service ☐

Signature of Appellant _____

Name (in capital letters) _____

CNIC Number of person signing the appeal _____

The form of appeal and verification form appended thereto shall be signed:-

(a) in case of an individual by the individual himself

(b) in case of a company by the principal officer.

(c) In case of AOP by member/partner.-

This portion is for official use

Appeal received by transfer From Zone/Range	Date appeal received by transfer	In ward register No.
_____	☐☐☐☐☐☐☐☐☐☐	☐☐☐☐
Appeal transferred to Zone/Range	Date of appeal transferred out	Out ward register No.

_____ _____

UDC/LDC/ Officer of Appeal Section _____ CIR(Appeal) _____

(Initial) *(Initial)*

APPEAL ACKNOWLEDGEMENT RECEIPT

Appeal Zone/ _____ City _____

National Tax No / ☐☐☐☐☐☐☐☐☐☐☐☐☐ Appeal No.

CNIC. ☐☐☐☐☐☐☐☐☐☐☐☐☐ _____

Appellant Name _____

Signature of Appellant	Date of receipt of Appeal	Signature, and name of receiving Official
		Designation
_____	_____	_____

"

Rule 76-Before substitution by SRO 279(I)/2018 it read as follows:-

"76. Prescribed form of appeal to the Commissioner (Appeals).– An appeal under section 127 shall be in the following form and verified in the manner indicated therein, namely:–

Form of Appeal to the Commissioner (Appeals)

FORM OF APPEAL

APPEAL NO._____
APPEAL DATE_____
(For office use only)

To

THE COMMISSIONER
(APPEALS) ZONE_____

Amount of appeal fee paid		Date of payment of appeal fee	_ _ – _ _ – _ _
Amount of tax demand based on return of income.		Date of payment of.*	_ _ – _ _ – _ _

Amount of tax levied additionally whether requirement of tax payment for filing of appeal met or not? Yes ☐ No ☐

National Tax Number of Appellant _ _ _ - _ _ - _ _ _ _ _ _

[1][or CNIC _ _ _ _ _ _ _ _ _ _ _ _ _]

Tax Year _ _ _ _ _ _ Zone___ Circle_____ Jurisdiction_____

Name of Appellant

Appellants Status | Individual | AOP | Company | [2][ ]

(Pl. encircle the appropriate box)

Address of Appellant

Name of Authorized Representative (if any)

Status of Representative | CA | C&MA | ADV | ITP | AR | (Pl. encircle the appropriate box)

Address to which the Notice may be sent

Name of the Commissioner (who passed the order)

[1]Inserted by SRO 1218(I)/2015 dated December 08, 2015.
[2]Words "Any other for appeals for A. Y. 2002-2003" deleted by SRO 1218(I)/2015 dated December 08, 2015.
*word "of" is superfluous.

CIT Code

INCOME DECLARED	ASSESSED

Signature of the official _____
Who received the appeal _____
Name_____
(in capital letter)
Designation _____

8-153-31-12-2020

TAX ASSESSED

a) Income Tax	
b) [1][Default Surcharge]	
c) Penalty	
[2][ ]	
e) Others	
g) Total	
i) Undisputed liability. This shall not be less than the tax due on the basis of return.	
j) [3][ ]Tax Demand [4][u/s 137(2)]	
[5][ ]	

General Guidelines

1. Indicate the section and sub-section of the Income Tax Ordinance under which appeal filed.
2. Where payment made on more than one date please give details on a separate Sheet.
3. AOP: Association of Persons
4. CMA: Cost & Management Accountant.
5. ADV Advocate
6. AR: Authorized Representative

N.B. (i) The appeal should be filed in duplicate.

(ii) The appeal should be accompanied by the Notice of Demand and/or a copy of the assessment appeal against, as the case may be.

GROUNDS OF APPEAL

(Attach separate sheets, if required)

1.
2.
3.
4.

BRIEF CLAIM IN APPEAL/PRAYER

VERIFICATION

1. I, _____ S/o _____ the proprietor/partner/managing director/member of M/s. _____ the appellant, do hereby declare that whatever is stated above is true to the best of my knowledge and belief.
2. I am competent to file the appeal in my capacity as _____.
3. I further certify that a true copy of this form of appeal has been sent by Registered Post/ AD/ Courier service, or delivered to the concerned officer personally to the Commissioner/ Circle _____ Zone/ Jurisdiction _____ on _____ (date)

Signature of Appellant_____

Name (in capital letters)_____

NIC Number of person signing the appeal _____

The form of appeal and verification form appended thereto shall be signed:–

(a) in case of an individual by the individual himself

(b) in case of a company by the principal officer.

(c) In case of AOP by member/partner.

[1]Substituted for "Additional Tax" by SRO 1218(I)/2015 dated December 08, 2015.

[2]Words etc "(d) Surcharge" deleted by SRO 1218(I)/2015 dated December 08, 2015.

[3]Word "Disputed" deleted by SRO 1218(I)/2015 dated December 08, 2015.

[4]Words inserted by SRO 1218(I)/2015 dated December 08, 2015.

[5]Sr. "(k) Amount out of (j) paid_____ (l) Total amount of (i) and (k) paid _____" deleted by SRO 754(I)/2016 dated August 15, 2016.

[*]numbers "f), and h)" are missing or there is erroneous numbering.

This portion is for official use

Appeal received by transfer From Zone/Range	Date [*] appeal received by transfer	In ward register No.
Appeal transferred to Zone/Range transferred out	Date of appeal	Outward register No.

UDC/LDC/ Officer of Appeal Section _____ (Initial) CIT(Appeal) _____ (Initial)

8-153-31-12-2020

APPEAL ACKNOWLEDGEMENT RECEIPT

Appeal Zone/ _____. _____
City

National Tax No. | | | | | | | | | | | | | Appeal No._____

Appellant"** Name_____

Signature of Appellant | Date of receipt of Appeal | Signature, and name of receiving Official

Designation_____"

*This should have been "Appellant's".

**apparently intended word "of" is missing.

Rules 76A to 76O-Before substitution by SRO 1315(I)/2020 it read as follows:-

"**76A. Date of presentation and filing of Appeals**.- Any official authorized by the Commissioner (Appeals) in this behalf shall endorse on the front page of every memorandum of Appeal the date on which it is presented, sign the endorsement and the appeal so endorsed shall be entered in a register as provided under rule 76K.

76B. Documents to accompany Appeal.- (1) Every memorandum of appeal shall be accompanied with the following documents along with checklist specifying the documents attached with the memorandum in duplicate (one of which shall be a certified copy), namely:-

(a) the order appealed against; ☐

(b) notice of demand; ☐

(c) proof of payment of appeal fee; ☐

(d) a certificate showing the date of service of notice of demand or the impugned order to the appellant; and ☐

(e) a certificate showing the date of communication of the memorandum of appeal and grounds of appeal to the respondent department. ☐

(2) The appellant shall annex an index on the face of memorandum of appeal, showing the documents filed under this rule along with paging in paper book form in duplicate.

76C. Intimation of filing of appeal to the respondent.- The appellant shall before filing of appeal send a copy of the memorandum of appeal and grounds of appeal to the respondent and a certificate to this effect shall be appended with the appeal.

76D. Filing of affidavit regarding contrary facts.- Where a fact, which cannot be borne out by or is contrary to the record, is alleged, it shall be stated clearly and concisely by a duly sworn affidavit and shall have to be filed with the memorandum of appeal.

76E. Defective appeals etc.- (1) Where a memorandum of appeal is not filed in the manner specified in these rules, the official authorized under rule 76A, after examination at the time of filing may, within three working days, require the appellant or his authorized representative, if any, to bring the memorandum of appeal in conformity with the Rules, within the time limitation as specified in sub-section (5) of section 127 of the Ordinance subject to just exceptions under sub-section (6) of the aforesaid section and the appeal so received shall not be deemed to have been filed unless the provisions of these Rules have been fully complied with.

(2) Where the appellant or his authorized representative does not meet the requirement under sub-rule (1), the authorized official shall place the matter before the Commissioner (Appeals) for appropriate orders.

8-153-31-12-2020

76F. Power of attorney etc., by authorized representative.- Where an authorized representative has been appointed or declared as defined in section 172 of Ordinance, such representative shall annex with the memorandum, the document showing his authority and his acceptance thereof, which shall be signed and dated by the representative and shall also specify his capacity in which he is acting as such.

76G. Procedure for filing and disposal of stay application.- (1) On receipt of stay application the official authorized in this behalf shall fix the application for hearing in the following manner, namely:-

(a) For applications received before 01:00PM on a working day, hearing shall be fixed on the next working day; and

(b) For applications received after 01:00PM on a working day, hearing shall be fixed on the day after the next working day.

(2) Stay applications shall be disposed by the Commissioner (Appeals) within seven working days of fixation.

76H. Date and place of hearing of appeal and stay applications.- (1) The Commissioner (Appeals) shall issue and properly serve notices to both the parties to the appeal informing them about the date and place of hearing of appeal or the stay application as the case may be.

(2) The Commissioner (Appeals) may, where deemed necessary, require the respondent department to submit para-wise comments in response to the appellant's written submissions, if any, on or before the due date of hearing.

76I. Hearing of Appeal or stay application.- (1) On the day fixed for hearing or any other day to which the hearing is adjourned the appellant shall be heard and the Commissioner (Appeals) shall then hear the respondent against the appeal or stay application and in that case the appellant shall have a right to reply.

(2) The Commissioner (Appeals) may from time to time adjourn the hearing of the appeal.

76J. Notice to be issued to both parties under sub-section (2) of section 129.- The Commissioner (Appeals) shall issue notices to both parties for providing them a reasonable opportunity to present their stance in case of increase in the amount of any assessment order or decrease in the amount of any refund.

76K. Maintenance and Preservation of registers.- (1) The following registers shall be maintained according to the format as mentioned below;-

S. No.	**Name of Register**
(1)	**(2)**
1.	Appeals Register
2.	Stay Application Register
3.	Early hearing Register
4.	Register for Compliance of Court

(2) The registers of the Commissioner (Appeals) specified in sub-rule (1) shall be preserved forever.

FORMAT OF REGISTERS

APPEAL REGISTER

S #	Appeal No.	Date of institutions of Appeal	Name/ address taxpayer	NTN/ CNIC	Tax year	Zone/ Field formation	Revenue involved	Date of appellate order	Status (confirmation / modified / an nulled / enharced / other
1	2	3	4	5	6	7	8	9	10

8-133-31-12-2020

STAY APPLICATION REGISTER

S #	Appeal No.	Date of institutions of Appeal	Name/ NTN/ CNIC	Date of receipt	Tax year	Zone/ Field formation	Revenue involved	Stay granted for number of days/ not granted	Date of order
1	2	3	4	5	6	7	8	9	10

EARLY HEARING REGISTER

S #	Appeal No.	Date of institutions of Appeal	Name/ NTN/ CNIC	Tax year	Request date	Request made by (Taxpayer / Dept)	Zone / Field formation	Revenue involved	Date of Appellate order
1	2	3	4	5	6	7	8	9	10

COMPLIANCE REGISTER OF COURT DIRECTIONS/ORDERS

S #	Appeal No.	Name/ NTN/ CNIC	Date of receipt of Court Order	Direction / Order of the Court	Last Date for Disposal	Date of Appellate order
1	2	3	5	6	7	8

76L. Reports.- (1) Commissioner Inland Revenue (Appeals) shall submit the monthly performance report as set out below by the 5th of every month:

MPR (APPEALS) FOR THE MONTH OF _____ 201 / (CIR APPEALS)

Particulars of reporting officer:

Code:	**Name of CIR**	**Telephone / Mobile No.**	**E-mail Address**	**City**

Appeals for Disposal

Opening Balance	**Transfer**			**Remand Back**	**Fresh Filing**	**Revenue involved (M)**	**Available for Disposal**
	In	**Out**	**Net**				

Disposal		**Revenue Involved**		**Balance Pendency**		**Revenue Involved (M)**	
During the month	Upto the Month	During the month (M)	Upto the Month (M)	During the month	Upto the Month	During the month (M)	Upto the Month (M)

Withdrawn		**Revenue**		**Stay of Proceedings as per ADRC**		**Revenue (M)**	
During the month	Upto the Month	During the month	Upto the Month	During the month	Upto the Month	During the month	Upto the Month

Aging Composition

3 Months Old		**4 to 6 Months Old**		**7 to 12 Months Old**		**More than year Old**	
No. of Cases	Revenue involving (M)	No. of Cases	Revenue involving (M)	No. of Cases	Revenue involving (M)	No. of Cases	Revenue involving (M)

Analysis of Appeals decided.

	No of Appeals	**Confirmed**	**Modified**	**Annulled**	**Total**	**Others**
For the Month						
Up to the Month						

8-153-31-12-2020

Disposal of Stay Applications

Opening Balance of Stay Applications	New stay application filed in the month	No. of applications decided during month	Stay application pending for more than 10 days	Closing balance (end of month)

Disposal of cases on directions of Superior Courts.

Opening balance of cases remanded by Superior Courts	New cases referred / remanded during the month	Cases decided during the month	Closing Balance

(2) Commissioner Inland Revenue (Appeals) shall submit the Stay Applications disposal Report as set out below by the 5th and 20th day of every month:-

STAY APPLICATIONS DISPOSAL REPORT

FOR THE MONTH OF _____ , 201

S #	Appeal No.	Name of Taxpayer	NTN / CNIC	Date of Receipt of Application	Date of Fixation	Date of Disposal
1	2	3	4	5	6	7

76M. Arrangement and preservation of record.- (1) The record of appeals, and other applications shall consist of the following two parts, namely:-

Part-A

(a) Folder containing the particulars of appeals, applications and brief abstract of the impugned orders of the Commissioner;

(b) order sheet or chronological abstract of orders;

(c) original copy of memorandum of appeal;

(d) original copies of grounds of Appeal;

(e) affidavits;

(f) judgment or any other final order against which appeal is preferred; and

(g) judgments and orders of High Courts and Supreme Court.

(2) The document specified in sub-rule (1) shall form "Part-A" of the record unless otherwise directed by the Board, all other documents shall form "Part-B" of the record.

(3) The documents forming part of appeals, and other applications specified in this rule shall be preserved for a period specified below, which shall be reckoned from the date of final order.

Explanation: The expression documents used in this rule includes all forms of electronic record.

(4) The documents as mentioned above shall be preserved as under,-

(a) documents to be preserved permanently,-

(i) Part "A" of the appeals, and applications; and

(ii) Judgments of the High Court, Supreme Court in constitutional petitions;

(b) documents to be preserved for twelve years and Part "B" of the appeals record and any other documents as directed by the Board; and

(c) destruction of Record, after the prescribed period as provided in clause (b), shall be in the manner as directed by the Board.

8-153-31-12-2020

76N. Manner of destruction of record.- (1) After the expiry of the period of preservation specified in rule 76M above, the record of the appeals, and other applications shall be destroyed in supervision of Commissioner (Appeals).

(2) All court fee stamps, affixed to documents which are to be destroyed, shall be removed there from and burnt.

(3) The record shall be destroyed by tearing or otherwise so that no document may be used again.

(4) After destruction of the record, the Commissioner (Appeals) under whose supervision the record was destroyed shall certify that the destruction has been rendered such record of no use.

(5) The fact of destruction of appeals and other applications shall be recorded under the signatures of Commissioner (Appeals) immediately after their destruction in the register in which such appeals, applications are entered and also in the index prefixed to the record.

76O. Seal of the Commissioner (Appeals).- (1) There shall be a seal of the Commissioner (Appeals) on which shall be inscribed his name and insignia.

(2) The seal shall remain in the custody of the official as the Commissioner (Appeals) may direct and shall be affixed on every order passed by the Commissioner (Appeals)."

8-153-31-12-2020

77. Prescribed form for appeal to the Appellate Tribunal.– An appeal under section 131 shall be in the following form and verified in the manner indicated therein, namely:–

FORM OF APPEAL TO THE TRIBUNAL UNDER SECTION 131 OF THE INCOME TAX ORDINANCE, 2001

No _____ of 20 _____

Appellant Vs Respondent

[1][Inland Revenue Office] in which assessment was made and one in which it is located.

Tax year to which the appeal relates.

Section of the Income Tax Ordinance, 2001 under which Commissioner passed the order Commissioner (Appeals) passing the appellate order.

Date of communication of the order appealed against_____

Address to which notices may be sent to the appellant._____

Address to which notices may be sent to the respondent_____

Claim in appeal_____

[2][GROUNDS OF APPEAL]

_____

Signed (Appellant)

_____

Signed

(Authorized Representative, if any)

VERIFICATION

I _____the appellant, do hereby declare that what is stated above is true to the best of my information and belief.

Verified to day, the _____ day of _____20_____.

_____

Signed

(Appellant)

N.B.

1. The memorandum of appeal (including the Grounds of Appeal when filed on a separate paper) must be in triplicate and should be accompanied by two copies (at least one of which should be a certified copy) of the order appealed against and two copies of the order of the Commissioner
2. The memorandum of appeal in the case of an appeal by the taxpayer must be accompanied by a fee. The appeal fee must be credited in the Treasury or a Branch of the National Bank of Pakistan or the State Bank of Pakistan and the triplicate portion of the challan sent to the Tribunal with the memorandum of appeal. The Appellate Tribunal will not accept cheques, hundies or other negotiable instruments.
3. The memorandum of appeal should be set forth, concisely and under distinct heads, the grounds of appeal without any argument or narrative and such grounds should be numbered consecutively.

[1]Substituted for "Income Tax Office" by SRO 754(I)/2016 dated August 15, 2016.
[2]Substituted for GROUND OF APPEAL" by SRO 392(I)/2009 dated May 19, 2009.

8-164-31-01-2022

[1][**78. Prescribed Form for reference to High Court**. An application under sub-section (1) of section 133 to refer to the High Court any question of law shall be in the following form, namely:–

FORM OF REFERENCE APPLICATION UNDER SECTION 133 OF THE INCOME TAX ORDINANCE, 2001.

Year

Before the High Court of _____.

Income Tax

Reference Application No._____ of 20 ____

APPELLANT……..……

VERSUS

RESPONDENT……..

Title and number of appeal which gives rise to the reference_____

The applicant (s) state (s) as follows:–

1. That the appeal noted above was decided by the _____ Bench of the Income Tax Appellate Tribunal on _____
2. That the order under sub-section (3) of section 132 of the income tax Ordinance, 2001 was served on the applicant on _____.
3 That the facts which are admitted and/or found by the Tribunal, the determination of the Tribunal and the question (s) of law which arises out of its order have been truly stated in the attached statement of the case.
4 That the following questions of law arise out of the order of the Tribunal:–
   (1)
   (2)
   (3)
5. That the following documents are attached with this application:
   (1) Statement of the case signed by the Appellant.
   (2) Certified copy of the order of the Appellate Tribunal from which the question(s) of law stated above arises.
   (3) First Appellate Order (by the **Commissioner (Appeals).**
   (4) **Original assessment** or other order.
6. That other document (s) or copies thereof, as specified below (the translation in English of the document, where necessary are annexed with the statement of the case.

[2][7. It is certified that the respondent has been intimated regarding filing of reference along with this copy of reference on _____.]

Signed
(Authorized Representative, if any)

8-164-31-01-2022

[1]Rule 78 substituted by SRO No. 678(I)/2005 dated July 04, 2005.
[2]Paragraph 7 inserted by SRO No. 118(I)/2022 dated January 20, 2022.

Signed
(Appellant)

N.B:– 1. The application must be made in triplicate.

2. The application made by taxpayer must be accompanied by a fee of one hundred rupees. The fee be deposited in the Treasury or a Branch of the National Bank of Pakistan or the State Bank of Pakistan alongwith the income tax challan (in quadruplicate) and one copy of the challan be attached with the application.]

R. 78.–Substitution.– Rule 78 before substitution by Notification SRO No. 678(I)/2005, dated 4 July 2005, read as follows:–

"78. Prescribed Form for reference application.– An application under sub-section (1) of section 133 requiring the Tribunal to refer to the High Court any question of law shall be in the following form, namely:–

FORM OF REFERENCE APPLICATION UNDER SECTION 133 OF
THE INCOME TAX ORDINANCE 2001

IN THE INCOME TAX APPELLATE TRIBUNAL

In the matter of the assessment of _____name of the taxpayer.
R. A. No _____of 20 (to be filled in by the office of the Tribunal).
Appellant Vs Respondent

The Income Tax Office in which assessment was made
name and number of appeal which gives rise to the reference.

The applicant (s) state (s) as follows:–

1. that the appeal noted above was decided by the _____Bench of the Tribunal on _____
2. that the notice of the order under sub-section (3) of section 132 of the Income Tax ordinance, 2001 was served on the applicant on _____
3. that the facts which are admitted and/or found by the Tribunal and which are necessary for drawing up a statement of the case, are stated in the enclosure for ready reference.
4. that the following questions of law arise out of the order of the Tribunal:–
   (1)
   (2)
   (3)
5. that the applicant, therefore, requires under section 133 of the aforesaid Ordinance that a statement of the case be drawn up and the question of law referred to in paragraph 4 above be referred to the High Court.
6. that the documents or copies thereof, as specified below (the translation in English of the documents, where necessary is annexed) be forwarded to the High Court with the statement of the case.

Signed
(Appellant)

Signed
(Authorized Representative, if any)

N.B:- 1. The application must be made in triplicate.

2. The application made by an* taxpayer as the case may be** must be accompanied by a fee of one hundred rupees. The fee must be credited in the Treasury or a Branch of the National Bank of Pakistan or the State Bank of Pakistan after obtaining a challan from the Commissioner and the triplicate portion of the challan sent to the Tribunal with the application. The Appellate Tribunal will not accept cheques, drafts, hundies or other negotiable instruments.

*apparently intended word is "a".
**words "as the case may be" appears to be superfluous.

8-164-31-01-2022

[1][CHAPTER XIIA
COMMON REPORTING STANDARD

78A. Application.- This Chapter contains rules for reporting financial institutions to provide information to the Federal Board of Revenue for the purposes of section 107 read with section165B of the Income Tax Ordinance, 2001 (XLIX of 2001).

78B. Definitions.- In this Chapter,-

(a) "**Reporting Financial Institution**" means any [2][Pakistan] Financial Institution that is not a Non-Reporting Financial Institution;

(b) "[2][**Pakistan**] **Financial Institution**" means-

(i) any Financial Institution that is resident in [3][ ] [2][Pakistan], but excludes any branch of that Financial Institution that is located outside [3][ ] [2][Pakistan]; and

(ii) any branch of a Financial Institution that is not resident in [3][ ] [2][Pakistan], if that branch is located in [3][ ] [2][Pakistan];

(c) "**Financial Institution**" for the purposes of this Chapter, the term means a Custodial Institution, a Depository Institution, an Investment Entity or a Specified Insurance Company;

(d) "**Custodial Institution**" means any Entity that holds, as a substantial portion of its business, Financial Assets for the account of others. An Entity holds Financial Assets for the account of others as a substantial portion of its business if the Entity's gross income attributable to the holding of Financial Assets and related financial services equals or exceeds twenty per cent of the Entity's gross income during the shorter of-

(i)	the three-year period that ends on the 31st December (or the final day of a non-calendar year accounting period) prior to the year in which the determination is being made; or
(ii)	the period during which the Entity has been in existence;

(e) "**Depository Institution**" means any Entity that accepts deposits in the ordinary course of a banking or similar business;

(f) "**Investment Entity**" means any Entity-

(i) that primarily conducts as a business one or more of the following activities or operations for or on behalf of a customer namely:-

(a) trading in money market instruments (cheques, bills, certificates of deposit, derivatives, etc.), foreign exchange, exchange, interest rate and index instruments, transferable securities or commodity futures trading;

8-132-15-03-18

[1]Chapter XIIA inserted by SRO 166(I)/2017 dated March 15, 2017.
[2]Substituted for "Participating Jurisdiction" by SRO 452(I)/2017 dated June 08, 2017.
[3]Words "a" & "such" respectively deleted by SRO 452(I)/2017 dated June 08, 2017.

(b) individual and collective portfolio management; or

(c) otherwise investing, administering or managing Financial Assets or money on behalf of other persons; or

(ii) the gross income of which is primarily attributable to investing, reinvesting or trading in Financial Assets, if the Entity is managed by another Entity that is a Depository Institution, a Custodial Institution, a Specified Insurance Company or an Investment Entity described in sub-clause (i);

An Entity is treated as primarily conducting as a business one or more of the activities described in sub-clause (i) of clause (f), or an Entity's gross income is primarily attributable to investing, reinvesting or trading in Financial Assets for purposes of sub-clause (ii) of clause (f), if the Entity's gross income attributable to the relevant activities equals or exceeds fifty per cent of the Entity's gross income during the shorter of (a) the three-year period ending on the 31st December of the year preceding the year in which the determination is made; or (b) the period during which the Entity has been in existence. The term "Investment Entity" does not include an Entity that is an Active NFE because it meets any of the criteria in sub-clause (iv) through (vii) of clause (aq) of rule 78B.

(g) "**Financial Asset**" includes a security (for example, a share of stock in a corporation, partnership or beneficial ownership interest in a widely held or publicly traded partnership or trust, note, bond, debenture or other evidence of indebtedness), partnership interest, commodity, swap (for example, interest rate swaps, currency swaps, basis swaps, interest rate caps, interest rate floors, commodity swaps, equity swaps, equity index swaps and similar agreements), Insurance Contract or Annuity Contract or any interest (including a futures or forward contract or option) in a security, partnership interest, commodity, swap, Insurance Contract or Annuity Contract. The term "Financial Asset" does not include a non-debt, direct interest in real property;

(h) "**Specified Insurance Company**" means any Entity that is an insurance company (or the holding company of an insurance company) that issues or is obligated to make payments with respect to a Cash Value Insurance Contract or an Annuity Contract;

(i) "**Non-Reporting Financial Institution**" means any Financial Institution that is-

(i) a Governmental Entity, International Organization or Central Bank, other than with respect to a payment that is derived from an obligation held in connection with a commercial financial activity of a type engaged in a Specified Insurance Company, Custodial Institution, or Depository Institution;

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(ii) a Broad Participation Retirement Fund, a Narrow Participation Retirement Fund, a Pension Fund of a Governmental Entity, International Organization or Central Bank or a Qualified Credit Card Issuer;

(iii) any other Entity that presents a low risk of being used to evade tax, has substantially similar characteristics to any of the Entities described in sub-clauses (i) and (ii) and included in the list to be published by Federal Board of Revenue and made available on its web portal, on recommendations of the State Bank of Pakistan and the Securities Exchange Commission of Pakistan, as the case may be, as a Non-Reporting Financial Institution, provided that the status of such Entity as a Non-Reporting Financial Institution does not frustrate the purposes of these rules;

(iv) an Exempt Collective Investment Vehicle; or

(v) a trust to the extent that the trustee of the trust is a Reporting Financial Institution and reports all information required to be reported pursuant to rule 78C with respect to all Reportable Accounts of the trust;

(j) "**Governmental Entity**" means the government of a jurisdiction, any political subdivision of a jurisdiction (which, for the avoidance of doubt, includes a state, province, county or municipality) or any wholly owned agency or instrumentality of a jurisdiction or of any one or more of the foregoing (each, a "Governmental Entity"). This category is comprised of the integral parts, controlled entities and political subdivisions of a jurisdiction.

Explanation. - For the purpose of this clause,-

(i) an "integral part" of a jurisdiction means any person, organisation, agency, bureau, fund, instrumentality or other body, however designated, that constitutes a governing authority of a jurisdiction. The net earnings of the governing authority must be credited to its own account or to other accounts of the jurisdiction, with no portion inuring to the benefit of any private person. An integral part does not include any individual who is a sovereign, official or administrator acting in a private or personal capacity.

(ii) a "controlled entity" means an Entity that is separate in form from the jurisdiction or that otherwise constitutes a separate juridical entity, provided that-

(A) the Entity is wholly owned and controlled by one or more Governmental Entities directly or through one or more controlled entities;

(B) the Entity's net earnings are credited to its own account or to the accounts of one or more Governmental Entities, with no portion of its income inuring to the benefit of any private person; and

(C) the Entity's assets vest in one or more Governmental Entities upon dissolution; and

(iii) Income does not inure to the benefit of private persons if such persons are the intended beneficiaries of a governmental program and the program activities are performed for the general public with respect to the common welfare or relate to the administration of some phase of government. Notwithstanding the foregoing, however, income is considered to inure to the benefit of private persons if the income is derived from the use of a governmental entity to conduct a commercial business, such as a commercial banking business that provides financial services to private persons;

(k) "**International Organization**" means any international organization or wholly owned agency or instrumentality thereof and includes any intergovernmental organization (including a supranational organization) that is comprised primarily of governments, that has in effect a headquarters or substantially similar agreement with Pakistan and the income of which does not inure to the benefit of private persons;

(l) "**Central Bank**" means an institution that is by law or government sanction the principal authority, other than the government of the jurisdiction itself, issuing instruments intended to circulate as currency. Such an institution may include an instrumentality that is separate from the government of the jurisdiction, whether or not owned in whole or in part by the jurisdiction;

(m) "**Broad Participation Retirement Fund**" means a fund established to provide retirement, disability or death benefits or any combination thereof, to beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, provided that the fund-

(i) does not have a single beneficiary with a right to more than five per cent of the fund's assets;

(ii) is subject to government regulation and provides information reporting to the tax authorities; and

(iii) satisfies at least one of the following requirements, namely:-

(A) The fund is generally exempt from tax on investment income or taxation of such income is deferred or taxed at a reduced rate, due to its status as a retirement or pension plan;

(B) the fund receives at least fifty per cent of its total contributions (other than transfers of assets from other plans described in clauses (m) through (o) or from retirement and pension accounts described in sub- clause (i) of clause (ah) from the sponsoring employers;

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(C) distributions or withdrawals from the fund are allowed only upon the occurrence of specified events related to retirement, disability or death (except rollover distributions to other retirement funds described in clauses (m) through (o) or retirement and pension accounts described in sub-clause (i) of clause (ah) or penalties apply to distributions or withdrawals made before such specified events; or

(D) contributions (other than certain permitted make-up contributions) by employees to the fund are limited by reference to earned income of the employee or may not exceed fifty thousand US Dollars annually, applying the rules set forth in sub- rule (3) of rule 78I for account aggregation and currency translation;

(n) "**Narrow Participation Retirement Fund**" means a fund established to provide retirement, disability or death benefits to beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, provided that-

(i) the fund has fewer than fifty participants;

(ii) the fund is sponsored by one or more employers that are not Investment Entities or Passive NFEs;

(iii) the employee and employer contributions to the fund [other than transfers of assets from retirement and pension accounts described in sub-clause (i) of clause (ah)] are limited by reference to earned income and compensation of the employee, respectively;

(iv) participants, that are not residents of the jurisdiction in which the fund is established, are not entitled to more than twenty per cent of the fund's assets; and

(v) the fund is subject to government regulation and provides information reporting to the tax authorities;

(o) "**Pension Fund of a Governmental Entity, International Organization or Central Bank**" means a fund established by a Governmental Entity, International Organization or Central Bank to provide retirement, disability or death benefits to beneficiaries or participants that are current or former employees (or persons designated by such employees) or that are not current or former employees, if the benefits provided to such beneficiaries or participants are in consideration of personal services performed for the Governmental Entity, International Organization or Central Bank;

(p) "**Qualified Credit Card Issuer**" means a Financial Institution satisfying the following requirements, namely:-

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(i) the Financial Institution is a Financial Institution solely because it is an issuer of credit cards that accepts deposits only when a customer makes a payment in excess of a balance due with respect to the card and the overpayment is not immediately returned to the customer; and

(ii) beginning on or before the 1st July, 2017, the Financial Institution implements policies and procedures either to prevent a customer from making an overpayment in excess of fifty thousand US Dollars or to ensure that any customer overpayment in excess of fifty thousand US Dollars is refunded to the customer within sixty days, in each case applying the rules set forth in sub-rule (3) of rule 78I for account aggregation and currency translation. For this purpose, a customer overpayment does not refer to credit balances to the extent of disputed charges but does include credit balances resulting from merchandise returns;

(q) "**Exempt Collective Investment Vehicle**" means an Investment Entity that is regulated as a collective investment vehicle, provided that all of the interests in the collective investment vehicle are held by or through individuals or Entities that are not Reportable Persons except a Passive NFE with Controlling Persons who are Reportable Persons. An Investment Entity that is regulated as a collective investment vehicle does not fail to qualify as an Exempt Collective Investment Vehicle, solely because the collective investment vehicle has issued physical shares in bearer form, provided that-

(i) the collective investment vehicle has not issued and does not issue any physical shares in bearer form;

(ii) the collective investment vehicle retires all such shares upon surrender;

(iii) the collective investment vehicle performs the due diligence procedures set forth in rule 78D through 78J and reports any information required to be reported with respect to any such shares when such shares are presented for redemption or other payment; and

(iv) the collective investment vehicle has in place policies and procedures to ensure that such shares are redeemed or immobilized as soon as possible and in any event prior to the 1st July, 2017;

(r) "**Financial Account**" means an account maintained by a Financial Institution and includes a Depository Account, a Custodial Account and

(i) in the case of an Investment Entity, any equity or debt interest in the Financial Institution. Notwithstanding the foregoing, the term "Financial Account" does not include any equity or debt interest in any Entity that is an Investment Entity solely because it (a) renders investment

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advice to and acts on behalf of or (b) manages portfolios for and acts on behalf of a customer for the purpose of investing, managing or administering Financial Assets deposited in the name of the customer with a Financial Institution other than such Entity;

(ii) in the case of a Financial Institution not described in sub-clause (i) any equity or debt interest in the Financial Institution, if the class of interests was established with a purpose of avoiding reporting in accordance with Rule 78C; and

(iii) any Cash Value Insurance Contract and any Annuity Contract issued or maintained by a Financial Institution, other than a noninvestment-linked, non-transferable immediate life annuity that is issued to an individual and monetizes a pension or disability benefit provided under an account that is an Excluded Account. The term "Financial Account" does not include any account that is an excluded account;

(s) "**Depository Account**" includes any commercial, checking, savings, time or thrift account or an account that is evidenced by a certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness or other similar instrument maintained by a Financial Institution in the ordinary course of a banking or similar business. A Depository Account also includes an amount held by an insurance company pursuant to a guaranteed investment contract or similar agreement to pay or credit interest thereon;

(t) "**Custodial Account**" means an account (other than an Insurance Contract or Annuity Contract) that holds one or more Financial Assets for the benefit of another person;

(u) "**Equity Interest**" means, in the case of a partnership that is a Financial Institution, either a capital or profits interest in the partnership. In the case of a trust that is a Financial Institution, an Equity Interest is considered to be held by any person treated as a settlor or beneficiary of all or a portion of the trust, or any other natural person exercising ultimate effective control over the trust. A Reportable Person will be treated as being a beneficiary of a trust if such Reportable Person has the right to receive directly or indirectly (for example, through a nominee) a mandatory distribution or may receive, directly or indirectly, a discretionary distribution from the trust;

(v) "**Insurance Contract**" means a contract (other than an Annuity Contract) under which the issuer agrees to pay an amount upon the occurrence of a specified contingency involving mortality, morbidity, accident, liability or property risk;

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(w) "**Annuity Contract**" means a contract under which the issuer agrees to make payments for a period of time determined in whole or in part by reference to the life expectancy of one or more individuals. The term also includes a contract that is considered to be an Annuity Contract in accordance with the law, regulation or practice of the jurisdiction in which the contract was issued, and under which the issuer agrees to make payments for a term of years;

(x) "**Cash Value Insurance Contract**" means an Insurance Contract (other than an indemnity reinsurance contract between two insurance companies) that has a Cash Value;

(y) "**Cash Value**" means the greater of (a) the amount that the policyholder is entitled to receive upon surrender or termination of the contract (determined without reduction for any surrender charge or policy loan), and (b) the amount the policyholder can borrow under or with regard to the contract. Notwithstanding the foregoing, the term "Cash Value" does not include an amount payable under an Insurance Contract-

(i) solely by reason of the death of an individual insured under a life insurance contract;

(ii) as a personal injury or sickness benefit or other benefit providing indemnification of an economic loss incurred upon the occurrence of the event insured against;

(iii) as a refund of a previously paid premium (less cost of insurance charges whether or not actually imposed) under an Insurance Contract (other than an investment-linked life insurance contract or an Annuity Contract) due to cancellation or termination of the contract, decrease in risk exposure during the effective period of the contract, or arising from the correction of a posting or similar error with regard to the premium for the contract;

(iv) as a policyholder dividend (other than a termination dividend) provided that the dividend relates to an Insurance Contract under which the only benefits payable are described in sub-clause (ii) of clause (y); or

(v) as a return of an advance premium or premium deposit for an Insurance Contract for which the premium is payable at least annually if the amount of the advance premium or premium deposit does not exceed the next annual premium that will be payable under the contract;

(z) "**Preexisting Account**" means a Financial Account maintained by a Reporting Financial Institution on or before the 30th June, 2017;

(aa) "**New Account**" means a Financial Account maintained by a Reporting Financial Institution opened on or after the 1st July, 2017;

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(ab) "**Preexisting Individual Account**" means a Preexisting Account held by one or more individuals;

(ac) "**New Individual Account**" means a New Account held by one or more individuals;

(ad) "**Preexisting Entity Account**" means a Preexisting Account held by one or more Entities;

(ae) "**Lower Value Account**" means a Preexisting Individual Account with an aggregate balance or value that does not exceed one million US Dollars as of 30th June, 2017 or the 31st December of any subsequent year;

(af) "**High Value Account**" means a Preexisting Individual Account with an aggregate balance or value that exceeds one million US Dollars as of the 30th June, 2017 or the 31st December of any subsequent year;

(ag) "**New Entity Account**" means a New Account held by one or more Entities;

(ah) "**Excluded Account**" means any of the following accounts, namely:-

(i) a retirement or pension account that satisfies the following requirements, namely:-

(A) the account is subject to regulation as a personal retirement account or is part of a registered or regulated retirement or pension plan for the provision of retirement or pension benefits (including disability or death benefits);

B) the account is tax-favoured (i.e. contributions to the account that would otherwise be subject to tax are deductible or excluded from the gross income of the account holder or taxed at a reduced rate, or taxation of investment income from the account is deferred or taxed at a reduced rate);

(C) information reporting is required to the Commissioner Inland Revenue with respect to the account;

(D) withdrawals are conditioned on reaching a specified retirement age, disability, or death, or penalties apply to withdrawals made before such specified events; and

(E) either (i) annual contributions are limited to fifty thousand US Dollars or less, or (ii) there is a maximum lifetime contribution limit to the account of one million US Dollars or less, in each case applying the rules set forth in sub-rule (3) of rule 78I for account aggregation and currency translation.

A Financial Account that otherwise satisfies the requirements of this paragraph will not fail to satisfy such requirements solely because such Financial Account

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may receive assets or funds transferred from one or more Financial Accounts that meet the requirements of sub-clauses (i) or (ii) of clause (ah) or from one or more retirement or pension funds that meet the requirements of any of clauses (m) through (o);

(ii) an account that satisfies the following requirements, namely:-

(A) the account is subject to regulation as an investment vehicle for purposes other than for retirement and is regularly traded on an established securities market, or the account is subject to regulation as a savings vehicle for purposes other than for retirement;

(B) the account is tax-favoured (i.e. contributions to the account that would otherwise be subject to tax are deductible or excluded from the gross income of the account holder or taxed at a reduced rate, or taxation of investment income from the account is deferred or taxed at a reduced rate);

(C) withdrawals are conditioned on meeting specific criteria related to the purpose of the investment or savings account (for example, the provision of educational or medical benefits), or penalties apply to withdrawals made before such criteria are met; and

(D) annual contributions are limited to fifty thousand US dollars or less, applying the rules set forth in rule 78I for account aggregation and currency translation.

A Financial Account that otherwise satisfies the requirement of para (D) of sub clause (ii) of clause (ah) will not fail to satisfy such requirement solely because such Financial Account may receive assets or funds transferred from one or more Financial Accounts that meet the requirements of sub-clause (i) or (ii) of clause (ah) or from one or more retirement or pension funds that meet the requirements of any of clauses (m) through (o);

(iii) a life insurance contract with a coverage period that will end before the insured individual attains age of ninety, provided that the contract satisfies the following requirements, namely:-

(A) periodic premiums, which do not decrease over time, are payable at least annually during the period the contract is in existence or until the insured attains age of ninety, whichever is shorter;

(B). the contract has no contract value that any person can access (by withdrawal, loan, or otherwise) without terminating the contract;

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(C) the amount (other than a death benefit) payable upon cancellation or termination of the contract cannot exceed the aggregate premiums paid for the contract, less the sum of mortality, morbidity, and expense charges (whether or not actually imposed) for the period or periods of the contract's existence and any amounts paid prior to the cancellation or termination of the contract; and

(D) the contract is not held by a transferee for value;

(iv) an account that is held solely by an estate if the documentation for such account includes a copy of the deceased's will or death certificate;

(v) an account established in connection with any of the following, namely:-

(A) a court order or judgment;

(B) a sale, exchange or lease of real or personal property, provided that the account satisfies the following requirements, namely:-

(I) the account is funded solely with a down payment, earnest money, deposit in an amount appropriate to secure an obligation directly related to the transaction, or a similar payment, or is funded with a Financial Asset that is deposited in the account in connection with the sale, exchange, or lease of the property;

(II) the account is established and used solely to secure the obligation of the purchaser to pay the purchase price for the property, the seller to pay any contingent liability, or the lessor or lessee to pay for any damages relating to the leased property as agreed under the lease;

(III) the assets of the account, including the income earned thereon, will be paid or otherwise distributed for the benefit of the purchaser, seller, lessor, or lessee (including to satisfy such person's obligation) when the property is sold, exchanged, or surrendered, or the lease terminates;

(IV) the account is not a margin or similar account established in connection with a sale or exchange of a Financial Asset; and

(V) the account is not associated with an account described in sub-clause (vi) of clause (ah);

(C) an obligation of a Financial Institution servicing a loan secured by real property to set aside a portion of a payment solely to facilitate the payment of taxes or insurance related to the real property at a later time;

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(D) An obligation of a Financial Institution solely to facilitate the payment of taxes at a later time;

(vi) A Depository Account that satisfies the following requirements; namely:-

(A) the account exists solely because a customer makes a payment in excess of a balance due with respect to a credit card or other revolving credit facility and the overpayment is not immediately returned to the customer; and

(B) Beginning on or before the 1st July, 2017, the Financial Institution implements policies and procedures either to prevent a customer from making an overpayment in excess of fifty thousand US Dollar or to ensure that any customer overpayment in excess of fifty thousand US Dollars is refunded to the customer within sixty days, in each case applying the rules set forth in sub-rule (3) of rule 78I for currency translation. For this purpose, a customer overpayment does not refer to credit balances to the extent of disputed charges but does include credit balances resulting from merchandise returns;

(vii) any other account that presents a low risk of being used to evade tax, has substantially similar characteristics to any of the accounts described in sub- clauses (i) through (vi) of clause (ah) and is included in the list to be published by the Federal Board of Revenue (FBR) and made available on its web portal, on recommendations of the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, as the case may be, as excluded account, provided that the status of such account as an Excluded Account does not frustrate the purposes of these rules;

(ai) "**Reportable Account**" means an account held by one or more Reportable Persons or by a Passive NFE with one or more Controlling Persons that is a Reportable Person provided it has been identified as such pursuant rule 78D through 78J;

(aj) "**Reportable Person**" means a [1][Reportable Jurisdiction] Person other than-

(i) a corporation the stock of which is regularly traded on one or more established securities markets;

(ii) any corporation that is a Related Entity of a corporation described in sub-clause (i);

(iii) a Governmental Entity;

(iv) an International Organization;

(v) a Central Bank; or

(vi) a Financial Institution.

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[1]Words inserted by SRO 452(I)/2017 dated June 8, 2017.

(ak) "**Reportable Jurisdiction Person**" means an individual or Entity that is resident in a Reportable Jurisdiction or an estate of a decedent that was a resident of Reportable Jurisdiction. For this purpose, an Entity such as a partnership, limited liability partnership or similar legal arrangement that has no residence for tax purposes shall be treated as resident in the jurisdiction in which its place of effective management is situated;

(al) "**Reportable Jurisdiction**" means all jurisdictions other than Pakistan and the United States of America;

(am) "**Participating Jurisdiction**" means a jurisdiction (i) with which an agreement is in place pursuant to which [1][it will] provide the information specified in rule 78C, and (ii) which is identified in a published list to be made available on FBR's web portal;

(an) "**Controlling Persons**" means the natural persons who exercise control over an Entity [2][or owns 20% or above stake in an entity]. In the case of a trust, such term means the settlor, the trustees, the protector, if any, the beneficiaries or class of beneficiaries and any other natural person exercising ultimate effective control over the trust and in the case of a legal arrangement, other than a trust, such term means persons in equivalent or similar positions. The term "Controlling Persons" must be interpreted in a manner consistent with the Financial Action Task Force recommendations;

(ao) "**NFE**" means any Entity that is not a Financial Institution;

(ap) "**Passive NFE**" means any (i) NFE that is not an Active NFE or (ii) an Investment Entity described in sub-clause (ii) of clause (f) that is not a Participating Jurisdiction Financial Institution;

(aq) "**Active NFE**" means any NFE that meets any of the following criteria, namely:-

(i) less than fifty per cent of the NFE's gross income for the preceding calendar year is passive income and less than fifty per cent of the assets held by the NFE during the preceding calendar year are assets that produce or are held for the production of passive income;

(ii) the stock of the NFE is regularly traded on an established securities market or the NFE is a Related Entity of an Entity the stock of which is regularly traded on an established securities market;

(iii) the NFE is a Governmental Entity, an International Organization, a Central Bank , or an Entity wholly owned by one or more of the foregoing;

(iv) substantially all of the activities of the NFE consist of holding (in whole or in part) the outstanding stock of, or providing financing and services to, one or more subsidiaries that engage in trades or businesses other than

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[1]Substituted for "there is an obligation in place to" by SRO 452(I)/2017 dated June 8, 2017.
[2]Words inserted by SRO 773(I)/2020 dated August 24, 2020.

the business of a Financial Institution, except that an Entity does not qualify for this status if the Entity functions (or holds itself out) as an investment fund, such as a private equity fund, venture capital fund, leveraged buyout fund, or any investment vehicle whose purpose is to acquire or fund companies and then hold interests in those companies as capital assets for investment purposes;

(v) the NFE is not yet operating a business and has no prior operating history, but is investing capital into assets with the intent to operate a business other than that of a Financial Institution, provided that the NFE does not qualify for this exception after the date that is twenty four months after the date of the initial organization of the NFE;

(vi) the NFE was not a Financial Institution in the past five years and is in the process of liquidating its assets or is reorganizing with the intent to continue or recommence operations in a business other than that of a Financial Institution;

(vii) the NFE primarily engages in financing and hedging transactions with, or for, Related Entities that are not Financial Institutions, and does not provide financing or hedging services to any Entity that is not a Related Entity, provided that the group of any such Related Entities is primarily engaged in a business other than that of a Financial Institution; or

(viii) the NFE meets all of the following requirements, namely:-

(A) it is established and operated in its jurisdiction of residence exclusively for religious, charitable, scientific, artistic, cultural, athletic, or educational purposes; or it is established and operated in its jurisdiction of residence and it is a professional organization, business league, chamber of commerce, labour organization, agricultural or horticultural organization, civic league or an organization operated exclusively for the promotion of social welfare;

(B) it is exempt from income tax in its jurisdiction of residence;

(C) it has no shareholders or members who have a proprietary or beneficial interest in its income or assets;

(D) the applicable laws of the NFE's jurisdiction of residence or the NFE's formation documents do not permit any income or assets of the NFE to be distributed to, or applied for the benefit of, a private person or non-charitable Entity other than pursuant to the conduct of the NFE's charitable activities, or as payment of reasonable compensation for services rendered, or as payment representing the fair market value of property which the NFE has purchased; and

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(E) the applicable laws of the NFE's jurisdiction of residence or the NFE's formation documents require that, upon the NFE's liquidation or dissolution, all of its assets be distributed to a Governmental Entity or other non-profit organization, or escheat to the government of the NFE's jurisdiction of residence or any political subdivision thereof;

(ar) "**Account Holder**" means the person listed or identified as the holder of a Financial Account by the Financial Institution that maintains the account. A person, other than a Financial Institution, holding a Financial Account for the benefit or account of another person as agent, custodian, nominee, signatory, investment advisor or intermediary is not treated as holding the account for purposes of these rules and such other person is treated as holding the account. In the case of a Cash Value Insurance Contract or an Annuity Contract, the Account Holder is any person entitled to access the Cash Value or change the beneficiary of the contract. If no person can access the Cash Value or change the beneficiary, the Account Holder is any person named as the owner in the contract and any person with a vested entitlement to payment under the terms of the contract. Upon the maturity of a Cash Value Insurance Contract or an Annuity Contract, each person entitled to receive a payment under the contract is treated as an Account Holder;

(as) "**AML/KYC Procedures**" means the customer due diligence procedures of a Reporting Financial Institution pursuant to the anti-money laundering or similar requirements to which such Reporting Financial Institution is subject;

(at) "**Entity**" means a legal person or a legal arrangement, such as a corporation, partnership, trust or foundation;

(au) "**Related Entity**" means if either entity controls the other Entity, or two Entities are under common control. For this purpose control includes direct or indirect ownership of more than fifty percent of the vote and value in an Entity;

(av) "**TIN**" means Taxpayer Identification Number (or any other functional equivalent in the absence of a Taxpayer Identification Number); and

(aw) "**Documentary Evidence**" includes any of the following, namely:-

(i) a certificate of residence issued by an authorized government body (for example, a government or agency thereof or a municipality) of the jurisdiction in which the payee claims to be a resident;

(ii) with respect to an individual, any valid identification issued by an authorized government body (for example, a government or agency thereof or a municipality) that includes the individual's name and is typically used for identification purposes;

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(iii) with respect to an Entity, any official documentation issued by an authorized government body (for example, a government or agency thereof or a municipality) that includes the name of the Entity and either the address of its principal office in the jurisdiction in which it claims to be a resident or the jurisdiction in which the Entity was incorporated or organized;

(iv) any audited financial statement, third-party credit report, bankruptcy filing or securities regulator's report.

78C. General Reporting Requirements.- (1) Subject to sub-rule (3) through (6) each Reporting Financial Institution shall report the following information with respect to each Reportable Account of such Reporting Financial Institution to the Federal Board of Revenue, namely:-

(a) the name, address, jurisdiction of residence, TIN and date and place of birth (in the case of an individual) of each Reportable Person that is an Account Holder of the account and, in the case of any Entity that is an Account Holder and that, after application of the due diligence procedures consistent with rules 78G through 78I, is identified as having one or more Controlling Persons that is a Reportable Person, the name, address, jurisdiction of residence and TIN of the Entity and the name, address, jurisdiction of residence, TIN and date and place of birth of each Reportable Person;

(b) the account number (or functional equivalent in the absence of an account number);

(c) the name and identifying number, if any, of the Reporting Financial Institution;

(d) the account balance or value (including, in the case of a Cash Value Insurance Contract or Annuity Contract, the Cash Value or surrender value) as of the end of the relevant calendar year or other appropriate reporting period or, if the account was closed during such year or period, the closure of the account;

(e) in the case of any Custodial Account-

(i) the total gross amount of interest, the total gross amount of dividends, and the total gross amount of other income generated with respect to the assets held in the account, in each case paid or credited to the account (or with respect to the account) during the calendar year; or other appropriate reporting period; and

(ii) the total gross proceeds from the sale or redemption of Financial Assets paid or credited to the account during the calendar year or other appropriate reporting period with respect to which the Reporting Financial Institution acted as a custodian, broker, nominee or otherwise as an agent for the Account Holder;

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(f) in the case of any Depository Account, the total gross amount of interest paid or credited to the account during the calendar year or other appropriate reporting period; and

(g) in the case of any account not described in clause (e) or (f) of sub-rule (1), the total gross amount paid or credited to the Account Holder with respect to the account during the calendar year or other appropriate reporting period with respect to which the Reporting Financial Institution is the obligor or debtor, including the aggregate amount of any redemption payments made to the Account Holder during the calendar year or other appropriate reporting period.

(2) The information reported shall identify the currency in which each amount is denominated.

(3) Notwithstanding clause (a) of sub- rule (1), with respect to each Reportable Account that is a Preexisting Account, the TIN or date of birth is not required to be reported if such TIN or date of birth is not in the records of the Reporting Financial Institution and is not otherwise required to be collected by such Reporting Financial Institution under the domestic law. However, a Reporting Financial Institution is required to use reasonable efforts to obtain the TIN and date of birth with respect to Preexisting Accounts by the end of the second calendar year following the year in which such Accounts were identified as Reportable Accounts.

(4) Notwithstanding clause (a) of sub- rule (1), the TIN is not required to be reported if (i) a TIN is not issued by the relevant Reportable Jurisdiction or (ii) the domestic law of the relevant Reportable Jurisdiction does not require the collection of the TIN issued by such Reportable Jurisdiction.

(5) Notwithstanding clause (a) of sub- rule (1), the place of birth is not required to be reported unless the Reporting Financial Institution is otherwise required to obtain and report it under the domestic law and it is available in the electronically searchable data maintained by the Reporting Financial Institution.

(6) Notwithstanding rule 78C, the information to be reported with respect to 2017 is the information described in said rule, except for gross proceeds described in sub-clause (ii) of clause (e) of sub-rule (1).

78D. General Due Diligence Requirements.- (1) An account is treated as a Reportable Account beginning as of the date it is identified as such pursuant to the due diligence procedures in rules 78D through 78J and, unless otherwise provided, information with respect to a Reportable Account shall be reported annually in the calendar year following the year to which the information relates.

(2) The balance or value of an account is determined as of the last day of the calendar year or other appropriate reporting period.

(3) Where a balance or value threshold is to be determined as of the last day of a calendar year, the relevant balance or value shall be determined as of the last day of the reporting period that ends with or within that calendar year.

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(4) Reporting Financial Institutions may use service providers to fulfill the reporting and due diligence obligations imposed on such Reporting Financial Institutions pursuant to these rules, but these obligations shall remain the responsibility of the Reporting Financial Institutions.

(5) Reporting Financial Institutions may apply the due diligence procedures for New Accounts to Preexisting Accounts and the due diligence procedures for High Value Accounts to Lower Value Accounts. Where New Account due diligence procedures are used for Preexisting Accounts, the rules otherwise applicable to Preexisting Accounts shall continue to apply.

78E. Due diligence procedures for Preexisting Individual Accounts.– The following procedures apply for purposes of identifying Reportable Accounts among preexisting Individual Accounts, namely:-

(1) Accounts not Required to be Reviewed, Identified, or Reported. A Preexisting Individual Account that is a Cash Value Insurance Contract or an Annuity Contract is not required to be reviewed, identified or reported, provided the Reporting Financial Institution is effectively prevented by law from selling such Contract to residents of a Reportable Jurisdiction.

(2) Lower Value Accounts. The following procedures shall apply with respect to Lower Value Accounts, namely:-

(a) **Residence Address**. If the Reporting Financial Institution has in its records a current residence address for the individual Account Holder based on Documentary Evidence, the Reporting Financial Institution may treat the individual Account Holder as being a resident for tax purposes of the jurisdiction in which the address is located for purposes of determining whether such individual Account Holder is a Reportable Person;

(b) **Electronic Record Search**. If the Reporting Financial Institution does not rely on a current residence address for the individual Account Holder based on Documentary Evidence as set forth in sub-clause (a) of clause (2),the Reporting Financial Institution shall review electronically searchable data maintained by the Reporting Financial Institution for any of the following indicia and apply sub-clause (c) through (f) of sub-clause (2).

i) identification of the Account Holder as a resident of Reportable Jurisdiction;

ii) current mailing or residence address (including a post office box) in a Reportable Jurisdiction;

iii) one or more telephone numbers in a reporting Jurisdiction and no telephone number in the jurisdiction of the Reporting Financial Institution;

iv) standing instructions (other than with respect to a Depository Account) to transfer funds to an account maintained in a Reportable Jurisdiction;

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v) currently effective power of attorney or signatory authority granted to a person with an address in a Reportable Jurisdiction; or

vi) a "hold mail" instruction or "in-care-of" address in a Reportable Jurisdiction if the Reporting Financial Institution does not have any other address on file for the Account Holder.

(c) if none of the indicia listed in sub-clause (b) of clause (2) are discovered in the electronic search, then no further action is required until there is a change in circumstances that results in one or more indicia being associated with the account or the account becomes a High Value Account;

(d) if any of the indicia listed in sub paragraphs (i) through (v) of sub-clause (b) of clause (2) are discovered in the electronic search, or if there is a change in circumstances that results in one or more indicia being associated with the account, then the Reporting Financial Institution shall treat the Account Holder as a resident for tax purposes of each Reportable Jurisdiction for which an indicium is identified, unless it elects to apply sub-clause (f) of clause (2) and one of the exceptions in such clause applies with respect to that account;

(e) if a "hold mail" instruction or "in-care-of" address is discovered in the electronic search and no other address and none of the other indicia listed in paragraphs (i) through (v) of sub-clause (b) of clause (2) are identified for the Account Holder, the Reporting Financial Institution shall, in the order most appropriate to the circumstances, apply the paper record search described in sub-clause (b) of clause (3) or seek to obtain from the Account Holder a self-certification or Documentary Evidence to establish the residence for tax purposes of such Account Holder. If the paper search fails to establish an indicium and the attempt to obtain the self-certification or Documentary Evidence is not successful, the Reporting Financial Institution shall report the account as an undocumented account; and

(f) notwithstanding a finding of indicia under sub-clause (b) of clause (2), a Reporting Financial Institution is not required to treat an Account Holder as a resident of a Reportable Jurisdiction, if -

(i) the Account Holder information contains a current mailing or residence address in the Reportable Jurisdiction, one or more telephone numbers in the Reportable Jurisdiction (and no telephone number in the jurisdiction of the Reporting Financial Institution) or standing instructions (with respect to Financial Accounts other than Depository Accounts) to transfer funds to an account maintained in a Reportable Jurisdiction, the Reporting Financial Institution obtains, or has previously reviewed and maintains a record of-

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(A) a self-certification from the Account Holder of the jurisdiction of residence of such Account Holder that does not include such Reportable Jurisdiction; and

(B) documentary evidence establishing the Account Holder's non-reportable status; and

(ii) the Account Holder information contains a currently effective power of attorney or signatory authority granted to a person with an address in the Reportable Jurisdiction, the Reporting Financial Institution obtains or has previously reviewed and maintains a record of -

(A) a self-certification from the Account Holder of the jurisdiction of residence of such Account Holder that does not include such Reportable Jurisdiction; or

(B) documentary evidence establishing the Account Holder's non-reportable status.

(3) **Enhanced Review Procedures for High Value Accounts**. The following enhanced review procedures apply with respect to High Value Accounts, namely:-

(a) **Electronic Record Search**. With respect to High Value Accounts, the Reporting Financial Institution will review electronically searchable data maintained by the Reporting Financial Institution for any of the indicia described in sub-clause (b) of clause (2);

(b) **Paper Record Search**. if the Reporting Financial Institution's electronically searchable databases include fields for and capture all of the information described in sub-clause (c) of clause (3), then a further paper record search is not required. If the electronic databases do not capture all of this information, then with respect to a High Value Account, the Reporting Financial Institution shall also review the current customer master file and, to the extent not contained in the current customer master file, the following documents associated with the account and obtained by the Reporting Financial Institution within the last five years for any of the indicia described in sub-clause (b) of clause (2) namely:-

(i) the most recent Documentary Evidence collected with respect to the account;

(ii) the most recent account opening contract or documentation;

(iii) the most recent documentation obtained by the Reporting Financial Institution pursuant to AML or KYC Procedures or for other regulatory purposes;

(iv) any power of attorney or signature authority forms currently in effect; and

(v) any standing instructions (other than with respect to a Depository Account) to transfer funds currently in effect;

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(c) **Exception to the Extent Databases Contain Sufficient Information**. A Reporting Financial Institution is not required to perform the paper record search described in sub-clause (b) of clause (3) to the extent the Reporting Financial Institution's electronically searchable information includes the following; namely:-

(i) the Account Holder's residence status;

(ii) the Account Holder's residence address and mailing address currently on file with the Reporting Financial Institution;

(iii) the Account Holder's telephone number currently on file, if any, with the Reporting Financial Institution;

(iv) in the case of Financial Accounts other than Depository Accounts, whether there are standing instructions to transfer funds in the account to another account (including an account at another branch of the Reporting Financial Institution or another Financial Institution);

(v) whether there is a current "in-care-of" address or "hold mail" instruction for the Account Holder; and

vi) whether there is any power of attorney or signatory authority for the account.

(d) **Relationship Manager Inquiry or Actual Knowledge**. In addition to the electronic and paper record searches described above, the Reporting Financial Institution shall treat as a Reportable Account any High Value Account assigned to a relationship manager (including any Financial Accounts aggregated with that High Value Account) if the relationship manager has actual knowledge that the Account Holder is a Reportable Person.

(e) **Effect of Finding Indicia**.-

(i) if none of the indicia listed in sub-clause (b) of clause (2) are discovered in the enhanced review of High Value Accounts described above and the account is not identified as held by a Reportable Person in sub-clause (d) of clause (3), then further action is not required until there is a change in circumstances that results in one or more indicia being associated with the account;

ii) if any of the indicia listed in paragraphs (i) through (v) of sub-clause (b) of clause (2) are discovered in the enhanced review of High Value Accounts described above, or if there is a subsequent change in circumstances that results in one or more indicia being associated with the account, then the Reporting Financial Institution shall treat the account as a Reportable Account with respect to each Reportable Jurisdiction for which an indicium is identified unless it elects to apply sub-clause (f) of clause (2) and one of the exceptions in such clause applies with respect to that account;

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(iii) if a "hold mail" instruction or "in-care-of" address is discovered in the enhanced review of High Value Accounts described above, and no other address and none of the other indicia listed in paragraphs (i) through (v) of sub-clause (b) of clause (2) are identified for the Account Holder, the Reporting Financial Institution shall obtain from such Account Holder a self-certification or Documentary Evidence to establish the residence for tax purposes of the Account Holder. If the Reporting Financial Institution cannot obtain such self-certification or Documentary Evidence, it shall report the account as an undocumented account;

(f) if a Preexisting Individual Account is not a High Value Account as of the 30th June, 2017, but becomes a High Value Account as of the last day of a current or subsequent calendar year, the Reporting Financial Institution shall complete the enhanced review procedures described in clause (3) with respect to such account within the calendar year following the year in which the account becomes a High Value Account. If based on this review such account is identified as a Reportable Account, the Reporting Financial Institution shall report the required information about such account with respect to the year in which it is identified as a Reportable Account and subsequent years on an annual basis, unless the Account Holder ceases to be a Reportable Person;

(g) once a Reporting Financial Institution applies the enhanced review procedures described in clause (3) to a High Value Account, the Reporting Financial Institution is not required to re-apply such procedures, other than the relationship manager inquiry described in sub-clause (d) clause (3), to the same High Value Account in any subsequent year unless the account is undocumented where the Reporting Financial Institution should re-apply them annually until such account ceases to be undocumented;

(h) if there is a change of circumstances with respect to a High Value Account that results in one or more indicia described in sub-clause (b) of clause (2) being associated with the account, then the Reporting Financial Institution shall treat the account as a Reportable Account with respect to each Reportable Jurisdiction for which an indicium is identified unless it elects to apply sub-clause (f) of clause (2) and one of the exceptions in such sub-clause applies with respect to that account.

(i) A Reporting Financial Institution shall implement procedures to ensure that a relationship manager identifies any change in circumstances of an account. For example, if a relationship manager is notified that the Account Holder has a new mailing address in a Reportable Jurisdiction, the Reporting Financial

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Institution is required to treat the new address as a change in circumstances and, if it elects to apply sub-clause (f) of clause (2), is required to obtain the appropriate documentation from the Account Holder.

(4) Review of Preexisting High Value Individual Accounts shall be completed by the 31st December, 2017 and for Low Value Accounts, by the 31st December, 2018; and

(5) Any Preexisting Individual Account that has been identified as a Reportable Account under this rule shall be treated as a Reportable Account in all subsequent years, unless the Account Holder ceases to be a Reportable Person.

78F. Due Diligence for New Individual Accounts.- The following procedures shall apply for purposes of identifying Reportable Accounts among New Individual Accounts, namely:-

(1) With respect to New Individual Accounts, upon account opening, the Reporting Financial Institution shall obtain a self-certification, which may be part of the account opening documentation, that allows the Reporting Financial Institution to determine the Account Holder's residence for tax purposes and confirm the reasonableness of such self-certification based on the information obtained by the Reporting Financial Institution in connection with the opening of the account, including any documentation collected pursuant to AML or KYC Procedures;

(2) If the self-certification establishes that the Account Holder is resident for tax purposes in a Reportable Jurisdiction, the Reporting Financial Institution shall treat the account as a Reportable Account and the self-certification shall also include the Account Holder's TIN with respect to such Reportable Jurisdiction (subject to sub-rule (4) of rule 78C) and date of birth; and

(3) If there is a change of circumstances with respect to a New Individual Account that causes the Reporting Financial Institution to know, or have reason to know, that the original self certification is incorrect or unreliable, the Reporting Financial Institution cannot rely on the original self-certification and shall obtain a valid self-certification that establishes the residence for tax purposes of the Account Holder.

78G. Due Diligence for Preexisting Entity Accounts.- The following procedures shall apply for the purposes of identifying Reportable Accounts among Preexisting Entity Accounts, namely:-

(1) **Entity Accounts not Required to be Reviewed, Identified or Reported**. Unless the Reporting Financial Institution elects otherwise, either with respect to all Preexisting Entity Accounts or, separately, with respect to any clearly identified group of such accounts, a Preexisting Entity Account with an aggregate account balance or value that does not exceed two hundred fifty thousand US Dollars as of the 31st December, 2017, is not required to be reviewed, identified or reported as a Reportable Account until the account balance or value exceeds two hundred fifty thousand US Dollars as of the last day of any subsequent calendar year;

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(2) **Entity Accounts subject to Review**. A Preexisting Entity Account that has an aggregate account balance or value that exceeds two hundred fifty thousand US Dollars as of the 31st December, 2017, and a Preexisting Entity Account that does not exceed two hundred fifty thousand US Dollars as of the 31st December, 2017 but the aggregate account balance or value of which exceeds two hundred fifty thousand US Dollars as of the last day of any subsequent calendar year, shall be reviewed in accordance with the procedures set forth in clause (4);

(3) **Entity Accounts with respect to which Reporting is required**. With respect to Preexisting Entity Accounts described in clause (2), only accounts that are held by one or more Entities that are Reportable Persons, or by Passive NFEs with one or more Controlling Persons who are Reportable Persons, shall be treated as Reportable Accounts;

(4) **Review Procedures for identifying entity Accounts with respect to which Reporting is required**. For Preexisting Entity Accounts described in clause (2), a Reporting Financial Institution shall apply the following review procedures to determine whether the account is held by one or more Reportable Persons, or by Passive NFEs with one or more Controlling Persons who are Reportable Persons, namely:-

(a) Determine whether the Entity is a Reportable Person.

(i) Review information maintained for regulatory or customer relationship purposes (including information collected pursuant to AML or KYC Procedures) to determine whether the information indicates that the Account Holder is resident in a Reportable Jurisdiction. For this purpose, information indicating that the Account Holder is resident in a Reportable Jurisdiction includes a place of incorporation or organisation, or an address in a Reportable Jurisdiction;

(ii) If the information indicates that the Account Holder is resident in a Reportable Jurisdiction, the Reporting Financial Institution shall treat the account as a Reportable Account unless it obtains a self-certification from the Account Holder, or reasonably determines based on information in its possession or that is publicly available, that the Account Holder is not a Reportable Person;

(b) **Determine whether the Entity is a Passive NFE with one or more Controlling Persons who are Reportable Persons**. With respect to an Account Holder of a Preexisting Entity Account (including an Entity that is a Reportable Person), the Reporting Financial Institution shall determine whether the Account Holder is a Passive NFE with one or more Controlling Persons who are Reportable Persons. If any of the Controlling

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Persons of a Passive NFE is a Reportable Person, then the account shall be treated as a Reportable Account. In making these determinations the Reporting Financial Institution shall follow the guidance in the following paragraphs in the order most appropriate under the circumstances:-

(i) Determining whether the Account Holder is a Passive NFE. For purposes of determining whether the Account Holder is a Passive NFE, the Reporting Financial Institution shall obtain a self-certification from the Account Holder to establish its status, unless it has information in its possession or that is publicly available, based on which it can reasonably determine that the Account Holder is an Active NFE or a Financial Institution other than an Investment Entity described in paragraph (ii) of sub-clause (f) of rule 78B that is not a Participating Jurisdiction Financial Institution;

(ii) Determining the Controlling Persons of an Account Holder. For the purposes of determining the Controlling Persons of an Account Holder, a Reporting Financial Institution may rely on information collected and maintained pursuant to AML or KYC Procedures; and

(iii) Determining whether a Controlling Person of a Passive NFE is a Reportable Person. For the purposes of determining whether a Controlling Person of a Passive NFE is a Reportable Person, a Reporting Financial Institution may rely on Information collected and maintained pursuant to AML or KYC Procedures in the case of a Preexisting Entity Account held by one or more NFEs with an aggregate account balance that does not exceed one million US Dollars ; or a self-certification from the Account Holder or such Controlling Person of the jurisdiction in which the Controlling Person is resident for tax purposes; and

(5) **Timing of Review and Additional Procedures Applicable to Preexisting Entity Accounts**.

(a) Review of Preexisting Entity Accounts with an aggregate account balance or value that exceeds two hundred fifty thousand US Dollars as of the 31st December, 2017 shall be completed by the 31st December, 2018.

(b) Review of Preexisting Entity Accounts with an aggregate account balance or value that does not exceed two hundred fifty thousand US Dollars as of the 31st December, 2017, but exceeds two hundred fifty thousand US Dollars as of the 31st December of a subsequent year, shall be completed within the calendar year following the year in which the aggregate account balance or value exceeds two hundred fifty thousand US Dollars; and

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(c) If there is a change of circumstances with respect to a Preexisting Entity Account that causes the Reporting Financial Institution to know, or have reason to know, that the self-certification or other documentation associated with an account is incorrect or unreliable, the Reporting Financial Institution shall re-determine the status of the account in accordance with the procedures set forth under clause (4).

78H. Due Diligence for New Entity Accounts.- The following procedures shall apply for purposes of identifying Reportable Accounts among New Entity Accounts; namely:-

(1) Review procedures for identifying Entity Accounts with respect to which reporting is required. For New Entity Accounts, a Reporting Financial Institution shall apply the following review procedures to determine whether the account is held by one or more Reportable Persons, or by Passive NFEs with one or more Controlling Persons who are Reportable Persons:-

(a) **Determine Whether the Entity is a Reportable Person**.

(i) Obtain a self-certification, which may be part of the account opening documentation, that allows the Reporting Financial Institution to determine the Account Holder's residence for tax purposes and confirm the reasonableness of such self-certification based on the information obtained by the Reporting Financial Institution in connection with the opening of the account, including any documentation collected pursuant to AML or KYC Procedures. If the Entity certifies that it has no residence for tax purposes, the Reporting Financial Institution may rely on the address of the principal office of the Entity to determine the residence of the Account Holder; and

(ii) If the self-certification indicates that the Account Holder is resident in a Reportable Jurisdiction, the Reporting Financial Institution shall treat the account as a Reportable Account unless it reasonably determines based on information in its possession or that is publicly available, that the Account Holder is not a Reportable Person with respect to such Reportable Jurisdiction;

(b) **Determine whether the Entity is a Passive NFE with one or more Controlling Persons who are Reportable Persons**. With respect to an Account Holder of a New Entity Account (including an Entity that is a Reportable Person), the Reporting Financial Institution shall determine whether the Account Holder is a Passive NFE with one or more Controlling Persons who are Reportable Persons. If any of the Controlling Persons of a Passive NFE is a Reportable Person, then the account shall be treated as a Reportable Account. In making these determinations the Reporting Financial Institution shall follow the following paragraphs in the order most appropriate under the circumstances as under:-

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(i) Determining whether the Account Holder is a Passive NFE. For purposes of determining whether the Account Holder is a Passive NFE, the Reporting Financial Institution shall rely on a self-certification from the Account Holder to establish its status, unless it has information in its possession or that is publicly available, based on which it can reasonably determine that the Account Holder is an Active NFE or a Financial Institution other than an Investment Entity described in sub-clause (ii) of clause (f) of rule 78B that is not a Participating Jurisdiction Financial Institution;

(ii) Determining the Controlling Persons of an Account Holder. For purposes of determining the Controlling Persons of an Account Holder, a Reporting Financial Institution may rely on information collected and maintained pursuant to AML or KYC Procedures; and

(iii) Determining whether a Controlling Person of a Passive NFE is a Reportable Person. For purposes of determining whether a Controlling Person of a Passive NFE is a Reportable Person, a Reporting Financial Institution may rely on a self-certification from the Account Holder or such Controlling Person.

78I. Special due Diligence Rules.- The following additional clauses shall apply in implementing the due diligence procedures described above:

(1) **Reliance on self- certification and documentary evidence**. A Reporting Financial Institution may not rely on a self-certification or Documentary Evidence if the Reporting Financial Institution knows or has reason to know that the self-certification or Documentary Evidence is incorrect or unreliable;

(2) **Alternative procedures for financial accounts held by individual beneficiaries of a cash value insurance contract or an annuity contract**. A Reporting Financial Institution may presume that an individual beneficiary (other than the owner) of a Cash Value Insurance Contract or an Annuity Contract receiving a death benefit is not a Reportable Person and may treat such Financial Account as other than a Reportable Account unless the Reporting Financial Institution has actual knowledge, or reason to know, that the beneficiary is a Reportable Person. A Reporting Financial Institution has reason to know that a beneficiary of a Cash Value Insurance Contract or an Annuity Contract is a Reportable Person if the information collected by the Reporting Financial Institution and associated with the beneficiary contains indicia as described in clause (2) of rule 78E. If a Reporting Financial Institution has actual knowledge, or reason to know, that the beneficiary is a Reportable Person, the Reporting Financial Institution shall follow the procedures in clause (2) of rule 78E;

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(3) **Account Balance Aggregation and Currency Rules.-**

(a) **Aggregation of individual accounts**. For purposes of determining the aggregate balance or value of Financial Accounts held by an individual, a Reporting Financial Institution is required to aggregate all Financial Accounts maintained by the Reporting Financial Institution, or by a Related Entity, but only to the extent that the Reporting Financial Institution's computerized systems link the Financial Accounts by reference to a data element such as client number or TIN, and allow account balances or values to be aggregated. Each holder of a jointly held Financial Account shall be attributed the entire balance or value of the jointly held Financial Account for purposes of applying the aggregation requirements described in this sub-rule;

(b) **Aggregation of entity accounts**. For purposes of determining the aggregate balance or value of Financial Accounts held by an Entity, a Reporting Financial Institution is required to take into account all Financial Accounts that are maintained by the Reporting Financial Institution, or by a Related Entity, but only to the extent that the Reporting Financial Institution's computerized systems link the Financial Accounts by reference to a data element such as client number or TIN, and allow account balances or values to be aggregated. Each holder of a jointly held Financial Account shall be attributed the entire balance or value of the jointly held Financial Account for purposes of applying the aggregation requirements described in this sub-rule;

(c) **Special aggregation rule applicable to relationship managers**. For purposes of determining the aggregate balance or value of Financial Accounts held by a person to determine whether a Financial Account is a High Value Account, a Reporting Financial Institution is also required, in the case of any Financial Accounts that a relationship manager knows, or has reason to know, are directly or indirectly owned, controlled, or established (other than in a fiduciary capacity) by the same person, to aggregate all such accounts; and

(d) **Amounts read to include equivalent in other currencies**. All dollar amounts are in U.S. dollars and shall be read to include equivalent amounts in other currencies, as determined by domestic law.

78J. International guidelines and commentaries.– For illustration, interpretation and implementation of this chapter, guidance shall also be sought from commentaries on the Model Competent Authority Agreement and Common Reporting Standard as developed by the Organization for Economic Co-Operation and Development (OECD) as amended from time to time. Following table may be referred to for cross referencing to the Commentary of OECD:

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S. No.	Reference in Income Tax Rules, 2002	Reference in Commentary on Common Reporting Standard Developed by OECD
(1)	(2)	(3)
1	Rule 78B	Commentary on Section VIII concerning Defined Terms
	Rule 78C	Commentary on Section I concerning General Reporting Requirements
2	Rule 78D	Commentary on Section II concerning Due Diligence requirements
3	Rule 78E	Commentary on Section III concerning Due Diligence for Pre Existing Individual Accounts
4	Rule 78F	Commentary on Section IV concerning Due Diligence for New Individual Accounts
5	Rule 78G	Commentary on Section V concerning Due Diligence for Pre Existing Entity Accounts
6	Rule 78H	Commentary on Section VI concerning Due Diligence for New Entity Accounts
7	Rule 78I	Commentary on Section VII concerning Special Due Diligence Requirements.]

[1][**78K. Record keeping for due diligence procedures**.- Reporting financial institutions shall keep record of the steps undertaken and any evidence relied upon for the performance of the due diligence procedures and measures to obtain such records for at least five years after the end of the period within which the reporting financial institution must report the information required to be reported.

78L. Date for filing of common reporting standards reports.- The annual domestic reporting date for filing of common reporting standards reports by reporting financial institutions shall be 31st May of each year. The common reporting standard reports shall be filed on the AEOI portal on FBR's official website in CRS XML Schema prescribed by the Global Forum of Organization for Economic Co- operation and Development (OECD).

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[1]Chapter XIIA- Rules 78A to 78J inserted by SRO 166(I)/2017 dated March 15, 2017.
[2]Rules 78K to 78O inserted by SRO 773(I)/2020 dated August 24, 2020.

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78M. Avoidance of obligation.- If a person enters into any arrangements for the purpose of avoiding any obligation under Common Reporting Standards Rules in Chapter XIIA of the Income Tax Rules, 2002, all the provisions of the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002 shall apply accordingly as if the arrangement had not been entered into.

78N. Power to call for record and inspect premises.- (1) The records maintained under Common Reporting Standards Rules in Chapter XIIA of the Income Tax Rules, 2002 including rule 78K by the reporting financial institutions or any other record maintained by any other person under any law may be required to be furnished alongwith full and free access to any premises, place, accounts, documents or computers of reporting financial institutions by the Federal Board of Revenue or any person authorized by the Board to ensure compliance of Common reporting Standards Rules in Chapter XIIA of the Income Tax Rules, 2002. The Board may under the law compel assistance of any person including State Bank of Pakistan, Securities and Exchange Commission of Pakistan and any such organization, body etc. who holds such information that may assist the Board to identify and classify reporting financial institutions, non-reporting financial institutions and excluded accounts, and ensure that their identification and classification is as per Common Reporting Standards Rules in Chapter XIIA of the Income Tax Rules, 2002.

(2) The Federal Board of Revenue may by notification establish and adopt a risk based assessment approach to invoke sub-rule (1).

78O. Compulsory enrollment.- The Federal Board of Revenue may in accordance with law compulsorily enroll a reporting financial institution if the said institution fails to enroll with the department through AEOI Portal on FBR's official website.

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FORM-A
[See rule 39A(1)(a)]
ACCOUNT HOLDERS DEPOSITS STATEMENT
REPORTING BANKING COMPANY: _____ BANKING COMPANY
OFFICER: _____
INFORMATION OF PERSONS WHO HAVE DEPOSITED RUPEES TEN MILLION OR MORE DURING THE MONTH OF: _____

S. No.	CNIC/N/Cop/ Passport No.	NTN	Name/ Title of Account	Resident/ Non-resident[1]	Address
(1)	(2)	(3)	(4)	(5)	(6)

Tel No.	Account Opening Date	Account No (IBAN)	Business / Profession/ Occupation	Amount Deposited During the Month	Remarks
(7)	(8)	(9)	(10)	(11)	(12)

VERIFICATION

I, the undersigned, solemnly declare that to the best of my knowledge and belief, the information given in this Statement is correct and complete.

I, further declare that I am competent to make his declaration and verify it in my capacity as nominee of the reporting Banking Company _____

Signature. _____

Name _____

CNIC _____

FORM-B
[See rule 39A(1)(c)]
CREDIT CARD(S) PAYMENTS STATEMENT
REPORTING BANKING COMPANY: _____ BANKING COMPANY
OFFICER: _____
INFORMATION OF PERSONS WHO HAVE MADE CREDIT CARD PAYMENTS OF RUPEES TWO HUNDRED THOUSAND OR MORE DURING THE MONTH OF: _____

S. No.	CNIC/N/Cop/ Passport No.	NTN	Name/ Title of Account	Resident/ Non-resident[1]	Address
(1)	(2)	(3)	(4)	(5)	(6)

Tel No.	Credit Card Acquisition Date	Credit Card No.[2]	Business / Profession	Amount of Payments made against credit card bills	Remarks
(7)	(8)	(9)	(10)	(11)	(12)

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VERIFICATION

I, the undersigned, solemnly declare that to the best of my knowledge and belief, the information given in this statement is correct and complete;

I, further declare that I am competent to make his declaration and verify it in my capacity as nominee of the reporting Banking Company _____

Signature. _____

Name _____

CNIC _____

FORM-C

[See rule 39A(1)(d)]

CASH WITH DRAWL STATEMENT

REPORTING BANKING COMPANY: _____

BANKING COMPANY OFFICER: _____

INFORMATION IN RESPECT OF CASH WITH DRAWL EXCEEDING RUPEES ONE MILLION OR MORE DURING THE MONTH OF: _____

S. No.	CNIC/N/Cop/ Passport No.	NTN	Name/ Title of Account	Resident/ Non-resident[1]	Address	Tel No.
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Account Opening Date	Account No (IBAN)	Business / Profession/ Occupation	Section	Amount of cash withdrawal during the month	Amount of tax deducted	Remarks
(8)	(9)	(10)	(11)	(12)	(13)	(14)

VERIFICATION

I, the undersigned, solemnly declare that to the best of my knowledge and belief, the information given in this statement is correct and complete;

I, further declare that I am competent to make his declaration and verify it in my capacity as nominee of the reporting Banking Company _____

Signature. _____

Name _____

CNIC _____

8-150-15-09-2020

FORM·D
[See rule 39A(1)(g)]
PROFIT ON DEBT STATEMENT
REPORTING BANKING COMPANY: _____
BANKING COMPANY OFFICER: _____
INFORMATION IN RESPECT OF PROFIT ON DEBT DURING THE FINANCIAL YEAR: _____

S. No.	CNIC/N/Cop/ Passport No.	NTN	Name/ Title of Account	Resident/ Non-resident[1]	Address	Tel No.
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Account Opening Date	Account No (IBAN)	Business / Profession	Section	Amount of profit on debt	Amount of tax deducted	Remarks
(8)	(9)	(10)	(11)	(12)	(13)	(14)

VERIFICATION

I, the undersigned, solemnly declare that to the best of my knowledge and belief, the information given in this statement is correct and complete;

I, further declare that I am competent to make his declaration and verify it in my capacity as nominee of the reporting Banking Company _____

Signature. _____

Name _____

CNIC _____]

8-150-15-09-2020

CHAPTER XIII

[1][TAXPAYER'S REGISTRATION]

[2][**79. Application of Chapter.–** The rules in this Chapter apply for the purposes of section 181 which provides for registration of taxpayers.]

[3][**80. Registration**.- (1) An individual having CNIC required to file return of total income manually shall be treated as registered under sub-section (4) of section 181 on the day he files the return manually.

(2) An individual having CNIC required to e-file return of total income shall be treated as registered, when the individual is e-enrolled.

[4]*[*(3) A company, an association of persons (AOP), foreign national or foreign government shall be treated as registered when the company, AOP, the foreign national or foreign government is e-enrolled.*]*

(4) An individual having CNIC who failed to file return, shall be registered by the Commissioner having jurisdiction on the basis of CNIC or NICOP when he is satisfied after providing opportunity to be heard that the income of the individual is taxable and is required to file return of income.

(5) An individual not having CNIC and required to file return of total income manually shall be registered in the same manner as specified in sub-rule (1) and (4), either on application by the individual or if Commissioner is satisfied that income of individual is taxable after providing opportunity to be heard.

[4]*[*(6) A company, an AOP, foreign national or foreign government shall be treated as registered as per sub-rule (3), if the Commissioner, having jurisdiction over the company, an AOP, foreign national or foreign government, is satisfied after providing opportunity to be heard that the company, the AOP, foreign national or foreign government requires registration.*]*]

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[1]Heading substituted for "**NATIONAL TAX NUMBER CARD"** by SRO 392(I)/2009 dated May 19, 2009
[2]Rule 79 substituted by SRO 392(I)/2009 dated May 19, 2009.
[3]Rule 80 substituted by SRO 1076(I)/2015 dated November 02, 2015.
[4]Rule 80(3) & (6) substituted by SRO 272(I)/2018 dated March 01, 2018.

Rule 79-Substitution.- Before substitution by SRO 392(I)/2009, it read as follows:-

"**79**. **Application of Chapter.-** The rules in this Chapter apply for the purposes of section 181, which provides for the issuing of National Tax Number Cards."

Rule 80-Substitution.- Before substitution by SRO 1076(I)/2015, it read as follows:-

"80. Application for National Tax Number [1][**Certificate**]**.–** (1) An application for a National Tax Number [1][Certificate] shall be in the form specified in [2][Part IX] of the First Schedule to these rules and shall be accompanied by documentary evidence of the applicant's identity.

(2) The following shall be provided as documentary evidence of an applicant's identity–

(a) in the case of an individual –

(i) NIC or a current passport; or

(ii) other documents with photo-identification-driver's licence.

[1]Substituted for "Card" by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "Part VIII" by SRO 392(I)/2009 dated May 19, 2009.

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[1][**80A. E-enrolment**.- Every individual, an AOP, a company or a foreign government required to e-file return of total income shall submit form of e-enrolment as specified in Part IX of the First Schedule to these rules through Board's online system.]

[2][**80B. Requirement of e-enrolment**.-(1) Individuals required to be registered under sub-rule (2) of rule 80 shall provide-

[3][(a) number of CNIC, NICOP, POC or foreign passport;]

(b) cell phone number in his name;

(c) e-mail address;

(d) nationality;

(e) residential address;

(f) accounting period;

[1]Rule 80A substituted by SRO 272(I)/2018 dated March 01, 2018. Earlier it was inserted by SRO 1076(I)/2015 dated November 02, 2015.
[2]Rule 80B inserted by SRO 1076(I)/2015 dated November 02, 2015.
[3]Rule 80B(1)(a) substituted by SRO 879(I)/2026 dated May 20, 2026.

(b) in the case of a company *other than a trust), the certificate of incorporation or registration of the company;

(c) In the case of a trust, the trust deed;

(d) In the case of a firm, the instrument of partnership; or

[1][(e) in the case of an association of persons (other than a firm), the instrument of partnership or copies of NICs of the members of the association of persons. Detail of non-resident members be provided along with copies of their passports.]

(3) An application for a National Tax Number [2][Certificate] shall be lodged [3][ ]–

(a) by post or delivery by hand to the Commissioner having jurisdiction over the applicant; or

(b) by inclusion with the applicant's first return of income or first employer's statement furnished in lieu of a return of income.

[1]Clause (e) substituted by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "Card" by SRO 392(I)/2009 dated May 19, 2009.
[3]Words "with the authority specified by the CBR through circular" omitted by SRO 392(I)/2009 dated May 19, 209.
*apparently intended opening bracket is missing.

Rule 80B(1)(a)-Before substitution clause (a) read as follows:-

"(a) number of CNIC,NICOP or Passport;"

Rule 80(2)(e)-Before substitution clause (e) read as follows:-

"(e) In the case of an association of persons (other than a firm), document(s). Detail of non-resident member to be specified."

Rule 80(3)-Before substitution it read as follows:-

"(3) A company, an association of persons (AOP) or foreign national shall be treated as registered when the company, AOP or the foreign national, is e-enrolled."

Rule 80(6)-Before substitution it read as follows:-

"(6) A company, an AOP or foreign national shall be treated as registered as per sub-rule (3), if the Commissioner, having jurisdiction over the company, an AOP or foreign national, is satisfied after providing opportunity to be heard that the company, the AOP or foreign national requires registration."

Rule 80A-Before substitution it read as follows:-

"**80A. e-enrolment**.- Every individual, an AOP or a company required to e-file return of total income shall submit form of e-enrolment as specified in Part IX of the First Schedule to these rules through Board's online system."

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(g) in case of business income,

(i) business name;

(ii) business address; and

(iii) principal business activity;

(h) name and NTN of employer in case of salary income;

(i) address of property in case of property income;

(2) A company and an AOP required to be registered under sub-rules (3) and (6) of rule 80 shall provide-

(a) name of company or AOP;

(b) business name;

(c) business Address;

(d) accounting period;

(e) phone No business;

(f) e-mail;

(g) cell phone of principal officer of the company or AOP;

(h) principal business activity;

(i) address of industrial establishment or principal place of business;

(j) company type, like public limited, private limited, unit trust, trust, NGO, society, small company, modaraba or any other;

(k) date of registration;

(l) incorporation certificate by Securities and Exchange Commission of Pakistan (SECP) in case of company;

(m) registration certificate and partnership deed in case of registered firm;

(n) partnership deed in case firm is not registered;

(o) trust deed in case of trust;

(p) registration certificate in case of society;

[1][ ]

(r) name of representative with his CNIC or NTN;

(s) following particulars of every director and major shareholder having 10% or more shares in case of company or partners in case of an AOP, namely:-

(i) Name;

(ii) CNIC/NTN/Passport; and

(iii) Share %]

[1]Rule 80B(2)(q) omitted by SRO 466(I)/2016 dated May 31, 2016.

Rule 80B(2)(q)-Omission.- Before omission by SRO 466(I)/2016, it read as follows:-

"(q) registration or incorporation from concerned country in case of non-resident company or AOP;"

[1][(3) A non-resident company having permanent establishment in Pakistan, required to be registered under sub-rules (3) and (6) of rule 80, shall provide-

(a) name of company;

(b) business address;

(c) accounting: period;

(d) phone number of business;

(e) principal business activity;

(f) address of principal place of business;

(g) registration number and date of the branch with the Securities and Exchange Commission of Pakistan (SEEP);

(h) name and address of principal officer or authorized representative of the company;

(i) authority letter for appointment of principal officer or authorized representative of the company;

(j) cell phone number of principal officer or authorized representative of the company; and

(k) email address of principal officer or authorized representative of the company.

(4) A non-resident company not having permanent establishment in Pakistan, required to be registered under sub-rules (3) and (6) of rule 80, shall provide-

(a) name of company;

(b) business address in the foreign country;

(c) name and nationality of directors or trustees of the company;

(d) accounting period;

(e) name and address of authorized representative of the company;

(f) authority letter for appointment of authorized representative of the company.

(g) cell phone number of authorized representative of the company;

(h) email address of authorized representative of the company;

(i) principal business activity; and

(j) tax registration or incorporation document from concerned regulatory authorities of the foreign country.]

[2][(5) A foreign government required to be registered under sub-rules (3) and (6) of rule 80 shall provide-

(a) name of foreign government;

(b) registered address in foreign country;

[1]Rule 80B(3)&(4) inserted by SRO 466(I)/2016 dated May 31, 2016.
[2]Rule 80B(5) inserted by SRO 272(I)/2018 dated March 01, 2018.

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(c) power of attorney signed on behalf of foreign government, authorizing a company incorporated under the laws of the foreign country to manage assets and cash belonging to the foreign government;

(d) name and nationality of authorized signatories of the company managing the assets and cash of the foreign government;

(e) name and address of authorized representative of the foreign government;

(f) authority letter for appointment of authorized representative of the foreign government; and

(g) cellular phone number of authorized representative of the foreign government.]

[1][(6) Notwithstanding anything contained in sub-rule (3) and (4), an International Non-Government Organization (INGO) required to be registered under sub-rule (3) and (6) of rule 80 shall provide-

(a) name of taxpayer;

(b) business address;

(c) accounting period;

(d) phone number of business;

(e) principal business activity;

(f) name and address of principal officer or authorized representative of the company;

(g) authority letter for appointment of principal officer or authorized representative of the company for applying for registration in Pakistan;

(h) cell phone number of principal officer or authorized representative of the company;

(i) email address of principal officer or authorized representative of the company;

(j) tax registration or incorporation document from concerned regulatory authorities of the foreign country;

(k) letter from the concerned embassy verifying the credentials of the INGO;

(l) proof of local residence (rent/lease agreement and electricity bill, etc) with complete address and telephone numbers;

(m) no objection certificate (NOC) issued by the Ministry of Interior and Narcotics Control;

(n) Memorandum of Understanding (MoU) signed between the Government of Pakistan and the INGO; and

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[1]Rule 80B(6) inserted by SRO 879(I)/2026 dated May 20, 2026.

(o) following particulars of directors or trustees and major shareholder having 10% or more shares in case of company or partners in case of an AOP, namely:-

(i) name;

(ii) nationality;

(iii) passport; and

(iv) Percentage of share.]

[1][**81. Decision on application of registration or e-enrolment.** (1) The Commissioner may, where a person has filed a form of registration or e-enrolment under rule 80 or 80A, after examining available information, particulars, data or documents and making such inquiry as he may deem necessary, grant registration or e-enrolment to the person or after recording reasons, refuse registration or e-enrolment to the person within fifteen days of filing of form of registration or e-enrolment.

(2) Person aggrieved by any decision of the Commissioner under sub-rule (1) may file representation before the concerned Chief Commissioner within thirty days of the said decision. The Chief Commissioner after making such inquiry if necessary shall decide the representation as he deems fit.]

[2][**81A. Taxpayer's registration by the Commissioner.-**(1) The Commissioner having jurisdiction over a case may register a person as a taxpayer where he is satisfied that the income of the person is taxable and is required to file a return of income under section 114.

(2) The Commissioner shall issue to the taxpayer a letter under sub-section(2) of section 181 to submit an application for registration prescribed under rule 80 along with documents specified therein within a reasonable time given in the said letter. In case of compliance NTN certificate shall be issued accordingly.

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[1]Rule 81 substituted by SRO 1076(I)/2015 dated November 02, 2015.
[2]Rule 81A inserted by SRO 392(I)/2009 dated May 19, 2009.

Rule 81-Substitution.- Before substitution by SRO 1076(I)/2015, it read as follows:-

"81. Decision on application for a National Tax Number [1]**[Certificate].–** (1) The Commissioner shall make a decision on an application for a National Tax Number [1][Certificate] within fifteen days of the application being properly lodged.

(2) Where the Commissioner decides not to grant [2][ ] a National Tax Number [1][Certificate], the Commissioner shall give the applicant notice in writing of the decision and the reasons for the decision.

[1]Substituted for "Card" by SRO 392(I)/2009 dated May 19, 2009.
[2]Words "an application for" omitted by SRO 392(I)/2009 dated May 19, 2009.

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(3) In case of failure of the taxpayer to comply with the letter issued under sub-section (2) of section 181, the Commissioner shall register the taxpayer on a Trial Registration Number(TRN) for which a serially numbered Trial Register shall be maintained by the Commissioner. The Trial Register shall contain the basic information of the taxpayer like name of the person or business, available address, CNIC [1][if provided], nature of income generating activity and any other information regarded useful by the Commissioner. In such case, statutory notices shall be issued for assessment of income or other legal obligation of the taxpayer under the Ordinance on TR Number:

Provided that before allotment of Trial Registration Number the Commissioner shall verify and match the particulars of the taxpayer from the NTN Master Index to avoid duplication of registration.

(4) In case any assessment is made or any liability is created by the Commissioner under the Income Tax Ordinance, 2001 against the taxpayer, the Commissioner on the basis of information as contained in Trial Register, allot an NTN to the taxpayer within fifteen days of the date of completion of assessment or creation of a liability under the Ordinance.]

[2][**81B. Active Taxpayers List**.-(1) This rule shall apply for the purposes of [3][publishing active taxpayers' list, hereinafter referred to as ATL, under section 181A of the Ordinance].

[4][(2) A person's name shall be included in the ATL, if he files return of income tax for the latest tax year, by the due date specified in section 118 of the Ordinance or by the due date as extended under section 119 thereof by the Commissioner or by the due date as extended by the Board under section 214A thereof.

Explanation.- "latest tax year" means the tax year last completed before the date on which return is filed and shall include the tax year previous to that year in case the due date or extended due date for filing of return for the last completed year has not expired.]

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[1]Words inserted by SRO 30(I)/2017 dated January 18, 2017.

[2]Rule 81B substituted by SRO 765(I)/2014 dated August 26, 2014. Earlier it was inserted by SRO 328(I)/2011 dated April 27, 2011.

[3]Substituted for "clauses (23A) and (35C) of section 2 and section 181A" by SRO 1638(I)/2024 dated October 18, 2024.

[4]Rule 81B(2) substituted by SRO 1638(I)/2024 dated October 18, 2024.

Rule 81B(2)-Substitution.- Before substitution by SRO 1638(I)/2024, it read as follows:-

"(2) The Board shall publish Active Taxpayers List, hereinafter referred to as ATL, comprising persons who meet the criteria as laid down under sub-rule (4) and shall be made available on the Board's web portal, by first day of March in each financial year:

Provided that for financial year 2014-15, Active Taxpayers List shall be published and made available on the Board's web portal, by first days of July, 2014 [1][:]

[2][Provided further that for financial year 2014-15, Active Taxpayers List shall be published and made available on the Board's web portal by the 11th April, 2015.]"

[1]Colon substituted for full stop by SRO 267(I)/2015 dated April 02, 2015.

[2]Proviso inserted by SRO 267(I)/2015 dated April 02, 2015.

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[1][(2A) In case a person files his income tax return for the latest tax year, after the due date or extended due date as mentioned in sub-rule (1), his name shall be included in the active taxpayer's list, if he pays surcharge as specified in proviso to clause (a) of sub-section (1) of section l82A of the Ordinance.]

(3) ATL published in any financial year shall be valid for the period, beginning on the date of publish and ending on [2][on the next day after the due date or extended due date as mentioned in sub-rule (1)] [3][:]

[4][Provided that Active Taxpayers List published during financial year 2013-14, shall be valid upto the 10th April, 2015.]

(4) ATL shall be updated on [5][daily basis].

[6][(5) The name of a company or an association of persons, whose return is not due to be filed because of incorporation or formation of such company or association of persons after the 30th day of June relevant to the latest tax year, shall be included in the active taxpayers' list.]

(6) In case a joint account is held in a bank by more than one person, the joint account holders as an entity shall be deemed to have met the criteria as laid down under sub-rule (5), if any of the persons in the joint account meets the criteria as laid down under the said sub-rule (5).

(7) In case an account is held in a bank in the name of a minor, the minor shall be deemed to have met the criteria as laid down under sub-rule (5), if the parent, guardian or any person who has made deposits in the minor's account meet the criteria as laid down under said sub-rule (5).

(8) A person's name shall be included in ATL on the immediately following updation date, if at any time, the criteria as laid down under sub-rule (5), is fulfilled by that person.]

[7][(9) In the case of a person on the active taxpayers' list of the Azad Jammu and Kashmir Central Board of Revenue or Gilgit-Baltistan Council Board of Revenue, the name of such person shall be included in the active taxpayers' list under section 181A of the Ordinance, if-]

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[1]Rule 81B(2A) inserted by SRO 1638(I)/2024 dated October 18, 2024.

[2]Substituted for "last day of February, next following" by SRO 1638(I)/2024 dated October 18, 2024.

[3]Colon substituted for full stop by SRO 267(I)/2015 dated April 02, 2015.

[4]Proviso inserted by SRO 267(I)/2015 dated April 02, 2015.

[5]Substituted for "[every Sunday at 24:00 hours], hereinafter referred to as updation date" by SRO 1638(I)/2024 dated October 18, 2024. Earlier words "fifteen day of every month" was substituted by SRO 831(I)/2015 dated August 21, 2015.

[6]Rule 81B(5) substituted by SRO 1638(I)/2024 dated October 18, 2024.

[7]Rule 81B(9) substituted by SRO 17(I)/2026 dated January 08, 2026. Earlier it was inserted by SRO 1638(I)/2024 dated October 18, 2024.

Rule 81B(5)-Substitution.- Before substitution by SRO 1638(I)/2024, it read as follows:-

"(5) A person's name shall be included in ATL, if the person has filed a return under section 114 or a statement under section 115 for the tax year for which the last date as specified in section 118 falls during immediately preceding twelve month [1][:]

[1][Provided that name of a company or an AOP in whose case return is not due to be filed because of incorporation or formation after the 30th day of June relevant to the tax year referred above, shall be included in Active Taxpayer List.]"

[1]Colon substituted for full stop & Proviso inserted by SRO 831(I)/2015 dated August 21, 2015.

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(a) his temporary or permanent address is in the Azad Jammu and Kashmir or, as the case may be, in the Gilgit-Baltistan; and

(b) his temporary and permanent addresses are in Pakistan, the following procedure shall be adopted, namely:-

(i) the Commissioner Inland Revenue. having jurisdiction over the case on the basis of his temporary address mentioned on the CNIC, shall verily the non-existence of any employment or business in Pakistan through IRIS after making inquiry and seeking undertaking from such person; and

(ii) the concerned Commissioner of Azad Jammu and Kashmir Central Board of Revenue or Gilgit-Baltistan Council Board of Revenue, as the case may be, shall verify the employment or sole business existence in the Azad Jammu and Kashmir or the Gilgit-Baltistan through IRIS:

Provided that where the Commissioner Inland Revenue has any reason to believe that the person, whose name has been included under clause (a) or (b), is liable to file return of income under section 114 of the Ordinance and the person does not comply with the notice under sub-section (4) of section 114 of the Ordinance, his name shall be removed from the active taxpayers' list under section 181A of the Ordinance.]

Rule 81B(9)-Substitution.- Before substitution by SRO 17(I)/2026, it read as follows:-

"(9) A person's name, where such person has filed return in the Azad Jammu and Kashmir Central Board of Revenue or Gilgit-Baltistan Council Board of Revenue, shall be included in the active taxpayers' list, if his temporary and permanent addresses are in the Azad Jammu and Kashmir or, as the case may be, in the Gilgit-Baltistan."

Rule 81B-Substitution.- Before substitution by SRO 765(I)/2014, it read as follows:-

"**81B. Active Taxpayers List (1)** This rule shall apply for the purposes of section 181A of the Ordinance.

(2) The Federal Board of Revenue shall publish Active Taxpayers List, referred to as ATL henceforth, comprising the persons complying with the following within due date, namely:-

(i) filing the return of income or statement u/s 114 and 115;

(ii) filing the wealth statement u/s 116;

(iii) filing of return u/s 143 and 144;

(iv) filing the statement of tax deduction u/s 165;

(v) deducting the tax at source and depositing it;

(vi) paying the advance tax;

(vii) responding to the notice issued by the Commissioner Inland Revenue;

(viii) any other statement due under the law; and

(ix) meet the criteria, if any, laid down under the Sales Tax, Federal Excise and Customs for including the taxpayers in the Active Taxpayers List.

(3) Initially all the compliant taxpayers meeting the following criteria will be included in the ATL, namely:-

(a) e-filers of return of income or statement u/s 114 and 115 for tax year 2010;

(b) e-filers of Quarterly Employer Statements on deductions made u/s 149 of the Ordinance, for tax year 2010;

(c) e-filers of Quarterly Withholding Tax Statement u/s 165 of the Ordinance, for tax year 2010;

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(d) employees who have annual income Rs. 500,000 and above (as reported by their employers) and have e-filed their income tax returns alongwith wealth statement, for tax year 2010; and

(e) meet the criteria laid under Sales Tax, Federal Excise and Customs for including the taxpayers in the Active Taxpayers' List.

(4) Following actions will be taken in advance for informing the taxpayers regarding their non-compliance, namely:-

(a) provisional ATL shall be made available on the FBR's web portal 30 days prior to its finalization;

(b) access to the ATL shall be on case to case basis through the NTN or CNIC of the taxpayer;

(c) e-intimations will be sent to the e-Enrolled persons not qualifying the criteria referred to above and 15 days time shall be allowed to ensure compliance; and

(d) the initial criteria given above, and any change in such criteria shall also be publicized for education and awareness of the taxpayers.

(5) A new taxpayer registered under section 181 of the Ordinance, shall automatically be placed in the ATL, on the day of his registration subject to the condition that no return or statement due on the date of registration is pending to be filed and the compliance as per sub-rule (3), wherever due, has been made.

(6) The non-compliant taxpayers shall be removed from the ATL through the automated system as per following procedure, namely:-

(i) in case of persons required to file the declarations electronically:-

(a) upon expiry of the due date, the computer system shall send an e-Intimation at the registered e-mail address of the taxpayer informing him about his default and advising him to make the compliance within 15 days time, failing which his name shall be removed from the ATL;

(b) after completion of 15 days compliance time and after issuance of the e-Intimation sent through the computer system referred to above, the computer system shall, in case of non-compliance, remove automatically the name of the non-compliant taxpayer from the ATL; and

(c) in case of compliance after the due date, concurrence of respective Commissioner shall have to be obtained before reinstating the name of the taxpayer in the ATL, subject to payment of all outstanding dues.

(ii) in case of persons not required to file the declarations electronically:-

(a) upon expiry of the due date for filing, of returns/statements or any other action due under the law, the respective Commissioner shall initiate the ATL process through the computer system whereby the computer system shall print Intimation Letter to the non-compliant taxpayer information him about his default and advising him to show compliance within 15 days, failing which his name shall be removed from the ATL;

(b) in case of compliance, the respective Commissioner shall also arrange to feed the return into the computer within seven days; and

(c) in case of non-compliance and after completion of a period of 15 days of the intimation issued by the computer system referred to above, the respective Commissioner shall arrange to remove the names of the non-compliant taxpayer from the ATL.

(7) ATL shall be updated to include the compliant and exclude the non-compliant taxpayers, as soon as the legal requirements are met.

(8) The registration of the taxpayer removed from the ATL shall be treated as suspended for the period of his removal from ATL and such taxpayer shall not be treated as a registered person during the suspension period unless regularized through an order by the respective Commissioner upon compliance by the defaulter and restoration in the ATL."

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[1][**81C. Taxpayer Card**.-(1) This rule shall apply for the purposes of clauses (23A) and (35C) of section 2.

(2) Subject to sub-rule (5), the Board may issue Taxpayer Card by first of March, each year, to a person who meets the criteria as laid down in sub-rule (3):

Provided that for the returns filed after the 31st of December, Taxpayer card shall be issued within sixty days of the filing of Return.

(3) A person shall be issued Taxpayer Card, if the person has filed a return under section 114 or a statement under section 115 for the tax year for which the last date as specified in section 118 falls during immediately preceding twelve months.

(4) Taxpayer Card shall be valid for one year, beginning on the date of issue and ending on last day of February of the following year:

Provided that Taxpayers Cards issued in respect of tax year 2013, shall be valid upto 28th day of February, 2015.

(5) The Board may authorize National Database and Registration Authority (NADRA), for the purpose of printing and issuing taxpayers cards.]

[2][**82. Modification or cancellation of registration**.- (1) A person, who after being registered under rule 80 or e-enrolled under rule 80A discovers any omission or wrong statement therein, or notices subsequent occurrence of any change in any information, particulars, data or documents already filed, may, without prejudice to any liability incurred by him under any provision of the Ordinance, file a form of modification as specified in Part IX of the First Schedule to these rules.

(2) The Commissioner may, where a person has filed a form of modification of registration under sub-rule (1), after examining available information, particulars, data or documents and making such inquiry as he may deem necessary, grant or refuse modification to the person.

(3) Person aggrieved by any decision of the Commissioner under sub-rule (2) may file representation before the concerned Chief Commissioner within thirty days of the said decision. The Chief Commissioner after making such inquiry if necessary shall decide the representation as he deems fit.

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[1]Rule 81C inserted by SRO 765(I)/2014 dated August 26, 2014.

[2]Rule 82 substituted by SRO 1076(I)/2015 dated November 02, 2015.

Rule 82-Substitution.- Before substitution by SRO 1076(I)/2015, it read as follows:-

"82. Cancellation of National Tax Number [1][**Certificate**]**.–** (1) Where the Commissioner decides that a National Tax Number [1][Certificate] was issued to a person under an identity that was not the person's true identity, the Commissioner may, by notice in writing served on the person, cancel the [1][Certificate].

(2) The Commissioner shall set out in the notice the reasons for the Commissioner's decision to cancel the [1][Certificate]."

[1]Substituted for "Card" by SRO 392(I)/2009 dated May 19, 2009.

(4) The Commissioner may, after examining available information, particulars, data or documents, making such inquiry as he may deem necessary and providing reasonable opportunity of being heard to a person, make modifications in registration of a person.

(5) The Commissioner may, based on available information, particulars, data or documents, after making such inquiry as he may deem necessary, after discharge of all outstanding liabilities, without prejudice to any other liability which such person may incur under the Ordinance and after providing reasonable opportunity of being heard to a person, by an order in writing, cancel registration of a taxpayer.]

83. Displaying and quoting of National Tax Number [1][**Certificate**]**.–** (1) Every person deriving income from business chargeable to tax who has been issued with a National Tax Number [1][Certificate] shall display the person's National Tax Number at a conspicuous place at every place of business of the person.

(2) Every person referred to in sub-rule (1) shall quote the person's National Tax Number in the following circumstances, namely:–

(a) in all commercial transactions entered into by the person;

(b) in cash memos issued under rule 30;

(c) in all returns, statements and other documents required to be furnished under the Ordinance and in any correspondence with the Commissioner; and

(d) in all documents relating to the person's business on the following matters, namely:–

(i) all new connections of utilities, including water, gas, electricity and telephone;

(ii) the entering into a loan with a banking company or financial institution;

(iii) the opening of letters of credit; and

(iv) the transfer of urban immovable property.

[1]Substituted for "Card" by SRO 392(I)/2009 dated May 19, 2009.

[1][CHAPTER XIIIA
RECORD OF BENEFICIAL OWNERS

83A. Application of Chapter.- (1) The rules in this chapter shall be applicable for the purposes of section 181E of the Income Tax Ordinance, 2001 (XLIX of 2001) providing for record of beneficial owners.

(2) Every company and association of persons (AOP), on its initial registration with FBR, shall electronically furnish the particulars of its beneficial owners to the Board as prescribed in Form BOF-01 of Part IXA of the First Schedule to these rules through Board's online system.

(3) Every company and AOP, already registered with FBR, shall electronically furnish the particulars of its beneficial owners to the Board on or before the 31st day of December, 2023, as prescribed in Form BOF-01 of Part IXA of the First Schedule to these rules through Board's online system.

(4) The record of the beneficial owners shall be updated whenever there is a change in any of the particulars of the beneficial owner as stipulated in Form (BOF-01) of Part IXA of the First Schedule of these rules, within 30 days from the date when the change occurs.

(5) In case of non-profit organization as defined under section 2(36) of the Income Tax Ordinance,2001, the settlor, trustee, founder, promoter, beneficiary, class of beneficiary, as the case may be, will be the beneficial owners of the nonprofit organization:

Provided that where the beneficiary or class of beneficiary of the non-profit organization is general public, the beneficiary or class of beneficiary of such nonprofit organization shall be exempted from the requirement of providing information of beneficial owners under this rule.

(6) In case there is no change in the beneficial owners of the Company or AOP throughout a particular tax year,, the Company or AOP as the case may, shall furnish a "Certificate of Confirmation for Beneficial Owner" to this effect as prescribed in Form (BOF-02) under Part IXA of the First Schedule to these rules through Board's online system along with the Income Tax return to be filed for that tax year.

83B. Definitions.- In this Chapter unless there is anything repugnant in the subject or context,-

(1) "Board" means Federal Board of Revenue as defined in section 2(8) of the Income Tax Ordinance, 2001 (XLIX of 2001);

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[1]Rules 83A to 83E inserted by SRO 1117(I)/2023 dated August 28, 2023.

(2) "chain of ownerships" means all the legal entities and the legal arrangements through which the ownership rights (shareholdings) of a company or AOP are ultimately held by the natural person;

(3) "contractual association" means the legal tie or contractual tie of two or more persons and/or legal entities and/or legal arrangements on the basis of a contract executed by the parties of the contract;

(4) "direct means" means (i) exercise of control by natural person including exercise of ultimate control over a company or AOP through direct ownership i.e. without having ownership of intervening legal person or persons between the natural persons and the company or AOP, as the case may be, or (ii) exercise of control through voting rights;

(5) "indirect means" means exercise of control through means other than the direct means, and includes but not limited to means of control through (i) chain of ownerships; (ii) joint control arrangement; (iii) contractual associations; (iv) personal or family connections; or (v) senior managerial position;

(6) "Joint control arrangement" means a situation where two or more natural or legal persons, each having ownership or voting rights of less than twenty-five percent, but their aggregate ownership or voting rights is twenty-five percent or more in a company or AOP and exercise or may exercise control over that company or AOP for being associates to each other in terms of section 85 of the Income Tax Ordinance, 2001 (XLIX of 2001); and

(7) "ultimate effective control" means a situation in which ownership or control is ultimately exercised through direct or indirect means.

83C. Record of beneficial owner.- (1) The beneficial owner who exercise ultimate effective control over a company or AOP through direct ownership rights (through shareholding) of twenty-five percent or more, shall provide the following particulars or information, namely:

(a) name of beneficial owner;

(b) father's name or spouse's name;

(c) date of birth;

(d) nationality of beneficial owners;

(e) CNIC, NICOP, NTN, passport number or foreign national identity number of beneficial owner;

(f) percentage of shareholding or ownership interest held by the beneficial owner;

(g) date of acquisition of ownership interest; and

(h) residential and commercial address of the beneficial owner.

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(2) The beneficial owner who exercises ultimate effective control over the company or AOP through ownership rights of twenty-five percent or more through chain of ownerships, shall provide the following particulars and information, namely:-

(a) name of beneficial owner;

(b) father's name or spouse's name;

(c) date of birth;

(d) nationality of beneficial owner;

(e) CNIC, NICOP, NTN, passport number or foreign national identity number of beneficial owner;

(f) particulars of legal owner i.e. all legal entities and arrangements through which the company or AOP is indirectly owned by the beneficial owner, including-

(i) name of the legal owners;

(ii) type of legal owner involved in chain of ownership e.g. joint stock company, limited liability company, foundation, trusts etc.;

(iii) country of incorporation or registration of legal owner;

(iv) incorporation or registration details of the legal owner i.e. incorporation or registration number, date of incorporation or registration and name of incorporating or registering authority; and

(v) registered address of the legal owner;

(g) percentage of shareholding or ownership interest held by the beneficial owner;

(h) date of acquisition of ownership interest; and

(i) residential and commercial addresses of the beneficial owners.

(3) The beneficial owner who exercises ultimate effective control over the company or AOP through joint control arrangement, shall provide the following particulars, namely:-

(a) name of beneficial owner;

(b) father's name or spouse's name;

(c) date of birth;

(d) nationality of beneficial owners;

(e) CNIC, NICOP, NTN, passport number or foreign national identity number of beneficial owners;

(f) nature of relationship between the beneficial owners involved in joint control arrangement For example, Mr. X who holds x percentage of ownership interests in M/s ABC company or AOP is the spouse of Ms. Y who holds y percentage of ownership interest in M/s ABC company or AOP, such as-

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(i) relatives;

(ii) friends; and

(iii) other associates; (please specify)

(g) percentage of shareholding or ownership interest of each beneficial owner involved in joint control arrangement;

(h) date of acquisition of ownership interest by each beneficial owner; and

(i) residential and commercial addresses of the beneficial owners.

(4) The beneficial owner, who exercises ultimate effective control over the company or AOP through voting rights, shall provide the following particulars, namely:-

(a) name of beneficial owner;

(b) father's name or spouse's name;

(c) date of birth;

(d) nationality of beneficial owner;

(e) CNIC, NICOP, NTN, passport number or foreign national identity number of beneficial owner;

(f) nature and details of voting rights that provide the effective control to the beneficial owner;

(g) percentage of voting rights held by the beneficial owner;

(h) residential and commercial addresses of the beneficial owners.

(5) The beneficial owner, who exercises ultimate effective control over the company or AOP through contractual associations, shall provide the following particulars and information, namely:-

(a) name of beneficial owner;

(b) father's name or spouse's name;

(c) date of birth;

(d) nationality of beneficial owner(s);

(e) CNIC, NICOP, NTN, passport number or foreign national identity number of beneficial owner;

(f) nature and details of the contract which provides effective control over the company or AOP to the contracting parties of the contract. Copy of the contract shall be provided to the Board; and

(g) residential and commercial addresses of the beneficial owner.

(6) The beneficial owner who exercises ultimate effective control over the company or AOP through personal or through family connections with the owners, directors or management of the company or AOP shall provide the following particulars and information, namely:-

(a) name of beneficial owner;

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(b) father's name or spouse's name;

(c) date of birth;

(d) nationality of beneficial owners;

(e) CNIC, NICOP, NTN, passport number or foreign national identity number of beneficial owner;

(f) nature and details of the personal and family connection which provides effective control to the beneficial owner [e.g. Mr. X (the beneficial owner) has influence over the company or AOP for being associated to Mr. Y (company's managing director)]; and

(g) residential and commercial addresses of the beneficial owner.

(7) The beneficial owner who exercises ultimate effective control over the company or AOP through senior managerial position or other indirect means shall provide the following particulars and information, namely:-

(a) name of beneficial owner;

(b) father's name or spouse's name;

(c) date of birth;

(d) nationality of beneficial owner;

(e) CNIC, NICOP, NTN, passport number or foreign national identity number of beneficial owner;

(f) managerial position held by senior managing officer and the nature of control he exercises in the company or AOP [For example, Mr. X the CEO of the company holds the power of appointing or removing the directors of the company];

(g) date of acquisition of senior management position in the company or AOP; and

(h) residential and commercial addresses of the beneficial owner.

83D. The Cascading Process for recording of beneficial ownership information.- (1) Rule 83C represents a cascading process which entails three Tests. Rule 83C(1), 83C(2), 83C(3) and 83C(4) shall collectively represent Test 1. Rule 83C(5) and 83C(6) shall collectively represent Test 2 and Rule 83C(7) shall represent Test 3 of the cascading process.

(2) The three Tests of the cascading process shall be applied in succession when a previous test has been applied but has not resulted in the identification of all beneficial owner i.e. Test 2 shall only be applied in case if there is doubt as to whether a person with controlling ownership interest is a beneficial owner, or where no beneficial owner has been identified as a consequence of application of Test 1. Similarly, Test 3 shall only be applied in case the information about all beneficial owners is not recorded or captured by application of Test 1 and Test 2.

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83E. Retention of records of beneficial owner.- (1) Every company or AOP shall retain the records of all beneficial owners for a period of ten years from the date when the beneficial owners of that company or AOP, as the case may be, cease to be the beneficial owners of that company or AOP.

(2) Board shall retain the records of beneficial owners of all companies and AOPs registered with the Board for a period of ten years from the date when that company or AOP ceases to be registered with FBR.

Form BOF-01

Record of Beneficial Owner
prescribed under section 181E of Income Tax Ordinance,200l

RECORDS OF BENEFICIAL OWNER(S)			
Cascading Tests and Application	Sr. No	Category of Beneficial Owner(s)	Information to be Obtained
Test 1 The test aims at identifying, obtaining and verifying the particulars of the beneficial owner(s) who exercise(s) ultimate effective control over the company or AOP through direct/ indirect ownership and voting rights.	1	Particulars of beneficial owner(s) who exercise(s) ultimate effective control over the company or AOP through direct ownership rights (shareholding) of twenty-five percent or more.	Name of beneficial owner
			Father's name/Spouse's name
			Date of Birth
			Nationality of beneficial owner(s)
			CNIC/NICOP/NT/Passport number(s)/ Foreign National Identity number of beneficial owner(s)
			Percentage of shareholding/ ownership interest held by the beneficial owner(s)
			Date of acquisition of ownership interest
			Residential and Commercial addresses of the beneficial owner.
	2	Particulars of the beneficial owner(s) who exercise ultimate effective control over the company or AOP through ownership rights of twenty-five percent or more through chain of ownerships.	Name of beneficial owner
			Father's name/Spouse's name
			Date of Birth
			Nationality of beneficial owner(s)
			CNIC/NICOP/NTN/Passport number(s)/Foreign National Identity number of beneficial owner(s)

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			Particulars of all legal owner(s) i.e. all legal entity(ies) or/and arrangement(s) through which the company or AOP is indirectly owned by the beneficial owner(s). i. Name(s) of the legal owner(s) ii. Type of legal owner(s) involved in chain of ownership (e.g. Joint Stock Company, Limited Liability Company, Foundation, Trusts etc.) iii. Country of Registration/ Incorporation of legal owner(s) iv. Incorporation /Registration detail(s) of the legal owner(s) i.e. Incorporation number, date of incorporation and name of registering authority. v. Registered addresses of the legal owner(s)
			Percentage of shareholding/ownership interest held by the beneficial owner(s)
			Date of acquisition of ownership interest
			Residential and Commercial addresses of the beneficial owner.
	3	Particulars of the beneficial owner(s) who exercise ultimate effective control over the company or AOP through joint control arrangements.	Name of beneficial owner
			Father's name/Spouse's name
			Date of Birth
			Nationality of beneficial owner(s)
			CNIC/NICOP/NTN/Passport number(s)/ Foreign National Identity number of beneficial owner(s)
			Details/nature of relationship between the beneficial owners involved in joint control arrangement.

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			. Relatives [For example, Mr. X who holds x percentage of ownership interests in Ms. Y ABC company/ AOP is the spouse of Ms. Y who holds y percentage of ownership interest in the same company/ AOP]. . Friends . Other associates (Please specify)
			Percentage of shareholding/ownership interest of each beneficial owner involved in joint control arrangement
			Date of acquisition of ownership interest by each beneficial owner
			Residential and Commercial addresses of the beneficial owner(s).
	4	Particulars of the beneficial owner(s) who exercise ultimate effective control over the company or AOP through voting rights.	Name of beneficial owner
			Father's name/Spouse's name
			Date of Birth
			Nationality of beneficial owner(s)
			CNIC/NICOP/NTN/Passport number(s)/ Foreign National Identity number of beneficial owner(s)
			Details of voting rights that provide control to the beneficial owner(s).
			Percentage of voting rights held by the beneficial owner(s)
			Residential and Commercial addresses of the beneficial owner

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Test 2 Test 2 aims at Identifying, obtaining and verifying the particulars of the beneficial owner(s) who exercise(s) ultimate effective control over the company or AOP through contractual associations and personal and/or family connections with the owners / directors/ management of the company or AOP.	1	Particulars of the beneficial owner(s) who exercise ultimate effective control over the company or AOP through contractual associations.	Name of beneficial owner
			Name of beneficial owner
			Date of Birth
			Nationality of beneficial owner(s)
			CNIC/NICOP/NTN/Passport number(s)/Foreign National Identity number of beneficial owner(s)
			Nature and details of the contract which provides effective control of the company or AOP to the contracting parties / beneficial owner.
			Residential and Commercial addresses of the beneficial owner(s)
If there is doubt under Test I as to whether a person with direct/ indirect/joint ownership interest or direct/indirect voting rights is a beneficial owner, or where no natural person exerts control through ownership interests and voting rights, then the particulars of a natural person(s) exercising control over company or AOP through means of control other than ownership and voting rights, are obtained by application of Test 2.	2	Particulars of the beneficial owner(s) who exercise ultimate effective control over the company or AOP through personal and/or family connections with the management/owners/ directors of the company or AOP.	Name of beneficial owner
			Father's name/Spouse's name
			Date of Birth
			Nationality of beneficial owner(s)
			CNIC/NICOP/NTN/Passport number(s)/Foreign National Identity number of beneficial owner(s)
			Nature and details of the personal/family connection which provides effective control to the beneficial owner [e.g. Mr. X (the beneficial owner) has influence over the company or AOP for being associated to Mr. Y (company's managing director)].
			Residential and Commercial addresses of the beneficial owner.

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Test 3 Test 3 aims at Identifying, obtaining and verifying the particulars of beneficial owner(s) who exercise(s) ultimate effective control through senior managerial position(s). Where no natural person is identified under Test 1 and Test 2 above, reasonable measures shall be taken to verify the identity of the relevant natural person(s) who holds(s) senior managerial position(s) in the company or AOP.	1	Particulars of the beneficial owner(s) who exercise ultimate effective control over the company or AOP through senior managerial positions (e.g. senior managing officer who has the power to appoint and remove majority of directors or control over the affairs of the company) and other indirect means of control.	Name of beneficial owner
			Father's name/Spouse's name
			Date of Birth
			Nationality of beneficial owner(s)
			CNIC/NICOP/NTN/Passport number(s)/Foreign National Identity number of beneficial owner(s)
			Position held by senior managing officer and the nature of control he/she exercises in the company or AOP. [For example, Mr. X the CEO of the company holds the power of appointing or removing the Directors of the company].
			Date of acquisition of senior management position of in the company or AOP
			Residential and Commercial addresses of the beneficial owner.

Note: The 3 Tests represents a cascading process and shall be applied in succession when a previous test has been applied but has not resulted in the identification of all beneficial owner i.e. Test 2 shall only be applied in case if there is doubt as to whether a person with controlling ownership interest is a beneficial owner, or where no beneficial owner has been identified as a consequence of application of Test l. Similarly, Test 3 shall only be applied in case the information about all beneficial owners are not recorded or captured by application of Test I and Test 2.

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Form BOF-02

Certificate of Confirmation in respect of Beneficial Owner prescribed under Rule 83A(6) of Income Tax Rules, 2002.

1. This is to certify that the particulars of the Beneficial owners in respect to M/s_____ (Name of the Company/AOP/Trust/NPO) holding NTN_____ provided to FBR under Section 181E of Income Tax Ordinance, 2001 were updated latest on _____ (Day/Month/Year) in accordance with the rules prescribed under Chapter XIIIA of Income Tax Rules,2002.

2. This is to further certify that the particulars of the Beneficial Owners in respect of M/s _____ (Name of the Company/AOP/Trust/NPO) holding NTN _____ updated latest on _____ (Day/Month/Year) remained unchanged for tax year _____.

Authorized Signatory for
M/s _____
Dated _____]

[1]Rules 83A to 83E inserted by SRO 1117(I)/2023 dated August 28, 2023.

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CHAPTER XIV

REGISTRATION OF INCOME TAX PRACTITIONERS

84. Application of Chapter XIV.– This Chapter applies for the purposes of section 223, which provides for the registration and regulation of income tax practitioners.

85. Application for registration as an income tax practitioner.– (1) A person satisfying the requirements in rule 86 and desiring to be registered as an income tax practitioner shall make an application [1][to the [2][Chief Commissioner], Regional Tax Office] in the form specified in Part X of the First Schedule to these rules.

(2) Every application under this rule shall be accompanied by –

(a) a Treasury receipt for five hundred rupees required to be deposited as a non-refundable application fee in any Government Treasury; and

(b) such documents, statements and certificates as specified in the form.

86. Prescribed qualification for registration as an income tax practitioner. – (1) For the purposes of the definition of "income tax practitioner" in sub-section (11) of section 223, a person applying for registration as an income tax practitioner shall:–

(a) possess one of the following qualifications, namely:–

(i) a degree in Law at least in the second division, a degree in Commerce (with Income Tax Law and Accounting or Higher Auditing as subjects or parts of subjects, whether compulsory or optional) or a degree in Business Administration or Business Management (with Accounting and Income Tax law as subjects or parts of subjects, whether compulsory or optional) conferred by a prescribed institution; or

(ii) a pass in a prescribed accounting examination.

(b) have worked for a continuous period of one year as an apprentice under the supervision of a chartered accountant, cost and management accountant, legal practitioners entitled to practice in a civil court in Pakistan [3][or] a registered income tax practitioner [4][and having been registered as a chartered accountant, cost and management accountant, legal practitioner and income tax practitioner] for a period of not less than ten years.

8-118-05-01-16

[1]Words inserted by SRO 392(I)/2006 dated May 19, 2009.
[2]Substituted for "Director General" by SRO 1218(I)/2015 dated December 08, 2015.
[3]Substituted for ", and" by SRO 67(I)/2003 dated January 11, 2003.
[4]Substituted for "registered" by SRO 67(I)/2003 dated January 11, 2003.

(2) For the purposes of sub-clause (i) of clause (a) of sub-rule (1), a degree conferred by a prescribed institution that is a foreign university or institution shall only qualify if the degree is equivalent to a degree conferred by a Pakistani university and is recognised as such by a Pakistani university.

(3) In this rule,

(a) "Institute of Chartered Accountants of Pakistan" means the Institute of Chartered Accountants of Pakistan constituted under the Chartered Accountants Ordinance, 1961;

(b) "foreign institution" means any institution in a foreign country authorised to grant a degree under the laws of the country;

(c) "foreign university" means any university in a foreign country incorporated by law, or accredited or affiliated by any association of universities or college in the country or by any authority formed for that purpose under the laws of that country;

(d) "prescribed accounting examination" means any of the following examinations, namely:–

(i) an examination equivalent to the intermediate examination conducted by the Institute of Chartered Accountants of Pakistan;

(ii) an examination equivalent to the intermediate examination conducted by any foreign institute of chartered accountants and recognised by the Institute of Chartered Accountants of Pakistan as equivalent to its intermediate certificate;

(iii) an examination equivalent [1][to] the final examination conducted by the Association of [2][Chartered Certified Accountants, United Kingdom;] or*

(iv) Part-III of examination for Cost and Management Accountants conducted by the Institute of Cost and Management Accountants under the Cost and Management Accountants Act, 1966 (XIV of 1966); and

(v) Certified public accountants of USA.

(e) "prescribed institution" means a university incorporated by any law in force in Pakistan or Azad Kashmir, a foreign university or a foreign institution.

87. Registration of income tax practitioners.– (1) On receipt of an application under rule 85, the [3][[4]/Chief Commissioner/, Regional Tax Office] may make such further enquiries and call for such further information or evidence as may be considered necessary.

[1]Word inserted by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "Certified and Corporate Accountants, London;" by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "Regional Commissioner" by SRO 392(I)/2009 dated May 19, 2009.
[4]Substituted for "Director General" by SRO 1218(I)/2015 dated December 08, 2015.
*word "or" appears to be superfluous.

8-11-05-916

(2) If the [1][2/Chief Commissioner/, Regional Tax Office] is satisfied that an applicant qualifies to be registered as an income tax practitioner, the [3][2/Chief Commissioner/, Regional Tax Office] shall cause the applicant's name to be entered in a register to be maintained for the purpose in the office.

(3) The name of a person entered on the register of income tax practitioners shall be notified to the Commissioner and the Appellate Tribunal.

(4) The [1][2/Chief Commissioner/, Regional Tax Office] shall notify the applicant, in writing, of the decision on the application.

(5) Where the [3][2/Chief Commissioner/, Regional Tax Office] decides to refuse an application for registration, the notice referred to in sub-rule (4) shall include a statement of reasons for the refusal.

88. Duration of registration.– Registration of a person as an Income Tax Practitioner shall remain in force until any of the following occurs, namely:–

(a) the person surrenders the registration by notice in writing to the [4][2/Chief Commissioner/, Regional Tax Office].

(b) the person dies; or

(c) the person's registration is terminated by the [3][2/Chief Commissioner/, Regional Tax Office].

89. Cancellation of registration.– (1) Any person (including an income tax authority) who considers that an income tax practitioner is guilty of misconduct in a professional capacity may file a complaint in writing with the [5][2/Chief Commissioner/, Regional Tax Office].

(2) A complaint filed under sub-rule (1) shall be accompanied by affidavits and other documents as necessary to sustain the complaint.

(3) On receipt of a complaint in writing under sub-rule (1), the [5][2/Chief Commissioner/, Regional Tax Office] shall fix a date, hour and place which shall be no later than twenty one days from the receipt of the complaint for enquiry into the complaint.

(4) Within seven days of receipt of the complaint, the [5][2/Chief Commissioner/, Regional Tax Office] shall serve a notice of the complaint on the Income Tax Practitioner to whom the complaint relates and such notice shall–

(a) inform the practitioner of the date, hour and place of the enquiry; and

(b) be accompanied by a copy of the complaint and any affidavits and other documents accompanying the complaint.

[1]Substituted for "Regional Commissioner" by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "Director General" by SRO 1218(I)/2015 dated December 08, 2015.
[3]Substituted for "RCIT" by SRO 392(I)/2009 dated May 19, 2009.
[4]Substituted for "Regional Commissioner of Income Tax" by SRO 392(I)/2009 dated May 19, 2009.
[5]Substituted for "Commissioner" by SRO 392(I)/2009 dated May 19, 2009.

(5) If, at the date fixed for enquiry, it appears that the notice and accompanying documents referred to in sub-rule (4) have not been served as provided for in that sub-rule, the Commissioner shall adjourn the enquiry to a date then to be fixed and may direct that the notice and accompanying documents shall be served by registered post or such other means as the Commissioner sees fit.

(6) Not less than two days before the date or adjourned date fixed for the enquiry, the income tax practitioner concerned shall file with the Commissioner a signed explanation in writing and any affidavit in reply intended to be used in the enquiry.

(7) On the date or adjourned date of the enquiry, the complainant shall file any affidavits in reply intended to be used at the enquiry.

(8) The Commissioner may adjourn the enquiry from time to time to a date and place to be fixed at the time of adjournment and may make such orders and give such directions in regard to the enquiry and all matters relating thereto as the Commissioner may think fit.

(9) On the date or adjourned date fixed for the enquiry, the Commissioner may–

(a) hear and determine the complaint upon the affidavit and other documents, if any, filed and may allow the complainant and income tax practitioner to be cross-examined on their affidavits; or

(b) hear and determine the complaint upon oral evidence.

(10) If the Commissioner decides to hear oral evidence, the procedure generally and as far as practicable shall be that which is followed at the hearing of suits by Civil Courts, provided that the record of oral evidence shall be kept in such manner as the Commissioner may direct and, if a shorthand writer is employed to take down evidence, the transcript of the writer's notes shall be a record of deposition of the witnesses.

(11) If the Commissioner decides that the income tax practitioner to whom the complaint relates is guilty of professional misconduct, the Commissioner shall cancel the practitioner's registration.

(12) The Commissioner shall give the complainant and the income tax practitioner to whom the complaint relates notice, in writing, of the Commissioner's decision on the complaint.

[1][**90. Appeal to Federal Board of Revenue.** (1) The appeal against the decision of the [2][Chief Commissioner], Regional Tax Office shall lie with the Federal Board of Revenue. However, the FBR on filing of an appeal may, pending decision of appeal, allow the ITP to represent cases pending, before decision is made by the Director General.

(2) The FBR shall decide the case of the ITP within sixty days of the filing of the appeal.]

[1]Rule 90 substituted by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "Director General" by SRO 1218(I)/2015 dated December 08, 2015.

Rule 90-Substitution.- Before substitution by SRO 392(I)/2009, it read as follows:-

"90. The appeal against the Commissioner's decision lies with the Regional Commissioner of Income Tax. However, the RCIT on filing of appeal may, pending decision of appeal, allow the ITP to represent, provided such case is made at the time of filing of appeal."

8-118-05-01-16

CHAPTER XV

RECOGNISED PROVIDENT FUNDS, APPROVED SUPERANNUATION FUNDS AND APPROVED GRATUITY FUNDS

PART I

RECOGNISED PROVIDENT FUNDS

91. Application for recognition of provident fund.– (1) An application for recognition of a provident fund shall be made, in writing, by the employer maintaining the fund, setting out the following information, namely:–

(a) the employer's name and the address of the employer's principal place of business;

(b) the name of all employees, whether in or outside Pakistan subscribing to the fund;

(c) the place where the accounts of the fund are or will be maintained; and

(d) where the fund is already in existence, a copy of the last balance sheet of the fund and details of the investments of the fund.

(2) A verification in the following form shall be annexed to the application, namely:–

"We/ I, the trustee(s) of the above named fund, do declare that what is stated in the above application is true to the best of our/my information and belief, and that the documents sent herewith are the originals or true copies thereof."

(3) Subject to sub-rule (4), the application shall be accompanied by the following documents, namely:–

(a) the original of trust deed to be sighted by the Commissioner;

(b) a copy of the trust deed to be retained by the Commissioner; and

(c) the rules of the fund.

Provided that if the original of the trust deed cannot conveniently be produced, the Commissioner may accept, in lieu of the original, a true copy certified either by a Magistrate or in any manner provided for in the Companies Rules, 1984, in which case, an additional copy shall be furnished for retention by the Commissioner.

(4) The application shall be lodged with the Commissioner responsible for the area/ jurisdiction in which the accounts of the fund are kept, or, if the accounts are kept outside Pakistan, lodged with the Commissioner responsible for the area/ jurisdiction in which the local headquarters for the employer are situated.

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92. Decision on application.– (1) The Commissioner may make such enquiries and call for such further information or evidence as the Commissioner may consider necessary to decide the application.

(2) The Commissioner shall notify the applicant, in writing, of the Commissioner's decision on the application.

(3) Where the Commissioner decides to refuse an application under [1][this] rule, the notice referred to in sub-rule (2) shall include a statement of reasons for the refusal.

(4) [2]["Unless" otherwise specified by the Commissioner"], an order according recognition to a provident fund shall take effect from the last day of the month in which the application for recognition is received by the Commissioner or, at the request of the employer, the last day of any later month in the same financial year.

93. Withdrawal of recognition.– Where the Commissioner decides to withdraw recognition of a provident fund, the Commissioner shall notify the applicant, in writing, of the Commissioner's decision and such notice shall include a statement of reasons for the withdrawal.

94. Form of appeal in case of non-recognition or withdrawal of recognition.– (1) An appeal under sub-rule (1) of rule 12 of Part I of the Sixth Schedule to the Ordinance [3][against] the Commissioner's decision to refuse an application for recognition or to withdraw recognition shall be [1][made to Federal Board of Revenue] in the following form [1][and] shall be verified in the manner indicated therein, namely:–

FORM OF APPEAL IN CASE OF NON-RECOGNITION OR WITHDRAWAL OF RECOGNITION

To

The Central Board of Revenue,
Islamabad/ Before the Commissioner (Appeals)

The petition of _____ employer(s) carrying on business, profession or vocation_____ at_____

Your petitioner(s) applied to/obtained sanction from the Commissioner under Part I of the Sixth Schedule to the Income Tax Ordinance, 2001 for the recognition of the provident fund maintained by him (them) for the benefit of his (their) employees. The Commissioner has refused recognition/withdrawn recognition for the reason stated in his order, dated _____, of which a copy is attached.

For the reasons set out below your petitioner(s) submit(s) that the fund should be contained to be recognised and pray(s) that the Central Board of Revenue may be pleased to.

Accord recognition
Continue the recognition.

GROUND(s) OF APPEAL

(1)
(2)
(3)

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[1]Inserted by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "Subject to sub-rule (5)" by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "to" by SRO 392(I)/2009 dated May 19, 2009.

(4)

(5)

I/We named above *petition to declare that whatever is stated above is true to the best of **our information and belief .

Name _____
Signature _____
Address _____
Date _____

(2) An appeal referred to in sub-rule (1) shall be accompanied by a copy of a challan for Rs. 100/- paid in Government treasury.

95. Accounts required to be maintained by a recognised provident fund.– (1) A recognised provident fund shall prepare accounts at intervals of not more than twelve months.

(2) An account shall be maintained for each subscriber to the fund and it shall include the particulars shown in the following form, namely:–

Account closed.
Date
Paid to employee
Lapsed to the employer
Or to fund
Recovery by employer

Name_____ Date of joining Fund_____

Annex

			Contribution by the Employer			
Month and year.	Salary.	By employees	Normal	Of contingent nature,	Total in columns 3,4,5.	Total interest on the amount shown in column 6.
1	2	3	4	5	6	7
Balance brought forward						
July						
August _____						
June						
Total: _____						

Exempt		Not exempt			
Employer's contribution not exceeding statutory limit.	Interest on sum in Column 6 at _% but not exceeding statutory limit	Contribution Column 4+5 minus Column 8	Interest Column 7 minus Column 9.	Additions to total income 10 plus Column 11.	Remarks.
8	9	10	11	12	13
Adjustment on account of temporary Withdrawals account (Column 8 and 9 only).					
Adjustment on account of non-payable Withdrawals account Columns 10 and 11.					
Total carried over.					

If desired column 7 may be divided into sub-columns showing separately the interest on columns† and columns 4 and 5 respectively.

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*apparently intended words are "petitioner(s) do hereby" instead of "petition to".
**apparently intended word "my/" is missing.
†something is missing.

Non-payable withdrawals Account Amount	Temporary withdrawal Account Advance Repayment
July	Balance brought Forward_____
	July_____
August	August_____
June	June_____
Total _____	

(3) The trustees of a recognised provident fund shall furnish to the Commissioner an abstract for the fund's accounting period of the individual account of each employee participating in the fund whose income under the head "Salary" is Rs. 24,000 or more per annum.

(4) The abstract shall –

(a) be in the form prescribed in sub-rule (2), but shall show only the total of the various columns thereof for fund's accounting period; and

(b) include an account of any temporary withdrawals by the employees during the year and of the repayment thereof.

(5) The abstract shall be furnished by the trustees to the Commissioner responsible for the area in which the accounts of the fund are kept or to such jurisdiction or functional Division as the Commissioner may, in each case, direct.

(6) Subject to rule*, the abstract shall be furnished –

(a) in the case of a company, on or before the first day of August next following the fund's accounting period or within fifteen days of the expiry of six months from the end of the fund's accounting period, whichever is later; and

(b) in any other case –

(i) where the fund's accounting period ends at any time between the first day of July and the thirty-first day of December (both days inclusive), on or before the first day of August next following; or

(ii) in any other case, on or before the first day of October next following the end of the fund's accounting period.

(7) The account to be made under the provisions of sub-rule (1) of rule 7 of Part I of the Sixth Schedule to the Ordinance shall show in respect of each employee–

(a) the total salary paid to the employee during the period of participation in the provident fund;

(b) the total contributions made by, or in respect of, the employee;

(c) the total interest which has accrued thereon; and

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*rule number is missing.

(d) so far as may be, the percentage of the employee's salary in accordance with which contributions have been made by the employer and the employee.

96. Time limit for submission of accounts kept outside Pakistan.– (1) Where the accounts of a recognised provident fund are kept outside Pakistan, certified copies of the accounts shall be supplied not later than the 15th September in each year to a local representative of the employer in Pakistan.

(2) The Commissioner may, upon application in writing, fix a date later than the 15th September as the date by which the certified copies shall be supplied.

97. Limit on contribution by employers.– The Commissioner may relax the limits fixed under clause (c) of sub-rule (1) of rule 2 of Part I of the Sixth Schedule to the Ordinance for contribution of an employer to the individual account of an employee in any year provided that such contribution shall not exceed the following limits, namely:–

(a) the employer's aggregate contribution in any year including the normal contribution to the individual account of any one employee [1][ ] shall not exceed double the amount of the contribution of the employee in that year; and

(b) the amount of the periodical bonuses and other contribution of a contingent nature which may be credited by an employer in any year to the individual account of any one employee shall not exceed the amount of the contribution of the employee in that year.

98. Limit on contributions by certain employees.– Where an employee of a company owns shares in the company with a voting power exceeding ten per cent of the whole of such power, the sum of the exempted contributions of the employee and employer to the recognised provident fund maintained by the company shall not exceed Rs. 1000 in any month.

99. Exclusion from total income of accumulated balances.– For the purpose of rule 4 of Part I of the Sixth Schedule to the Ordinance, the accumulated balance due and becoming payable to an employee participating in a recognised provident fund shall be exempt from income tax and shall be excluded from the computation of total income.

100. Treatment of consideration for dealings with beneficial interest.– If an employee assigns or creates a charge upon his beneficial interest in a recognised provident fund, the Commissioner shall, on the fact of the assignment or charge coming to his knowledge, give notice to the employee that if he does not secure the cancellation of the assignment or charge within two months of the date of receipt of the notice, the consideration received for such assignment or charge shall be treated as salary received by him in the year in which the fact became known to the Commissioner and shall be assessed accordingly.

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[1]Commas, words etc. ", whose salary does not exceed Rs. 1000 per month," omitted by SRO 392(I)/2009 dated May 19, 2009.

101. Treatment in certain cases where recognition is withdrawn.– If the Commissioner withdraws recognition from a recognized provident fund, the balance to the credit of each employee at the end of the financial year prior to the date of the withdrawal of recognition shall be paid to the employee free of tax at the time when such employee receives the accumulated balance due to him and the remainder of the accumulated balance due to him shall be liable to tax as if the fund had never been recognized.

102. Investment of moneys of a recognised provident fund.– (1) Where the employer is not company as defined in clause (7) of section 2 of the Companies Ordinance, 1984, the contributions made by employees after the date of recognition of a provident fund and the interest on the accumulated balance of such contribution shall be wholly invested either in securities of the nature specified in clause (2)(b), (c),(d) or (e) of section 20 of the Trusts Act, 1882, and payable both in respect of capital and interest in Pakistan or in a Post Office Savings Bank Account in Pakistan or deposited in National Savings, Federal Government securities or deposits in NCBs or NBP, or, in the other government securities, or any other established financial institutions including mutual funds subject to maximum of 20% of such deposits or investment at any time in the year.

(2) Where the employer is a company as defined in clause (7) of section 2 of the Companies Ordinance, 1984, all moneys contributed to a provident fund (whether by the company or by the employees or accruing by way of interest or otherwise to such fund) shall be wholly invested in accordance with the provisions of section 227 of the Companies Ordinance, 1984, or deposited or invested as in sub-rule (1) or with the prior approval of the Commissioner, in purchase of shares of a public limited company offered for sale inviting public offer by the Federal Government so, however, that the securities and deposits in which the contributions made by the employees after the date of recognition of a provident fund and the interest on the accumulated balance on such contributions are invested or deposited are payable in respect of capital, deposit and interest in Pakistan.

103. Permitted withdrawals.– (1) Subject to these rules, withdrawals by employees from accumulated balance may be allowed by the trustees of a recognized provident fund in the following circumstances, namely:–

(a) to pay expenses in connection with the illness of a subscriber or a member of his family;

[1][(aa) to transfer the balance or a part thereof to an approved pension fund, established under Voluntary Pension System Rules, 2005]

(b) to meet the expenditure on purchase of a motor cycle or scooter provided that authenticated copies of documents substantiating such purchase are deposited with the trustees of the fund;

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[1]Clause (aa) inserted by SRO 815(I)/2008 dated August 01, 2008.

(c) to pay the overseas passage by reason of health or education of a subscriber or a member of his family;

(d) to pay expenses in connection with marriages, funerals or ceremonies, which, by the religion of the subscriber, it is incumbent upon him to perform and in connection with which it is obligatory that expenditure should be incurred;

(e) to pay expenses in connection with the performance of Haj by the subscriber;

(f) to meet the expenditure on building or purchasing a house or a site for a house, provided that the documents substantiating the building or purchase of such house, or the purchase of such site, are deposited with the trustees of the fund;

(g) to meet the expenditure on repairs, renovation or extension of a residential house belonging to the subscriber;

(h) to pay premiums on policies of insurance on the life of the subscriber or of his wife provided that the policy is assigned to the trustees of the fund or at their discretion deposited with them and that the receipt granted by the insurance company for the premiums is from time to time handed over to the trustees for inspection by the Commissioner;

(i) to purchase shares of a public limited company for investment as per rules of this Chapter;

(j) in the case of a subscriber who has attained the age of fifty years on the date on which withdrawal is permitted–

(i) subject to sub-rule (2), to meet the expenditure on the purchase of a house or construction of a house on land owned by him or a member of his family anywhere in Pakistan;

(ii) subject to sub-rule (3), to meet expenditure on the purchase of agricultural land from Government;

(iii) to repay a loan taken from a financial institution, provided that the subscriber shall, within a period of two weeks from the date of withdrawal produce satisfactory evidence before the trustees to show that the advance has been utilised for the purpose for which it was drawn failing which the entire amount of withdrawal together with interest accrued thereon shall forth with become repayable to the fund in a lump-sum; and

(iv) without assigning any reason; or

(k) in the case of an employee proceeding on leave preparatory to retirement, at the discretion of the trustees of the fees, without assigning any reason, provided that where an employee rejoins duty on the expiry of his leave, the amount withdrawn together with the interest accruing thereon at the rate allowed by the fund shall be repaid forthwith into the fund in a lump-sum.

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(2) The first instalment of a withdrawal under sub-clause (i) or clause (j) of sub-rule (1) shall be allowed to be drawn only after an agreement has been executed between the subscriber and the trustees of the fund to the effect that the subscriber shall expend the full amount of the said advance towards the purchase or the building of a house as claimed at the earliest possible opportunity and if the actual amount so expended is less than the amount of permitted withdrawal the subscriber shall repay the difference into the fund forthwith and further that if the said house is sold or otherwise alienated by its owner to any other person while the subscriber is still in service, the subscriber shall forthwith repay into the fund the entire amount of the withdrawal together with interest accrued thereon in lump-sum.

(3) The first instalment of a withdrawal under sub-clause (ii) of clause (j) of sub-rule (1) shall be allowed to be drawn only after an agreement has been executed between the subscriber and the trustees of the fund to the effect that the subscriber shall expend the full amount of the said advance towards the purchase of the said piece of land at the earliest possible opportunity and if the actual amount so expended is less than the amount of permitted withdrawal the subscriber shall repay the difference into the fund forthwith and further that if the said house is sold or otherwise alienated by its owner to any other person while the subscriber is still in service, the subscriber shall forthwith repay into the fund the entire amount of the withdrawal together with interest accrued thereon in lump sum.

104. Limits on Withdrawals.– (1) Withdrawals permitted under these rules shall not exceed the following limits, namely:–

(a) in the case of withdrawals permitted under clause (a), (b) (c) or (d) of sub-rule (1) of rule 103, six months salary of the subscriber or the total of accumulated balance to his credit, whichever is the less;

[1][(aa) in the case of withdrawals permitted under clause (aa) of sub-rule (1) of rule 103, the accumulated balance to the credit of subscriber;]

(b) in the case of withdrawals permitted [2][under clause (e) of sub rule (1) of rule 103], six months salary of the subscriber or twenty five thousand rupees or/of** the total of the accumulated balance to his credit, whichever is the lowest;

(c) in the case of withdrawals permitted under clause (f) or (g) of sub-rule (1) of rule [3][103], thirty-six months salary of the subscriber or the total of the accumulated balance to his credit, whichever is the less;

(d) in the case of withdrawals permitted under clause (h) of sub-rule (1) of rule [3][103], eighteen months salary of the subscriber or the total of the accumulated balance to his credit, whichever is the less, provided that this restriction shall apply to each withdrawal and not to the total withdrawal;

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[1]Clause (aa) inserted by SRO 815(I)/2008 dated August 01, 2008.
[2]Substituted for "under clause (d) of sub-rule (1) of rule" by SRO 392(I)/2009 dated May 19, 2009.
[3]Inserted by SRO 392(I)/2009 dated May 19, 2009.
**oblique and word "/of" appears to be superfluous.

(e) in the case of withdrawals permitted under clause (i) of sub-rule (1) of rule [1][103], six months salary of the subscriber or ten thousand rupees or the total of the accumulated balance to his credit, whichever is the lowest;

(f) in the case of withdrawals permitted under sub-clause (i), (ii) and (iii) of clause (j) of sub-rule (1) of rule [1][103], twenty-four months salary of the subscriber or eighty percent of the total of the accumulated balance to his credit, whichever is the less;

(g) in the case of withdrawals permitted under sub-clause (iv) of clause (j) of sub-rule (1) of rule [1][103], sixty percent of the total of the accumulated balance to [1][credit of]the subscriber; and

(h) in the case of withdrawals permitted under clause (k) of sub-rule (1) of rule [1][103], ninety percent of the accumulated balance to the** subscriber.

(2) For the purpose of rule* and this rule:–

(a) "accumulated balance" means the total of the accumulations of exempted contributions and exempted interest contained in the balance to the credit of the employee at the time of withdrawals;

(b) "family" means the employee's wife, legitimate children, step children, parents, sisters and brothers who reside with the employee and are wholly dependent on him; and

(c) "salary" means the salary as defined in clause (h) of rule 14 of Part I of the Sixth Schedule to the Ordinance to which the employee is entitled at the time when the withdrawal is granted.

105. Second withdrawals.– (1) Save as provided in sub-rules (2), (3), (4) and (5), no second withdrawal from a recognized provident fund shall be permitted until the sum first withdrawn has been fully repaid.

(2) A withdrawal may be permitted for the purposes specified in clause (h) of sub-rule (1) of rule 110, notwithstanding that the sum withdrawn for any other purpose has not been repaid.

(3) Subsequent withdrawals for the purposes specified in clause (h) of sub-rule (1) of rule 103 may be permitted, notwithstanding that the sum or sums previously drawn for the same purpose has or have not been repaid.

(4) A withdrawal for any one of the purposes specified in sub-rule (1) of rule 103 other than that specified in clause (a) of that sub-rule may be permitted notwithstanding that the sum or sums withdrawn for the purposes of clause (e) of sub-rule (1) has or have not been repaid.

(5) A withdrawal for any of the purposes specified in sub-rule (1) of rule 103 other than those specified in clauses (f) and (h) of that sub-rule may be permitted notwithstanding that the sum previously withdrawn for the purposes of clause (d) of sub-rule (1) has not been repaid.

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[2][(6) Subsequent withdrawals for the purposes specified in clause (aa) of sub-rule (1) of rule 103 shall be permitted.]

[1]Inserted by SRO 392(I)/2009 dated May 19, 2009.

[2]Sub-rule (6) inserted by SRO 815(I)/2008 dated August 01, 2008.

106. Repayment of amounts withdrawn.– (1) Where any withdrawal is allowed for a purpose specified in clause [1][(aa),] (f), (h), (i), (j) or (k) of sub-rule (1) of rule 103, the amount withdrawn need not be repaid.

(2) Subject to sub-rules (3) and (4), where a withdrawal is allowed for a purpose other than those referred to in sub-rule (1), the amount withdrawn shall be repaid in not more than forty-eight equal monthly instalments and shall bear profit in accordance with the following, namely:–

(a)	Withdrawals which are repaid is* not more than twelve monthly instalments	The rate of mark-up fixed by the Federal Government under rule 3(b) of Part-I of the Sixth Schedule to the Ordinance payable in the form of one additional instalment.
(b)	Withdrawals which are repaid in more than twelve but not more than twenty-four monthly instalments.	The rate of mark-up fixed by the Federal Government under rule 3(b) of the Sixth Schedule to the Ordinance payable in the form of two additional instalments.
(c)	Withdrawals which are repaid in more than twenty-four but not more than thirty-six monthly instalments.	The rate of mark-up fixed by the Federal Government under rule 3(b) of Part-I of the Sixth Schedule to the Ordinance payable in the form of three additional instalments.
(d)	Withdrawals which are repaid in more than thirty-six [2][monthly] instalments.	The rate of mark-up fixed by the Federal Government under rule 3(b) of Part-I of the Sixth Schedule to the Ordinance payable in the form of four additional instalments.

(3) For the purposes of sub-rule (2) and at the discretion of the trustees of the fund, profit may be recovered on the amount withdrawn or the balance thereof outstanding from time to time at 1 per cent above the rate which is payable for the time being on the balance in the fund to the credit of the subscriber.

(4) Where an employee contributing to the fund elects not to receive any profit accruing on his accumulated balance, no profit shall be charged on the amount withdrawn by him from the fund.

(5) The employer shall deduct such instalments payable under sub-rule (2) from the employee's salary and pay them to the trustees commencing from the second monthly payment made after the withdrawal or, in the case of an employee on leave without pay, from the second monthly instalment after his return to duty.

(6) In the case of default of repayment of instalments under sub-rules (2) and (5), the Commissioner may at his discretion, order that the amount of withdrawal or the amount outstanding shall be added to the total income of the employee for the year in which the default occurs and the employee shall be assessed accordingly.

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[1]Inserted by SRO 815(I)/2008 dated August 01, 2008.
[2]Substituted for "months" by SRO 392(I)/2009 dated May 19, 2009.

*apparently intended word is "in".

107. Power to relax conditions.– Notwithstanding anything contained in rules 103, 104, 105 or 106, the Commissioner may in special circumstances to be recorded in writing relax the conditions for withdrawals from and repayment to the fund.

PART II

APPROVED SUPERANNUATION FUNDS

108. Application for approval of a superannuation fund.– (1) The application required to be made under sub-rule (1) of rule 3 of Part II of the Sixth Schedule to the Ordinance for approval of a superannuation fund shall contain the following information, namely:–

(a) the employer's name and the address of the employer's principal place of business;

(b) the classes and number of employees, whether in Pakistan or outside Pakistan, entitled to the benefits of the fund;

(c) the age of retirement prescribed in the fund's regulations;

(d) the place where the accounts of the fund are or will be maintained; and

(e) where the fund is already in existence, details of investments of the fund.

(2) A verification in the following form shall be annexed to the application, namely:–

"We/ I, the trustees of the above named fund, do declare that what is stated in the application is true to the best of our/my information and belief and that the documents sent herewith are the originals or true copies thereof".

109. Returns, statements and other documents that may be required to be furnished.– The trustees of an approved superannuation fund and any employer who contributes to an approved superannuation fund may be required by notice, in writing, from the Commissioner under rule 8 of Part II of the Sixth Schedule to the Ordinance to –

(a) furnish a return containing such particulars of contributions as the notice may require;

(b) prepare and deliver a return containing –

(i) the name and place of residence of every person in receipt of an annuity from the fund;

(ii) the amount of the annuity payable to each annuitant;

(iii) particulars of every contribution (including interest on contributions), if any, returned to the employer or to employees; and

(iv) particulars of sums paid in commutation or in lieu of annuities; and

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(c) furnish a copy of the accounts of the fund to the last date prior to such notice in which such amounts have been made up together with such other information and particulars as may be reasonably required with the permission of the Central Board of Revenue.

110. Limits on contribution by the employer.– (1) The ordinary annual contribution by the employer to an approved superannuation fund in respect of any particular employee shall be made on a reasonable definite basis as may be approved by the Commissioner with regard to the earnings, the contributions or the number of members of the said fund so however that such contributions shall not exceed twenty per cent of the employee's salary for each year.

(2) Subject to any condition which the Commissioner may think fit to specify under this rule, the amount to be allowed as a deduction on account of initial contribution which an employer may make in respect of the past service of an employee admitted to the benefits of a fund shall not exceed twenty per cent of the employee's salary for each year of his past services with the employer.

(3) Notwithstanding the provisions of sub-rules (1) and (2), an employer may, with the prior approval of the Commissioner, make a special contribution to an approved superannuation fund to meet the deficit in the fund, if any.

111. Investment and deposit of moneys of superannuation fund.– All moneys contributed to an approved superannuation fund and interest on the accumulated balance of such contributions, if any, shall be utilised for making payments under a scheme of insurance or a contract of annuity with the State Life Insurance Corporation of Pakistan, an insurance company carrying on life insurance business and registered under section 3 of the Insurance Act, 1938 (IV of 1938), or the Pakistan Post Office Insurance Department having for its main object the provision of annuities for the beneficiaries, or deposited or invested in accordance with the provisions [1][ ] of rule 102.

112. Treatment of consideration for dealings with beneficial interest.– If an employee assigns or creates a charge upon his beneficial interest in an approved superannuation fund, the Commissioner shall, on the fact of the assignment or charge coming to his knowledge, give notice to the employee that if he does not secure the cancellation of the assignment or charge within two months of the date or receipt of the notice, the consideration received for such assignment or charge shall be treated as salary received by him in the year in which the fact became known to the Commissioner and shall be assessed accordingly.

113. Circumstances in which approval may be withdrawn.– The Commissioner may withdraw approval accorded under Part II of the Sixth Schedule to the Ordinance in the case of a fund which ceases to satisfy the requirements of the said Part or fails to fulfil the requirements of rules 110, 111 and 112.

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[1]Words etc omitted for "of sub-rule (1)" by SRO 1209(I)/2005, dated 6 December 2005.

114. Form of appeal in case of refusal to approve or withdrawal of approval.– (1) An appeal under sub-rule (1) of rule 10 of Part II of the Sixth Schedule to the Ordinance shall be in the following form and shall be verified in the manner indicated therein, namely:–

*FORM OF APPEAL IN CASE OF NON-APPROVAL
OR WITHDRAWAL OF APPROVAL

To

The Central Board of Revenue,
Islamabad.

The petition of _____ employer(s) carrying on business, profession or vocation_____ at your petitioner(s) applied to/obtained sanction from the Commissioner under Part II of the Sixth Schedule to the Income Tax Ordinance, 2001 for the approval of the superannuation fund maintained him (them) for the benefit of his (their) employees. The Commissioner has refused/---- withdrawn the approval for the reasons stated in his order, dated…. of which a copy is attested.

For the reasons set out below your petition(s) submit(s) that the fund should be recognised and pray(s) that the Central Board of Revenue may be pleased to.

GROUNDS OF APPEAL

We/I…… the petitioner(s) named in the above petition do declare that stated therein is true to the best of our/my information and belief.

Signature_____
Name_____
Address_____

(2) An appeal shall be accompanied by a copy of a challan for Rs. 100/- paid in the Government treasury.

PART III

APPROVED GRATUITY FUNDS

115. Application for approval of a gratuity fund.– (1) The application required to be made under sub-rule (1) of rule 3 of Part III of the Sixth Schedule to the Ordinance for approval of gratuity fund shall contain the following information, namely:–

(a) the employer's name and the address of employer's principal place of business;

(b) the classes and number of employees, whether in Pakistan or outside Pakistan, entitled to the benefits of the fund;

(c) the age of retirement prescribed in the fund's regulations;

(d) the minimum period of service prescribed in the fund's regulation as a condition of eligibility to receive the gratuity in case of termination of employment;

(e) the place where the accounts of the fund are or will be maintained; and

*there are a number of errors in the Form, please see form given in Rule 91 of Income Tax Rules, 1982.

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(f) where the fund is already in existence, details of investments of the fund.

(2) A verification in the following form shall be annexed to the application, namely:–

"We/ I, the trustees of the above named fund, do declare that what is stated [1][in] the application is true to the best of our/my information and belief and that the comments sent herewith are the original or true copies thereof."

116. Returns, statements and other documents that may be required to be furnished.– The trustees of an approved gratuity fund and an employer who contributes to an approved gratuity fund may be required by notice, in writing, from the Commissioner under rule 7 of Part III of the Sixth Schedule to the Ordinance to:-

(a) furnish a return containing such particulars of contributions as the notice may require;

(b) prepare and deliver a return containing:

(i) the name and place of residence of every person in receipt of a gratuity from the fund; and

(ii) the amount of the gratuity paid to each employee; and

(c) furnish a copy of the accounts of the fund to the last date prior to such notice in which such accounts have been made up together with such other information and particulars as may be reasonably required with the permission of the Commissioner.

117. Limits on contribution by the employer.– (1) The ordinary annual contribution by the employer to an approval gratuity fund in respect of any particular employee shall be made on a reasonable definite basis, as may be approved by the Commissioner, with regard to the length of service of the employee so however that such contribution shall not exceed salary of the employee for the last month of each financial year.

(2) Subject to any condition which the Commissioner may think fit to specify under this rule, the amount to be allowed as a deduction on account of initial contribution which an employer may make in respect of the past services of an employee admitted to the benefits of a fund shall not exceed salary of the employee for the last month of each financial year during the course of his past services with the employer.

(3) Notwithstanding the provisions of sub-rules (1) and (2), an [2][employer] may, with the prior approval of the Commissioner, make a special contribution to an approved gratuity fund to meet the deficit in the fund, if any.

118. Investment or deposits of moneys of a gratuity fund.– All money contributed to an approved gratuity fund and interest on the

8-67-20-07-09

[1]Substituted for "that" by SRO 392(I)/2009 dated May 19, 2009. The SRO mentions substitution of the word "that" appearing for the first time while it is clearly intended to replace the word appearing for the second time. The amendment has been made accordingly.

[2]Substituted for "employee" by SRO 392(I)/2009 dated May 19, 2009.

accumulated balances of such contributions shall be deposited or invested in accordance with the provisions of [1][rule 102].

119. Treatment of consideration for dealings with beneficial interest.– If an employee assigns or creates a charge upon his beneficial interest in an approved gratuity fund, the Commissioner shall, on the fact of the assignment or charge coming to his knowledge, give notice [2][to] the employee that if he does not secure the cancellation of the receipt of the notice, the consideration received for such assignment of charge shall be treated as salary received by him in the year in which the fact became [3][known] to the Commissioner and shall be assessed accordingly.

120. Circumstances in which approval may be withdrawn.– The Commissioner may withdraw approval awarded under Part III of the Sixth Schedule to the Ordinance in the case of a fund which ceases to satisfy the requirements of the said Part or fails to fulfil the requirements of rule.

121. Form of appeal in case of refusal to approve or withdrawal of approval.– [†]An appeal under sub-rule (1) of rule 9 of Part III of the Sixth Schedule to the Ordinance shall be in the following form and shall be verified in the manner indicated therein, namely:–

FORM OF APPEAL IN CASE OF NON-APPROVAL
OR WITHDRAWAL OF APPROVAL

To

The Central Board of Revenue,
Islamabad.

The petition of _____ employer(s) carrying on business, profession or vocation____ at your petitioner(s) applied to/obtained sanction from the Commissioner under Part III of the Sixth Schedule to the Income Tax Ordinance, 2001 for the approval of the gratuity fund maintained …him (them) for the benefit of his (their) employees. The Commissioner has refused/---- withdrawn the approval for the reasons stated in his order, dated…. Of which a copy is attested.

For the reasons set out below your petition(s) submit(s) that the fund should be recognised and pray(s) that the Central Board of Revenue may be pleased to.

GROUNDS OF APPEAL

We/I…… the petitioner(s) named in the above petition do declare that stated therein is true to the best of our/my information and belief.

Signature _____

[1]Substituted for "sub-rule (1) of rule 109" by Notification No. SRO 590(I)/2004, dated July 7, 2004.
[2]Word inserted by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "know" by SRO 392(I)/2009 dated May 19, 2009.
[†]numbering of sub-rule as "(1)" is missing.
there are a number of errors in the Form, please see form given in Rule 91 of Income Tax Rules, 1982.

Name _____

Address _____

(2) An appeal shall be accompanied by a copy of a challan for Rs. 100/- paid in the Government treasury.

CHAPTER XVI
INCOME TAX RECOVERY RULES

PART-I

122. Definitions.– For the purposes of [1][these] rules, unless there is anything repugnant in the subject or context,–

(a) "Tax Recovery" means recovery of debt due to the Federal Government under the Income Tax Ordinance, 2001;

(b) "defaulter" means the tax payer mentioned in the notice;

(c) "execution", in relation to a Notice, means steps taken for the recovery of arrears under these rules;

[2][(ca) "notice", in this Chapter means a notice under sub-section (1) of section 138 of the Income Tax Ordinance 2001.]

(d) "officer" means a person authorized by the commissioner to execute an order of attachment or sale under these rules; and

(e) "share in a corporation" includes stock, debenture stock,- debentures or bonds.

(f) for the purpose of this Chapter, "Commissioner" means Commissioner of [3][Inland Revenue] as defined under clause 13** of section 2 and includes any [4][Officer of Inland Revenue or Inspector Inland Revenue] delegated powers by the Commissioner to act, exercise powers and functions under this Chapter, in respect of a taxpayer(s) by general or specific orders, or under scheme of enforcement in the tax recovery matters designed by the CBR [5][:]

[5][Provided that the Commissioner Inland Revenue shall not delegate powers and functions under this Chapter to any Inspector Inland Revenue in respect of taxpayer having tax demand exceeding five million rupees.]

123. Form of notice of recovery to be issued by Commissioner.– [6][(1) The notice required to be served upon the taxpayer under sub-section (1) of section 138 shall be in the form as prescribed in part-III of First Schedule to these rules.

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[1]Word inserted by SRO 392(I)/2009 dated May 19, 2009.
[2]Clause (ca) inserted by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "Income Tax" by SRO 1218(I)/2015 dated December 08, 2015.
[4]Substituted for "taxation officer" by SRO 754(I)/2016 dated August 15, 2016.
[5]Colon substituted for full stop and proviso inserted by SRO 754(I)/2016 dated August 15, 2016.
[6]Sub-rule (1) substituted by SRO 392(I)/2009 dated May 19, 2009.
**apparently intended brackets are missing.

8-122-31-08-16

124. Mode of service of notice.– The notice referred to in rule 123 and other notices under rules contained in this part shall be served as provided in section 218 of the Income Tax Ordinance, 2001.

125. Time limit for execution of the notice.– No step in execution of the notice referred to in rule 123 shall be taken until the period specified in the said notice has elapsed since the date of service of the notice.

Provided that if the Commissioner is satisfied that the defaulter is to cancel, remove or dispose of the whole or any part of such of his moveable property as would be liable to attachment in execution of a notice that the realization of the amount of Notice would in consequence be delayed or obstructed, he may at any time after the issue of the notice under rule direct, for reasons to be recorded in writing, an attachment of the whole or part of such property:

Provided further that if the defaulter whose property has been so attached furnishes security to the satisfaction of the Commissioner, such attachment shall be cancelled from the date on which such security is accepted by the Commissioner.

126. Disposal of proceeds of execution.– Whenever assets are realized, by sale or otherwise in execution of a Notice, they shall be disposed of in the following manner, namely:–

(a) there shall be paid to the Commissioner the amount due under the [1][notice] in execution of which the assets were realized; and

(b) the balance, if any, shall be paid to the defaulter.

127. Determination of disputes.– Except as otherwise expressly provided in these rules, every question arising between the Commissioner and the defaulter or their representatives, relating to the execution, discharge or satisfaction of a [2][notice duly issued] under these rules, or relating to confirmation or setting aside by an order under these rules of a sale held in execution of such Certificate, shall be determined by order of the Commissioner before whom such question arise.

---

[1]Substituted for "certificate" by SRO 392(I)/2009 dated May 19, 2009.

[2]Substituted for "Certificate duly filed" by SRO 392(I)/2009 dated May 19, 2009.

[*]appears to be superfluous.

Rule 123(1)-Substitution.- Before substitution by SRO 392(I)/2009, the sub-rule (1) read as follows:-

"(1)[†] The notice required to be served upon the assessee under sub section (2) of section 138 shall be in the following form, namely:–

NOTICE UNDER SECTION 138(2) OF THE INCOME TAX ORDINANCE, 2001.

Commissioner_____
Dated _____

To

M/s
National Tax Number _____

Whereas it is established that the sum of Rs. _____ which is due from you on account of tax as per details given in the schedule below, is in arrear, you are, hereby, required to pay these arrears of tax by _____ and produce necessary evidence to that effect before me at my office On _____ failing which proceedings may be initiated under these rules to recover the said amount by one or more of the following modes, namely:–

[†]erroneous numbering as there is no sub-rule (2).

8-122-31-08-16

(a) attachment and sale of moveable or immovable property;
(b) appointment of receiver for the management of your moveable or immovable property;
(c) your arrest and detention in person for a period not exceeding six months.

I, in exercise of the powers vested in me under the Income Tax Rules framed under section 138 of the Income Tax Ordinance, I* hereby further direct that you shall not sell, mortgage, charge, issue or otherwise deal with any property belonging to except with my permission to that effect in writing,

Commissioner
Range _____ Zone _____

SCHEDULE

Sr No.	Assessment year	Number in Demand and Collection Register	Income Tax	Penalty	Additional Tax	Surcharge	Total
1	2	3	4	5	6	7	8

8-122-31-08-16

128. Exemption from attachment.– The following shall not be liable to attachment and sale under these rules, namely:–

(a) the necessary wearing apparel, cooking vessels, beds and bedding of the defaulter, his wife and children, and such personal ornaments, as, in accordance with religious usage, cannot be parted with by any women;

(b) tools of artisans, and, where the defaulter is an agriculturist, his implements of husbandry and such cattle and seed grain as may, in the opinion of the Commissioner, be necessary to enable him to earn his livelihood as such;

(c) houses and other buildings (with the materials and the sites thereof and the land immediately appurtenant thereto and necessary for their enjoyment) belonging to an agriculturist and occupied by him;

(d) books of account;

(e) a mere right to sue for damages;

(f) any right of personal service ;

(g) stipends and gratuities allowed to a pensioner of the Government, or payable out of any service family pension fund notified in official Gazette by the Federal Government or the Provincial Government in this behalf, and political pensions;

(h) the wages of labourers and domestic servants, whether payable in money or in kind;

(i) salary to the extent of the first hundred rupees and one half of the remainder:

Provided that where such salary is the salary of the servant of Government or servant of a railway or local authority, and [1][ ] whole or any part of the portion of such salary liable [2][to] attachment has been under attachment, whether continuously intermittently for a total period of twenty four months, portion shall be exempt from attachment until the expiry of further period of twelve months and, where such attachment been made in execution of one and the same certificate, shall be finally exempt from attachment in execution of that notice;

(j) the pay and allowances of persons to whom the Pakistan [2][Army] Act, 1952 (XXXIX of 1952), applies, or of persons other than Commissioned Officers to whom the Pakistan Navy Ordinance 1961 (XXXV of 1961), applies;

(k) all compulsory deposits and other sums in or derived from fund to which the Provident Funds Act, 1925 (XIX of 1925), the time being applies in so far as they are declared by the, Act not to be liable to attachment;

8-118-05-01-16

[1]Letters "III" omitted by SRO 392(I)/2009 dated May 19, 2009.
[2]Word inserted by SRO 392(I)/2009 dated May 19, 2009.

(l) any allowance forming part of the emoluments of any servant of Government or of any servant of a railway or local authority which the appropriate Government may, by notification in the official Gazette, declare to be exempt from attachment, and any subsistence grant or allowance made to any such servant while under suspension.

(m) any expectancy of succession by survivorship or other [1][merely] contingent or possible right or interest; and

(n) a right to future maintenance.

Explanation 1.– The particulars mentioned in clause (g), (h), (i),(j) and (l) are exempt from attachment or sale whether before or [2][after] they are actually payable, and in the case of salary other [3][than] salary of a servant of the Government or a servant of railway † local authority the attachable portion thereof is exempt from attachment until it is actually payable.

Explanation 2.– In clauses (h) and (i), "Wages" or "salary" means the total monthly emoluments, excluding any allowance declared exempt from attachment under the provisions of clause (I), derived by a person from his employment whether on duty or on leave.

Explanation 3.– In clause (l), "appropriate Government" means–

(i) as respects any person in the service of the Federal Government, or any servant of Railway Board, a cantonment! authority or of the port authority or a major port, the Federal Government; and

(ii) as respect any person in the service of a Provincial Government or a servant of any local authority, the Provincial Government.

129. Investigation by Commissioner.– (1) Where any claim is preferred to, or any objection is made to the attachment or sale of, any property in execution of a [4][notice] on the ground that such property is not liable to such attachment or sale, the Commissioner shall proceed to investigate the claim or objection:

Provided that no such investigation shall be made when the Commissioner considers that the claim or objection was designedly or unnecessarily delayed.

(2) Where the property to which the claim or objection relates has been advertised for sale, the Commissioner ordering the sale may postpone it during the investigation of the claim or objection, upon such terms as to security or otherwise as the Commissioner may deem fit.

(3) The claimant or objector shall adduce evidence to show that at the date on which the Notice was originally issued by the Commissioner for the recovery of the arrears, he had some interest in, or was possessed of the property in question.

[1]Substituted for "me" by SRO 392(I)/2009 dated May 19, 2009.
[2]Words inserted by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "t" by SRO 392(I)/2009 dated May 19, 2009.
[4]Substituted for "Certificate" by SRO 392(I)/2009 dated May 19, 2009.
†apparently intended word "or" is missing.
apparently intended exclamation mark "!" is superfluous.

91-10-50-811-8

(4) Where, upon the said investigation, the Commissioner is satisfied that, for the reason stated in the claim or objection, such property was at the said date in the possession of the defaulter or of some person in trust for him or in the occupancy of a tenant or other person paying rent to him, or being in the possession of the defaulter at the said date, it was so in his possession, not on his own account or as his own property, but on account of or in trust for some other person, the Commissioner shall make an order releasing the property, wholly or to such extent as it was not [1][ ] in possession of the defaulter on his own account, from attachment or sale.

(5) Where the Commissioner is satisfied that the property was, at that date, in the possession of the defaulter as his own property and not on account of any other person, or was in possession of some other person in trust for him or in the occupancy of a tenant or other person paying rent to him, the Commissioner shall disallow the claim.

130. Removal of attachment on satisfaction or cancellation of Certificate.– Where the amount due is paid to the Commissioner [2][the attachment] shall be deemed to be withdrawn and, in case of immovable property, the withdrawal shall, if the defaulter so desired, be proclaimed at his expense, and a copy of the proclamation shall be affixed in manner provided by these rules for a proclamation of sale of immovable property.

131. Officer entitled to attach and sell.– The attachment and sale of immovable property may be made by such officer as the Commissioner may from time to time direct.

132. Adjournment or stoppage of sale.– (1) The Commissioner may adjourn sale hereunder to a specified day and hour; and the officer conducting any such sale may adjourn the sale, recording his reasons for such adjournment:

[3][Provided that, where the sale is being conducted in or within the precincts of the office of the concerned Commissioner [4][ ], the officer shall not adjourn the sale without prior permission of the Commissioner.]

(2) Where a sale of immovable property is adjourned under sub-rule (1) for a longer period than one calendar month, a fresh proclamation of sale under rules shall be made unless the defaulter consents to waive it.

(3) Every sale shall be stopped if, before the lot is knocked down, the amount [2][due is] tendered to the officer conducting the sale, or proof is given to his satisfaction [5][that the] amount has been paid to the Commissioner who ordered the sale.

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[1]Word "it" omitted by SRO 392(I)/2009 dated May 19, 2009.
[2]Words inserted by SRO 392(I)/2009 dated May 19, 2009.
[3]Proviso substituted by SRO 392(I)/2009 dated May 19, 2009.
[4]Words "of income tax" deleted by SRO 1218(I)/2015 dated December 08, 2015.
[5]Substituted for "e" by SRO 392(I)/2009 dated May 19, 2009.

Before Substitution Proviso read as follows:-

"Provided that, where the sale is made in or within the precincts of the office [†]Commissioner of Income Tax, the officer shall not adjourn the sale without the [†]of the Commissioner."

[†]Apparently intended words "of" and "leave" are missing respectively.

8-118-05-01-16

133. Defaulter not to mortgage, etc., any property.– Where a notice has been served on a defaulter under rule 123 the defaulter or his representative in interest shall not sell, mortgage, charge, lease or otherwise deal with any property belonging to him except with the permission of the Commissioner.

134. Prohibition against bidding or purchase by officer.– No officer or other person having any duty to perform in connection with any sale under these rules shall, either directly or indirectly, bid for, acquire or attempt to acquire any interest in the property sold.

135. Assistance by police.– Any officer authorized to attach or sell any property or to arrest the defaulter or charged with any duty to be performed under these rules, may apply to the officer-in-charge of the nearest police station for such assistance as may be necessary in the discharge of his duties.

PART-II

ATTACHMENT AND SALE OF MOVABLE PROPERTY ATTACHMENT

136. Person authorized to act, etc.– (l) The Commissioner may authorize any person to execute an order of attachment or sale under the rules in this part and in Part III and, where he does not so authorize any person* references,** in the said rules to "officer", so far as may be, be construed [1][as] references to the Commissioner.

(2) Except as otherwise provided in these rules, when any movable property is to be attached, the officer shall be furnished by the Commissioner with a warrant in writing and signed with his name specifying the name'†† of the defaulter and the amount to be realized.

[2][(3) The warrant of attachment of movable property to be issued by the Commissioner under sub-rule (2) shall be in the following form, namely:-

WARRANT OF ATTACHMENT OF MOVEABLE PROPERTY

(Rule 136(2) of the Income Tax Rules, 2002)

Commissioner _____

N0._____ dated_____

To

_____

S/O_____

You Mr./Mrs.M/s _____have failed to pay Rs._____ (Rupees_____) which was due as income tax arrears inspite of service of a notice under section 138(1) of the Income Tax Ordinance, 2001, dated_____.

In view of the said default and in pursuance of recovery of tax arrears, it is hereby ordered to attach moveable property belonging to Mr/Mrs/M/s_____, the defaulter of the said amount.

[1]Words inserted by SRO 392(I)/2009 dated May 19, 2009.

[2]Sub-rule (3) inserted by SRO 392(I)/2009 dated May 19, 2009.

*there should have been a comma.

**the comma appears to be superfluous.

91-10-08118-8

Mr. _____ is authorized under rule 136(1) of the Income Tax Rules, 2002, to execute this warrant. This order is given under my hand and seal at (name of city)_____ on this day of _____ (month)_____(year)_____.

Commissioner of [1][/Inland Revenue/]]

137. Service of copy of warrant.– The officer shall cause a copy of the warrant to be served on the defaulter.

138. Attachment.– If, after service of the copy of warrant, the amount is not paid forthwith, the officer shall proceed to attach the movable property of the defaulter.

Provided that the standing crops of the agricultural produce lying in the field stored in or near the dwelling house of the defaulter or stored on the land owned or cultivated by the defaulter, which represents the agricultural produce of the land owned, leased or cultivated by the defaulter, shall not be attached.

139. Property in defaulter's possession.– Where the property to be attached is movable property in the possession of the defaulter, the attachment shall be made by actual seizure and the officer shall keep the property in his own custody or in the custody of one of his subordinates and shall be responsible for due custody thereof.

Provided that when the property seized is subject to speedy and natural decay or when the expense of keeping it in custody is likely to exceed its value, the officer may sell it at once.

140. Debts and shares, etc.– (l) In the case of–

(a) a debt not secured by a negotiable instrument,

(b) a share in a corporation, or

(c) other movable property not in the possession of the defaulter except property deposited in, or in the custody of, any court,

the attachment shall be made by a written order, prohibiting,–

(i) in the case of the debt, the creditor from recovering the debt and the debtor from making payment thereof until the further order or the Commissioner;

(ii) in the case of the share, the person in whose name the share may be standing from transferring the same or receiving any dividend thereon; and

(iii) in the case of other movable property except as aforesaid, the person in possession of the same from giving it over to the defaulter.

(2) A copy of such order shall be affixed on some conspicuous part of the office of the Commissioner, and another copy shall be sent, in the case of the debt, to the debtor, in the case of the share in a corporation, to the proper officer of the corporation and in the case of other movable property (except as aforesaid), to the person in possession of the same.

8-11-(10-05-91)

[1]Substituted for "income tax" by SRO 1218(I)/2015 dated December 08, 2015.

††apostrophe appears to be superfluous.

Should have been a colon.

Apparently intended word "or" is missing.

(3) A debtor prohibited under clause (i) of sub-rule (1) shall, on receipt of order of the Commissioner, pay the amount of his debt to the Commissioner, and such payment shall discharge him as effectually as payment to the party entitled to receive the same.

(4) Where the execution of a document or the endorsement of the defaulter in whose name a negotiable instrument or a share in a corporation is standing is required to transfer such negotiable instrument or share, the Commissioner such other officer as he may authorize in this behalf may execute such document or make such endorsement as may be necessary, and such execution or endorsement have the effect as an execution or endorsement by the defaulter.

(5) Until the transfer of such negotiable instrument or share, the Commissioner or any other officer authorized by him in this behalf may receive any interest or dividend due thereon and sign a receipt for the same. Any receipt so signed shall be as valid and effectual for all purposes as if the same had been signed by the defaulter himself.

141. Share in movable property.– Where the property to be attached consists of the share or interest of the defaulter in movable property belonging to him and another as co-owners, the attachment shall be made by a notice to the defaulter prohibiting him from transferring such share or interest or subjecting same to a charge in any manner .

142. Attachment of negotiable instrument.– Where the property is a [1][negotiable] instrument not deposited in a Court, nor in the custody of a public officer, the attachment shall be made by actual seizure, and the instrument shall be brought before the Commissioner and held subject to [2][his] orders.

143. Attachment of property in custody of public officer.– Where the property to be attached is in the custody of any public officer, the attachment be made by a notice to such officer requesting that such property and any interest or dividend becoming payable thereon may be held subject to the further [3][orders] of the Commissioner by whom the notice is issued.

144. Attachment of property in partnership.– (1) Where the property to be attached consists of an interest of the defaulter, being a partner, in the partnership property, the Commissioner may make an order charging the [4][share] of such partner in the partnership property and profits, with payment of amount due under the notice, and may, by the same or a subsequent [4][order], appoint a receiver of the share of such partner in the profits, whether already declared or accruing, and of any other money which may become due to in respect of the partnership, and direct maintenance or rendition of accounts and inquiries and make an order for the sale of such interest or such order as the circumstances of the case may require.

[1]SRO 392(I)/2009 dated May 19, 2009 seeks to substitute the word "liable" by "negotiable", whereas the word "negotiable" already appears there.
[2]Substituted for "this" by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "s" by SRO 392(I)/2009 dated May 19, 2009.
[4]Words inserted by SRO 392(I)/2009 dated May 19, 2009.

91-10-05-818-8

(2) The other partners shall be at liberty at any time to redeem the interest charged or; in the case of a sale being directed, to purchase the same.

145. Inventory.– In the case of attachment of movable property by actual seizure the officer shall, after attachment of the property prepare an inventory of all the property attached, specifying in it the place where it is lodged or kept, and shall forward the same to the Commissioner and deliver a copy thereof to the defaulter.

146. Attachment not to be excessive.– The attachment by seizure shall not be excessive, that is to say, the property attached shall be as nearly as possible proportionate to the amount specified in the warrant.

147. Seizure between sunrise and sunset.– Attachment by seizure shall be made after sunrise and before sunset and not otherwise.

148. Entry into building by officer, etc.– The officer may break open any inner or other door or window of any building and enter any building in order to seize any movable property if the officer has reasonable grounds to believe that such building contains movable property liable to seizure under the warrant and the officer has notified his authority and intention of breaking open if admission is not given. He shall, however, give all reasonable opportunity to women [1][to] withdraw.

149. Sale.– The Commissioner may direct that any movable property attached under these rules or such portion thereof as may seem necessary to satisfy the certificate shall be sold.

150. Issue of proclamation.– When any sale of movable property is ordered by the Commissioner, he shall issue a proclamation of the intended sale specifying the time and place of sale and whether the sale is subject to confirmation or not.

151. Proclamation how made.– (l) The proclamation shall be made by the beat of drum or other customary mode, and the contents of the proclamation shall be explained in the language of the district–

(a) in the case of property attached by actual seizure–

(i) in the village in which the property was seized or, if the property was seized in a town or city, then, in the locality in which it was seized; and

(ii) at such other places as the Commissioner of Tax may direct; and

(b) in the case of property attached otherwise than by actual seizure.[*] in such places, if any, as the Commissioner may direct.

(2) A copy of the proclamation shall also be affixed at a conspicuous place in the office of the Commissioner.

(3) Where the Commissioner so directs, such proclamation may also be published in one or two newspapers.

[1]Word inserted by SRO 392(I)/2009 dated May 19, 2009.

[*]should have been a comma instead of full stop.

97-10-05-811-8

152. Sale after fifteen days.– Except where the property is subject to speedy and natural decay or when the expense of keeping it in custody is likely to exceed its value, no sale of movable property under these rules shall, without the consent in writing of the defaulter, take place until after the expiry of at least fifteen days from the date on which a copy of the proclamation of sale was affixed in the office of the Commissioner.

153. Sale to be by auction or by tender.– The property shall be sold by public auction or by tender, in one or more lots, as the officer may consider advisable and, if the amount to be realized by sale may be satisfied by the sale of a portion of the property, the sale shall be only with respect to that portion of the property.

154. Sale by public auction.– (1) Where movable property is sold by public [1][auction], the price of each lot shall be paid at the time of sale or as soon thereafter the officer holding the sale directs and in default of payment the property shall [2][ ] be re-sold.

(2) On payment of the purchase money, the officer holding the sale shall grant to the purchaser a certificate specifying the property purchased, the price paid [†]he name of the purchaser, and the sale shall thereupon become absolute.

(3) Where the movable property to be sold is a share in goods belonging to defaulter and a co-owner, and two or more persons, of whom one is such co-owner, respectively bid the same sum for such property or for any lot, the bid of co-owner shall have preference.

155. Irregularity not to vitiate sale.– Any error or irregularity in publishing or conducting the sale of movable property shall not vitiate the sale if provisions of these rules have been substantially complied with.

156. Negotiable instruments or share in a corporation.– Notwithstanding anything contained in these rules, where the property to be sold [3][is] negotiable instrument or a share in a corporation, the Commissioner instead of directing the sale to be made by public auction, authorize the sale of such instrument or share through a broker.

157. Order for payment of coin or currency notes to the Commissioner [4][ ].– Where the property attached is current coin or currency notes, the Commissioner may, at any time during the continuance of the attachment, direct that such coin or notes, or a part thereof sufficient to satisfy the Notice, be paid over to the Commissioner.

[1]Substituted for "on" by SRO 392(I)/2009 dated May 19, 2009.
[2]Word "with" omitted by SRO 392(I)/2009 dated May 19, 2009.
[3]Word inserted by SRO 392(I)/2009 dated May 19, 2009.
[4]Words "of income tax" deleted by SRO 1218(I)/2015 dated December 08, 2015.
[†]apparently intended words are "and the".

9-11-0-50-818-8

PART-III

ATTACHMENT AND SALE OF IMMOVABLE PROPERTY ATTACHMENT

158. Attachment.–[1][(1)] Attachment of the immovable property of the defaulter be made by an order prohibiting the defaulter from transferring or subjecting the property to a charge in any manner and prohibiting all persons from taking any benefit under such transfer or charge.

[1][(2) The order of attachment of immovable property to be issued by the Commissioner under this rule shall be in the following form, namely:-

ORDER OF ATTACHMENT OF IMMOVABLE PROPERTY

(Rule 158 of the Income Tax Rules, 2002)

To,

_____

S/O_____

You have failed to pay a sum of Rs._____ (Rupees _____) payable by you, for which a notice under section 138(1) of the income Tax Ordinance, 2001, dated_____ has already been served upon you.

In view of the said default and in pursuance of recovery of income tax arrears you Mr/Mrs/M/s _____ are hereby prohibited and restrained until further orders of the undersigned from transferring of immovable property No. _____ located at (address) _____ or subjecting the same to a charge in any manner and, that all persons are prohibited from taking any benefit under such transfer or charge.

Given under my hand and seal at (name of city) _____ on this day of _____(month)_____ (year)_____

Commissioner of [2][Inland Revenue][]

[1]Rule 158 renumbered as sub-rule (1) and sub-rule (2) inserted by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "income tax" by SRO 1218(I)/2015 dated December 08, 2015.

Rules 158 to 178-Recovery from insolvents. Following is the text of CBR's Circular Letter C. No.. ITB-2(4)/87 dated February 7, 1988:–

"Recently, in a case it was claimed by a taxpayer, declared as insolvent by a competent court, that his outstanding tax arrears may also be written off in view of insolvency decree passed in his favour. This issue has been examined by the Board in consultation with the Justice Division and I am directed to clarify the position as under:-

(a) Where the taxpayer has not impleaded Income Tax Department as party during the insolvency proceedings before the competent court, and

(b) where the taxpayer has not included the name of Income Tax Department as creditor in the list legally required to be submitted to the competent court

in such cases the insolvency decree granted to such a taxpayer would not have any bearing on the right of the Income Tax Department with reference to recovery of Income tax arrears outstanding in that case.

2. The above clarification may please be brought to the notice of all concerned."

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159. Service of notice of attachment.– A copy of the order of attachment be served on the defaulter.

160. Proclamation of attachment.– The order of attachment shall be [1][proclaimed] at some place on or adjacent to the property attached by beat of drum or customary mode, and a copy of the order shall be affixed at a conspicuous[*] of the property and also at a conspicuous place of the office of the Commissioner.

161. Sale and proclamation of sales.– (1) The Commissioner of Tax[**] may direct that any immovable property which has been attached, or such portion of as may seem necessary to satisfy the notice, shall be sold.

(2) Where any immovable property is ordered to be sold, the Commissioner shall cause a proclamation of the intended sale to be made in the language of the district.

162. Contents of proclamation.– (I) A proclamation of sale of immovable property shall be drawn up after service of notice to the defaulter, and shall state time and place of sale and also specify–

(a) the location of the property to be sold;

(b) as fairly and accurately as possible the revenue or rent, if any, assessed upon the property or any part thereof; and

(c) the amount for the recovery of which the sale is ordered.

(2) The proclamation may also specify any other thing which the Commissioner considers material for a purchaser to know in order to judge the' nature and value of the property.

163. Mode of making proclamation.– (1) Every proclamation for the sale of immovable property shall be made at some place on or near such property by beat of drum or other customary mode, and a copy of the proclamation shall be affixed at a conspicuous place of the property and also at a conspicuous [2][part] of the office of the Commissioner.

(2) Where the Commissioner so directs, such proclamation may be published in one or two newspapers.

(3) Where the property is divided into lots for the purpose of being sold, separately, it shall not be necessary to make a separate proclamation for each lot, unless proper notice of the sale cannot, in the opinion of the Commissioner, otherwise be given.

164. Time of sale.– No sale of immovable property under these rules shall, without the consent in writing of the defaulter, take place until after [3][the] expiration of at least thirty days from the date on which a copy of the proclamation of sale has been affixed on the property or in the office of the Commissioner, whichever is later.

[1]Substituted for "aimed" by SRO 392(I)/2009 dated May 19, 2009.
[2]Word inserted by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "tile" by SRO 392(I)/2009 dated May 19, 2009.

[*]apparently intended word "part" is missing.
[**]correct designation is "Commissioner" and not "Commissioner of Tax".

165. Sale to be by auction or by tender.– The sale shall be made by public auction or by tender to the highest bidder and shall be subject to confirmation by the Commissioner.

166. Deposit by purchaser and re-sale in default.– (1) On every sale of immovable property, the person declared to be the purchaser shall pay, immediately after such declaration, a deposit of twenty-five per cent of the amount of his purchase money to the officer conducting the sale; and in default of such deposit the property shall forthwith be resold.

(2) The full amount of purchase money payable shall be paid by the purchaser to the Commissioner on or before the fifteenth day from the date of the sale of the property.

167. Procedure in default of payment.– In default of payment within the period mentioned in rule 166 twenty per cent of deposit made under sub-rule (1) of that rule shall be forfeited and the rest shall be kept as deposit to be dealt with as mentioned in rule 168 and the property shall be re-sold and the defaulting purchaser shall forfeit all claims to the property or to any part of the sum for which it may be subsequently sold except to such sums as may be found refundable to him under rule 168.

168. Amount recoverable from purchaser in default.– Any deficiency of price which may happen on a re-sale by reason of the purchaser's default including all expenses attending such re-sale, shall be recoverable from the defaulting purchaser up to the maximum of eighty per cent of the deposit made by him under sub-rule (1) of rule 173 and kept as a deposit under rule 166 and if there is any surplus after meeting the deficiency the same shall be refunded to the defaulting purchaser.

169. Authority to bid.– All persons bidding at the sale shall be required to declare if they are bidding on their own behalf, or on behalf of their principals and, in the latter case, they shall be required to deposit their authority, and in default their bids shall be rejected.

170. Application to set aside sale of immovable property on deposit.– Where immovable property has been sold in execution of a [1][notice], the defaulter, or any person whose interests are affected by the sale, may, at any [2][time] within thirty days from the date of the sale, apply to the Commissioner to set aside the sale, on his depositing–

(a) for payment to the Commissioner, the amount specified in the proclamation of sale as that for the recovery of which the sale was ordered with interest thereon at the rate of eight per cent per annum, calculated from the date of proclamation of sale to the date when the deposit is made; and

(b) for payment to the purchaser, as penalty, a sum equal to ten per cent of the purchase money.

(2) Where a person makes an application under rule 171 for setting aside the sale of his immovable property, he shall not, unless he withdraws that application, be entitled to make or prosecute an application under this rule.

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[1]Substituted for "Certificate" by SRO 392(I)/2009 dated May 19, 2009.
[2]Word inserted by SRO 392(I)/2009 dated May 19, 2009.

171. Application to set aside sale of immovable property on ground of non-service of notice or irregularity.– Where immovable property has been [1][sold] in execution of a notice, [2][ ] the defaulter, or any person whose interests are affected by the sale, may, at any time within thirty days from the date of the sale, apply to the Commissioner to set aside the sale of the immovable property on the ground that notice was not served on the defaulter to pay the arrears as required by these rules or on the ground of a material irregularity in publishing or conducting the sale:

Provided that–

(a) no sale shall be set aside on any such ground unless the Commissioner is satisfied on the basis of evidence, produced before him that the applicant has sustained loss by reason of the non-service or irregularity; and

(b) an application made by a defaulter under this rule shall be disallowed unless he deposits the amount recoverable from him in execution of the notice.

172. Setting aside sale where defaulter has no saleable interest.– At [1][any] time within thirty days of the sale, the purchaser may apply to the Commissioner to set aside the sale on the ground that the defaulter had no saleable interest in the property sold.

173. Confirmation of sale.– (l) Where no application is made for setting [1][aside] the sale under the foregoing rules or where such an application is made and [3][disallowed] by the Commissioner, he shall, if the full amount of the purchase money has been paid, make [4][an] order confirming the sale, and [5][thereupon] the sale shall become absolute.

(2) Where such application is made and allowed, and where, in the case of application made to set aside the sale on deposit of the amount [6][of tax penalty and additional tax], the deposit is made within thirty days from the date of sale, the Commissioner shall make an order setting aside the sale.

Provided that no such order shall be made unless notice of the application has been given to the persons affected thereby.

174. Return of purchase money in certain cases.– Where a sale of immovable property is set aside, any money paid or deposited by the purchaser on account of the purchase, together with the penalty, if any, deposited for payment to the purchaser, shall be paid to the purchaser.

175. Sale certificate.– (1) Where a sale of immovable property has become absolute, the Commissioner shall grant a certificate specifying the property sold, and the name of the person who at the time of sale was declared to be the purchaser.

[1]Word inserted by SRO 392(I)/2009 dated May 19, 2009.
[2]Words "the Commissioner of Income Tax," omitted by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "owed" by SRO 392(I)/2009 dated May 19, 2009.
[4]Substituted for "1'in" by SRO 392(I)/2009 dated May 19, 2009.
[5]Substituted for "upon" by SRO 392(I)/2009 dated May 19, 2009.
[6]Substituted for "and penalty, interest by SRO 392(I)/2009 dated May 19, 2009.

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(2) Such certificate shall state the date on which the sale become absolute.

176. Postponement of sale to enable defaulter to raise amount due under notice.– (1) Where an order for the sale of immovable property has been made and the defaulter satisfies the Commissioner of Tax* that there is reason to believe that the amount of the notice may be raised by mortgage or lease or private sale of such property, or some part thereof, or of any other immovable property of the defaulter, the Commissioner of Tax* may, on the application of the defaulter, postpone the sale of the property specified in the order for sale, on such terms and for such period as he thinks proper, to enable the defaulter to raise the amount.

(2) In such case, the Commissioner shall grant a certificate to the defaulter authorizing him, within a period to be mentioned therein and notwithstanding anything contained in these rules, to make the proposed mortgage, lease or sale:

Provided that all money payable under such mortgage, lease or sale shall be paid, not to the defaulter, but to the Commissioner:

Provided further that no mortgage, lease or sale under this rule shall become absolute until it has been confirmed by the Commissioner.

177. Fresh proclamation before resale.– Every re-sale of immovable property, in default of payment of the purchase money within the period allowed for such payment, shall be made after the issue of a fresh proclamation in the manner and for the period herein-before provided for the sale.

178. Bid of co-sharer to have preference.– Where the property sold is a share of undivided immovable property and two or more persons, of whom one is a co-sharer, respectively bid the same sum for such property or for any lot, the bid of the co-sharer shall have preference.

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* the correct designation is "Commissioner" and not "Commissioner of Tax".

PART-IV

APPOINTMENT OF RECEIVER

179. Appointment of receiver for business.– (1) Where the property of Defaulter consists of a business, the Commissioner may attach the business and appoint a person as receiver to manage the business.

Rule 179-Appointment of Receiver. Following is the text of Circular No. 10 issued by Commissioner of Income Tax, Companies Zone-II, Lahore:-

"It has been observed that sometimes proper and separate orders under rule 160(2) of the Income Tax Rules, 1982 are not passed. The terms and conditions for appointment of receiver are not intimated to the defaulters. It creates difficulties both for the receiver and the defaulters.

2. In order to remove this difficulty it has been decided that the Tax Recovery Officer in future shall endorse a copy of the order for appointment of receiver to the defaulter intimating him the terms and conditions for appointment of receiver and the liability of defaulter for payment of remuneration to the Receiver.

3. The Assessing Officer, Tax Recovery Officer and IAC's shall ensure that legal requirement for invoking coercive measures are fulfilled before issue of notices and recovery proceedings are conducted courteously, effectively and strictly according to the law and Recovery Rules, 1982.

4. I shall casually or on complaint of harassment check files to ascertain that the instructions are being adhered to."

Recovery through Receiver. Following is the text of RCIT Central Region's Letter No. R-225/7422 dated May 14, 1995:-

"Complaints are being received from individual tax payers, traders associations and Lahore Tax Bar Association that Receivers are transgressing the powers as stipulated in Law/Rules. They have been found in possession of arrears lists and following the assessees even upto their residences and some of them resorting to unfair practices including carrying of arms to the premises of assessees.

2. It may be reminded that receivers are appointed only for a specific purpose -- management of business or immovable property of a tax defaulter under Rules 158 & 159 respectively. Under Rule 160 the Tax Recovery Officer is required to take possession of the business or immovable property and then hand it over to the management of the Receiver conferring upon him necessary powers. The Receiver's job is to receive the profits or rents as the case may be. Under Rule 160(3) every Receiver upon appointment is required to furnish such security as the Tax Recovery Officer thinks fit to duly account for what he shall receive in respect of the business or property. The Receiver shall also submit his accounts at such periods and in such form as the TRO directs.

3. On the other hand the Tax Recovery Officers are not making appointments of Receivers as per provisions of law stated above. The orders appointing receivers do not clearly lay down what business or which immovable property is to be managed. The appointment orders remain vague. The Receivers are asked to recover arrears which is the function of the Inspectors of the Department.

4. It has further been learnt that a heavy rate of remuneration ranging from 10-20% is being allowed to the Receivers which constitutes a very heavy cost in the collection of taxes. The scale of remuneration is required to be a graduated one ensuring minimum cost.

5. Receipts are not being issued by some of the Receivers and the recovery does not find way into the Govt. Treasury.

6. This Office has not come across any case in which appropriate security has been obtained by the TRO from the Receiver and the latter is also being required to maintain and render accounts to ensure safety of Government money. The Receivers are private individuals and are not under our control and the cases in which they are engaged involve revenue worth millions of rupees. Thus if they are not made to comply with the requirements of rule 160(3), it amounts to a serious lapse on the part of the Tax Recovery Officers.

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(2) Attachment of a business under this rule shall be made by an order prohibiting the defaulter from transferring or subjecting the business to a charge in any manner and prohibiting all persons from taking any benefit under such transfer or charge and intimating that the business has been attached under this rule. A copy of the order of attachment shall be served on the defaulter and another copy shall be affixed on a conspicuous part of the premises in which the business is carried on and at a conspicuous place in the office of the Commissioner.

(3) Where the Commissioner so directs, such order shall also be published in a newspaper.

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7. The CsIT are requested to ensure that appointment of a Receiver in each case is made as per requirements of Rule 160. The appointment of Receivers in which the aforesaid requirements of Law/Rules have not been met with may be reported immediately to safe-guard the public money.

The receipt of this latter may be acknowledged."

Following is the text of Letter dated May 6, 1995 from the President Lahore Tax Bar Association, Sheikh Asif Salam, addressed to the RCIT Central Region:-

"It is respectfully submitted that the appointment of receivers in a large number of cases is causing harassment and hardship to the assessees and is bringing a bad name to the Department. Moreover, the provisions of law are not being adhered to in the process of appointment and recovery through receivers. Some common complaints made by our members are summed up as under:-

i) Rules 158 and 159 of the Income Tax Rules, 1982 specifically provide for the purpose for appointment i.e. to manage the business and to manage the immovable property of the defaulter assessee. The orders appointing receivers do not clearly lay down what business or which immovable property is to be managed giving vague and arbitrary scope to the receiver. Sometimes, like in many salary cases, there is neither any business in operation nor is there any immovable property yielding rent or other revenues but still a receiver is appointed who in some cases, attempts to dispossess the assessee of his movable property to enforce recovery.

ii) A heavy rate of remuneration at a flat 10% is generally fixed for the services of the receiver. A graduated scale like one in case of valuers under Rule 208 is most desirable since in cases where the amount involved is substantial and/or the recovery may not be difficult, payment of a very high fee would not be commensurate with the services.

iii) The remuneration of the receiver is being recovered from the assessee while there is no provision in the law authorising any such recovery. Under Rule 160(4) only the "expenses of management" can be adjusted/recovered from the assessee. These have to be restricted to actual expenses and cannot be converted into a levy or fee without there being a law to this effect.

iv) The receivers on their own take actions which under Rule 160 have to be backed by an order of the TRO like dispossessing from immovable property.

v) Security is not being obtained from the receivers inspite of mandatory requirement under Rule 160(3)(a).

vi) No system has been developed for ensuring maintaining of accounts by receivers (ref. Rule 160(3)(b).

vii) Sometimes the receivers do not issue any receipt for the amounts recovered.

viii) Due to lack of checks and balances and lucrative remuneration, the Receivers are generally resorting to unfair practices including carrying of arms to the premises of the assessees.

The matter requires your urgent interference in view of the recovery drive in the month of May and June, 1995. The Association shall be highly obliged to you for an early and kind action."

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180. Appointment of receiver for immovable property.– Where immovable property is attached, the Commissioner may, instead of directing sale of the property, appoint a person as receiver to manage such property.

181. Power of receivers, etc.– (1) Where it appears to the [1][Officer] to be just and convenient, the Officer may by order–

(a) remove any person from the possession or custody of the property;

(b) commit the same to the possession, custody or management of the receiver; and

(c) confer upon the receiver all such powers, as to bringing and defending suits and for the realization, management, protection, preservation and improvement of the property, the collection of the rents and profits thereof, the application and disposal of such rents and profits, and the execution of documents as the owner himself has or such of those powers as the Commissioner thinks fit:

Provided that nothing in this rule shall authorize the Commissioner to remove from the possession or custody of property any person whom any party to recovery proceedings has not a present right so to remove.

(2) The Commissioner may by general or special order fix the amount to be paid as remuneration for the services of the receiver.

(3) Every receiver appointed by the Commissioner shall–

(a) furnish such security, if any, as the Commissioner thinks fit, to account duly for what he shall receive in respect of the property;

(b) submit his accounts at such periods and in such form as the Commissioner directs;

(c) pay the amount due from him as the Commissioner of Income* directs; and

(d) be responsible for any loss occasioned to the property by his wilful default or gross negligence.

(4) The profits or rents and profits, of such business or other property, after defraying the expenses of management, be adjusted towards discharge [2][of] arrears, and the balance, if any, shall be paid to the defaulter.

182. Withdrawal of management.– The attachment and management under this part may be withdrawn at any time at the discretion of the Commissioner, or if the arrears are discharged by receipt of such profits and rents or are otherwise paid.

8-67-20-07-09

[1]Substituted for "Commissioner" by SRO 392(I)/2009 dated May 19, 2009.
[2]Word inserted by SRO 392(I)/2009 dated May 19, 2009.
*the correct designation is "Commissioner" and not "Commissioner of Income".

PART-V

ARREST AND DETENTION OF THE DEFAULTER

183. Notice to show cause.– (1) No order for the arrest and detention in civil prison of a defaulter shall be made unless the Commissioner has issued and served a notice upon the defaulter, calling upon him to appear before him on the date specified in the notice and to show cause why he should not be committed to the civil prison, and unless the Commissioner, for reasons to be recorded in writing, is satisfied–

(a) that the defaulter, with the object or effect of obstructing the execution of the [1][notice] has, after the receipt of the [1][notice] in the office of the Commissioner, dishonestly transferred, concealed or removed any part of his property, or

(b) that the defaulter has, or has had since the receipt of the notice in the office of the Commissioner, the means to pay the arrears or some substantial part thereof and refuses or neglects or has refused or neglected to pay the same.

(2) Notwithstanding anything contained in sub-rule (1) a warrant for the arrest of the defaulter may be issued by the Commissioner, if he is satisfied, by affidavit or otherwise, that, with the object or effect of delaying the execution of the notice, the defaulter is likely to abscond or leave the local limits of the jurisdiction of the Commissioner.

(3) Where appearance is not made in compliance to a notice issued and served under sub-rule (1), the Commissioner may issue a warrant for the arrest of the defaulter.

(4) Every person arrested in pursuance of a warrant ii* arrest under sub-rule (2) or sub-rule (3) shall be brought before the Commissioner as soon as practicable and in any event within twenty-four hours of his arrest, [2][exclusive of] the time required for the journey:

Provided that if the defaulter pays the amount entered in the warrant [3][of] arrest as due to the officer arresting him, such officer shall at once release him.

[1][(5) The warrant of arrest of the defaulter to be issued by the Commissioner under sub-rule (2) shall be in the following form, namely:-

[1]Substituted for "Certificate" by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "exclusively" by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "ii" by SRO 392(I)/2009 dated May 19, 2009.
[4]Sub-rule (5) inserted by SRO 392(I)/2009 dated May 19, 2009.

Rules 183 to 191-Recovery by arrest of defaulters. Following is an extract from CBR's Circular Letter C. No. IT-T. 3(26)/86, dated May 6, 1986:-

"It has been agitated before the Board that, in order to effect collection, warrants of arrest are being issued by the Tax Recovery Officers in cases where appeals against the demand raised are pending at various appellate forums. Trying to recover disputed demand through such coercive measures amounts to harassment of the taxpayers. The issue has been considered and it has been decided that as a rule defaulters may be arrested only as a last resort. In cases when appeals are still pending such an action may only be undertaken with the prior clearance of the Commissioner of Income-tax/Wealth-tax."

8-118-05-01-16

WARRANT FOR ARREST OF THE DEFAULTER

(Rule 183(2) of the Income Tax Rules, 2002)

Commissioner _____

N0._____ dated_____

To _____

S/O_____

Whereas a notice u/s 138(1) of the Income Tax Ordinance, 2001, dated _____ was issued and served upon Mr. _____son of _____ (full address) _____for recovery of arrears. An amount due from the said defaulter is detailed as below:-

Amount as per notice u/s 138(1): _____

Cost and charges: _____

Total: _____

Inspite of the service of the said notice, the said arrears have not been paid. Accordingly, you are hereby commanded to arrest the said defaulter and produce him before the undersigned as soon as practicable in any event within 24 hours of his arrest (exclusive of time required for the journey) unless the defaulter pays to you the amount of arrears of Rs._____ (Rupees _____) and Rs._____ (Rupees _____) being the cost of executing the process.

You are hereby further commanded to return the warrant on or before the day of _____with an endorsement given on the day on which and the manner in which it has been executed or the reasons why it has not been executed.

Given under my hand and seal at (city)_____ on this _____day of (month)_____(year)_____.

Commissioner of [1][/Inland Revenue/]]

184. Hearing.– When a defaulter appears before the Commissioner in compliance to a notice to show cause or is brought before the Commissioner under rule 183 the Commissioner shall give the defaulter an opportunity of showing cause why he should not be committed to the civil prison.

185. Custody pending hearing.– Pending the conclusion of the inquiry, the Commissioner may order the defaulter to be detained in the custody of such officer as the Commissioner of Income Tax may think fit or release him on his furnishing security to the satisfaction of the Commissioner for his appearance when required.

186. Order of detention.– (1) Upon the conclusion of the inquiry, the Commissioner may make an order for the detention of the defaulter in the civil prison and shall in that event cause him to be arrested if he is not, already under arrest:

Provided that in order to give the defaulter an opportunity of satisfying the arrears, the Commissioner may, before making the order of detention leave the defaulter in the custody of the officer arresting him or

8-118-05-01-16

[1]Substituted for "Income Tax" by SRO 1218(I)/2015 dated December 08, 2015.

of any other officer for specified period not exceeding fifteen days, or release him on his furnishing security to the satisfaction of the Commissioner for his appearance at the expiration of the specified period if the arrears are not so satisfied.

(2) When the Commissioner does not make an order of detention under sub-rule (1), he shall, if the defaulter is under arrest, direct his release.

[1][(3) The warrant for detention of the defaulter in civil prison to be made by the Commissioner under this rule shall be in the following form, namely:-

WARRANT FOR DETENTION OF THE DEFAULTER IN CIVIL PRISON

(Rule 186(1) of the Income Tax Rules, 2002)

Commissioner _____

N0._____ dated_____

To

The Officer In charge of the civil prison

_____

Whereas Mr. _____ S/O _____ (Full address) _____ has been brought before the undersigned under a warrant in execution of a notice under section 138(1) of the Income Tax Ordinance, 2001, for recovery of tax arrears.

And whereas he has not satisfied the undersigned that he is entitled to be discharged from custody and has not paid the amount due from him as specified below:-

Income Tax	_____
Penalty	_____
Additional Tax	_____
Cost and charges	_____
Total	_____

And whereas the undersigned is satisfied that the said defaulter _____ should be committed to the civil prison and an order to that effect has been passed by the undersigned on this _____ day of (month) _____ (year)_____.

You are hereby commanded and required to take and receive the said defaulter _____in the civil prison and to keep him imprisoned therein for a period of _____ or until the amount aforesaid together with further additional tax at a rate equal to _____ per cent per annum u/s 205 of the Income Tax Ordinance, 2001 on the amount unpaid being Rs._____ for the period commencing immediately after the date of issue of this warrant to the date on which it is paid to you on behalf of the Commissioner of income tax or until you receive an order of his release from the undersigned.

[1]Sub-rule (3) inserted by SRO 392(I)/2009 dated May 19, 2009.

The undersigned does hereby fix Rs. _____ per day (calculated under rule 198 of the Income Tax Rules, 2002) as a rate for subsistence allowance for the period of his detention.

Given under my hand and seal at (name of city) _____ on this day of _____(month)_____ (year)_____

Commissioner of [a][/Inland Revenue/]]

187. Detention in and release from prison.– (1) Every person detained [1][in] the civil prison in execution of a [2][notice] may be so detained-

(a) where the [2][notice] is for a demand of an amount exceeding twenty five thousands, for a period of six months, and

(b) in any other case for a period of six weeks:

Provided that he shall be released from such detention–

(i) on the amount mentioned in the warrant for his detention being paid to the Officer-in-charge of the civil prison, or

(ii) on the request of the Commissioner who has issued the notice or of the Commissioner on any ground other than the grounds mentioned in [3][rules] 193(1) and 196:

Provided further that where he is to be released on the request of the Commissioner, he shall not be released without the order of the Commissioner.

(2) A defaulter released from detention under this rule shall not, merely by [1][reason] of his release, be discharged from his liability for the arrears; but he shall liable to be re-arrested under the notice in execution of which he was detained in the civil prison.

188. Release.– (I) The Commissioner may order the release of a defaulter who has been arrested in execution of a notice upon being satisfied that he has disclosed the whole of his property and has placed it at the disposal of Commissioner and that he has not committed any act in bad faith.

(2) If the Commissioner has ground for believing the disclosure made [1][by] defaulter under sub-rule (1) to have been untrue, he may order the re-arrest of the defaulter in execution of the notice but the period of his detention in the prison shall not in the aggregate exceed that authorized by rule 187.

189. Release on ground of illness.– (1) At any time after a warrant for the [1][arrest] of a defaulter has been issued, the Commissioner may cancel it on ground of the serious illness of the defaulter .

(2) Where a defaulter has been arrested, the Commissioner may [1][release] him if, in the opinion of the Commissioner of Tax, he is not in a fit state of [1][mind] to be detained in the civil prison.

91-10-05-818-8

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[a]Substituted for "Income Tax" by SRO 1218(I)/2015 dated December 08, 2015.
[1]Inserted by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "Certificate" by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "rule" by SRO 392(I)/2009 dated May 19, 2009.

(3) Where a defaulter has been committed to the civil prison, he may be , [1][released] therefrom by the Commissioner on the ground of the existence of any infectious or contagious disease or on the ground of his suffering from any illness;†

(4) A defaulter released under this rule may be re-arrested, but the period [1][of his] detention in the civil prison shall not in the aggregate exceed that authorized by rule 164.

190. Entry into dwelling house.– For the purpose of making an arrest under these rules,–

(a) no dwelling house shall be entered after sunset and before sunrise;

(b) no outer door of a dwelling house shall be broken open unless such dwelling house or a portion thereof is in the occupancy of the defaulter and he or any other occupant of the house refuses or in any way prevents access thereto; but, when the person executing any such warrant has duly gained access to any dwelling house, he may break open the door or any room or apartment if he [2][has] reason to believe that the defaulter is likely to be found there; and

(c) no room, which is in the actual occupancy of a woman who, according to the custom of the country, does not appear in public shall be entered into unless the officer authorized to make the arrest has given notice to her that she is at liberty to withdraw and has given her reasonable time and facility for withdrawing.

191. Prohibition against arrest of woman or minor, etc.– The Commissioner shall not order the arrest or detention in the civil prison of–

(a) a woman, or

(b) any person who, in his opinion, is a minor or of unsound mind.

[1]Inserted by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "bas" by SRO 392(I)/2009 dated May 19, 2009.
†should have been a full stop.

PART-VI

MISCELLANEOUS

192. Continuance of Notice.– No notice shall cease to be in force by reason of the death of the defaulter.

193. Procedure on death of defaulter.– If, at any time after the issue of a Notice [1][by] the Commissioner, the defaulter dies, the proceedings under these rules (except arrest and detention) may be continued against the legal representative of the defaulter who shall be liable to pay out of the estate of the deceased person to the extent to which the estate is capable of meeting the arrears demand and the provisions of these rules shall [2][ ] apply as if the legal representative were the defaulter.

194. Appeal.–

[3][(1) Where –

(a) the Commissioner passes any order under Chapter XVI, the appeal against such order shall lie to the [4][Chief Commissioner], Regional Tax Office or Large Taxpayer Unit, as the case may be; and

(b) any [5][officer of Inland Revenue [6][, Inspector Inland Revenue]] or authority to whom powers have been delegated passes any order under the said Chapter, an appeal against such order shall lie to the Commissioner,*]

(2) Every appeal under this rule shall be presented within thirty days from the date of the order appealed against.

(3) The appellate authority (hereinafter referred to as "the authority") after hearing the party or his representative may admit the appeal for hearing or reject it summarily if he is of the opinion that the appeal is without any substance.

(4) Where the appeal is admitted for hearing under sub-rule (3), the authority hearing appeal shall fix a date for hearing [7][for] which notice shall be given to the [8][concerned party].

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[1]Substituted for "to" by SRO 392(I)/2009 dated May 19, 2009.
[2]Word "be" omitted by SRO 392(I)/2009 dated May 19, 2009.
[3]Sub-rule (1) substituted by SRO 392(I)/2009 dated May 19, 2009.
[4]Substituted for "Director General" by SRO 1218(I)/2015 dated December 08, 2015.
[5]Substituted for "taxation officer" by SRO 1218(I)/2015 dated December 08, 2015.
[6]Words etc., inserted by SRO 754(I)/2016 dated August 15, 2016.
[7]Substituted for "of" by SRO 392(I)/2009 dated May 19, 2009.
[8]Substituted for "other party" by SRO 392(I)/2009 dated May 19, 2009.

*should have been a full stop.

Rule 194(1)–Substitution.–Rule 194(1) before substitution, read as follows:-

"(1) An appeal from any order passed by the Commissioner or taxation officer under these rules shall lie to the Regional Commissioner where Commissioner himself acts to **executes the purpose of in this Chapter; and to †be Commissioner if under delegated powers any taxation officer or authority acts and executes the purposes of this Part."

**apparently intended wording is "execute the purposes of this Chapter".
†apparently intended word is "the".

(5) If, on the date of hearing, no step is taken on behalf of either party, the authority hearing appeal may forthwith take up the appeal for ex-parte disposal or dismiss it for default, as the case may be:

Provided that the appeal may be adjourned to some other date for hearing on sufficient cause being shown by either party by an application in that behalf.

[1][(6) After hearing both the parties or their representatives or when the appeal is taken up for exparte order, the appellate authority may make an order, to confirm, modify, reverse or remand the case for fresh decision in the light of directions that the appellate authority may think appropriate to give, being not inconsistent with these rules.]

(7) Pending the decision of any appeal, execution of the [2][notice] may be stayed if the appellate authority so directs, but not otherwise.

195. Review.– Any order passed under these rules may, after notice to all persons interested, be reviewed by the officer who made the order, or by his successor in office, on account of any mistake apparent from the record.

196. Recovery from surety.– Where any person has under these rules [3][become] surety for the amount due by the defaulter, he may be proceeded against [3][under] these rules as if he were the defaulter .

197. Receipt to be given.– If any amount is received by any officer or other person in pursuance of these rules, he shall issue a receipt of the amount so received.

198. Subsistence allowance.– [4][ ] When a defaulter is arrested or; detained in the civil prison, the sum payable for the subsistence of the defaulter [5][during detention or] arrest until he is released shall be borne by the Commissioner.

199. The sum under rule 198, shall be calculated on the scale fixed by the Provincial Government for the subsistence of judgement-debtors arrested in execution of a [6][decree] of a civil court.

200. Delivery of property in occupancy of defaulter.– Where the immovable property sold is in the occupancy of the defaulter or of some person on his [6][behalf], or of some person claiming under a title created by the defaulter subsequently to the attachment of such property and a [2][notice] in respect thereof has been made, the Commissioner shall, on the

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[1]Sub-rule (6) substituted by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "Certificate" by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "e" and "r" respectively by SRO 392(I)/2009 dated May 19, 2009.
[4]Bracket and figure "(1)" omitted by SRO 392(I)/2009 dated May 19, 2009.
[5]Substituted for "from the definition or of" by SRO 392(I)/2009 dated May 19, 2009.
[6]Inserted by SRO 392(I)/2009 dated May 19, 2009.

Rule 194(6)–Substitution.–Rule 194(6) before substitution, read as follows:-

"(6) After hearing both the parties or their representatives or when the appeal is taken up for ex-parte hearing the appellant or his representative, the authority hearing appeal may pass any such order as may appear to him, confirming, modifying or reversing the order of the Commissioner or remanding the case for fresh decision in the light of directions that he may like to give not inconsistent with these rules, after setting aside the order of the Commissioner."

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application of the purchaser, order delivery to be made by putting such purchaser or any person whom he may appoint to receive delivery on his behalf in possession of the property, and, if be, by removing any person who refuses to vacate the same.

201. Delivery of property in occupancy of tenant.– Where the immovable property sold is in the occupancy of a tenant or other person entitled to occupy the same and a certificate in respect thereof has been granted, the Commissioner shall, on the application of the purchaser, order delivery to be made by affixing a copy of the certificate of sale at some conspicuous place on the property, and proclaiming to the occupant by beat of drum or other customary mode, at some convenient place that the interest of the defaulter has been transferred to the purchaser.

202. Resistance or obstruction to possession of immovable property.– (l) Where the holder of a certificate for the possession of immovable property or the purchaser of any such property sold in execution of a [1][notice is resisted or] obstructed by any person in obtaining possession of the property, he may make an application to the Commissioner complaining of such resistance or obstruction.

(2) The Commissioner shall fix a day for investigating the matter and shall summon the party against whom the application is made to appear and answer the same.

203. Resistance or obstruction by defaulter.– Where the Commissioner is satisfied that the resistance or obstruction was occasioned without any just cause by the defaulter or by some other person at his instigation, he shall direct that the applicant be put into possession of the property, and where the applicant is still resisted or obstructed in obtaining possession, the Commissioner may also, at the instance of the applicant, order the defaulter, or any person acting at his instigation, to be detained in the civil prison for a term which may extend to thirty days.

204. Resistance or obstruction by bona fide Claimant.– Where the Commissioner is satisfied that the resistance or obstruction was occasioned by any person (other than the defaulter) claiming in good faith to be in possession of the property on his own account [2][or] some person other than the defaulter, the Commissioner shall make an order dismissing the application.

205. Dispossession by certificate holder or purchaser.– (1) Where any person other than defaulter is dispossessed of immovable property by the holder of a certificate for the possession of such property or where on such property has been sold in execution of a Certificate, by the purchaser thereof, he may make an application to the Commissioner complaining of such dispossession.

[1]Substituted for "Certificate is resisted" by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "of" by SRO 392(I)/2009 dated May 19, 2009.

(2) The Commissioner shall fix a day for investigating the matter and shall summon the party against whom the application is made to appear and answer the same.

206. Bona fide claimant to be restored to possession.– Where the Commissioner is satisfied that the applicant was in possession of the property on his own account or on account of some person other than defaulter, he shall direct that the applicant be put into possession of the property.

207. Rules not applicable to transferee lite pendente.– Nothing in rules 211 and 205 shall apply to resistance or obstruction in execution of a certificate for the possession of immovable property by a person to whom the defaulter has transferred the property after the institution of the proceedings in which the order was passed or to the dispossession of any such person.

208. Delivery of movable property, debts and shares.– (1) Where the property sold is movable property of which actual seizure has been made, it shall be delivered to the purchaser.

(2) Where the property sold is movable property in the possession of some person other than the defaulter, the delivery thereof to the purchaser shall be made by giving notice to the person in possession prohibiting him from delivering possession of the property to any person except the purchaser.

(3) Where the property sold is a debt not secured by a negotiable instrument or is a share in a corporation, the delivery thereof shall be made by a written order of the Commissioner prohibiting the creditor from receiving the debt or any, [1][interest] thereon, and the debtor from making payment thereof to any person except the purchaser, or prohibiting the person in whose name the share may be standing from making any transfer of the share to any person except the, [2][purchaser], or receiving payment of any dividend or interest thereon, and the manager, secretary, or other proper officer of the corporation from permitting any such transfer or making any such payment to any person except the purchaser.

209. Execution of documents and endorsement of negotiable instruments.– Where any endorsement or execution of document is required to transfer a negotiable instrument or any share to a purchaser under these rules, such document shall be executed or endorsement shall be made by the Commissioner.

210. Forms.– Any notice, warrant of attachment, warrant of arrest, sale proclamation, sale certificate or order to be issued under these rules, shall be issued in such form as the Board may from time to time direct, and any defect or deficiency in form unless it adversely effects the interest of the parties, shall not vitiate the proceedings taken or initiated.

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[1]Substituted for "rest" by SRO 392(I)/2009 dated May 19, 2009.
[2]Substituted for "chaser" by SRO 392(I)/2009 dated May 19, 2009.

[1][CHAPTER XVIA

RECOVERY OF TAX FROM PERSONS HOLDING MONEY ON BEHALF OF A TAXPAYER

210A. Definitions.- For the purposes of this chapter, unless there is anything repugnant in the subject or context,-

(a) "tax recovery" means recovery of debt due to the Federal Government under the Income Tax Ordinance, 2001;

(b) "defaulter" means the taxpayer mentioned in the notice; and

(c) "notice", means a notice under sub-section (1) of section 140 of the Income Tax Ordinance, 2001.

210B. Notice of recovery to be issued by Commissioner.- (1) Where any tax is due under section 137 of the Ordinance, the Commissioner may serve a notice upon any person mentioned in sub-section (1) of section 140 of the Ordinance in the form as prescribed under rule 69:

Provided that prior approval of the Chief Commissioner shall be obtained who shall satisfy himself as to the service of order and that no refund due to the defaulter is available for adjustment against the tax demand. He shall also satisfy himself that no application for rectification or appeal effect which is likely to result in creation of refund is pending hearing before the Commissioner.

(2) No notice shall be issued before expiry of due date under section 137.

(3) Recovery under this chapter shall be independent of recovery under chapter XVI.

210C. Service and compliance of notice.- (1) The notice referred to in sub-rule (1) of rule 210B shall be served on the person in the manner provided in section 218 of the Income Tax Ordinance, 2001.

(2) The Commissioner shall also forward a copy of the notice to the defaulter at his last known address, and in case an account or money is held jointly, to all the joint-holders on their last known address.

(3) The person shall remit or send the money to the Commissioner through pay order or demand draft or through banking transfer or cheque for payment to the government treasury on the same day the notice is served, or, in case the money is to become due for payment to the defaulter at a future date, on the same day it becomes due:

Provided that where the person is liable to make a series of payments to the taxpayer, the Commissioner may specify the amount to be paid out of each payment until tax due has been paid.

(4) Recovery of tax shall be made only to the extent of tax due by the taxpayer:

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[1]Chapter XVIA inserted by SRO 274(I)/2020 dated April 02, 2020.

Provided that in case the money is held jointly with any person other than the defaulter, the shares of the joint-holders in such account shall be presumed, until the contrary is proved, to be equal.

(5) Every person to whom a notice is issued shall be bound to comply with such notice.

210D. Determination of disputes.- (1) Any question, arising between the Commissioner and the defaulter or their representatives relating to the execution, discharge or satisfaction of a notice duly issued under these rules, shall be determined by order of the Commissioner before whom such question arises.

(2) The Commissioner shall decide the matter under this rule within thirty days of preference of claim or making of objection.

210E. Appeal.- (1) Where-

(a) the Commissioner passes any order under rule 210D, an appeal against such order shall lie to the Chief Commissioner, Regional Tax Office or Large Taxpayer Unit, as the case may be; and

(b) any officer of Inland Revenue to whom powers have been delegated passes any order under rule 210D, an appeal against such order shall lie to the Commissioner.

(2) Where an appeal is admitted for hearing under sub-rule (1), the authority hearing the appeal shall fix a date for hearing for which notice shall be served to the concerned parties.

(3) After hearing both the parties or their representatives or when the appeal is taken up for exparte order, the appellate authority may make an order, to confirm, modify, reverse or remand the case for fresh decision in the light of directions that the appellate authority may think appropriate, being not inconsistent with these rules.

210F. Receipt to be given.- If any amount is received by the Commissioner in pursuance of these rules, he shall issue a receipt of the amount so received and such amount shall be considered to have been paid under the authority of the taxpayer.

210G. Withdrawal of notice.- The notice shall remain in force until withdrawn by the Commissioner.

210H. Failure to comply with notice.- (1) Where a person fails to comply with a notice In the manner provided in rule 210C, the person shall be personally liable to pay the amount to the Commissioner who may pass an order under sub-section (5) of section 140 to that effect and seek to recover the same.

(2) No order under sub-section (5) of section 140 shall be made unless the person has been provided with an opportunity of being heard.

(3) A person personally liable for an amount of tax under sub-section (5) of section 140 as a result of failing to comply with notice shall be entitled to recover the tax from the defaulter.

8-148-30-05-2020

(4) An order under sub-section (5) of section 140 shall not absolve the defaulter and the Commissioner may proceed to recover the tax from the defaulter until the entire amount is recovered either from the person or the defaulter.

210I. Board may Issue instructions.- (1) The Board may, from time to time, issue instructions, impose conditions, or limitations, or specify procedure to regulate recovery under this section.

(2) Any instructions, by the Board, issued earlier shall continue in force unless rescinded.]

8-148-30-05-2020

[1][CHAPTER XVIB
REFUND

210IA. Application.- This Chapter shall apply for electronic issuance of refunds under sub-section (4) of section 170 of the Ordinance.

210IB. Establishment of Centralized Income Tax Refund Office (CITRO).- There shall be established a Centralized Income Tax Refund Office (CITRO) under the Federal Board of Revenue (FBR) for centralized payment of refunds from such date as the Board may specify.

210IC. Sanction and payment of refund.-(1) From such date to be notified by the Board, after completing all codal formalities the Commissioner shall pass an order under section 170(4) and transmit the order to CITRO. The same shall be reflected in CITRO in real time.

(2) The CITRO shall generate electronic advice of approved amount for onwards submission to State Bank of Pakistan (SBP) through dedicated VPN tunnel established between FBR & SBP. The SBP shall credit amount directly to the account of taxpayer.

(3) SBP shall confirm the transfer of amounts to the taxpayers account or vice versa electronically to CITRO.

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[1]Chapter XVIB substituted by SRO 214(I)/2021 dated February 18, 2021. Earlier it was inserted by SRO 1314(I)/2020 dated December 09, 2020. Before substitution it read as follows:-

"CHAPTER XVIB

REFUND

210IA. Application.- This Chapter shall apply to all refund orders issued under sub-section (4) of section 170 of the Ordinance.

210IB. Establishment of Centralized Income Tax Refund Office (CITRO) and posting of officers.- There shall be established a Centralized Income Tax Refund Office (CITRO) under the Federal Board of Revenue for centralized payment of refund amount to such claimants and from such date as the Board may specify.

2101C. Sanction and payment of refund.- (1) From such date to be notified by the Board, the Commissioner shall transmit an order under sub-section (4) of section 170 of the Ordinance through Iris to the treasury officer in CITRO under his digital signature, and retain a copy thereof for record.

(2) The treasury officer in CITRO and the co-signatory designated by the Board in this regard shall issue the cheque or a promissory note to the FBR Refund Settlement Company Limited, as the case may be, for the sanctioned amount as mentioned in the refund order or online transfer.

(3) The CITRO shall also prepare a statement of payment advice for the concerned bank on a daily basis, for direct transfer to the taxpayer under intimation to the CITRO, the concerned Commissioner as well as the taxpayer.

(4) The in-charge of CITRO shall reconcile the refund cheques and payment advices issued during the month with the Bank scrolls received from the State Bank of Pakistan and record the outcome of such reconciliation in the system.

(5) Where any cheque is returned back by the State Bank of Pakistan due to any reason, the treasury officer shall cancel such cheque, if required, and attach such cancelled cheque with the respective counterfoil of the cheque-book."

8-155-20-03-2021

(4) The CITRO shall reconcile the payments issued as per instructions during the month with the electronic scrolls received from the SBP and record the outcome of such reconciliation in the system.

(5) Where any payment instruction is returned back by the SBP due to any reason, the CITRO shall transmit the same to concerned Commissioner for correction in payment instruction.

(6) FBR shall ensure that complete data of refunds issued is made available to the concerned Commissioner electronically.]

8-155-20/03-2021

[1][CHAPTER XVII
NON-PROFIT ORGANISATIONS

211. Procedure for the approval of a non-profit organization.– (1) An institution, fund, trust, society or any other non-profit organization (hereinafter referred to in this Chapter as organisation) established in Pakistan for religious, educational, charitable, welfare or development purposes or for the promotion of an amateur sport requiring approval of the Commissioner under clause (36) of section 2 of the Ordinance, shall make an application to the Commissioner in the following form, namely:–

APPLICATION FOR APPROVAL FOR THE PURPOSES OF CLAUSE (36) OF SECTION 2 OF THE INCOME TAX ORDINANCE, 2001

To,

The Commissioner of [2][Inland Revenue],
_____Zone,
_____(City).

1. With reference to clause (36) of section 2 of the Income Tax Ordinance, 2001 (XLIX of 2001), I the undersigned, hereby apply, on behalf of _____ (name of the organization) for its approval for the purposes of the said clause for the tax year ending on _____.

2. Necessary particulars are set out below, and in the schedule to this application.

3. The following documents required under sub-rule (2) of rule 211 of the Income Tax Rules, 2002, are enclosed.

(i) _____
(ii) _____
(iii) _____
(iv) _____

[1]Chapter XVII substituted by Notification No. SRO 541(I)/2003, dated June 13, 2003. Please see original Chapter XVII at the end of this chapter.
[2]Substituted for "Income Tax" by SRO 1218(I)/2015 dated December 08, 2015.

Filing of annual tax returns.–Following is an extract from CBR's Circular No. 01, 2006 dated July 01, 2006:-

"The NPOs mostly do not file the return of income tax and even do not obtain NTN considering themselves as exempt entities. Now, it has been made explicitly mandatory for NPOs to file income tax returns annually."

Rule 211- Approval, Copy of accounts. Following is the text of CBR's Letter C. No. 4(18)IT-J/92 dated November 2, 1992:-

"A clarification has been sought from the Board as to how newly incorporated entities where there does not exist any preceding year can furnish audited accounts with the application for approval of an institution under section 47 of the I.T. Ordinance 1979 as required vide Rule 41(1)(b)(iv) of the Income Tax Rules, 1982.

2. The issue has been examined in the Board and I am directed to clarify that approval of a newly incorporated institution may be accorded under section 47 of the Income Tax Ordinance, 1979 in the first year without production of audited accounts subject to revision in the next year when the audited accounts for the said year are submitted to the competent authority."

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(v) _____

Signature_____

Name (in block letters) _____

Designation _____

Application must be signed either by the President or the Secretary of the organization or by a Trustee, of the trust.

SCHEDULE

PARTICULARS

1. Name of the organization (in block letters)_____
2. Full address of the organization (in block letters)_____
3. Date of registration of the organization_____
4. Its aims and objects.
   (a) _____
   (b) _____
   (c) _____
   (d) _____

5. Whether the organisation has been registered under [1][the Companies Ordinance, 1984,] the Societies Registration Act, 1860 (XXI of 1860), or the Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 (XLVI of 1961), or any other law in substitution thereof relating to the registration of welfare organisation or established in pursuance of a Trust Deed. Please give/state the law and the number and date of registration _____.

6. Whether constitution, memorandum and articles of association, trust deed, rules and regulations or bye-laws, as the case may be, conform(s) to the provisions of sub-rule (1) of rule 213. If so, please give the number of Article/Clause/Rule etc., for each provision.

7. Whether the organization ensures for the benefit of the general public or a particular community or class of persons only (give full details).

8. The number of members /trustees of the organization on the date of application.

9. Accounting year of organization commences on _____ and ends on _____.

10. The following books of accounts are being regularly maintained by the organization and are open for inspection without any hindrance to the general public.
    (i) _____
    (ii) _____

[1]Words etc. inserted by SRO 392(I)/2009 dated May 19, 2009.

(iii) _____

Signature_____

Name (in block letters) _____

Designation _____

[1][11.(i) Bank A/c No. _____

(ii) Nam of Bank _____

(iii) Branch _____]

(2) An application under sub-rule (1) shall be accompanied by–

(a) a duly attested copy of the constitution, memorandum and articles of association, rules and regulations or bye-laws, as the case may be, of the organisation specifying the aims and objects for which it is established;

(b) a certified copy of the registered trust deed, in case of a Trust;

(c) a certified copy of certificate of registration in the case of an organisation registered under [2][the Companies Ordinance, 1984,] the Societies Registration Act, 1860 (XXI of 1860), the Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 (XLVI of 1961), or under any other law in substitution thereof relating to the registration of welfare organisation as applicable;

[1][(cc) Details of Members/Trustees of the organization on the date of application.

(i) Name _____

(ii) CNIC _____

(iii) Income declared _____

(iv) Tax Year _____]

(d) duly attested copies of the balance sheet and of revenue accounts of the organisation as audited by a "qualified accountant" for the year immediately preceding the year in which the application is made;

(e) the names [1][, CNIC/NTN, Last income declared, tax year] and addresses of the promoters, directors, trustees, president, secretary, treasurer, manager and other office bearers, as the case may be, of the organisation, and indicating clearly their family relationships, if any, with each other;

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[1]Inserted by SRO 754(I)/2016 dated August 15, 2016.

[2]Words etc. inserted by SRO 392(I)/2009 dated May 19, 2009.

Rule 211(2)(f)(ii)–Omission. Before omission by SRO 774(I)/2006 dated July 29, 2006 read as follows:–

"(ii) a Cost and Management Accountant for those where the annual receipts of the organisation exceed Rs.0.5 million but do not exceed Rs. 3.0 million; and"

Rule 211(2)(f)(iii)–Substitution. Before substitution by SRO 774(I)/2006 dated July 29, 2006 read as follows:–

"(iii) in other cases, a Chartered Accountant.

Provided that an organization may also choose to engage auditors prescribed for organization with higher receipts; and"

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(f) for the purposes of clause (d), "qualified accountant" means,–

(i) a retired audit, accounts, treasury or taxation officer of the Government not below BPS-17 or a bank manager, where the annual receipts of the organisation do not exceed Rs. 0.5 million;

[1][ ]

[2][(iii) in other cases, a Chartered Accountant as defined under the Chartered accountants Ordinance, 1960 (x of 1960) or a Cost and Management accountant as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966) or a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1960 (X of 1960) or a firm of Cost and Management Accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966).]

(g) a detailed report with regard to the performance of the organisation for achieving its aims and objects during the [3][preceding financial year] preceding the date on which application is made, duly evaluated and certified by an independent certification agency approved by an authority designated by the Government of Pakistan for this purpose or, till that authority is established, under arrangements made by the Central Board of Revenue [4][Commissioner] [5][:]

[6][Provided that till the approval of two such agencies, the applicant organization shall have an option to get its performance appraised by [7][[8]/Chief Commissioner/, Regional Tax Office or Large Taxpayers Unit]:

Provided further that [9][[8]/Chief Commissioner/ or Officers of Regional Tax Office or Large Taxpayer Unit, shall apply the same parameters on applicant organizations for the purpose of aforesaid evaluation as are approved by the CBR to be applied by the certification agency.]

212. Decision on application.– (1) On receipt of an application under rule 211, the Commissioner may make such inquiries or call for such further information as the Commissioner may deem necessary and after completion of formalities may approve the organization for the purpose of clause (36) of section 2 of the Ordinance.

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[1]Sub-clause (ii) as follows omitted by SRO 774(I)/2006 dated July 29, 2006.
[2]Sub-clause (iii) as follows substituted by SRO 774(I)/2006 dated July 29, 2006.
[3]Substituted for "three financial years" by SRO 608(I)/2005, dated June 13, 2005.
[4]Substituted for "or Commissioner of Income Tax" by SRO 1218(I)/2015 dated December 08, 2015. Earlier it was inserted by SRO 608(I)/2005, dated June 13, 2005.
[5]Substituted for full stop by SRO 1015(I)/2003, dated November 5, 2003.
[6]Provisos inserted by SRO 1015(I)/2003, dated November 5, 2003.
[7]Substituted for "CBR" by SRO 707(I)/2007, dated July 14, 2007.
[8]Substituted for "Director General" by SRO 1218(I)/2015 dated December 08, 2015.
[9]Substituted for "CBR or its officers" by SRO 707(I)/2007, dated July 14, 2007.

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(2) An approval granted under sub-rule (1) shall be–

(a) notified in the official Gazette; [1][and]

(b) subject to such conditions as the Commissioner may specify in the approval; [2][ ]

[3][ ]

213. **Refusal to grant approval.–** (1) The approval shall not be granted if the constitution, memorandum and articles of association, trust deed, rules and regulations or bye-laws, as the case may be, specifying the aims and objects of the organization do(es) not provide–

(a) for the audit of the annual accounts of the organisation every year by a qualified accountant as specified in clause (f) of sub-rule (2) of rule 211;

(b) where the organisation is registered under [4][the Companies Ordinance, 1984,] the Societies Registration Act, 1860 (XXI of 1860), the Voluntary Social Welfare (Registration Control) Ordinance, 1961 (XLVI of 1961), or any other law in substitution thereof relating to the registration of welfare organisation, for the quorum of a meeting of the members of the body in which the control of the affairs of the organisation vests, being not less than four or one-third of the total number of the members of such body, whichever is greater;

(c) where the organisation is a Trust as defined in the Trust Act, 1882 (II of 1882), for the quorum of a meeting of the members of the body in which the control of the affairs of the trust vests, being not less than three or one-third of the total number of the members of such a body, whichever is greater;

(d) for the transfer of its assets, in the event of its dissolution, after meeting all liabilities, if any, to another organisation which is an approved non-profit organisation, within three months of the dissolution under intimation to the Commissioner;

(e) for the utilisation of its money, property or income or any part thereof solely for promoting its objects;

(f) for prohibiting any portion of its money, property or income being paid or transferred directly by way of dividend, bonus or profit to any of its members or the relative or relatives of a member or members;

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[1]Substituted for "semi colon" by SRO 667(I)/2006, dated June 27, 2006.
[2]Word omitted for "and" by SRO 667(I)/2006, dated June 27, 2006.
[3]Clause (c) omitted by SRO 667(I)/2006, dated June 27, 2006.
[4]Words etc. inserted by SRO 392(I)/2009 dated May 19, 2009.

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R.212(2)(c)–Omission.– Clause (c) before omission read as follows:–

"(c) valid until the 30th day of June of the tax year next following the tax year in which the approval is granted."

(g) for the maintenance of accounts of the organisation being kept in a scheduled bank or in a post office or national savings organisation, National Bank of Pakistan or nationalised commercial banks;

(h) for prohibiting the making of any changes in the constitution, memorandum and articles of association, trust deed, rules and regulations or bye-laws, as the case may be, without the prior approval of the Commissioner:

Provided this clause will have effect only in cases where the approval is granted; and

[1][(i) for restricting the surpluses or monies validly set apart, excluding restricted funds, upto twenty-five per cent of the total income of the year:

Provided that such surpluses or monies set apart are invested in Government securities, [2][National Saving Schemes, issued by the Central Directorate of National Savings] NIT units, a collective investment scheme authorized or registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, mutual fund, a real estate investment trust approved and authorized under the Real Estate Investment Trust Rules, 2006, or scheduled banks:

Explanation: For the purpose of this rule, "restricted funds" mean any fund received by the organization but could not be spent and treated as revenue during year due to any obligation placed by the donor.]

(2) The Commissioner may refuse to approve the organisation if the Commissioner is satisfied that the organisation–

(a) has been or is being used for personal gain of any particular person or a group of persons;

(b) has been propagating the view of a particular political party or a religious sect;

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[1]Sub-clause (i) as follows substituted by SRO 774(I)/2006 dated July 29, 2006.
[2]Words inserted by SRO 392(I)/2009 dated July 19, 2009.

Rule 213(1)(i)–Substitution. Before substitution by SRO 774(I)/2006 dated July 29, 2006 read as follows:–

"(i) for restricting the moneys validly set apart or not utilised upto twenty-five per cent of the income including surplus worked out of the amount from donations made to it. In case, accounting period closes within three months of the commencement of activities, the Commissioner can relax this condition upto fifty per cent of the amount

Provided that a certificate to the effect that the amounts so in excess of the said limit have been invested in Government securities or in the scheduled banks including NIT Units or any mutual funds registered with State Bank of Pakistan or Securities Exchange Commission of Pakistan is produced:

Provided further that such deposit or investment in or through the scheduled banks shall not exceed one-third of the surplus at the end of the year."

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(c) has been or is being managed in a manner calculated to personally benefit its members or their families; [1][ ]

(d) has not been or will not be able to achieve its declared aims and objects in view of its set up, administration or otherwise as evaluated and certified by an independent certification agency [2][or as evaluated by [3][Chief Commissioner], Regional Tax Office or Large Taxpayer Unit under clause (g) of sub-rule(2) of rule 211; or]

[4][(e) has made expenditure on salaries exceeding 50% of the total receipts excluding restricted donations or funds received during a tax year.]

[5][(f) the names, CNIC/NTN, last income declared, tax year and addresses of the promoters, directors, trustees, president, secretary, treasurer, manager and other office bearers, as the case may be, of the organization and indicating clearly their family relationships, if any, with each other.]

(3) The Commissioner shall notify the applicant, in writing, the decision to refuse the approval.

(4) The notice referred to in sub-rule (3) shall include a statement of reasons for the refusal.

[6][**214. Validity of the approval**.- The approval granted under rule 212 will remain in force for the [7][subsequent three years or] unless withdrawn under rule 217 [7][whichever is earlier].

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[1]Word "or" omitted by SRO 392(I)/2009 dated July 19, 2009.
[2]Substituted for full stop and words inserted by SRO 392(I)/2009 dated July 19, 2009.
[3]Substituted for "Director General" by SRO 1218(I)/2015 dated December 08, 2015.
[4]Clause (e) inserted by SRO 392(I)/2009 dated May 19, 2009.
[5]Clause (f) inserted by SRO 754(I)/2016 dated August 15, 2016.
[6]Rule 214 substituted by SRO 667(I)/2006, dated June 27, 2006.
[7]Substituted for "subsequent years" by SRO 754(I)/2016 dated August 15, 2016.
[8]Words inserted by SRO 754(I)/2016 dated August 15, 2016.

R. 214–Substitution.– Rule 214 before substitution read as follows:–

"Renewal of approval.– (1) An organisation that has been approved as a non-profit organisation may apply for renewal of approval to the Commissioner concerned through an application in the following form, namely:–

APPLICATION FOR RENEWAL OF APPROVAL
FOR THE PURPOSES OF CLAUSE (36) OF SECTION 2
OF THE INCOME TAX ORDINANCE, 2001.

To,

The Commissioner of Income Tax,
_____ Zone,
_____(City).

I, the undersigned, hereby apply for the renewal of approval of _____ (name of the Organization) for the tax year ending on _____.

2. The _____ (name of the Organization) was approved as a Non-Profit Organization by the Commissioner vide Notification No _____ dated _____.

3. It is hereby certified that:–

(a) constitution, memorandum and articles of association, trust deed, rules and regulations or bye-laws, as the case may be, previously filed with the Commissioner, have remained unchanged;
(b) the disqualification mentioned in sub-rule (1) of rule 213 do not apply to the organization;
(c) the organization has fully complied with the provisions of Rule 213; and
(d) the information given above and in the attached Schedule is correct.

Signature _____
Name (in block letters) _____
Designation _____

SCHEDULE

Particulars

1. Name of the organization (in block letters)_____
2. Full address of the organization (in block letters)_____
3. Date of registration of the organization_____
4. Its aims and objects.
   (a) _____
   (b) _____
   (c) _____
   (d) _____
5. Date of approval granted under clause (36) of section 2 the Income Tax Ordinance, 2001.
6. Whether the constitution, memorandum and articles of association, trust deed, rules and regulations or bye-laws, as the case may be, conform(s) to the provisions of sub-rule (1) of rule 213. If so, please give the number.
7. Whether the organization ensures for the benefit of the general public or a particular community or class of persons only (give full details).
8 The number of members/trustees of the organization on the date of application.
9. Accounting year of the organization commences on _____ and ends on _____.
10. The following books of accounts are being regularly maintained by the institution and are open for inspection without any hindrance to the general public.
    (i) _____
    (ii) _____
    (iii) _____

Signature _____
Name (in block letters) _____
Designation _____

Application must be singed either by the President or the Secretary of the organisation or by a Trustee of the Trust.

(2) An application for renewal of approval under sub-rule (1) shall be furnished within six months after the expiry of the validity of the approval last granted and such application shall be accompanied by such documents and instruments as are specified in sub-rule (2) of rule 211 [1][:]

[2][Provided that notwithstanding anything contained herein, for the purposes of this rule, clause (g) of sub-rule (2) of rule 211 shall take effect from July 1, 2004.]

[1]Substituted for full stop by Notification No. SRO 1015(I)/2003, dated November 5, 2003.
[2]Proviso inserted by Notification No. SRO 1015(I)/2003, dated November 5, 2003.

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(3) The Commissioner may renew the approval where the Commissioner is satisfied that the organisation–

(a) complied with the provisions of clause (h) of sub-rule (1) of rule 213;

(b) did not suffer any one or more of the disqualification(s) specified in sub-rule (2) of rule 213;

(c) complied with the provisions of rule 216; and

*(e) otherwise satisfied the requirements for renewal of approval in the preceding three years.

(4) The Commissioner shall refuse an application for renewal of an approval for any year if the organisation did not enjoy approval for the tax year immediately preceding the year in which the renewal application is made under this rule.

(5) The first renewal of approval shall be valid up to the 30th day of June of the second tax year following the tax year in which renewal of the approval is granted, provided that subsequent renewals will be for a period extending upto three years depending on an independent certification agency's report and audit results.

(6) The renewal of approval of an organisation shall be–

(a) notified in the official Gazette; and

(b) subject to such conditions as the Commissioner may specify in the renewal of approval.

(7) The Commissioner shall notify the applicant, in writing, the decision to refuse an application to renew the approval.

(8) The notification referred to in sub-rule (7) shall include a statement of reasons for the refusal."

*should have been "(d)".

Rule 214-Renewal of approval, satisfaction of Commissioner.– Following is the text of RCIT Central Region, Lahore's letter No. RCIT/2(101) 41(5)/1368/R dated October 5, 1991, explaining the corresponding provision of Income Tax Rules, 1982:–

"The undersigned is directed to request that after a case of renewal of a charitable/religious institution is processed by the concerned ITO, the Commissioner may send a suitable report in each case to enable the RCIT to decide if renewal is to be granted or otherwise. Especially the following information about the institution may be mentioned in the report:

(a) NTN of the religious/charitable institution.

(b) A certificate to the effect that assessment for A.Y. 1990-91 (in the case of the religious/charitable institution) has been finalised either to levy tax on total income or on a part of its income or to grant total exemption from tax.

(c) A certificate that the reasons for setting apart and not utilising the money referred to in sub-clause (iv) of clause (b) of sub-rule (5) of rule 41 are valid and proper. If the reasons are not valid, this fact may be mentioned in the Report.

(d) A certificate that the money set apart does not exceed Rs. 10,000 or 25% of income (including donations), whichever is less, and that if the money set apart is in excess of this limit, the excess has been invested in NIT or in other Government Securities. If this condition is not fulfilled, this fact may be mentioned in the report. Sometimes a larger sum of money is kept in hand to meet day to day expenses in the subsequent year. In such a case the zonal office should examine cash book of the subsequent year to report if keeping in hand such an amount was justified in view of expenditure in the subsequent year.

(e) A certificate to the effect that the religious/charitable institution does not suffer from the four disqualifications listed in rule 41(4).

(f) Whether the irregularities in the functioning of the institution are of such a nature that renewal may not be granted for calendar year 1991 or a mere warning for being careful in future is sufficient. Whether the institution functioned during 1990, for the purpose for which it was granted approval/renewal and complied with the provisions of its charter and relevant provisions of income tax law relating to approval/renewal u/s 41(1)(d) (The irregularities, if any, noticed by the Zone have to be annexed with the findings).

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2. It may please be noted that each renewal application has to be processed and report therein has to be sent to the CIT Office within sixty days of the receipt of renewal application by the zonal office from the applicants. In case it cannot be sent by zonal office within 60 days, an interim report indicating reasons causing delay may be sent to RCIT office. Such an interim report must be sent a week before the expiry of period of 60 days. If it does not contain any confidential matter, a copy of the same may be sent to the applicant so that he is made aware of the causes of delay."

Following is the text of CBR's Circular Letter No. 71(61)IT-V/82, dated November 30, 1982, explaining the corresponding provision of Income Tax Rules, 1982:–

"Income Tax Rule 41(5) provides that the Board will renew approval granted under Section 47(I) (d)/47(4) of the Income Tax Ordinance, 1979 only after the renewal application of a charitable/religious institution is processed by the Zonal Commissioner of Income Tax. This has been done to ensure that renewal is granted to those institutions which are working as per the provisions of income tax law and their charters.

2. In order to ensure that the renewal applications for calendar year 1983 are processed promptly and properly a system may be laid down for the guidance of assessing officers. The following may be considered while evolving a system:

(i) The assessments for 1982-83 in respect of institutions falling under jurisdiction of each ITO may be finalised by 31st December, 1982. This was indicated in Board's earlier letter of even number dated 19th May, 1982. Until and unless assessment for 1982-83 is finalised before the due date for renewal applications for calendar year 1983 the ITOs will have no basis to process the new renewal applications. According to Income Tax Rule 41(5) (a) a renewal application has to be processed by the Commissioner of Income Tax within two months of its receipt. The renewal applications will be submitted by the institutions during January-June, 1983.

(ii) On finalisation of assessment either the institution will be subjected to tax or proceedings will be filed for the reason that it is not liable to tax.

(iii) The ITO has to ensure that renewal application is made on the forms prescribed vide Income Tax Rule 41. It should also be ensured that the documents listed in rule 41(5)(b) are submitted.

3. After processing a renewal application received under rule 41(5) the Commissioner of Income Tax has to give the following findings while forwarding the case to Central Board of Revenue:

(a) Whether the institution is liable to tax for assessment year 1982-83.

(b) Whether the institution functioned during the year 1982, for which it was granted approval/renewal by the Board, as per the provisions of its charter and relevant provisions for income tax law.

(c) Whether the irregularities in the functioning of the institution during the year relevant to assessment year 1982-83 are of such a nature that renewal may not be granted for calendar year 1983 or a mere warning for being careful in future is sufficient.

(Note:– The irregularities noticed by the ITO have to be annexed with the finding).

4. Receipt of the letter may please be acknowledged."

Following is the text of CBR's Circular Letter C. No. 71(84)IT-V/84, dated September 17, 1984, explaining the corresponding provision of Income Tax Rules, 1982:–

"I am directed to refer to the above subject and to state that the Board has decided that the Charitable Institutions be asked to add the National Identity Card Number of individual donee/beneficiary alongwith the existing requirements of name and address, specifically in cases where the disbursement is over Rs. 500/-.

2. I am further directed to state that in case the donee/beneficiary is an institution or a hospital, the proof should be in the form of a formal letter of thanks bearing a reference number and giving the name and designation of the head of the organisation receiving such a donation.

3. Commissioners of Income Tax may therefore kindly ensure that the above information is submitted to them at the time of Approval or Renewal of Approval as per Rule 41 of the Income Tax Rules, 1982."

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215. Finalisation of applications.– The Commissioner shall finalise applications under [1][rule 211] within two months of their receipt.

[2][ ]

[3][**217. Power to withdraw approval**.– (1) The Commissioner may, at any time, withdraw approval granted under rule 212, if he is satisfied that-

(a) the constitution, memorandum and articles of association, trust deed, rules and regulations or bye-laws, as the case may be, specifying the aims and objects of the organization do(es) not provide for prohibiting the making of any changes in the constitution, memorandum and articles of association, trust deed, rules, regulations and bye-laws without prior approval of the Commissioner;

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[1]Substituted for "rules 211 and 214" by SRO 392(I)/2009 dated May 19, 2009.
[2]Rule 216 omitted by SRO 667(I)/2006, dated June 27, 2006.
[3]Rule 217 substituted by SRO 667(I)/2006, dated June 27, 2006.

Following is the text of CBR's Circular No. 2 of 1986, dated January 7, 1986, explaining the corresponding provision of Income Tax Rules, 1982:–

"An amendment has been made, vide S.R.O. No. 956(I)/85, dated 6th October, 1985, in clause (a) of sub-rule (5) of rule 41 of the Income Tax Rules, 1982, empowering, in addition to the Central Board of Revenue, the Regional Commissioners of Income Tax also to renew the annual approval of an institution approved under section 47(1)(d) of the Income Tax Ordinance, 1979. It has been decided that henceforth the powers of renewal shall be exercised by the Regional Commissioners with effect from January 1, 1986. Accordingly, all applications for renewal for the year ending December, 1986 shall be processed by the area Commissioners and forwarded to the respective Regional Commissioners for orders instead of to the Central Board of Revenue. A copy of the renewal order will in each case be endorsed to the Central Board of Revenue.

2. Renewal applications for earlier years, if any, may continue to be forwarded to the Central Board of Revenue.

3. Renewal of approval in cases of institutions approved under section 47(4) of the Income Tax Ordinance, will also continue to be referred to the Central Board of Revenue."

R. 216–Omission.– Rule 216 before omission read as follows:–

"Annual accounts.– An organisation that has been approved under rule 212 or whose approval has been renewed under rule 214 shall, by the 31st day of July each year, submit to the Commissioner and to the concerned certification agency, in respect of the preceding tax year:–

(a) a copy of the statement of audited accounts, as mentioned in clause (d) of sub-rule (2) of rule 211;

(b) a statement of income and donations received and moneys paid;

(c) a list of donees and beneficiaries with full addresses; and

(d) a statement showing the money set apart or kept un-utilised with reasons thereof."

R. 217–Substitution.– Rule 217 before substitution read as follows:–

"Power to withdraw approval.– (1) The Commissioner may, at any time, withdraw an approval granted earlier, if the organisation fails to comply with the provisions of rule 216 or 219 and is satisfied that–

(a) the said organisation has failed to fully utilise its income and the donations received by it for achieving the purpose for which it was established; and

(b) the reason for setting apart, or for not utilising, the money referred to in clause (d) of rule 216 is not valid.

The Commissioner shall also supply a copy of the order withdrawing the approval to the concerned certification agency.

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(b) the organization has-

(i) been or is being used for personal gain of any particular person or a group of persons as specified in clause (a) of sub-rule (2) of rule 213;

(ii) been propagating the view of a particular political party or a religious sect as specified in clause (b) of sub-rule (2) of rule 213;

(iii) been or is being managed in a manner calculated to personally benefit its members or their families as specified in clause (c) of sub-rule (2) of rule 213; or

(iv) not been or will not be able to achieve its declared aims and objects in view of its set up, administration or otherwise as evaluated and certified by an independent certification agency as specified in clause (d) of sub-rule (2) of rule 213;

(v) failed to give valid reasons for setting apart, or not utilizing, or accumulating surpluses, excluding [1][restricted] funds, in excess of twenty five percent of the income for the year.

(vi) failed to file the return of income supported with following documents;

(a) the statement of audited balance sheet and statement of accounts as mentioned in clause (d) of sub-rule (2) of rule 211;

(b) statement showing names and addresses of the persons from whom donations, contributions, subscriptions etc exceeding Rs. 5,000/- have been received during the tax year;

(c) statement showing the names and addresses of donees and beneficiaries etc to whom payments, services etc exceeding Rs. 5,000/- have been made during the tax year; and

(d) statement showing the money set apart or kept un-utilized with reasons thereof;

(vii) failed to provide a detailed performance evaluation report in terms of clause (g) of sub-rule (2) of rule 211, after every three years [2][:]

[1]Substituted for "unrestricted" by SRO 21(I)/2007, dated January, 05, 2007
[2]Substituted for full stop by SRO 392(I)/2009 dated May 19. 2009.

(2) No approval shall be withdrawn under sub-rule (1) unless the organisation has had an opportunity to show cause against the action proposed to be taken.

(3) Where the Commissioner decides to withdraw an approval under sub-rule (1), the Commissioner shall intimate the organisation and certification agency, in writing, of the decision including a statement of reasons for the decision."

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[1][Provided that where such detailed performance evaluation report is not submitted on or before 30th of September following every three tax years, the Commissioner shall issue a show cause notice for withdrawal of approval to the concerned organization as required under sub-rule (2);]

[2][(viii) failed to file statements of deduction of income tax under section 165 read with rule 44.]

[3][(ix) the names, CNIC/NTN, last income declared, tax year and addresses of the promoters, directors, trustees, president, secretary, treasurer, manager and other office bearers, as the case may be, of the organization and indicating clearly their family relationships, if any, with each other.]

(2) Approval shall not be withdrawn under sub-rule (1) unless the organization has had an opportunity to show cause against the action proposed to be taken.

(3) Where the Commissioner decides to withdraw approval under sub-rule (1), he shall intimate the organization, in writing, of the decision including a statement of reasons for the decision.]

218. Appeal against a decision of Commissioner.– [4][(1) An organisation dissatisfied with–

(a) a decision to refuse an application made under rule 211 [5][ ]; or

(b) a decision to withdraw an approval under rule 217,

may lodge an appeal [6][within sixty days of the receipt of order from the Commissioner] in the following form with the [7][[8]/Chief Commissioner/, Regional Tax Office or Large Taxpayer Unit] concerned, namely:–

GROUNDS OF APPEAL

(i) _____

(ii) _____

(iii) _____

(iv) _____

(v) _____

We/I_____ the appellant(s) named in the above appeal do declare that what is stated therein is true to the best of our/my information and belief.

Dated……20____

Signature_____

Name _____

Address _____

[1]Proviso inserted by SRO 392(I)/2009 dated May 19. 2009.
[2]Clause (viii) inserted by SRO 392(I)/2009 dated May 19. 2009.
[3]Clause (ix) inserted by SRO 754(I)/2016 dated August 15. 2016.
[4]Rule 218 renumbered as sub-rule (1) by SRO 392(I)/2009 dated May 19, 2009.
[5]Word and figure "or 214" omitted by SRO 392(I)/2009 dated May 19, 2009.
[6]Words inserted by SRO 392(I)/2009 dated May 19, 2009.
[7]Substituted for "Regional Commissioner of Income Tax" by SRO 392(I)/2009 dated May 19, 2009.
[8]Substituted for "Director General" by SRO 1218(I)/2015 dated December 08, 2015.

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PARTICULARS

1. Name of the organization (in block letters)_____
2. Full address of the organization (in block letters)_____
3. Date of establishment of the organization_____
4. Its aims and objects.
   (a) _____
   (b) _____
   *(b) _____
   (d) _____

5. Whether the organisation has been registered under [1][the Companies Ordinance, 1984, or] the Societies Registration Act, 1860 (XXI of 1860), or the Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 (XLVI of 1961), or any other law in substitution thereof relating to the registration of welfare organisation or established in pursuance of a Trust Deed. Please give/state the law and the number and date of registration _____.

6. Whether constitution, memorandum and articles of association, trust deed, rules and regulations or bye-laws, as the case may be, conform(s) to the provisions of sub-rule (1) of rule 213. If so, please give the number of Article/ Clause/ Rule etc., for each provision.

7. Whether the organization ensures for the benefit of the general public or a particular community or class of persons only (give full details).

8. The number of members/ trustees of the organization on the date of application.

Signature_____
Name (in block letters) _____
Designation _____

[2][(2) The [3][Chief Commissioner], Regional Tax Office or Large Taxpayer Unit shall make a decision on the appeal of the organization within sixty days of its filing.]

219. Organisation granted approval before commencement of these rules.– The approval granted prior to the commencement of these rules to an organisation shall be deemed to have been withdrawn unless an application in the manner laid down in rule 214 is made on behalf of such organisation for calendar year 2002 by the 30th day of June, 2003 [4][and upto calendar year 2003 by the 30th day of June 2004].

[1]Words etc. inserted by SRO 392(I)/2009 dated May 19, 2009.
[2]Sub-rule (2) inserted by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "Director General" by SRO 1218(I)/2015 dated December 08, 2015.
[4]SRO 1015(I)/2003, dated November 5, 2003, substitutes "calendar year 2002 within the time specified before June 2003" while these words etc. appeared in the rule 219 before substitution of Chapter XVIII by SRO 541(I)/2003, dated June 13, 2003. Moreover the proposed words "and upto calendar year 2003 by the 30th day of June 2004" appear to be an intended insertion instead of substitution and has been so dealt with here.
*should have been "(c)".

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220. Relaxation of requirements or conditions.– The Commissioner may relax or modify any of the requirements or conditions of this chapter, in any individual case, if he is satisfied that the requirements or conditions could not be fulfilled by the applicant for reasonable cause.

220A. Procedure for approval [1][ ] **for purpose of** [2][**clause (c) of sub-section (2) of section 100C of the Ordinance**]**.–** (1) An organization established in Pakistan requiring the approval of the [3][Chief Commissioner] under [6][clause (c) of sub-section (2) of section 100C of the Ordinance] to the Ordinance*, shall;

(a) make an application to the [4][Chief Commissioner] in Form I annexed to this rule;

(b) the application shall be accompanied by–

(i) a duly attested copy of the constitution, memorandum and articles of association, rules and regulations or bye-laws, as the case may be, of the organisation specifying the aims and objects for which organisation is established;

(ii) a certified copy of the registered trust deed, in case of a Trust;

(iii) a certified copy of the certificate of registration in the case of an organization registered under [5][Companies Ordinance, 1984,] the Societies Registration Act, 1860 (XXI of 1860), or the Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 (XLVI of 1961), or under any other law in substitution thereof relating to the registration of welfare organizations as applicable;

(iv) duly attested copies of balance sheets and of revenue accounts of organization as audited by a "qualified accountant" for the three years immediately preceding the tax year in which the application is made;

[1]Words "of a non–profit organization" omitted by SRO 595(I)/2005, dated June 02 2005.
[2]Substituted for "sub-clause (3) of clause (58) of Part I of the Second Schedule" by SRO 1218(I)/2015 dated December 08, 2015.
[3]Substituted for "Regional Commissioner or Income Tax" by SRO 1218(I)/2015 dated December 08, 2015. Earlier it was substituted for "Central Board of Revenue" by SRO 880(I)/2006, dated August 25 2006.
[4]Substituted for "Regional Commissioner or Income Tax" by SRO 1218(I)/2015 dated December 08, 2015. Earlier it was substituted for "Board" by SRO 880(I)/2006, dated August 25 2006.
[5]Words etc. inserted by SRO 392(I)/2009 dated May 19, 2009.
*these words seems to be surplus.

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[1][(v) the names, CNIC/NTN, last income declared, tax year and addresses of the promoters, directors, trustees, president, secretary, treasurer, manager and other office bearers, as the case may be, of the organization and indicating clearly their family relationships, if any, with each other.]

(vi) a detailed report with regard to the performance of the organisation, for achieving its aims and objects during the three financial years immediately preceding the date of the application duly evaluated and certified by an independent certification agency approved [2][and appointed by the Central Board of Revenue].

[3][Provided that the [4][[5]/Chief Commissioner/, Regional Tax Office or Large Taxpayers Unit] shall also receive applications for performance appraisal and certification of applicant organizations till at least two such agencies have been appointed:

Provided further that [4][[5]/Chief Commissioner/ or Officers of Regional Tax Office or Large Taxpayer] shall apply the same parameters on applicant organizations for the purpose of aforesaid evaluation as are approved by the CBR to be applied by the certification agency.]

(2) (a) On receipt of an application for registration under this rule, the [6][Chief Commissioner], subject to the requirements and conditions specified in sub-rule (3) and after such inquiry as it may deem necessary, grant approval to the organization if–

(i) the organization has been formed for the purpose of establishing hospitals or providing education or for community welfare or development;

(ii) it has operated and functioned anywhere in Pakistan, for a period of not less than three years and has complied with minimum acceptable standards of internal governance, accountability, transparency and efficiency prescribed by any law for the time being in force;

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[1]Rule 220A(1)(b)(v) substituted by SRO 754(I)/2016 dated August 15, 2016.
[2]Substituted for "by an authority designated by the Government of Pakistan for this purpose or till that authority is established, under arrangements made by the Central Board of Revenue" by SRO 1015(I)/2003, dated November 5, 2003.
[3]Provisos inserted by SRO 1015(I)/2003, dated November 5, 2003.
[4]Substituted for "CBR" by SRO 707(I)/2007, dated July 14, 2007.
[5]Substituted for "Director General" by SRO 1218(I)/2015 dated December 08, 2015.
[6]Substituted for "Regional Commissioner of Income Tax" by SRO 1218(I)/2015 dated December 08, 2015. Earlier it was substituted for "Central Board of Revenue" by SRO 880(I)/2006, dated August 25 2006.

R. 220A(1)(b)(v)–Substitution.– Before substitution read as follows:–

"(v) the names and addresses of the promoters, directors, trustees, president, secretary, treasurer, manager and other office bearers, as the case may be, of the organization and indicating clearly their family relationships, if any, with each other; and"

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(iii) its area of operation is wholly within Pakistan; and

(iv) its books of accounts are maintained regularly and in accordance with the generally accepted accounting principles and satisfactory arrangements exist for their inspection by interested members of the public–

(b) The approval shall be notified in the official Gazette.

[1][(c) The approval granted under rule 220A(2) will remain in force for subsequent years unless withdrawn under sub rule (7) of rule 220A.]

(d) For the purposes of this rule, "qualified accountant" has the same meaning as assigned to it in clause (f) of sub-rule (2) of rule 211.

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[1]Clause (c) substituted by SRO 880(I)/2006, dated August 25 2006.

Rule 220A(2)(c)-Substitution.- Cl. (c) before substitution by SRO 880(I)/2006, dated August 25 2006, read as follows:–

"(c) The approval shall be valid for the tax year in which the approval is granted and for two tax years next following."

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(3) Approval shall not be granted to an organization if the [1][Chief Commissioner] is satisfied that–

(a) any of the requirements or conditions specified in sub-rules (1) and (2) has not been fulfilled; or

(b) the organization has been or is being used or is likely to be used for personal gains of any particular person or a group of persons; or

(c) the organization has been or is likely to be used for propagating the views of a particular political party or a religious sect; or

(d) the organization has not been or will not be able to achieve its declared aims and objects in view of its set up, administration or otherwise as evaluated and certified by an independent certification agency; or

(e) the constitution, memorandum and articles of association, trust deed, rules and regulations or bye-laws, as the case may be, specifying the aims and objects of the organization do(es) not provide–

(i) for audit of the annual accounts of the organization, every year by a "qualified accountant";

(ii) for the transfer of its assets, in the event of its dissolution, after meeting all liabilities, if any, to an organization approved under this rule or rule 212 within three months of the dissolution under intimation to the [1][Chief Commissioner].

(iii) for the regular maintenance of books of accounts in accordance with the generally accepted accounting principles and for their inspection by the interested members of the public, without any hindrance, at all reasonable times;

(iv) for the utilization of its money, property or income or any part thereof solely for promoting the objects specified in sub-clause (i) of clause (a) of sub-rule (2);

(v) for the maintenance of accounts of the organisation being kept in a scheduled bank or in a post office or national savings organisation, National Bank of Pakistan or nationalised commercial banks;

(vi) for prohibiting the making of any changes in the constitution, memorandum and articles of association, trust deed, rules and regulations or bye-laws, as the case may be, without the prior approval of the [*]Central Board of Revenue; and

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[1]Substituted for "Regional Commissioner of Income Tax" by SRO 1218(I)/2015 dated December 08, 2015. Earlier it was substituted for "Central Board of Revenue" by SRO 880(I)/2006, dated August 25 2006.

[*]should have been substituted by "Regional Commissioner of Income Tax" in line with similar amendments by SRO 880(I)/2006.

[1][(vii) for restricting the surpluses or monies validly set apart, excluding restricted funds, up-to twenty-five per cent of the total income of the year:

Provided that such surpluses or monies validly set apart are invested in Government securities, NIT units, a collective investment scheme authorized or registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, mutual fund, a real estate investment trust approved and authorized under the Real Estate Investment Trust Rules, 2006, or scheduled banks:

Explanation: For the purpose of this rule, "restricted funds" mean any fund received by the organization but could not be spent and treated as revenue during year due to any obligation placed by the donor.]

[2][(4) The [3][Chief Commissioner] shall make a decision on the application of the organization within two months of its receipt.]

[4][ ]

[1]Sub-clause (vii) substituted by SRO 880(I)/2006 dated August 25 2006.
[2]Sub-rule (4) inserted by SRO 392(I)/2009 dated May 19, 2009.
[3]Substituted for "Regional Commissioner of Income Tax" by SRO 1218(I)/2015 dated December 08, 2015.
[4]Sub-rules 4, 5 and 6 omitted by SRO 880(I)/2006, dated August 25 2006.

R. 220A(3)(e)(vii)-Substitution.- Sub-clause (vii) before substitution by SRO 880(I)/2006, dated August 25 2006, read as follows:–

"(vii) for restricting the moneys validly set apart or not utilized upto twenty five per cent of the income unless otherwise authorized by the Central Board of Revenue and for the investment of all funds in excess of the said limit, in Government securities or in the scheduled banks including NIT Units or any mutual funds registered with State Bank of Pakistan or Securities Exchange Commission of Pakistan is produced:

Provided further that such deposit or investment in or through the scheduled banks shall not exceed one-third of the surplus at the end of the year."

R. 220A(4) to (6)-Omission.- Sub-rules 4, 5 and 6 before omission by SRO 880(I)/2006, dated August 25 2006 read as follows:–

"(4) (a) The approval granted under sub-rule (2) may be renewed upon an application made by the organization in Form II annexed to this rule, within three months of the expiry of the validity of the approval last granted where such application is accompanied by such documents and instruments as are specified in clause (b) of sub-rule (1) and the Central Board of Revenue is satisfied, after such inquiry as it may consider necessary, that a genuine organization existed in the preceding year that complied with at all times, all the provisions of this rule and did not suffer any one or more of the requirements, conditions or disqualification specified in this rule.

(b) The organization seeking renewal of approval shall furnish, along with the renewal application, the following documents and particulars pertaining to each of three tax years immediately preceding the tax year in which the said application is made, namely:–

(i) a copy of the returns of income filed and the assessment orders, if any;

(ii) a copy of the audited accounts and balance sheet and the auditor's report;

[1][(7) **Power to withdraw approval.-** (1) The [2][Chief Commissioner] may, at any time, withdraw approval granted under rule 220A(2), if he is satisfied that-

(a) the constitution, memorandum and articles of association, trust deed, rules and regulations or bye-laws, as the case may be, specifying the aims and objects of the organization do not provide for prohibiting the making of any changes in the constitution, memorandum and articles of association, trust deed, rules, regulations and bye-laws without prior approval of the [2][Chief Commissioner];

(b) the organization has-

(i) been or is being used for personal gain of any particular person or a group of persons;

(ii) been propagating the view of a particular political party or a religious sect;

(iii) been or is being managed in a manner calculated to personally benefit its members or their families; or

(iv) has not been, or will not be, able to achieve its declared aims and objects in view of its set up, administration or otherwise as evaluated and certified by an independent certification agency;

(v) failed to give valid reasons for setting apart, or not utilizing, or accumulating surpluses, excluding [3][restricted] funds, in excess of twenty five per cent of the income for the year;

---

[1]Sub-rule 7 substituted by SRO 880(I)/2006, dated August 25 2006.
[2]Substituted for "Regional Commissioner" by SRO 1218(I)/2015 dated December 08, 2015.
[3]Substituted for "unrestricted" by SRO 21(I)/2007, dated January, 05, 2007.

(iii) a statement of income and donations received and moneys paid;

(iv) a statement showing the money set apart or kept unutilized with reasons thereof;

(v) the names and addresses of the promoters, directors, trustees, president, secretary, treasurer, manager and other office-bearers, as the case may be, of the organization and indicating clearly their family relationships, if any, with each other;

(vi) a copy of the annual report in respect of the activities and performance of the organization;

(5) Renewal shall not be granted if the organization did not enjoy approval in respect of the tax year immediately preceding the year for which renewal application is made under this rule.

(6) Renewal granted under this rule shall be valid for the tax year in which the application of renewal is filed and two tax years next following."

8-118-05-01-16

R. 220A(7)-Substitution.- Sub-rule 7 before substitution by SRO 880(I)/2006, dated August 25 2006 read as follows:–

"(7) The Central Board of Revenue may, at any time withdraw the approval earlier granted, if the organization fails to comply with any of the provisions of this rule."

(vi) failed to file the return of income supported with the following documents namely:-

(a) the statement of audited balance sheet and statement of accounts;

(b) statement showing names and addresses of the persons from whom donations, contributions, subscriptions etc exceeding five thousand rupees have been received during the tax year;

(c) statement showing the names and addresses of donees and beneficiaries etc to whom payments, services etc exceeding five thousand have been made during the tax year; and

(d) statement showing the money set apart or kept un-utilized with reasons thereof; and

(e) a detailed performance evaluation report in terms of sub-clause (vi) of clause (b) of sub-rule (1) of rule 220A, after every three years;

[1][Provided that where such detailed performance evaluation report is not submitted on or before the 30th of September following every three Tax Years, [2][Chief Commissioner] of Income Tax shall issue a show cause notice for withdrawal of approval to the concerned organization as required under para (2) of the sub-rule;]

[3][vii) failed to file statements of deduction of income tax under section 165 of the Income Tax Ordinance, 2001 read with rule 44.]

(2) approval shall not be withdrawn under [4][para (1) of sub-rule (7)] unless the organization has had an opportunity to show cause against the action proposed to be taken; and.

(3) where the [2][Chief Commissioner] decides to withdraw an approval under [4][para (1) of sub-rule (7)], he shall intimate the organization, in writing, of the decision including a statement of reasons for the decision.]

[5][ ]

[1]Proviso inserted by SRO 392(I)/2009 dated May 19 2009.
[2]Substituted for "Regional Commissioner" by SRO 1218(I)/2015 dated December 08, 2015.
[3]Clause (vii) inserted by SRO 392(I)/2009 dated May 19 2009.
[4]Substituted for "sub-rule (1)" by SRO 392(I)/2009 dated May 19 2009.
[5]Sub-rule 8 omitted by SRO 880(I)/2006 dated August 25 2006.

R. 220A(8)-Omission.-Before omission by SRO 880(I)/2006, read as follows:–

"(8) The approval granted under sub-rule (2) and the renewal of approval granted under sub-rule (4) shall not be refused or approval once granted or renewed shall not be withdrawn under sub-rule (7) unless the institution has an opportunity to show cause against the action proposed to be taken."

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(9) The [1][Chief Commissioner] may relax or modify any of the requirement(s) or condition(s) of this rule in any individual case, if it is satisfied that the requirement(s) or condition(s) could not be fulfilled by the applicant for reasonable cause.

[2][ ]

Form-1

[*See* rule 220A(1)(a)]

Application for Approval under [3][clause (c) of sub section (2) of section 100C of] the Income Tax Ordinance, 2001

To,

[4][Chief Commissioner of Inland Revenue]

With reference to clause (58) of the Second Schedule to the Income Tax Ordinance, 2001 (XLIX of 2001), I, the undersigned, hereby apply, on behalf of _____ (name of the organisation) for its approval for the purposes of the said clause for the tax year ending on _____.

2. Necessary particulars are set out below, and in the schedule to this application.

3. The following documents required under clause (b) of sub-rule 1 of Rule 220A are enclosed.

(i) _____
(ii) _____
(iii) _____
(iv) _____
(v) _____

Signature_____
Name (in block letters) _____
Designation _____

Application must be singed* either by the President or the Secretary of the organisation or by a Trustee of the Trust.

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[1]Substituted for "Regional Commissioner of Income Tax" by SRO 1218(I)/2015 dated December 08, 2015. Earlier it was substituted for "Board" by SRO 880(I)/2006, dated August 25 2006.
[2]Sub-rule (10) deleted by SRO 1218(I)/2015 dated December 08, 2015.
[3]Substituted for "clause (58) of Second Schedule to" by SRO 1218(I)/2015 dated December 08, 2015.
[4]Substituted for "Regional Commissioner of Income Tax" by SRO 1218(I)/2015 dated December 08, 2015. Earlier it was substituted for "The Secretary, Central Board of Revenue, Islamabad" by SRO 880(I)/2006 dated August 25 2006.
*should have been "signed".

R. 220A(10)-Omission.- Before omission by SRO 1218(I)/2015, read as follows:–

"(10) The approval granted prior to the commencement of these rules to an organisation shall be deemed to have been withdrawn unless an application in the manner laid down in sub-rule (4) is made on behalf of such organisation for calendar year [1][2003 by the 30th June, 2004]."

[1]substituted for "2002 by the 30th June, 2003" by SRO 1015(I)/2003 dated November 5, 2003.

9-10-03-8118-8

SCHEDULE

Particulars

1. Name of the organization (in block letters)_____
2. Full address of the organization (in block letters)_____
3. Date of registration of the organization_____
4. Its aims and objects.
   (a) _____
   (b) _____
   (c) _____
   (d) _____

5. Where the organization has been registered under [1][the Companies Ordinance, 1984,] the Societies Registration Act, 1860 (XXI of 1860), or the Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 (XLVI of 1961), or any other law or established in pursuance of a Trust Deed. Please give/ state the law, the number and date of Registration _____.

6. Whether the constitution, memorandum and articles of association, trust deed, rules and regulations or bye-laws, conforms to the provisions of sub-rules (2) and (3) of rule 220A. If so, please give the number of article/clause/rule for each provision.

7. Whether the organization ensures for the benefit of the general public or a particular community or class of persons only (give full details).

8. The number of members/ trustees of the organization on the date of application.

9. Accounting year of the organization commences on _____ and ends on _____.

10. The following books of accounts are being regularly maintained by the institution and are open for inspection without any hindrance to the general public.

(i) _____
(ii) _____
(iii) _____

Signature_____
Name (in block letters) _____
Designation _____

[1]Words etc. inserted by SRO 392(I)/2009 dated May 19, 2009.

[1][ ]

[2][**220B. Approval and appointment of certification agencies.–** (1) Whereas rules 211 to 220A, both inclusive, provide for performance evaluation of non-profit organizations with regard to their aims and objectives during the last three years by approved independent certification agencies, the procedure given in the following sub-rules shall apply in respect of approval and appointment of such certification agencies.

(2) The Chairman, Central Board of Revenue, shall, in his discretion, constitute a Committee for approval and appointment of certification agencies, hereinafter referred to as the Committee, comprising of not less than three members. The Chairman, Central Board of Revenue shall also designate a member of the Committee to serve as its Chairman. All nominations to the Committee shall be ex-officio. One third of the membership or two members of the Committee, whichever is larger, shall constitute the quorum for meetings of the Committee.

---

[1]Form II omitted by SRO 880(I)/2006 dated August 25, 2006.
[2]Rule 220B inserted by Notification No. SRO 745(I)/2004, dated August 30, 2004.

Form II-Omission.- Form II before omission by SRO 880(I)/2006, dated August 25 2006, read as follows:–

"Form-II

[*See* rule 220A(4)(a)]

Application for renewal of approval under clause 58 of the
Second Schedule to the Income Tax Ordinance, 2001.

To,

The Secretary,
Central Board of Revenue,
Islamabad

I, the undersigned, hereby apply for the renewal of approval of _____ (Name of organisation) for the tax year ending on _____.

2. The _____ (name of the Organisation) was approved by the Board *vide* Notification No. _____ dated _____.

3. It is hereby certified that

(a) constitution, memorandum and articles of association, trust deed, rules and regulations or bye-laws, previously filed with the Central Board of Revenue, have remained unchanged;

(b) the disqualification mentioned in the sub-rule (3) of rule 220A do not apply in the case of the organisation;

(c) the organisation has fully complied with the provisions of sub-rule (4) of rule 220A; and

(d) the information given above and in the attached Schedule is correct.

4. The annual report of the organisation's performance or activities in the immediately preceding years is enclosed.

Signature_____
Name (in block letters) _____
Designation _____

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(3) An application for approval and appointment as a certification agency shall be placed before the Committee.

(4) The Committee shall consider the application on its own merit and decide through a majority vote. The Chairman of the Committee shall caste a vote only in case of a tie.

(5) In its deliberations on the application, the Committee shall consider, *inter alia*, the following criteria, for approval and appointment of certification agency, namely:–

(a) Demonstrated and established eminence, credibility and stature of the governing body of such organization that brings respect and credibility to the organization and its work;

(b) understanding of the organization, essentially the senior management and program staff, of the parameters of evaluation as approved by the Central Board of Revenue;

(c) human resource, quantity as well as quality, available with the organization to conduct professional, objective and transparent evaluations of non-profit organizations;

Note.– In the Schedule attached to the application the following information is to be submitted, namely:–

(a) a copy of the statement of the audited accounts, the balance sheet and the auditors reports;

(b) a statement of income and donations received and moneys paid;

(c) a list of the donees and beneficiaries, with full addresses;

(d) a statement showing the money set apart or kept unutilised with reasons thereof; and

(e) the names and addresses of the promoters, directors, trustees, president, secretary, treasurer, manager and other, as the case may be, of the organisation and indicating clearly their family relationships, if any, with each other.

SCHEDULE

PARTICULARS

1. Name of the organization (in block letters)_____

2. Full address of the organization (in block letters)_____

3. Date of registration of the organization_____

4. Its aims and objects.

(a) _____

(b) _____

(c) _____

5. Date of approval granted under clause (58) of Second Schedule to the Income Tax Ordinance, 2001.

6. Whether the constitution, memorandum and articles of association trust deed, rules and regulations or bye-laws conforms to the provisions of sub-rule (4) of rule 220A. If so, please attach documents and instruments as are specified in clause (b) of sub-rule (1) of rule 220A.

7. Whether the organization ensures for the benefit of the general public or a particular community or class of persons only (give full details).

91-0-50-818-8

(d) financial resources available with the organization for meeting the costs incurred on such evaluations;

(e) organizational understanding and experience of working with the non-profit organizations;

(f) experience of evaluating non-profit organizations or social programs;

(g) systems put in place by the organization to conduct evaluation and award of certification; and

(h) monitoring mechanisms to ensure transparency and objectivity.

(6) The Committee may call for any document, report and statement from the organization concerned to assess the capacity of the organization to undertake professional, objective and transparent evaluation as per the criteria specified in sub-rule (5). The Committee may also interview the managerial and program staff of the organization to assess their level of experience, understanding and professionalism.

(7) In no case, however, the committee shall decide to authorize an organization which–

(a) is not registered in Pakistan under any of the relevant laws;

(b) does not specifically prohibit distribution of profit, if any, to its members or staff;

(c) is controlled in part or wholly by the Federal Government, Provincial Government or a local Government; and

(d) in its other programmes create a conflict of interest in evaluating non-profit organizations.

---

8. The number of members/ trustees of the on the date of application.

9. Accounting year of the organization commences on _____ and ends on _____.

10. The following books of accounts are being regularly maintained by the institution and are open for inspection without any hindrance to the general public.

(i) _____

(ii) _____

(iii) _____

Signature_____

Name (in block letters) _____

Designation _____

Application must be singed either by the President or the Secretary of the institution or by a Trustee of the Institution/ Trust."

8-118-05-01-16

Explanation:– A grant-making organization would have a conflict of interest if it undertakes evaluation and certification of its grant-recipient or potential-recipient organizations. Similarly, a capacity building organization, evaluating non-profit organizations whose capacity it has built or may build in future, would be in a conflict of interest situation.

(8) An application received by the Committee may be decided upon within a period of three months from the date of the receipt of such application.

(9) An applicant adversely affected by any decision of the Committee may file an appeal before the Member ([1][Direct Taxes]), Central Board of Revenue, within thirty days of the service of the decision upon the application.

(10) The approval and appointment of an organization as a certification agency shall be notified in the official Gazette.

(11) An approval and appointment granted under this rule shall be for a period of three years and thereafter the Committee shall re-assess the capacity and evaluate the performance of such organization to function as a certification agency. The Committee shall complete such re-evaluation and its decision within three months, during which the certification agency shall continue to function as a legitimate certification agency.

(12) In case of any change in the status of an approved and appointed certification agency that may adversely affect its functioning as such an agency or in case of any violation of the standards of professionalism, transparency, integrity or objectivity coming to the knowledge of the Committee, the Committee may, after due inquiry and after providing proper opportunity of being heard to the agency, withdraw such approval and appointment at any time.]

[1]Substituted for "Direct Taxes" by SRO 1218(I)/2015 dated December 08, 2015.

Chapter XVII–Substitution.– Chapter XVII before substitution by Notification No. SRO 541(I)/2003, dated June 13, 2003, read as follows:–

"CHAPTER XVII

NON-PROFIT ORGANISATIONS

211. Procedure for the approval of a non-profit organisation.– (1) An institution, fund, trust, society or any other organisation established in Pakistan for religious or a charitable and community services purposes requiring approval of the Commissioner under clause (36) of section 2 of the Income Tax Ordinance, 2001, shall make an application to the Commissioner in the following form, namely–

APPLICATION FOR A RULING FOR THE PURPOSES OF SUB-SECTION (36) OF SECTION 2 OF THE INCOME TAX ORDINANCE, 2001

To

The Commissioner (As per jurisdiction specified)
_____ (City)

8-118-05-01-16

Dear Sir,

With reference to clause (36) of section 2 of the Income Tax Ordinance, 2001, the undersigned hereby applies, on behalf of _____ (State the name of the institution, fund, trust, society or organization) for its approval for the purpose of the said clause for the tax year ending _____.

Necessary particulars are set out below, in the schedule to this application.

The following documents required under sub-rule (2) of *rule are enclosed –

(i) _____
(ii) _____
(iii) _____
(iv) _____
(v) _____
(vi) _____
(vii) _____

Application must be signed either by the President or the Secretary of the Institution or by a Trustee of the Institution/Trust or any other organization.

SCHEDULE

PARTICULARS

1. Name of the Institution/Fund/Trust/Society/ organization (in block letters)_____
2. Full address of the Institution/Fund/Trust/Society/ organization (in block letters) _____
3. Date of registration of the Institution/Fund/Trust/Society/organization_____
4. Its aims and objects.
   (a)
   (b)
   (c)
   (d)
5. Whether the Institution/Trust has been registered under the Societies Registration Act, 1860 or the Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 or any other law or established in pursuance of a Trust Deed. Please give/state the law and the number and date of registration _____.
6. Whether the Trust Deed/ Constitution /Rules and Regulations/ Memorandum of Association in conforms to the provisions of sub-rule (1) of rule 220. If so, please give the number of Article/ Clause/ Rule for each provision.
7. Whether the Institution Fund/Trust/ Organization ensures for the benefit of the general public or a particular community or class or persons only (give full details).
8. The number of members of the institution on the date of application.
9. Accounting year of the institution/Trust commence on _____ and ends on _____.
10. The following books of accounts are being regularly maintained by the institution and are open for inspection without that any hindrance to the general public.

Signature_____
Name in block letters_____
Designation_____

*apparently intended word "this" is missing.

(2) An application under sub-rule (1) shall be accompanied by -

(a) a duly attested copy of the constitution, memorandum and articles of association, rules, regulations or bye-laws, as the case may be, of the institution, fund, trust or society specifying the aims and objects for which it is established.*

(b) in case of a trust, the original registered trust deed, together with duly attested copy thereof;

(c) in the case of a society or agency where registration of the institution has been made under the Societies Registration Act, 1860 (XXI of 1860), the Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 (XLVI of 1961), or under any other law as applicable, the original registration certificate of the society or agency, together with a duly attested copy thereof;

(d) duly attested copies of the balance-sheet and of revenue accounts of the institution, fund, trust, society or organisation as audited by a chartered accountant for the year immediately preceding the year in which the application is made; where application is made for the renewal, the following requirements may be met.

(e) the names and addresses of the President, Secretary, Treasurer, Manager and other office bearers, Trustees or organisation, as the case may be, of the institution, fund, trust or society, and indicating clearly their family relationships, if any, with each other; and

(f) duly attested copies of the balance sheet and of revenue accounts, as audited by a qualified accountant for the year immediately preceding the year in which application is made. The qualified accountant means:–

a. A retired officer of the government not below grade-18 or Bank Manager, provided its receipts and expenditure pass through the bank accounts for non-profit organisation with annual receipts upto Rs. 0.5 million.

b. A cost and management accountant for those with annual receipts upto 3 million.

c. A chartered accountant for any amount of annual receipts.

(g) a detailed report with regard to the performance of the institution for achieving its aims and objects during the three income years preceding the application duly evaluated, certified and rated by an independent agency approved by an authority designated by the Government of Pakistan for this purpose or till that authority is established, under arrangements made by the Central Board of Revenue.

212. Decision on application.– (1) On receipt of an application under rule 211, the Commissioner may make such inquiries or call for such further information as the Commissioner may deem necessary and after completion of formalities may approve the institution, fund, trust, society or organisation for the purpose of clause (37) of section 2 of the Income Tax Ordinance, 2001.

(2) An approval granted under sub-rule (1) shall be–

(a) notified in the official gazette;

(b) subject to such conditions as the Commissioner may specify in the approval; and

(c) valid until the 31st day of December of the calendar year next following the calendar year in which the approval is granted.

*should have been a semi-colon.

01-05-2018

213. Refusal to grant approval.– (1) The approval shall not be granted if the constitution, memorandum or articles of association, rules, regulations or bye-laws, or trust deed, as the case may be, specifying the aim and objects of the institution, fund, trust or society do not provide–

(a) for the audit of the annual accounts of the institution, fund, trust or society every year by a qualified accountant as specified in clause (f) of sub-rule (2) of rule 218 wherever applicable.

(b) where the institution, fund or society is registered under the Societies Registration Act, 1860 (XXI of 1860), the Voluntary Social Welfare (Registration Control) Ordinance, 1961 (XLVI of 1961), or any other law in substitution thereof, for the quorum of a meeting of the members of the body in which the control of the affairs of the institution vest, being not less than four or one-third of the total number of the members of such body, whichever is greater;

(c) where the institution is a Trust as defined in the Trust Act, 1882 (II of 1882), for the quorum of a meeting of the members of the body in which the control of the affairs of the trust vests, being not less than three or one-third of the total number of the members of such a body, whichever is greater;

(d) for the transfer of its assets, in the event of its dissolution, after meeting all liabilities, if any, to another institution, fund, trust, society or organisation which is an approved non-profit organisation, intimation of such transfer to be given to the Commissioner within three months of the dissolution;

(e) for the utilisation of its money, property or income or any part thereof solely for promoting its objects;

(f) for prohibiting any portion of its money, property or income being paid or transferred directly by way of dividend bonus or profit to any of its members or the relative or relatives of a member or members;

(g) for the accounts of the institution being kept in a scheduled bank or in a post office or national savings organisation, National Bank of Pakistan or National Commercialised Banks.

(h) for prohibiting the making of any changes in the constitution, memorandum or articles of association, rules, regulations, or by-laws, or trust deed, as the case may be, without the prior approval of the Commissioner; or

(i) for restricting the money validly set a part or not utilised to 25 per cent of the income including surplus worked out of amount donations made to it. In case, accounting period closes within three months of the commencement of activities, the Commissioner can relax this condition upto 50% of the amount, provided that certificate that the amounts so in excess of the said limit have been invested in Government securities or in the financial institutions including NIT Units or any mutual funds registered with State Bank of Pakistan or Securities Exchange Commission of Pakistan subject to the condition, that such deposit/ investment in or through the financial institution(s) shall not exceed 1/3rd of the surplus at the end of the year as mentioned.

(2) The Commissioner may refuse to approve the institution, fund, trust, society or organisation if the Commissioner is satisfied that the institution, fund, trust or society–

(a) has been or is being used for personal gain of any particular person or a group of persons;

(b) has been propagating the view of a particular political party;

(c) has been or is being managed in a manner calculated to personally benefit its members or their families; or

8-11-09-17

(d) has not or will not be able to achieve its declared aims and objects in view of its set up, administrative or otherwise as evaluated and certified by an independent rating agency.

(3) The Commissioner shall notify the applicant, in writing, of the Commissioner's decision to refuse the approval.

(4) The notice referred to in sub-rule (2) shall include a statement of reasons for the refusal.

214. Renewal of approval.– (1) An institution, fund, trust, society or organisation that has been approved as a non-profit organisation may renew the approval by application *in the following form, namely:–

*words "in the following" appear twice in the gazette.

APPLICATION FOR RENEWAL OF APPROVAL FOR THE PURPOSES OF CLAUSE (37) OF SECTION 2 OF THE INCOME TAX ORDINANCE, 2001

To

The Secretary
Central Board of Revenue
Islamabad.

I, the undersigned, hereby apply for the renewal of approval _____.*name of institution/ fund/ trust/ society/ organization) for the year ending 31st December, 20 ____.

The _____ (name of institution/ fund/ trust/ society/ organization) was ruled a non-profit organization by the Commissioner vide Notification No _____ dated _____.

It is hereby certified that–

(a) the Constitution/Trust Deed/Rules and Regulations/Memorandum and Articles of Association, previously filed with the Commissioner, have remained unchanged.

(2) An application for renewal of approval under sub-rule (1) shall be furnished within six months after the expiry of the validity of the ruling last issued and such application shall be accompanied by such documents and instruments as are specified in sub-rule (2) of rule 211.

(3) The Commissioner shall grant an application for renewal of approval where the Commissioner is satisfied that the institution, fund, trust or society–

(a) complied with the provisions of clause (h) of sub-rule (1) of rule 213;

(b) did not suffer any one or more of the disqualification specified in sub-rule (2) of rule 213;

(c) complied with the provisions of rule 216; and

(d) otherwise satisfied the requirements for certification as a non-profit organisation in the preceding three years.

(4) The Commissioner shall refuse an application for renewal of a approval for any year if the institution, fund, trust or society did not enjoy approval for the calendar year immediately preceding the year in which the renewal application is made under this rule.

(5) The renewal of approval shall be valid up to the 31st December of the second calendar year following the calendar year in which the approval is granted, provided that subsequent renewals will be for a period extending upto three years depending on the rating agency's report and audit results.

(6) The renewal of approval of an institution, fund, trust, society or organisation shall be–

(a) notified in the Official Gazette; and

(b) subject to such conditions as the Commissioner may specify in the renewal of approval.

*opening bracket is missing.

17-10-05-818-8

(7) The Commissioner shall notify the applicant, in writing, of the Commissioner's decision to refuse an application to renew the approval.

(8) The notice referred to in sub-rule (7) shall include a statement of reasons for the refusal.

215. Finalisation of applications.– The Commissioner shall finalise applications under rules 211 and 214 within two months of receipt of the application.

216. Annual accounts.– An institution, fund, trust or society that has been approved under rule 212 or whose approval has been renewed under rule 214 shall, by the 30th of January each year, submit to the Commissioner, in respect of the preceding calendar year:–

(a) a copy of the statement of audited accounts, as mentioned in clause (a) of sub-rule (1) of rule 214;

(b) a statement of income and donations received and moneys paid;

(c) a list of donees and beneficiaries with full addresses; and

(d) a statement showing the money set apart or kept un-utilised with reasons thereof.

217. Power to withdraw approval.– (1) The Commissioner may, at any time, withdraw an approval granted earlier, if the institution, fund, trust* society or organisation fails to comply with the provisions of rule 216 or 219 and is satisfied that –

(a) the said institution, fund, trust or society has failed to fully utilise its income and the donations received by it for achieving the purpose for which it was established;

(b) the reason for setting apart, or for not utilising, the money referred to in clause (c) of rule 216 is not valid; or

(2) No approval shall be withdrawn under sub-rule (1) unless the institution, fund, trust, society or organisation has had an opportunity to show cause against the action proposed to be taken.

(3) Where the Commissioner decides to withdraw an approval under sub-rule (1), the Commissioner shall give the institution, fund, trust or society notice, in writing, of the decision including a statement of reasons for the decision.

218. Appeal against a decision made under this rule.– An institution, fund, trust or society dissatisfied with–

(a) a decision to refuse an application made under rule 211 or 214; or

(b) a decision to withdraw an approval,

may lodge an appeal in the following form with the Commissioner (Appeals), namely:–

GROUNDS OF APPEAL

We/I_____ the petitioner(s) named in the above petition do declare that what is stated therein is true to the best of our/my information and belief.

Date……200_____
Signature_____
Name _____
Address _____

PARTICULARS

Name of the Institution/ Fund/ Trust/ Society (in block letters).

1. Full address of the Institution/ Fund/ Trust/ Society (in block letters)
2. Date of establishment of the Institution/ Fund/ Trust/ Society.
3. Its aims and objects
   (a)
   (b)
   (c)
   (d)

*apparently intended comma is missing.

8-118-05-01-16

4. Whether the Institution/Fund/Trust/Society has been registered under the Societies Registration Act, 1860, or under the Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961, or any other law in substitution thereof or established in pursuance of a Trust Deed. Please give its number and date.

*6. Whether the Trust Deed/ Constitution/Rules and Regulations/ Memorandum of Association contain the provisions of sub-rule (3) of rule 41. If so, please give the number of Article/ Clause/ Rule for each provision.

7. Whether the Trust Deed/ Constitution/ Fund/ Trust ensures for the benefit of the general public or a particular community or class or persons only (give full details).

8. The number of members of the institution on the date of application.

Signature _____

Name _____

(Block Letter)

Designation _____

219. Institution granted approval before commencement of these rules.– The approval granted prior to the commencement of these rules to an institution, fund, trust or society shall be deemed to have been withdrawn unless an application in the manner laid down in rule 221 is made on behalf of such institution, fund, trust or society for calendar year 2002 within the time specified before June 2003.

220. Relaxation of requirements or conditions.– The Commissioner, as the case may be, may relax or modify any of the requirements or conditions of this rule, in any individual case, if it is satisfied that the requirements or conditions could not be fulfilled by the applicant for reasonable cause."

*erroneous numbering or S. No. 5 is missing.

9-11-03-811-8

Chapter XVIIA

Green Field Industrial Undertaking

220C. Filing of application for the approval of a greenfield industrial undertaking.- (1) A "Greenfield Industrial Undertaking" as defined in clause (27A) of section 2 of the Ordinance, (hereinafter referred to in this Chapter as Industrial Undertaking) set up in Pakistan requiring approval of the Commissioner under sub-clause (b) of clause (27A) of section 2 of the Ordinance, shall make an application electronically to the Commissioner in the following form, namely:-

APPLICATION FOR APPROVAL FOR THE PURPOSES OF SUB-CLAUSE (b) OF CLAUSE (27A) OF SECTION 2 OF THE INCOME TAX ORDINANCE, 2001

To,

The Commissioner of Inland Revenue,
_____ Zone,
_____ (City).

1. With reference to sub-clause (b) of clause (27A) of section 2 of the Income Tax Ordinance, 2001 (XLIX of 2001), I the undersigned, hereby apply, on behalf of _____ (name of the industrial undertaking) for its approval for the purposes of the said clause.
2. Necessary particulars are set out below, and in the schedule to this application.
3. The following documents required under sub-rule (2) of rule 220C of the Income Tax Rules, 2002, are enclosed.

(i) _____
(ii) _____
(iii) _____
(iv) _____
(v) _____

Signature _____
Name (in block letters). _____
Designation _____

Application must be signed either by the Director, Principal Officer, Member or the owner of the industrial undertaking.

[1]Chapter XVIIA inserted by SRO 887(I)/2020 dated September 19, 2020.

SCHEDULE

PARTICULARS

1. Name of the Industrial Undertaking (in block letters) _____
2. Full address of the Industrial Undertaking (in block letters) _____
3. Date of registration alongwith principal activity/nature of business of the Industrial Undertaking _____
4. Name(s) of owner(s) of land on which Industrial Undertaking is setup or intended to be set up _____
5. Date of registering, recording or attesting transfer of land on which Industrial Undertaking is setup or intended to be set up _____
6. Form of land such as commercial, residential, industrial, agricultural, open plot, constructed property etc _____
7. Complete names and CNICs of directors/shareholders of industrial undertaking alongwith details of their shareholding in any other business if applicable _____
8. Complete details of plant, machinery, building or technology _____

(2) An application under sub-rule (1) shall be accompanied by-

(a) a duly attested copy of the constitution, memorandum and articles of association, rules and regulations or bye-laws, as the case may be, of the Industrial Undertaking.

(b) Details of Members/Directors of the Industrial Undertaking on the date of application.

(i) Name _____

(ii) CNIC _____

(iii) Income declared _____

(iv) Tax Year _____

(b) a certified copy of certificate of registration in the case an Industrial Undertaking registered under the Companies Ordinance, 1984.

(c) duly attested copies of the balance sheet and of revenue accounts of the Industrial Undertaking as audited by a "qualified accountant" for the year immediately preceding the year in which the application is made, if applicable.

(d) Copy of transfer/offer letter, sale deed, registration document at sub-registrar, land registry or any other documentary evidence of transfer of title, as the case may be.

(e) Copy of sale/purchase invoice(s), voucher(s), invoice of shipment, lease agreement, import goods declaration (GO) or bill of lading, as the case may be, of plant, machinery, building or technology to be used in the Industrial Undertaking.

8-151-15-10-2020

220D. Processing of applications by the Commissioner.- (1) On receipt of an application under rule 220C, the Commissioner Inland Revenue may make such inquiries or call for such further information or documents as deemed necessary.

(2) After scrutiny of the application and the documents annexed thereto, the Commissioner Inland Revenue shall, forward the application to the Engineering Development Board, Government of Pakistan hereinafter referred to as "EDB" in this Chapter, for seeking certification to the effect that process or technology used by the Industrial Undertaking has not earlier been used in Pakistan.

(3) Upon receipt of application forwarded by Commissioner Inland Revenue, the EDB shall process the same within the time stipulated by him and communicate its expert opinion / findings with regard to the query raised in sub-rule (2) to the Commissioner Inland Revenue

220E. Decision on application.- (1) On receipt of an application under rule 220C, the Commissioner, after completion of formalities, may approve the organization for the purpose of clause (27 A) of section 2 of the Ordinance.

(2) An approval granted under sub-rule (1) shall be-

(a) notified in the official Gazette; and

(b) subject to such conditions as the Commissioner may specify in the approval

220F. Refusal to grant approval.- (1) The Commissioner may refuse to approve the Industrial Undertaking if the Commissioner is satisfied that the Industrial Undertaking does not fulfill the conditions of Greenfield Industrial Undertaking

(2) The Commissioner shall notify the applicant, in writing, the decision to refuse the approval.

(3) The notice referred to in sub-rule (2) shall include a statement of reasons for the refusal.

220G. Finalization of applications.- The Commissioner Inland Revenue shall finalize the applications filed under Rule 220C within fifteen days of its receipt.

220H. Appeal against decision of a Commissioner Inland Revenue.- Any taxpayer dissatisfied with the decision of the Commissioner Inland Revenue under Rule 220F may prefer an appeal within sixty days of the receipt of the order to the Appellate Tribunal Inland Revenue under section 131 of the Ordinance.]

8-151-15-10-2020

CHAPTER – XVIII
TAX CLEARANCE CERTIFICATE

221. Tax clearance certificate.– (1) A person leaving Pakistan permanently may apply to the Commissioner for a tax clearance certificate referred to in sub-section (3) of section 145 where –

(a) the person has satisfied all income tax liabilities; or

(b) the person has made arrangements to the satisfaction of Commissioner for payment of income tax liabilities.

(2) An application referred to in sub-rule (1) shall be in the following form, namely:–

APPLICATION FOR A CERTIFICATE UNDER SECTION 145
OF THE INCOME TAX ORDINANCE, 2001

(Not for tourists who have earned no income from Pakistan source and have come on tourist visa and stay is not more than 90 days in a tax year.

To

The Commissioner,
_____ Zone
_____(City)

Sir,

I request that an* Tax Clearance Certificate under section 145 of the Income Tax Ordinance, 2001, be granted to me. I give below necessary particulars:-

1. Name of applicant_____
(in block letters)
2. Domicile _____
3. Present address_____
4. Address in Home Country _____
5. Nature of business, professions or vocation _____
In Pakistan (if visit to Pakistan was made only as a tourist and no income was earned during the period of stay in Pakistan, it should be so stated).
6. Place(s) at which the business, profession or vocation is or was carried on _____.
7. Name and address of employers of the _____
Applicant (in case the applicant is representing a firm or a company, the name and address of the company or firm should be stated here.
8. Name of the Commissioner, if any, where last assessment of the applicant was made _____
9. Date of arrival in Pakistan_____
10. Probable date of departure_____
11. Destination_____
12. Mode of travel (by air/sea/land) _____
Place _____ Date_____
13. Made the payment of tax with the evidence.
14. Guarantee as per rule 158 is enclosed.

Date _____ 20

Yours faithfully,
Signature

*should have been "a".

8-67-20-07-09

(3) An application referred to in clause (b) of sub-rule (1) shall be accompanied by a certificate of guarantee of the applicant's employer or business associate in the following form, namely:-

GUARANTEE CERTIFICATE TO BE FURNISHED BY
EMPLOYER OR BUSINESS ASSOCIATE OF THE APPLICANT

1. Certified that _____ (Name in block letters) is our employee/ representative/ associate.
2. (i) Certified that _____ (give name) is leaving Pakistan and tax demand of Rs _____ is outstanding him. The assessment is pending resulting in tax liability.
   (ii) A cheque for the amount of tax due along with the computation of income is enclosed
   (iii) We undertake to pay the tax liability, if any, when determined

Address _____ Signature_____
Associates _____ Designation_____

Seal of the business

Strike out whichever is in applicable.

222. Form of tax clearance certificate under section 145.– For the purposes of sub-section (3) of section 145, a tax clearance certificate shall be in the following form, namely:–

COUNTERFOIL OF TAX CLEARANCE CERTIFICATE UNDER SECTION*

Book No _____ Serial No._____
Name_____
Address_____
Nationality_____
Nature of business** profession or vocation†
Pakistan _____

Date of arrival in Pakistan_____
Date of departure _____
Destination _____
Certificate valid _____
Initials of

_____
Commissioner

_____
Signature/ left hand thumb impression of Applicant/or person receiving the Certificate on behalf of the applicant.

TAX CLEARANCE CERTIFICATE UNDER SECTION 145 OF THE INCOME TAX ORDINANCE.

Book No._____ Serial No._____
Income Tax Office
Date_____

This is to certify that _____ of _____ has no liabilities has made satisfactory arrangement for his/ her liabilities under the Income Tax Ordinance, 2001 or the Income Tax Ordinance, 1979).

This Certificate is valid

_____
Commissioner

Signature/ left hand thumb impression of Applicant/ or person receiving the Certificate on behalf of the applicant.

*apparently intended section "145" is missing.
**apparently intended comma is missing.
†apparently intended word "in" is missing.

[1][**223. Form of tax exemption certificate.-** On receipt of an application under rule 221, the Commissioner shall issue an exemption certificate under section 145 in the following form, namely:-

COUNTERFOIL OF TAX EXEMPTION CERTIFICATE UNDER SECTION 145	TAX EXEMPTION CERTIFICATE UNDER SECTION 145 OF THE INCOME TAX ORDINANCE, 2001
Book No._____ Serial No._____ Name _____ Address _____ Nationality Nature of business, profession or vocation in Pakistan Date of departure _____ Destination _____ Probable date of return to Pakistan_____ Certificate valid up to _____ _____ Initials of Commissioner _____ Signature/left hand thumb impression of Applicant/or person receiving the Certificate on behalf of the applicant.	Book No._____ Serial No._____ _____ Commissioner Division____ Jurisdiction _____ Signature/left hand thumb impression of Applicant/or person receiving on behalf of the applicant.]

[1]Rule 223 substituted by SRO 392(I)/2009 dated May 19, 2009.

R. 223 Substitution.- Before Substitution rule 223 read as follows:-

"223. Form of tax exemption certificate.– On receipt of an application under rule 229[††], the Commissioner shall issue an exemption certificate under of section in the following form, namely:–

COUNTERFOIL OF TAX EXEMPTION CERTIFICATE UNDER SECTION 149*	TAX EXEMPTION CERTIFICATE UNDER SECTION 149 OF THE INCOME TAX ORDINANCE, 2001
Book No._____ Serial No._____ Name _____ Address _____ Nationality Nature of business, profession or vocation **Pakistan Date of departure _____ Destination Probable date of return to Pakistan_____ Certificate valid up to _____ Initials of _____ Commissioner _____ Signature/left hand thumb impression of Applicant/or person receiving the Certificate on behalf of the applicant.	Book No._____ Serial No._____ _____ Commissioner Zone____ Jurisdiction _____ Signature/left hand thumb impression of Applicant/or person receiving the Certificate on behalf of the applicant.

(i) they have not spent more than 90 days at a time in Pakistan; and
(ii) they have not spent more than 90 days in any financial year in Pakistan.
(iii) passengers travelling by a pilgrim ship which sails direct from a Port in Pakistan to Jeddah."

††erroneous reference.

*erroneous reference.

**apparently intended word "in" is missing.

CHAPTER – XIX
MISCELLANEOUS

[1][**224. Conditions for approval of leasing companies for claim of depreciation deduction**.- The following conditions shall be fulfilled by a leasing company or a modaraba to claim deduction for depreciation on lease of depreciable assets under this rule, namely:-

(i) The leasing company is engaged principally in the business of leasing of assets and has been issued a licence by the Securities and Exchange Commission of Pakistan to operate under the terms and conditions specified therein; and

(ii) the leasing company or a modaraba doing leasing business undertakes that where a motor vehicle is given on lease, the purchase value thereof shall be restricted to the amount specified in the Third Schedule to the Ordinance, for the purposes of claiming depreciation or the expenditure on such lease.]

225. Recognized Associations of Accountants for the purpose of section 223. – The following bodies are recognized by the Board as associations of accountants for the purpose of section 223, namely:–

(a) The Institute of Chartered Accountants in England and Wales;

(b) The Institute of Chartered Accountants in Scotland;

(c) The Institute of Chartered Accountants in Ireland;

(d) The Society of Incorporated Accountants and Auditors, London; and

(e) The Association of [2][Chartered] Certified Accountants, United Kingdom.

226. Appointment of valuers.– (1) A person desiring to be appointed as a valuer for the purposes of section 222 shall make an application to the Commissioner in duplicate setting out the fact or facts by virtue of which the person claims to be qualified for such appointment.

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[1]Rule 224 substituted by SRO 392(I)/2009 dated May 19, 2009.
[2]Word inserted by SRO 590(I)/2004, dated July 7, 2004.

R. 224 Substitution.- Before substitution it read as follows:-

"224. Conditions for approval of leasing company claiming depreciation etc.– The following conditions shall be fulfilled by a modaraba or by leasing company to claim expenditure on depreciation on the leases under this rule, namely:–

(i) the leasing company is engaged principally in the business of leasing of assets and has been issued a licence by the Security and Exchange Commission of Pakistan to operate under the terms and conditions specified therein; and

(ii) the leasing company modaraba doing leasing business undertakes that where a motor vehicle is given on lease, the purchase value thereof shall be restricted to the amount specified in the Third Schedule to the Ordinance for the purposes of claiming depreciation or the expenditure on such lease."

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(2) For the purpose of sub-rule (1) a person qualified for appointment as a valuer means a person who:–

(a) holds a degree or equivalent qualification in civil engineering or mechanical engineering or mechanical and electrical engineering from any University incorporated under any law for the time being or accredited or affiliated by any association of universities or college in force in Pakistan and Azad Kashmir or a like degree or qualification conferred by any foreign university incorporated by law of that country and recognized by a Pakistani University;

(b) holds an internationally recognized qualification in architecture equivalent to or comparable with the Associate-ship of Royal Institute of British Architects;

(c) having successfully completed a diploma course in architecture or civil engineering or mechanical engineering or mechanical and electrical engineering or automobile engineering from a recognized institution has worked with a qualified architect or engineer or in a Government or quasi-Government department for a period of three years;

(d) has held the insurance surveyor certificate issued by the department of Insurance for a period of five years;

(e) has retired after putting in satisfactory service in the [1][Inland Revenue] Department or the Customs Department or judiciary or in a revenue collecting agency of the Government for period of not less than ten years in a post or posts in a grade not less than Grade 17; or

(f) for the purpose of valuation of such assets as require specialized knowledge not available to persons qualified under clauses (a), (b), (c), (d) and (e) of this sub-rule, any person, who is in the opinion of the Commissioner is fit to be appointed as a valuer.

(3) Notwithstanding anything contained in sub-rule (2), no person shall qualify for appointment as a valuer if the person–

(a) has been dismissed or removed from Government service;

(b) is an undischarged insolvent;

(c) has been convicted of any offence under any law or has been found guilty of misconduct in his professional capacity which, in the opinion of the Commissioner, renders him unfit to [2][be] registered as a valuer; or

(d) has been representing taxpayers before income tax authorities

[1]Substituted for "Income Tax" by SRO 1218(I)/2015 dated December 08, 2015.

[2]Substituted for "e" by SRO 392(I)/2009 dated May 19, 2009.

(4) On receipt of an application under sub-rule (1), the Commissioner may make such inquiries or call for such further information or evidence as may be deemed necessary.

(5) If the Commissioner is satisfied that a person should be appointed as a valuer for the purposes of section 222, the Commissioner shall notify the person in writing of the decision.

(6) Where the Commissioner decides to refuse an application under this rule, the Commissioner shall give the applicant notice, in writing, of the decision including a statement of reasons for the decision.

(7) The appointment of a valuer may be terminated by the Commissioner at his discretion at any time without assigning any reason and without any compensation.

[1][**227. Scale of remuneration, fees and allowances for a valuer.-** (1) A valuer appointed under section 222 shall not be paid any retention fee but would be entitled to remuneration at the following scale:-

	Rs.
Where the value of assets does not exceed Rs.10, 00,000/-	5000/-
Where the value of assets exceeds Rs. 10, 00,000/- but does not exceed Rs. 50, 00,000/-	10000/-
Where the value of assets exceeds Rs. 50, 00,000/-but does not exceed Rs. 10,000,000/-	20000/-
Where the value of assets exceeds Rs. 10,000,000/-	30000/-

(2) In addition to remuneration at the scale prescribed under sub-rule (1), a valuer shall be entitled to the following fee and allowance: -

(a) a fee of Rs. 500/- per day in the event of attendance before the Appellate Tribunal in connection with the valuation made in any case; and

(b) traveling expenses to which a Government servant in BPS-17 is entitled.]

[1]Rule 227 substituted by SRO 392(I)/2009 dated May 19, 2009.

R. 227 – Substitution.-Before substitution it read as follows:-

"227. Scale of remuneration, fees and allowances for a valuer.– (1) A valuer appointed under section 222 shall not be paid any retention fee but would be entitled to remuneration at the following scale:–

	Rs
Where the value of assets does not exceed 100,000 .. 500	
Where the value of assets exceeds Rs 1 lac but does not exceed Rs 299,999	1,000
Where the value of assets exceeds Rs 300,000 but does not exceed Rs 499,999	1,500
Where the value of assets exceeds Rs 500,000 but does not exceed Rs 1,499,999	2,500

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8-66-31-05-09

228. Valuation of assets.– [1][(1) The valuation of immovable property for the purposes of section 111 shall be taken to be-

[2][(a) the fair market value of immovable property shall be the value notified by the Board under sub-section (4) of section 68, in respect of area or areas specified in the said notifications;

(b) if the fair market value of any immovable property of any area or areas has not been determined by the Board in the notification referred to in sub-section (4) of section 68, the fair market value of such immovable property shall be deemed to be the value fixed by the District Officer (Revenue) or provincial or any other authority authorized in this behalf for the purposes of stamp duty; and

(c) in the case of agricultural land, the value shall be equal to the average sale price of the sales recorded in the revenue record of the estate in which the land is situated for the relevant period or time;

(d) if in a case sale price recorded in the instrument of sale of any property is higher than the fair market value as determined under clauses (a), (b) and (c), the applicable price shall be higher of the two; and

(e) in the case of sale price of any auctioned property or the fair market value as determined under clauses (a), (b) and (c), the higher price shall be applicable.]

[1]Sub-rule (1) substation by SRO 392(I)/2009 dated May 19, 2009.
[2]Sub-rule (1)(a) to (c) substation by SRO 978(I)/2016 dated October 18, 2016.

Where the value of assets exceeds Rs 1,500,000 but does not exceed Rs 1,999,999	5,000
Where the value of assets exceeds Rs 1,999,999	10,000

(2) In addition to remuneration at the scale prescribed under sub-rule (I), a valuer shall be entitled to following fee and allowance -

(a) a fee of Rs 100 per day in the event of attendance before the Appellate Tribunal in connection with the valuation made in any case; and

(b) travelling expenses to which a Government servant in Grade 17 is entitled."

R. 228(1) – Substitution.- Before substitution it read as follows:-

"228. Valuation of assets.– (1) The valuation of immovable property for the purposes of section 111 of the Income Tax Ordinance 2001, shall be taken to be–

(a) in the case of open plot, the value determined by the development authority or government agency on the basis of the auction price in respect of similar plots in the area where the plot in question is situated;

(b) in the case of properties given on rent, the value equal to ten years capitalized value assessed on the annual rental value;

(c) in the case of agricultural land, the value equal to the average sale price of the sales recorded in the revenue record of the estate in which the land is situated for the relevant period/ time; or

(d) in any other case, the value determined by the District Officer (Revenue) or provincial authority authorized in this behalf for the purposes of stamp duty."

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(2) For the purposes of section 111 and subject to sub-rule (2), the value of motor cars and jeeps shall be determined in the following manner, namely:–

(a) the value of the new imported car or jeep shall be the C.I.F. value of such car or the jeep, as the case may be, plus the amount of all charges, customs-duty, sales tax, levies octroi, fees and other duties and taxes leviable thereon and the costs incurred till its registration;

R. 228(1)(a) to (c) – Substitution.- Before substitution it read as follows:-

"(a) in the case of open plot, the value determined by the development authority or government agency on the basis of the auction price in respect of similar plots in the area where the plot in question is situated or in case where such value is not determined, the value fixed by the District Officer Revenue or provincial authority authorized in this behalf for the purposes of stamp duty;

(b) in the case of agricultural land, the value equal to the average sale price of the sales recorded in the revenue record of the estate in which the land is situated for the relevant period or time; or

(c) in the case of constructed immovable property, value shall be determined at the fair market value as defined in section 68 or the value fixed by the District Officer (Revenue) whichever is higher."

8-124-30-11-16

(b) the value of a new car or jeep purchased from the manufacturer or assembler or dealer in Pakistan, shall be the price paid by the purchaser, including the amount of all charges, customs-duty, sales tax and other taxes, levies, octroi, fees and all other duties and taxes leviable thereon and the costs incurred till its registration;

(c) the value of used car or jeep imported into Pakistan shall be the import price adopted by the customs authorities for the purposes of levy of customs-duty plus freight, insurance and all other charges, sales tax, levies, octroi, fees and other duties and taxes leviable thereon and the costs incurred till its registration;

(d) the value of a car or jeep specified in clause (a), (b) and (c) at the time of its acquisition shall be the value computed in the manner specified in the clause (a) (b) or (c), as the case may be, as reduced by a sum equal to ten per cent of the said clause for each successive year, up to a maximum of five years; or

(e) The value of a used car or jeep purchased by an assessee locally shall be taken to be the original cost of the car or the jeep determined in the manner specified in clause (a), (b) or (c) , as the case may be, as reduced by an amount equal to ten per cent for every year following the year in which it was imported or purchased from a manufacturer.

(3) In no case shall the value be determined at an amount less than fifty per cent of the value determined in accordance with clause (a), (b) or (c) or the purchase price whichever is more.

(4) For the purposes of section 61, the value of any property donated to a non-profit organization shall be determined in the following manner, namely:–

(a) the value of articles or goods imported into Pakistan shall be the value determined for the purposes of levy of customs duty and the amount of such duty and sales tax, levies, fees, octroi and other duties, taxes or charges leviable thereon and paid by the donor;

(b) the value of articles and goods manufactured in Pakistan shall be the price as recorded in the purchase vouchers and the taxes, levies and charges leviable thereon and paid by the donor;

(c) the value of articles and goods which have been previously used in Pakistan and in respect of which depreciation has been allowed, the written down value, on the relevant date as determined by the Commissioner ;

(d) the value of a motor vehicle shall be the value as determined in accordance with rule, and

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(e) the value of articles or goods other than those specified above, shall be the fair market value as determined by the Commissioner.

229. Filing of returns, statements and documents and issuance of orders, notices through computers.– (1) Notwithstanding anything contained in these rules taxpayer or any person responsible for furnishing the prescribed statements or returns may furnish such statement or return, on computer media and in such language, program arrangement and data formats and representations which are compatible with those of the [1][Inland Revenue] Department and any other technical specification as the [2][Federal Board of Revenue] may prescribe; accompanied by a certificate in the following form and duly signed by the person authorised to sign such statement or return or the department may issue notice orders, or communication or production of documents in appeals or courts taken through computers or scanning images duly certified, namely:-

CERTIFICATE

I,_____ S/o_____ do hereby certify that the data and information contained in the enclosed disk, diskette, tape or cartridge or scanning image or electric communication is complete, correct and true to the best of my knowledge and belief.

I, further certify that the return of income contained in the aforementioned media have been duly verified and affirmed to be true by the respective assessees.

Signature_____
Name_____
(in block letters)

Designation_____
Date_____

(2) Notwithstanding anything contained in these rules, any order required to be made or notice to be issued or assessment or computation made, or document required to be prepared or issued under the Ordinance may be generated through the computer system and no such order, notice, assessment, computer document shall require the signature of the concerned officer whose name and designation is specified on the aforementioned documents.

230. Charges for various forms.–The following forms shall be provided after 30th June, 2002 on payment as mentioned against each:–

	Form	**Charge**
(i)	Form of return of total income.	Rupees Five each.
(ii)	Form of Wealth statement under section 116 of the Income Tax Ordinance.	Rupees Five each.

[3][ ]

[1]Substituted for "Income Tax" by SRO 1218(I)/2015 dated December 08, 2015.
[2]Substituted for "RCIT or Committees" by SRO 392(I)/2009 dated May 19, 2009.
[3]Rule 231 omitted by SRO 392(I)/2009 dated May 19, 2009.

[1][**231. Computation of export profits attributable to export sales**.-(1) Where a taxpayer exports any goods manufactured in Pakistan, the taxpayer's profits attributable to export sales of such goods shall be computed in the manner, namely:-

(a) where a taxpayer maintains separate accounts of the business of export of goods manufactured in Pakistan, the profits of the export business shall be taken to be such amount as may be determined by the Commissioner in accordance with the provisions of Ordinance on the basis of such accounts; or

(b) in other cases, the profits of such business shall be taken to be an amount which bears to the total profits of the business of the taxpayer from the sale of goods, the same proportion as the export sales of goods manufactured in Pakistan bear to the total sales of goods.

(2) For the Purpose of sub-rule,-

(a) the expression "export sales" means the f.o.b. price of the goods exported;

(b) the expression "total sales" means,-

(i) the aggregate of export sales as determined under clause (a);

(ii) the ex-factory price of goods sold in Pakistan, where the goods exported out of Pakistan were manufactured by the exporter; or

(iii) the ex-godown price of goods sold in Pakistan, in other cases.]

[1]Rule 231 inserted by SRO 58(I)/2010 dated February 02, 2010. Earlier it was omitted by SRO 392(I)/2009 dated May 19, 2009

R. 231 – Omission.- Before omission read as follows:-

"231. Computation of export profits and tax attributable to export sales.– (1) Where a taxpayer exports any goods manufactured in Pakistan, the taxpayer's profits attributable to export sales of such goods shall be computed in the manner specified hereunder:–

(a) where a taxpayer maintains separate accounts of the business of export of goods manufactured in Pakistan, the profits of the export business shall be taken to be such amount as may be determined by the Commissioner in accordance with the provisions of Ordinance on the basis of such accounts; or

(b) in other cases, the profits of such business shall be taken to be an amount which bears to the total profits of the business of the assessee from the sale of goods, the same proportion as the export sales of goods manufactured in Pakistan hear to the total sales of goods.

(2) Where the total income of a taxpayer includes any profit from the export of goods manufactured in Pakistan, the tax attributable to such profits shall be an amount which bears to the tax payable on the income the same proportion as such profits bear to the total income.

(3) In this rule, unless there is anything repugnant in the subject or context:–

(a) "export sales" means the fob price of the goods exported;

(b) "total profits" means:–

(i) the aggregate of export sales as determined under clause (a); and

(ii) the ex-factory price of goods sold in Pakistan, where the goods exported out of Pakistan were manufactured by the exporter; or

(iii) the ex-godown price of goods sold in Pakistan, in other cases."

8-147-20-02-2020

[1][**231A. Procedure for issuance of advance ruling under section 206A.–** (1) A non-resident person desiring an advance ruling under section 206A of the Ordinance, 2001 (XLIX of 2001) shall make an application to the Central Board of Revenue in the following form set out in the Schedule below.

(2) The application under sub-section (1) shall be considered by a Committee consisting of the following members, namely:–

(a)	Chairman, Central Board of Revenue	-	Chairman
(b)	Member ([2][Inland Revenue]), CBR	-	Member
(c)	[3][Nominee of the Law and Justice Division not below the rank of BPS-21].	-	Member

(3) The Committee may obtain comments of the Commissioner [4][ ] concerned and, if it considers necessary, advice of a legal expert on the application and decide the issue, as it may deem appropriate, in a joint sitting or through circulation amongst its members.

(4) Advance ruling for the purposes of this rule means determination by the Committee in relation to the transaction which has been undertaken or is proposed to be undertaken by a non-resident person the question of law specified in the application.

(5) The advance ruling shall be binding on the Commissioner only in respect of the specific transaction on which such advance ruling is issued. The advance ruling shall continue to remain in force unless there is a change in facts or in the law on the basis of which the advance ruling was pronounced.

(6) The copy of the advance ruling pronounced by the Central Board of Revenue shall be provided to the applicant and to the Commissioner [4][ ] having jurisdiction over the case.

(7) Notwithstanding anything contained in this rule, the advance ruling shall cease to be binding on the Commissioner, if it is subsequently found to have been obtained by fraud or misrepresentation of facts about the nature of the transaction on which advance ruling was issued.

(8) An application filed under this rule shall be disposed of not later than ninety days of its receipt.

231B. Withdrawal of application.– The applicant may withdraw the application made under rule 231A at any time before the advance ruling is issued.

---

[1]Rules 231A and 231B inserted by. SRO 130(I)/2004 dated February 27, 2004.
[2]Substituted for "Direct Taxes" by SRO 1218(I)/2015 dated December 08, 2015.
[3]Substituted for "[Senior Joint Secretary], Law, Justice and Human Rights Division" by SRO 68(I)/2020 dated January 31, 2020. Earlier words in bracket was substituted for "Solicitor General" by SRO 54(I)/2009 dated January 22, 2009. Earlier it was substituted for "Additional Secretary" by SRO 756(I)/2008 dated July 15, 2008.
[4]Words "of Income Tax" deleted by SRO 1218(I)/2015 dated December 08, 2015.

Advance Ruling committee.– Following is the text of Notification No. SRO 209(I)/2004, dated April 8, 2004:–

"In exercise of the powers conferred by section 237 of the Income Tax Ordinance 2001 (XLIX of 2001) the Central Board of Revenue (CBR) is pleased to notify the constitution of following committee under rule 231A of the Income Tax Rules 2002 for the purpose of section 206A of the aforesaid Ordinance, namely:–

8-147-20-02-2020

SCHEDULE

[*See* sub-rule (1)]

Application for advance ruling under section 206A of the Income Tax Ordinance, 2001

To

The Chairman,
Central Board of Revenue,
Islamabad.

Dear Sir,

The undersigned being duly authorized hereby apply on behalf of _____ (name of the non-resident person) for advance ruling under section 206A of the Income Tax Ordinance, 2001 (XLIX of 2001).

Necessary details of the transaction are set out below and in the Annexure to this application.

The following documents as required under rule 231A of Income Tax Rules, 2002 are enclosed:–

(a) _____
(b) _____
(c) _____
(d) _____
(e) _____

Yours faithfully,
Signature _____
Name (In block letters) _____
Designation _____

ANNEXURE

[*See* paragraph 2 of the Schedule]

(1) Name of the non-resident person (in block letters)_____

(2) Permanent address and telephone and fax numbers of the non-resident person (in block letters)_____

[1][ ]

(5) Country of Origin_____

(6) National Tax Number_____

(7) The following is the statement of the relevant facts of the transaction having bearing on the question(s) on which the advance ruling is required (please annex extra sheet, if required):

---

[1]Sr. "(3) Address in Pakistan & (4) Telephone No. Fax No." deleted by SRO 1218(I)/2015 dated December 08, 2015.

1.	Chairman CBR	Chairman
2.	Member Direct Taxes	Member
[1][3.	Muhammad Jahandar, Senior Consultant/Additional Secretary Law, Justice and Human Rights (Nominee of the Law Division)	Member]"

[1]S. No. 3 and related entries substituted by SRO 1032(I)/2006, dated October 3, 2006.

8-180-10-09-2024

(8) Statement containing the applicant's interpretation of law or facts, as the case may be, in respect of the question(s) on which advance ruling is required (please annex extra sheet, if required) is as follows:–

The undersigned, solemnly declare that:–

(a) full and true particulars of the transaction relevant for the purposes of advance ruling applied for have been disclosed and no material aspect affecting the determination of the application of the Income Tax Ordinance, 2001, in this behalf has been withheld; and

(b) that the above issue(s) is/ are not pending before any Income Tax Authority, Appellate Tribunal or Court for adjudication.

Yours faithfully,
Signature _____
Name (In block letters) _____
Designation _____
Address in Pakistan _____
Telephone No. _____
Fax No. _____]

[1][**231C. Alternative dispute resolution**.- [2][(1) Subject to sub-rule (3), this rule shall apply to all cases of disputes brought for resolution as specified in sub-section (1) of section 134A.

(2) In this rule, unless there is anything repugnant in the subject or context,-

(a) "applicant" means an aggrieved person or a class of persons in case identical issues are involved who have brought a dispute for resolution under section 134A;

(b) "Committee" means a committee constituted under sub-section (3) of section 134A; and

(c) "State-owned enterprise" shall have the same meaning as assigned thereto in the State-Owned Enterprises (Governance and Operations) Act, 2023 (VII of 2023).

(3) In the case of a state-owned enterprise, this rule shall apply to any dispute irrespective of the amount of liability of tax mentioned in clause (a) of sub-section (1) of section 134A, and it is mandatory for the state-owned enterprise to apply to the Board for appointment of a Committee if it is aggrieved.

[1]Rule 231C substituted by SRO 1249(I)/2020 dated November 23, 2020. Earlier substituted version was wrongly amended by SRO 845(I)/2020 dated September 10, 2020, was substituted by SRO 69(I)/2019 dated January 24, 2019 and was inserted by Notification No. SRO 748(I)/2004 dated August 30, 2004.
[2]Rule 231C(1) to (15) substituted by SRO 1377(I)/2024 dated September 06, 2024.

8-180-10-09-2024

(4) Any person or class of persons including a state-owned enterprise seeking resolution of any dispute under section 134A shall submit a written application for alternate dispute resolution to the Board in the Form as set out in Part I of the Schedule to this rule.

(5) The application submitted under sub-rule (4) shall be accompanied by-

(a) an initial proposition for resolution of the dispute as set out in Part IA;

(b) an offer of tax payment as set out in Part IB;

(c) an undertaking as set out in Part IC that the applicant shall accept the decision of the Committee which shall be binding on him in all respects and that he shall on receipt of the decision immediately withdraw any and all pending litigation or cases of any kind in respect of the dispute mentioning details thereof; and

(d) in the case of a state-owned enterprise, it shall withdraw any and all such pending litigation and cases immediately which shall be mentioned in the undertaking submitted under clause (c) of this sub-rule.

(6) The Board shall notify a panel comprising officers of Inland Revenue Service retired in BS-21 and above, chartered accountants, cost and management accountants, advocates, having minimum of ten years' experience in the field of taxation and reputable businessmen, in accordance with eligibility criteria specified in Part II of the Schedule to this rule.

(7) The member of the Committee mentioned in clause (ii) of sub-section (3) of section l34A of the Ordinance shall provide secretariat support to the committee.

(8) The Committee may determine the issue and may thereafter seek further information or data or expert opinion or make or cause to be made such inquiries or audit as it may deem fit, and shall decide the dispute by majority, within forty-five days of its appointment, extendable by another fifteen days, for reasons to be recorded in writing.

(9) The decision of the Committee under sub-rule (8) shall be binding on the Commissioner when the applicant; being satisfied with the decision, has withdrawn the appeal pending before the court of law or any appellate authority in the form as set out in Part III of the Schedule to this rule and has communicated the order of the withdrawal to the Commissioner:

8-186-10-11-2025

Provided that if the order of the withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the Committee upon the aggrieved person, the decision of the Committee shall not be binding on the Commissioner.

(10) On receipt of the Committee's decision the applicant shall make the payment of income tax and other taxes as decided by the Committee under this rule and all decisions and orders made or passed shall stand modified to that extent.

[1][(11) Members of the Committee appointed under clauses (i) and (iii) of sub-section (3) of section 134A of the Ordinance shall, after the decision by the Committee under sub-rule (8), be paid a lump sum one-time remuneration as under:

(a) three hundred thousand Rupees and one hundred and fifty thousand Rupees for the Chairperson and member of the Committee respectively except the Chief Commissioner Inland Revenue, if the amount of tax liability is up to fifty million Rupees:

(b) five hundred thousand Rupees and two hundred and fifty thousand Rupees for the Chairperson and member of the Committee respectively except the Chief Commissioner Inland Revenue, if the amount of tax liability exceeds fifty million Rupees; and

(c) Chairperson or a member of the Committee may be allowed TA/DA equal to the entitlement of BPS-22 and BPS-21 officers of the Federal Government respectively.]

(12) The remuneration specified in sub-rule [2][(11)] shall be paid by the Board from its budget allocation within fifteen days of the receipt of the decision of the Committee.]

---

[1]Substituted by SRO 2076(I)/2025 dated November 06, 2025.
[2]Substituted for "(ii)" & "(10)" respectively by SRO 1786(I)/2024 dated November 07, 2024.

Rule 231C(11)-Substitution.- Before substitution by SRO 2076(I)/2025 it read as follows:-

"(11) Members of the Committee appointed under clauses (i) and [1][(iii)] of sub-section (3) of section 134A of the Ordinance shall on decision of the application by the Committee, be paid a lump sum one-time remuneration of one hundred thousand rupees each for their services."

Rule 231C(1) to (15)-Substitution.- Before substitution by SRO 1377(I)/2024 these read as follows:-

(1) This rule shall apply to all cases of disputes brought or specified for resolution under section 134A.

(2) In this rule, unless there is anything repugnant in the subject or context,-

(a) "applicant" means an aggrieved person or a class of persons in case identical issues are involved who has brought a dispute for resolution under section 134A; and

(b) "Committee" means a Committee constituted under sub-section (2) of section 134A.

(3) Any person or class of persons interested for resolution of any dispute under section 134A shall submit a written application for alternative dispute resolution to the Board in the form as set out in Part I of the Schedule to this rule.

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(4) The Board, after examination of the contents of an application by a taxpayer and facts stated therein and on satisfaction that the application may be referred to a committee for the resolution of the hardship or dispute, shall appoint and notify a Committee, within a period of sixty days from the receipt of application specified under sub-rule (3), consisting of the following members, namely:-

(a) Chief Commissioner Inland Revenue having jurisdiction over the case; and

(b) two persons from a panel notified by the Board comprising of chartered accountants, cost and management accountants, advocates, having minimum often years' experience in the field of taxation and reputable businessmen.

(5) The Chief Commissioner Inland Revenue having jurisdiction over the case shall be Chairperson of the Committee.

(6) The Board shall notify a panel comprising of chartered accountants, cost and management accountants, advocates, having minimum often years' experience in the field of taxation and reputable businessmen, in accordance with eligibility criteria specified in Part II of the Schedule to this rule.

(7) The Committee shall decide the dispute through consensus within one hundred and twenty days from the date of its constitution by the Board.

(8) The decision of the Committee under sub-rule (7) shall be binding on the Commissioner when the applicant; being satisfied with the decision, has withdrawn the appeal pending before the court of law or any appellate authority in the form as set out in Part III of the Schedule to this rule and has communicated the order of withdrawal to the Commissioner:

Provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the Committee upon the applicant, the decision of the Committee shall not be binding on the Commissioner.

(9) The Chairperson of the Committee shall be responsible for deciding the procedure to be followed by the Committee which may inter-alia, include the following, namely:-

(a) to decide about the place of sitting of the Committee;

(b) to specify date and time for conducting proceedings by the Committee;

(c) to conduct the proceedings of the Committee as he things appropriate;

(d) to issue notices by courier or registered post or electronic mail to the applicant;

(e) to requisition and produce relevant records or witnesses from the Commissioner or other concerned quarters;

(f) to ensure attendance of the applicant for hearing either in person or through an advocate, representative or a tax consultant;

(g) to consolidate recommendations of the Committee and submission of a conclusive report to the Board; and

(h) for any other matter covered under these rules.

(10) The Committee may conduct inquiry, seek expert opinion, direct any officer of Inland Revenue or any other person to conduct an audit and make recommendations to the Committee in respect of dispute or hardship.

(11) The Committee may determine the issue and may thereafter seek further information or data or expert opinion or make or cause to be made such inquiries or audit as it may deem fit, to decide the matter specified in sub-section (1) of section 134A.

(12) If the Committee fails to decide within the period of one hundred and twenty days under sub-rule (7), the Board shall dissolve the Committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending.

(13) On receipt of the Committee's decision the applicant may make the payment of income tax and other taxes as decided by the Committee under sub- rule (7) and all decisions and orders made or passed shall stand modified to the extent.

(14) A member of the Committee appointed under clause (b) of the sub-rule (4) shall on decision of the application by the Committee of which he is a Member, be paid a lump sum one time remuneration of one hundred thousand rupees for his services.

(15) The remuneration specified in sub-rule (14) shall be paid by the Board from its budget allocation within fifteen days of the receipt of the decision of the Committee under sub-rule (13)."

8-186-10-11-2025

THE SCHEDULE

Part I

[see [1][sub-rule (4)]]

Application for Alternative Dispute Resolution under section 134A of the Income Tax Ordinance, 2001

To,

The Chairman,
Federal Board of Revenue,
Islamabad

Dear Sir,

The undersigned being _____ (name and address of the applicant) duly authorized hereby apply for hardship and dispute resolution under section 134A of the Income Tax Ordinance, 2001 (XLIX of 2001).

2. Necessary details of the dispute or hardship are set out below and in the Annexure to this application.

_____

_____

3. A request is made to constitute a Committee as provided under sub-rule (4) of rule 231C of Income Tax Rules, 2002.

4. The following documents as are necessary for the resolution of the dispute or hardship are enclosed.

(a) _____

(b) _____

(c) _____

Yours faithfully,

Signature _____

Name (in block letters) _____

NTN _____

Address _____

Date _____

[1]Substituted for "sub-rule (3)" by SRO 1377(I)/2024 dated September 06, 2024.

8-186-10-11-2025

[1][**Part IA**
[see clause (a) of sub-rule (5)]

An initial proposition for resolution of the dispute

To,

The Chairman,
Federal Board of Revenue,
Islamabad.

I submit following initial proposition for resolution of the dispute

(1) _____

(2) _____

(3) _____

Yours faithfully

Signature

Name (in block letters)

NTN

Date]

[1][**Part IB**
[see clause (b) of sub-rule (5)]

An offer of tax payment

To,

The Chairman,
Federal Board of Revenue,
Islamabad.

I offer to make payment of income tax amounting to Rs. _____ on tax matter involved in the application filed under sub-rule (4).

Yours faithfully

Signature

Name (in block letters)

NTN

Date]

[1]Parts IA to IC inserted by SRO 1377(I)/2024 dated September 06, 2024.

8-180-10-09-2024

[1][**Part IC**
[see clause (c) of sub-rule (5)]

Undertaking

To,

The Chairman,
Federal Board of Revenue,
Islamabad.

I hereby undertake under the provisions of clause (b) of subsection (2) of section 134A of the Income Tax Ordinance, 2001 (XLX of 2001), read with clause (c) of sub-rule (5) of rule 231C of the Income Tax Rules, 2002, that-

(a) I, the applicant shall accept the decision of the Committee which shall be binding on me in all respects;

(b) I, the applicant shall on receipt of the decision immediately withdraw any and all pending litigation or cases of any kind filed by me, or on my behalf or instructions, filed by my authorized representative, in respect of the dispute as detailed below:

(i) _____

(ii) _____

(iii) _____

(c) I, as Chief Financial Officer or representative of the SOE, have withdrawn all pending litigation and cases as per details given below:

(i) _____

(ii) _____

(iii) _____

Yours faithfully

Signature

Name (in block letters)

NTN

Date.]

[1]Parts IA to IC inserted by SRO 1377(I)/2024 dated September 06, 2024.

8-1800-10-09-2024

Annexure

[see paragraph 2 of the Schedule]

(1) Name of the applicant (in block letters) _____

(2) National tax number _____

(3) CNIC (for individuals) _____

(4) Address of the applicant _____

(5) Telephone Number _____ e-mail address _____ Fax Number _____

(6) Tax year to which the dispute or hardship relates _____

(7) The Commissioner with whom a dispute has arisen _____

(8) The following is the statement of the relevant facts and law with respect to dispute or hardship having bearing on the questions on which the resolution is required (Please annex extra sheet, if required):-

_____

_____

(9) Statement containing the applicant's interpretation of law or facts, as the case may be, in respect of questions on which resolution is required (Please annex extra sheet, if required) is as follows:-

_____

_____

(10) The extent or the amount of tax which the applicant agrees to pay, if any.

Rs. _____

(11) The undersigned, solemnly declares that-

(a) full and true particulars of the dispute or hardship for the purposes of resolution have been disclosed and no material aspect affecting the determination of the application filed under the Income Tax Ordinance, 2001 (XLIX of 2001), in this behalf has been withheld;

(b) the above issues are pending adjudication before (name of the appellate forum, ATIR or Court)/not pending before any forum, ATIR, High Court or Supreme Court of Pakistan.

Yours faithfully,
Signature

_____
Name (in block letters)

_____
Designation

_____
Date

_____

8-189-10-09-2024

Part II

[see sub-rule (6)]

Following shall be the eligibility criteria for Chartered Accountant, Cost and Management Accountant, Advocate and reputable businessman.-

(i) The Chartered Accountant shall be a member of Institute of Chartered Accountants of Pakistan and shall have minimum ten years experience of practice as a chartered accountant with at least five years of tax related practice and shall have in depth understanding of complex tax issues. He shall not be more than sixty five years old.

(ii) The Cost and Management Accountant shall be a member of Institute of Cost and Management Accountants of Pakistan and shall have minimum ten years experience of practice as a Cost and Management Accountant with at least five years of tax related practice and shall have in depth undertaking of complex tax issues. He shall not be more than sixty five years old.

(iii) The advocate shall hold degree in LL.B from a recognized Institute having in depth understanding of complex tax issues and shall have at least two reported tax cases or three other reported cases or five unreported cases of appellate tribunal inland revenue or higher courts. He shall have a minimum ten years experience including at least five years tax related practice and shall not be more than sixty five years old.

(iv) A reputable businessman shall have a Master Degree from Higher Education Commission recognized University or Foreign University with in depth understanding of complex tax issues and shall be a proprietor or director or partner of a business concern having a turnover of over one hundred million rupees in each of the past three years. He shall not be more than sixty five years old [1][; and]

[1][(v) An officer of Inland Revenue Service retired in BPS- 21 or above who has not been engaged in private tax practice any time after his retirement.]

---

[1]Full stop substituted and new clause (v) inserted by SRO 1377(I)/2024 dated September 06, 2024.

8-10-01-09-2024

Part III

[see [1][sub-rule (9)]]

Before The [mention the respective appellate authority]
ITA No. / ITRA No / CA No. [mention whichever is applicable)

Name of the Appellant / Respondent [mention whichever is applicable]

Address

Versus

Name of the Appellant / Respondent [mention whichever is applicable]
Address

Subject: Application for withdrawal of Appeal under [2][Sub-Section (8)] of Section 134A of the Income Tax Ordinance, 2001

Respectfully submitted,

1. That the appellant's appeal or reference application or civil appeal [mention whichever is applicable] in ITA No. / ITRA No / CA No [mention whichever is applicable] is pending.
2. That the appellant has filed an application to the Federal Board of Revenue for constitution of Alternative Dispute Resolution Committee under section 134A of the Income Tax Ordinance, 2001 read with rule 231C of the Income Tax Rules, 2002 and on appellant's application, the Federal Board of Revenue has constituted a Committee for resolution of the appellant's dispute.
3. That under the provision of [2][sub-section (8)] of section 134A of the said Ordinance read with [1][sub-rule (9)] of rule 231 C of Income Tax Rules, 2002 the appellant withdraws the aforesaid appeal or reference application or civil appeal as ITA No. / ITRA No. / CA No. [mention whichever is applicable].
4. Therefore it is prayed that the aforesaid appeal or reference application or civil appeal may be disposed of as withdrawn without prejudice to reinstatement of appellant's aforesaid appeal or reference application or civil appeal if the committee constituted under section 134A fails to make a decision within the stipulated time.

Applicant _____
Signature _____
Name _____
Complete Address. _____]

[1]Substituted for "sub-rule (8)" by SRO 1377(I)/2024 dated September 06, 2024.
[2]Substituted for "sub-section (6)" by SRO 1377(I)/2024 dated September 06, 2024.

8-180-10-09-2024

Rule 231C-Substitution.- Before substitution by SRO 1249(I)/2020 it read as follows:-

"**231C. Alternative dispute resolution**.- (1) This rule shall apply to all cases of disputes brought or specified for resolution under section 134A.

(2) In this rule, unless there is anything repugnant in the subject or context,-

(a) "applicant" means an aggrieved person or a class or persons who has brought a dispute for resolution under section 134A;

(b) "Committee" means a Committee constituted under sub-section (2) of section 134A; and

(c) "dispute" means any grievance of the applicant pertaining to-

(i) the liability of tax against the aggrieved person, or admissibility of refunds, as the case may be;

(ii) the extent of waiver of default surcharge and penalty; or

(iii) any other specific relief required to resolve the grievance as specified in sub-section (1) of section 134A.

(3) Any person or class of persons interested for resolution of any dispute under section 134A shall submit a written application for alternative dispute resolution to the Board in the form as set out in Part I of the Schedule to this rule.

(4) The Board, after examination of the contents of an application by a taxpayer and facts stated therein and on satisfaction that the application may be referred to a Committee for the resolution of the hardship or dispute, shall appoint and notify a Committee, within a period of sixty days from the receipt of application specified under sub-rule (3), consisting of the following members, namely:-

(a) an officer of Inland Revenue not below the rank of Commissioner to be nominated by the Board;

(b) a person nominated by the applicant in the form mentioned in sub-rule (3) from a panel notified by the Board, comprising-

(i) senior chartered accountants and senior advocates having experience in the field of taxation; and

(ii) reputable businessmen as nominated by Chambers of Commerce and Industry; and

(c) a retired judge not below the rank of District and Sessions Judge, to be nominated under sub-rule (5).

(5) The members of the Committee appointed under clauses (a) and (b) of sub-rule (4) shall decide through consensus the third member for nomination under clause (c) of sub-rule (4) from a list notified by the Board, whereafter, the appointment of the three-member Committee shall be notified by the Board.

(6) The Board shall notify a panel of a retired judge not below the rank of District and Sessions Judge, senior chartered accountants, senior advocates and reputable businessmen in accordance with eligibility criteria specified in Part II of the Schedule to this rule.

(7) The retired judge appointed under clause (c) of sub-rule (4) shall be the Chairperson of the Committee.

(8) After notification of the Committee under sub-rule (5), the applicant or the Commissioner or both, as the case may be, shall withdraw any appeal relating to the dispute pending before any court of law or an appellate authority in the form as set out in Part III of the Schedule to this rule.

8-180-10-09-2024

(9) The Committee appointed and notified under sub-rule (4) shall commence proceedings after receipt of order of withdrawal of appeal from the Board.

(10) The Chairperson of the Committee shall be responsible for deciding the procedure to be followed by the Committee which may, inter-alia, include the following, namely:-

(a) to decide about the place of sitting of the Committee, in consultation with the Chief Commissioner having jurisdiction over the applicant;

(b) to specify date and time for conducting proceedings by the Committee;

(c) to supervise the proceedings of the Committee;

(d) to issue notices by courier or registered post or electronic mail to the applicant;

(e) to requisition and produce relevant records or witnesses from the Commissioner or other concerned quarters;

(f) to ensure attendance of the applicant for hearing either in person or through an advocate, representative or a tax consultant;

(g) to consolidate decision of the Committee and communicate it to the Board, the Commissioner and the applicant; and

(h) for any other matter covered under these rules.

(11) The Committee may conduct inquiry, seek expert opinion, direct any officer of Inland Revenue or any other person to conduct an audit and make recommendations to the Committee in respect of dispute or hardship.

(12) The Committee may determine the issue and may thereafter seek further information or data or expert opinion or make or cause to be made such inquiries or audit as it may deem fit, to decide the matter specified in sub-section (1) of section 134A.

(13) Decision of its majority members shall be construed decision of the Committee and the Committee shall decide the dispute within one hundred and twenty days from the date of receipt of order of withdrawal from the Board mentioned in sub-rule (9) and communicate the same to the Board, the Commissioner and the applicant.

(14) The decision of the Committee under sub-rule (13) shall be binding on the Commissioner and the aggrieved person.

(15) On receipt of the Committee's decision, the applicant shall make payment of income tax and other taxes as specified by the Committee in its decision and the Commissioner shall modify order as per decision of the Committee.

(16) The Chairman of the Committee appointed under sub-rule (7) shall be paid a lump sum one-time remuneration of seventy five thousand rupees or four percent of the disputed tax demand, whichever is less.

(17) The member of the Committee appointed under clause (b) of the sub-rule (4) shall be paid a lump sum one-time remuneration of fifty thousand rupees or three percent of the disputed tax demand, whichever is less.

(18) The remuneration specified in sub-rules (16) and (17) shall be paid by the Board from its budget allocation within fifteen days of the receipt of the order under sub-rule (13).

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THE SCHEDULE

Part I

[see sub-rule (3)]

Application for Alternative Dispute Resolution under section 134A of the Income Tax Ordinance, 2001

To,

The Chairman,

Federal Board of Revenue,

Islamabad

Dear Sir,

The undersigned being _____ (name and address of the applicant) duly authorized hereby apply for hardship and dispute resolution under section 134A of the Income Tax Ordinance, 2001(XLIX of 2001).

2. Necessary details of the dispute or hardship are set out below and in the Annexure to this application.

_____

_____

3. A request is made to constitute a Committee as provided under sub-rule (4) of rule 231C of Income Tax Rules, 2002.

4. As provided in clause (ii) of sub-section (2) of section 134A read with clause (b) of sub-rule (4) of rule 231C, I hereby nominate Mr/Ms_____ (name and address of the senior chartered accountant or senior advocate or reputable businessman from a panel notified by the Board).

5. The following documents as are necessary for the resolution of the dispute or hardship are enclosed.

(a) _____

(b) _____

(c) _____

Yours faithfully,

Signature

_____

Name (in block letters)

_____

NTN

_____

Address

_____

Date

_____

Annexure

[see paragraph 2 of the Schedule]

(1) Name of the applicant (in block letters) _____

(2) National tax number _____

(3) CNIC (for individuals) _____

(4) Address of the applicant _____

(5) Telephone Number _____ e-mail address _____
Fax Number _____

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(6) Tax year to which the dispute or hardship relates _____

(7) The Commissioner with whom a dispute has arisen _____

(8) The following is the statement of the relevant facts and law with respect to dispute or hardship having bearing on the questions on which the resolution is required (Please annex extra sheet, if required):-

_____

_____

(9) Statement containing the applicant's interpretation of law or facts, as the case may be, in respect of questions on which resolution is required (Please annex extra sheet, if required) is as follows:-

_____

(10) The extent or the amount of tax which the applicant agrees to pay, if any.

Rs._____

(11) The undersigned, solemnly declares that-

(a) full and true particulars of the dispute or hardship for the purposes of resolution have been disclosed and no material aspect affecting the determination of the application filed under the Income Tax Ordinance, 2001 (XLIX of 2001), in this behalf has been withheld;

(b) the above issues are pending adjudication before (name of the appellate forum, ATIR or Court)/ not pending before any forum, ATIR, High Court or Supreme Court of Pakistan.

Yours faithfully,

Signature

_____

Name (in block letters)

_____

Designation

_____

Date

_____

Part II

[see sub-rule (6)]

Following shall be the eligibility criteria for a retired judge not below the rank of a District and Session judge, Chartered Accountant, Advocate and reputable businessman.-

(i) The retired Judge not below the rank of District Session Judge shall have at least fifteen years experience of tax practice or tax adjudication, and shall not be more than sixty five years old.

(ii) The Chartered Accountant shall be a member of Institute of Chartered Accountants of Pakistan and shall have minimum ten years experience of practice as a chartered accountant with at least five years of tax related practice and shall have in depth understanding of complex tax issues. He shall not be more than sixty five years old.

(iii) The advocate shall hold degree in LL.B from a recognized Institute having in depth understanding of complex tax issues and shall have at least two reported tax cases or three other reported cases or five unreported cases of appellate tribunal inland revenue or higher courts. He shall have a minimum ten years experience including at least five years tax related practice and shall not be more than sixty five years old.

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(iv) A reputable businessman shall have a Master Degree from Higher Education Commission recognized University or Foreign University with in depth understanding of complex tax issues and shall be a proprietor or director or partner of a business concern having a turnover of over one hundred million rupees in each of the past three years. He shall not be more than sixty five years old.

Part III

[see sub-rule (8)]

Before The [mention the respective appellate authority]
ITA No. / ITRA No / CA No. [mention whichever is applicable]

Name of the Appellant / Respondent [mention whichever is applicable]

Address

Versus

Name of the Appellant / Respondent [mention whichever is applicable]

Address

Subject: APPLICATION FOR WITHDRAWAL OF APPEAL UNDER SUB-SECTION (3) OF SECTION 134A OF THE INCOME TAX ORDINANCE, 2001

Respectfully submitted,

1. That the appellant's appeal or reference application or civil appeal [mention whichever is applicable] in ITA No. / ITRA No / CA No [mention whichever is applicable] is pending.
2. That the appellant has filed an application to the Federal Board of Revenue for constitution of Alternative Dispute Resolution Committee under section 134A of the Income Tax Ordinance, 2001 read with rule 231C of the Income Tax Rules, 2002 and on appellant's application, the Federal Board of Revenue has constituted a Committee for resolution of the appellant's dispute.
3. That under the provision of sub-section (3) of section 134A of the said Ordinance read with sub-rule (8) of rule 231 C of Income Tax Rules, 2002 the appellant withdraws the aforesaid appeal or reference application or civil appeal as ITA No. 1 ITRA No. 1 CA No. [mention whichever is applicable].
4. Therefore it is prayed that the aforesaid appeal or reference application or civil appeal may be disposed of as withdrawn and an original certified order of withdrawal under sub-section (4) of section 134A of the aforesaid Ordinance may kindly be communicated to the Member (Inland Revenue Operations), Federal Board of Revenue without prejudice to reinstatement of appellant's aforesaid appeal or reference application or civil appeal under sub-section (8) of section 134A of the aforesaid Ordinance if the respondent doesn't withdraw appeal, if any, or the Committee constituted under section 134A fails to make a decision within the stipulated time.

Applicant
Signature
Name
Complete Address"

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Rule 231C-Substitution.- Before substitution by SRO 69(I)/2019 it read as follows:-

"**231C. Income tax** [1][**alternative**] **dispute resolution.–** (1) This rule shall apply to all cases of disputes brought or specified for resolution under section 134A.

(2) In this rule, unless there is anything repugnant in the subject or context,–

(a) "applicant" means a person or a class of persons who has brought a dispute for resolution under section 134A;

(b) "Board" means the Central Board of Revenue.

(c) "Committee" means a Committee constituted under sub-section (2) of section 134A; and

(d) "dispute" means any matter of income tax pertaining to liability of income tax, admissibility of refund, waiver or fixation of penalty or fine, relaxation of any period or procedural and technical condition as specified in sub-section (1) of section 134A.

[1]Substituted for "alternate" by SRO 1032(I)/2006 dated October 3, 2006.

(3) Any person or class of persons interested for resolution of any dispute under section 134A shall submit a written application for alternative dispute resolution to the Board in the form as set out in the Schedule below.

(4) The Board, after examination of the contents of an application by a taxpayer and facts stated therein and on satisfaction that the application may be referred to a Committee for the resolution of the hardship or dispute, shall constitute a Committee consisting of the following members, namely:–

(a) the [2][Chief Commissioner], Large Taxpayers Unit or Commissioner, Medium Taxpayers Unit or any other Commissioner or officer of the [3][Inland Revenue Department] nominated by the Board;

(b) a Fellow of Chartered Accountants, registered with the Institute of Chartered Accountants of Pakistan or an Associate of Cost and Management Accountant, an advocate of High Court or Income Tax Practitioner [4][ ] ; and

(c) a reputable taxpayer.

(5) The Board may appoint one of the members of the Committee to be its Chairman.

(6) An application filed under this rule may be disposed of by the Committee within thirty days of its constitution:

Provided that the time so specified may, if requested by the Chairman of the Committee for reasons to be recorded in the request, be extended by the Board to such extent and subject to such conditions and limitations as it may deem proper.

(7) The Chairman of the Committee shall be responsible for deciding the procedure to be followed by the Committee which may *inter-alia*, include the following, namely:–

[5][(a) to decide about the place of sitting of the Committee, in consultation with the [2][Chief Commissioner] Regional Tax Office, or as the case may be, the [2][Chief Commissioner] Large Taxpayer Unit;]

(b) to specify date and time for conducting proceedings by the Committee;

(c) to supervise the proceedings of the Committee;

[2]Substituted for "Director General" by SRO 1218(I)/2015 dated December 08, 2015.

[3]Substituted for "Income Tax Department" by SRO 1218(I)/2015 dated December 08, 2015.

[4]Words "having at least twenty-five reported cases in a reputed journal to his credit" omitted by SRO 679(I)/2005, dated July 4, 2005.

[5]Clause (a) substituted by SRO 814(I)/2008 dated July 31, 2008.

R. 231C(7)(a)-Substitution.-Before substitution clause (a) read as follows:-

"(a) to decide about the place of sitting of the Committee;"

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(d) to issue notices by courier or registered post or electronic mail to the applicant;

(e) to requisition and produce relevant records or witnesses from the Commissioner or other concerned quarters;

(f) to ensure attendance of the applicant for hearing either in person or through an advocate, representative or a tax consultant;

(g) to consolidate recommendations of the Committee and submission of a conclusive report to the Board; and

(h) for any other matter covered under these rules.

(8) The Committee may conduct inquiry, seek expert opinion, direct any [6][officer of the Inland Revenue] or any other person to conduct an audit and make recommendations to the Committee in respect of dispute or hardship.

(9) The Committee may determine the issue and may thereafter seek further information or data or expert opinion or make or cause to be made such inquiries or audit as it may deem fit, to formulate its recommendations in respect of any matter specified in sub-section (1) of section 134A.

(10) The applicant may withdraw the application made under sub-rule (3) of these rules at any time before the Committee submits its recommendations to the Board.

(11) The applicant shall pay members of the Committee, other than public servant, remuneration covering travelling allowance and daily allowance. The extent and amount of remuneration and the manner of payment thereof shall be decided by the Chairman of the Committee under intimation to the applicant.

(12) The Chairman of the Committee shall send a copy of the recommendations of the Committee to the Board, applicant and the concerned Commissioner, simultaneously.

(13) The Board on its own motion or on the request of the applicant, may refer back the recommendations of the Committee for rectification of any mistake apparent from record or for reconsideration of the facts or law, as the case may be, not considered earlier by the Committee.

(14) The Committee after rectification of the mistake or reconsideration of the facts or law as aforesaid shall furnish to the Board its fresh or amended recommendation within such period as specified by the Board.

(15) The Board, after examining the recommendations of the Committee shall finally decide the dispute or hardship and make such orders as it may deem fit for the resolution of the dispute or hardship [7][, within ninety days of receipt of such recommendations,] under intimation to the applicant, Chairman of the Committee and the concerned Commissioner:

Provided that the resolution reached by the taxpayer and the Board shall not bind them for tax year not covered by the agreement. Any such resolution shall not be used as precedent, except as provided in the agreement.

(16) The copy of order passed by the Board shall be provided to the applicant and to the Commissioner having jurisdiction over the case for modification of all decisions, orders and judgements passed in respect of the said dispute or hardship, within such period as may be specified by the Board in the order.

(17) On receipt of the Board's order as aforesaid, the concerned Commissioner shall implement the order in such manner and within such period as may be specified by the Board in the order.

[6]Substituted for "officer of income tax" by SRO 1218(I)/2015 dated December 08, 2015.

[7]Inserted by SRO 771(I)/2008 dated July 21, 2008.

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(18) Notwithstanding any thing contained in this rule an order passed by the Board shall cease to exist if it is subsequently found to have been obtained by fraud or misrepresentation of facts about the nature of dispute or hardship on which the said order was passed and all decisions, orders and judgements modified under the said order shall deemed to be re modified.

THE SCHEDULE

[*See* sub-rule (3)]

Application for [8][alternative] dispute resolution under section 134A of the Income Tax Ordinance, 2001

To

The Chairman,
Central Board of Revenue,
Islamabad

Dear Sir,

The undersigned being duly authorized hereby apply _____ (name and address of the applicant) for dispute or hardship resolution under section 134A of the Income Tax Ordinance, 2001 (XLIX of 2001).

2. Necessary details of the dispute or hardship are set out below and in the annexure to this application.

3. A request is made to constitute a Committee as provided under sub-rule (4) of rule 231C of Income Tax Rules, 2002.

4. The following documents as are necessary for the resolution of the dispute or hardship are enclosed.

(a) _____

(b) _____

(c) _____

Yours faithfully,

Signature _____

Name _____

(in block letters)

NTN _____

Address _____

Date _____

Annexure

[*See* paragraph 2 of the Schedule]

(1) Name of the applicant _____

(in block letters)

(2) National tax number _____

(3) Address of the applicant _____

(4) Telephone Number _____ Fax Number _____

[9][(4A) Tax year to which the dispute or hardship relates _____.]

(5) The Commissioner with whom a dispute has arisen _____

(6) The following is the statement of the relevant facts and law with respect to dispute or hardship having bearing on the question(s) on which the resolution is required (Please annex extra sheet, if required):–

[8]Substituted for "alternate" by SRO 1032(I)/2006 dated October 3, 2006.

[9]Clause "(4A) inserted by Notification No. SRO 679(I)/2005 dated July 4, 2005.

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(7) Statement containing the applicant's interpretation of law or facts, as the case may be, in respect of question(s) on which resolution is required (Please annex extra sheet, if required) is as follows:–

(8) The extent or the amount of tax which the applicant agrees to pay, if any.

(9) The undersigned, solemnly declare that,–

(a) full and true particulars of the dispute or hardship for the purposes of resolution have been disclosed and no material aspect affecting the determination of the application filed under the Income Tax Ordinance 2001, in this behalf has been withheld;

(b) that the above issue(s) is/are pending before _____ (name of the appellate forum, ITAT or court)/ not pending before any forum, ITAT, High Court or Supreme Court of Pakistan for adjudication [10][.]

[11][ ]

Yours faithfully,
Signature _____
Name _____
(in block letters)
Designation _____
Date _____"

[10]Full stop substituted for "; and" by SRO 679(I)/2005 dated July 4, 2005.

[11]Clause (c) omitted by SRO 679(I)/2005 dated July 4, 2005.

R. 231C(9), cl. (c), omission.-Before omission, it read as follows:-

"(c) I shall pay the remuneration of the members, other than a public servant, of the Committee to the extent as the Chairman of the Committee may decide."

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[1][**231CA**. **Procedures for assessment oversight committee.-** (1) This rule shall apply to all cases of settlement filed under section 122D of the Ordinance.

(2) In this rule, unless there is anything repugnant in the subject or context,-

(a) "applicant" means a person or a class of persons who has filed a case for settlement under section 122D of the Ordinance;

(b) "Committee" means a Committee constituted under sub-section (5) of section 122D of the Ordinance; and

(c) "settlement application" means an application made by a person to the Committee under sub-section (1) of section 122D.

(3) A settlement application shall be made electronically by the applicant in person or by his authorised representative, under section 122D for agreed assessment to the Committee on IRS Web Portal.

(4) A settlement application shall be preferred to the Committee after the date of service of the notice issued under sub-section (9) of section 122 of the Ordinance and before finalization of assessment.

(5) The Commissioner shall not conclude assessment proceedings under section 122 if an application, made against the notice issued under sub-section (9) of section 122, lies pending before the Committee.

(6) The Committee, after examination of the contents of an application submitted by an applicant and facts stated therein and on scrutiny of requisitioned record, if any, shall afford opportunity of being heard to the applicant in writing.

(7) The Committee shall finalize the applications filed under section 122D of the Ordinance within thirty days of receipt of application or within an extended period of sixty days, for reasons to be recorded in writing by the Committee.]

[2][**231CB. Independent case scrutiny committees**.- (1) This rule shall provide for constitution of independent case scrutiny committees.

(2) In this rule, unless there is anything repugnant in the subject or context,-

(a) "Chairman" means the chairman of the independent case scrutiny Committee;

(b) "Commissioner" means as defined in clause (13) of section 2 of the Income Tax Ordinance 2001 (XLIX of 2001);

(c) "Committee" means any of the Independent Case Scrutiny Committees constituted under these rules for specified territorial jurisdiction;

(d) "petition" means a petition to the Supreme Court under Article 185(3) of the Constitution of the Islamic Republic of Pakistan or Federal Constitutional Court arising from any of the tax laws;

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[1]Rule 231CA inserted by SRO 1184(I)/2020 dated November 06, 2020.
[2]Rule 231CB inserted by SRO 1165(I)/2026 dated July 27, 2026.

(e) "reference" means a reference to the High Court under Section 133 of the Income Tax Ordinance, 2001 (XLIX of 2001);

(f) "Secretary" means an officer of Inland Revenue nominated by the Board for the purposes of the Committee;

(g) "Serving member of the Committee" means an in service officer of BS 20 or above of Inland Revenue service; and

(h) "tax laws" means the Income Tax Ordinance, 2001 (XLIX of 2001), the Customs Act, 1969 (IV of 1969), the Sales Tax Act, 1990, and the Federal Excise Act, 2005 and includes any rules, regulations, or notifications issued thereunder.

(3) The Board by an order shall constitute the following committees with powers, functions and jurisdiction, namely:-

Committee No.1

S. No.	Member	Status	Functions and Jurisdiction
1	A retired Judge of the Supreme Court, Federal Constitutional Court or any of the High Courts of Pakistan	Chairman	(i) to timely examine each case and make recommendation to file or otherwise a reference before the High Court, a petition before the Supreme Court or Federal Constitutional Court;
2	An Advocate having not less than fifteen years' experience in tax and commercial litigation before the High Courts and / or the Supreme Court of Pakistan	Member	(ii) to review pending references and petition periodically to determine whether continuation of litigation is warranted in the interest of revenue; (iii) to maintain a database of settled legal questions and relevant precedents to guide future litigation decisions and ensure consistency, and
3	A senior serving or retired officer of the IRS of BS 20 of above	Member	(iv) to identify systemic issues requiring legislative or administrative intervention and recommend appropriate measures to the Board. Jurisdiction: References to be filed before Islamabad High Court and CPLAs before the Supreme Court and Federal Constitutional Court by LTO Islamabad, [1][ ] RTO Islamabad, RTO Peshawar, RTO Abbottabad DG I&I Islamabad and its Directorates

[1]Words etc. "CTO Islamabad," omitted by SRO 1286(I)/2026 dated August 05, 2026.

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Committee No.2			
S. No.	Member	Status	Functions and Jurisdiction
1	A retired Judge of the Supreme Court, Federal Constitutional Court or any of the High Courts of Pakistan	Chairman	(i) to timely examine each case and make recommendation to file or otherwise a reference before the High Court, a petition before the Supreme Court or Federal Constitutional Court; (ii) to review pending references and petitions periodically to determine whether continuation of litigation is warranted in the interest of revenue; (iii) to maintain a database of settled legal questions and relevant precedents to guide future litigation decisions and ensure consistency; and (iv) to identify systemic issues requiring legislative or administrative intervention and recommend appropriate measures to the Board. **Jurisdiction**: References to be filed before Lahore High Court and CPLAs before the Supreme Court and Federal Constitutional Court by LTO Lahore, LTO Multan, CTO Lahore, [1][RTO-I Lahore, RTO-II Lahore,] RTO Rawalpindi, RTO Gujranwala, RTO Faisalabad, RTO Multan, RTO Bahawalpur. RTO Sialkot, RTO Sargodha and RTO Sahiwal.
2	An Advocate having not less than fifteen years' experience in tax and commercial litigation before the High Courts and/or the Supreme Court of Pakistan	Member	
3	A senior serving or retired officer of the IRS of BS 20 or above	Member	
Committee No.3			
S. No.	Member	Status	Functions and Jurisdiction
1	A retired Judge of the Supreme Court, Federal Constitutional Court or any of the High Courts of Pakistan	Chairman	(i) to timely examine each case and make recommendation to file or otherwise a reference before the High Court, a petition before the Supreme Court or Federal Constitutional Court;

[1]Substituted for "RTO Lahore," by SRO 1286(I)/2026 dated August 05, 2026.

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2	An Advocate having not less than fifteen years' experience in tax and commercial litigation before the High Courts and/ or the Supreme Court of Pakistan	Member	(ii) to review pending references and petitions periodically to determine whether continuation of litigation is warranted in the interest of revenue; (iii) to maintain a database of settled legal questions and relevant precedents to guide future litigation decisions and ensure consistency; and
3	A senior serving or retired officer of the IRS of BS 20 or above	Member	(iv) to identify systemic issues requiring legislative or administrative intervention and recommend appropriate measures to the Board. **Jurisdiction**: References to be filed before Sindh High Court, Balochistan High Court and CPLAs before the Supreme Court and Federal Constitutional Court by LTO Karachi, [1][CTO-I Karachi, CTO-II Karachi,] RTO-I Karachi, RTO-II Karachi, RTO Sukkur, RTO Hyderabad and RTO Quetta.

(4) The Secretary as defined in clause (f) of sub-rule (2) of these rules shall provide secretariat and administrative support to the Committee and shall-

(a) convene meetings with the approval of the Chairman, circulate the agenda, maintain minutes and records of proceedings;

(b) coordinate with the concerned field formations and obtain records, comments, briefs or any other information required by the Committee;

(c) communicate the decisions, recommendations and directions of the Committee to the concerned Commissioners and field formations, and ensure necessary follow-up;

(d) maintain the records, database and correspondence of the Committee;

(e) keep the concerned Commissioners informed regarding the proceedings of cases before the Committee; and

(f) perform such other functions as may be assigned by the Committee, the Chairman or the Board.

(5) The Committee may co-opt a Chartered Accountant as a non-voting member, where it is deemed necessary. The remuneration of such non-voting member shall be determined by the Board.

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[1]Substituted for "CTO Karachi," by SRO 1286(I)/2026 dated August 05, 2026.

(6) The Board may, for the purpose of identifying suitable candidates, constitute a Search Committee, the composition, terms of reference and procedure whereof shall be determined by the Board.

(7) Proceedings and records placed before the Committee shall be confidential. Any member having a conflict of interest in a matter shall recuse himself, and such recusal shall be recorded in the minutes.

(8) The Secretary shall convene meetings, circulate agenda, maintain minutes and a case register or docket, and communicate recommendations of the Committee to the Commissioner concerned.

(9) The Commissioner having jurisdictions for the purposes of this rule shall, within ten days of receipt of the order of the ATIR or the High Court, refer a case for pre-filing scrutiny, and the Secretary shall place such cases before the Committee accordingly.

(10) The referral shall contain all material particulars including the manner of reference, documents required, revenue implications involved, questions of law requiring interpretation, precedents and settled law, basis of the case, the original decision, the appellate decision, where applicable, and the recommendations of the Commissioner concerned, where applicable, and all relevant documents shall be attached thereto.

(11) The Board may for reasons to be recorded in writing transfer the jurisdiction of a case from one scrutiny committee to another Committee.

(12) The Committee may call for any record, document, brief, or clarification from any office or field formation through the Secretary.

(13) The Committee shall convene on a daily basis, whether in person or online, and shall prioritize its workload so as to ensure that every recommendation is finalized within a period of fifteen days from the date of referral:

Provided that where, for reasons to be recorded in writing, a recommendation cannot be finalized within the said period, the Committee may extend the said period to such further time but not beyond limitation period provided in the law as may be necessary, subject to intimation to the Board.

(14) Where the Committee recommends non-pursuance of any case, the Secretary shall intimate the Commissioner concerned for compliance of such directions.

(15) The quorum for a meeting of the Committees shall be two Members, including the Chairman.

(16) The decision shall be taken by majority vote and shall be recorded in writing; any dissenting opinion, if recorded by a Member, shall form part of the official record.

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(17) While making decision of filing of reference or petition, the committee shall keep in view the binding precedents set up by the Supreme Court of the Pakistan or Federal Constitution Court, revenue involved in the particular case or other similar cases and interpretation of law and facts of the case.

(18) If the Committee may not render a decision within the prescribed timeline (including any extension granted), the case shall be deemed to have been cleared for filing, subject to compliance with all other applicable legal requirements and the Secretary shall record in writing that the prescribed period has been lapsed and intimate Commissioner concerned accordingly.

(19) Where the period of limitation for filing a reference or petition is expiring within fifteen days, or where there is imminent and substantial revenue loss requiring urgent intervention, the matter shall be placed before the Chairman as an emergency case.

(20) The Chairman may, after prima facie satisfaction of urgency, approve filing of reference or petition.

(21) Any emergency approval granted under sub-rule (19) shall be subject to post-facto review by the full Committee within thirty days of the decision and the committee may decide to withdraw the case if the law and facts so permits.

(22) The Committee shall cause to be published, on a yearly basis, anonymized summaries of its recommendations, excluding confidential commercial information and taxpayer identifying details. The published summaries shall include the questions of law considered, the decision criteria applied, and the recommendations made.

(23) The Secretary shall maintain a searchable database of published decisions for reference by field formations and to ensure consistency in future decisions.

(24) Chairman and Members shall hold office for a term of one year which may be extendable for a further term on continued fitness and satisfactory performance, as may be decided by the Board.

(25) Chairman or any Member may resign from his office at any time by writing under his hand addressed to the Board with thirty days notice.

(26) Chairman or any Member may be removed by the Board on grounds of conflict of interest, misconduct, breach of confidentiality, or inability to perform functions, after providing an opportunity of being heard.

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(27) The Chairman and Members of each Committee shall be paid lees as follows:-

(a) the Chairman shall be entitled to a monthly fee of twelve hundred thousand rupees, and in addition thereto, a per case fee of twenty-five thousand rupees in respect of which a recommendation is made, whether in favour of filing or otherwise, subject to a maximum of twenty cases per month;

(b) the Advocate Member shall be entitled to a monthly fee of eight hundred thousand rupees, and in addition thereto, a per case fee of twelve thousand and five hundred rupees in respect of which a recommendation is made, whether in favour of filing or otherwise, subject to a maximum of twenty case per month;

(c) where a retired officer of Inland Revenue is nominated as a Committee member, he shall be entitled to a monthly fee of eight hundred thousand rupees, and in addition thereto, a per case fee of twelve thousand and five hundred rupees in respect of which a recommendation is made, whether in favour of filing or otherwise, subject to a maximum of twenty cases per month;

(d) the remuneration of the support staff shall be determined by the Board; and

(e) The serving Board Member and the Secretary shall not be entitled to additional remuneration; except as provided in rules related to reward and honorarium.

(28) All Members shall be entitled to TA/DA for official travel as admissible to a grade 21 officer of the Federal Government.

(29) The Committee shall submit an annual report to the Board by the 31st of March each year, covering the preceding financial year and shall consist of,-

(a) the number of cases reviewed, and recommendations made (to file, not to file, or to withdraw);

(b) the outcome of filed references and petitions (decided in favour, against, pending, or settled);

(c) analysis of success rate and factors contributing to favorable or unfavorable outcomes;

(d) revenue implications of decisions made pursuant to Committee recommendations;

(e) identification of recurring legal issues and systemic problems requiring legislative or administrative intervention; and

(f) recommendations for improving litigation management and enhancing the effectiveness of the Committee.

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(30) The annual report shall be placed before the Board for consideration and appropriate action.]

[1][**231D**. **Procedure for group taxation under section 59AA.-** (1) For the purposes of this rule, a 100% owned company shall be a subsidiary company where another company, herein-referred to as "holding company", owns all equity shares of such company except those held by nominees to meet the statutory requirements of the Companies Ordinance, 1984 (XLVII of 1984).

(2) A holding company and each of its subsidiary companies of 100% owned group which fulfill the conditions specified in section 59AA shall make separate application containing declaration of irrevocable option for group taxation as one fiscal unit to the concerned Commissioner in the form as set out in the Schedule below within the first quarter of the tax year for which group taxation is opted for.

(3) The application shall be signed, in the case of a holding company, by the Chief Executive Officer of the holding company and in the case of a subsidiary company the Chief Executive Officer of the subsidiary company, identifying the Commissioner having jurisdiction over the holding company or as the case may be, subsidiary company, National Tax Number and Corporate Registration Number.

(4) The holding company as well as each subsidiary company shall furnish a certificate issued by the Securities and Exchange Commission of Pakistan verifying that the company has been complying with the Code of Corporate Governance as notified from time to time by the SECP.

(5) The return for the tax year following the option for group taxation shall be prepared as one fiscal unit under the name of the holing company and the tax liability shall be discharged or the refund shall be claimed respectively as if the business of the subsidiary companies were the business of the holding company. However, for that purpose, no effect shall be taken for losses including unabsorbed depreciation of subsidiary companies for the tax year prior to the exercise of option for group taxation. Along with the group return, copies of audited accounts of every company in the group shall be attached.

(6) On option for group taxation under sub-section (2) of section 59AA, the subsidiary companies shall furnish their returns of income in their respective tax jurisdiction along with a copy of application for group taxation for record and future adjustments and intimating non-taxability of the returned income. The subsidiary companies shall also intimate to the Commissioner having jurisdiction over the holding company regarding their option for group taxation.

(7) Taxation matters relating to the period prior to the adoption of one fiscal unit shall continue to be dealt with by the Commissioner having jurisdiction over the subsidiary company.

(8) In case, there is divestment of a subsidiary company and the provisions of group taxation become inapplicable, no effect shall be taken for group taxation during the year of disposal.

8-191-15-09-2026

[1]Rule 231D inserted by SRO 392(I)/2009 dated May 19, 2009.

(9) All the provisions of the Ordinance, including withholding provisions as applicable on a holding company shall mutatis mutandis apply to a subsidiary company during the period when the group is taxed as one fiscal unit. Each company shall file independent withholding statements as required under the provisions of the Ordinance.

(10) The relief under group taxation shall be limited only to those companies which are locally incorporated under the Companies Ordinance, 1984 (XLVII of 1984).

(11) All companies opting for group taxation under section 59AA shall have the similar accounting period for computation of income.

(12) The transaction by any company within the group and with its associated companies shall be carried out and recorded on arm's length basis.

SCHEDULE

(See sub-rule (2) of rule 231D)

APPLICATION/DECLAERATION FOR GROUP TAXATION UNDER SECTION 59AA OF THE INCOME TAX ORDINANCE, 2001.

To,

The Commissioner,

_____

Dear Sir,

I _____S/O _____being Chief Executive of M/s _____ (Name/NTN and address of the holding company or as the case may be subsidiary company) duly authorized in this regard hereby apply on behalf of the aforesaid company for group taxation under section 59AA of the Income Tax Ordinance, 2001, in respect of the following companies of the group:-

S. No.	Name of the company.	Address (Head Office/postal).	NTN No.	Incorporation No.	Whether holding or subsidiary company	Commissioner having jurisdiction over holding /subsidiary company.
(1)	(2)	(3)	(4)	(5)	(6)	(7)

2. The following documents are attached:-

(i) Copies of incorporation certificates of the above mentioned companies seeking group taxation;

8-191-30-09-2026

(ii) Copy of the certificate issued by the SECP (as set out in Annexure to this Schedule) confirming that the company had complied with corporate governance requirements, as notified by the SECP and are not defaulters of any rules or regulations.

3. It is declared that,-

(i) the company asks for irrevocable option for group taxation as one fiscal unit;

(ii) the companies in the group are locally incorporated under the Companies Ordinance, 1984; and

(iii) the company complies with corporate governance requirements as notified by the Securities and Exchange Commission of Pakistan from time to time.

4. Further I certify that to the best of my knowledge and belief the information given in the application is correct and complete in accordance with the provisions of section 59AA of the Income Tax Ordinance, 2001.

Yours faithfully,

Signature_____

Name _____

(in block letters)

CNIC No._____

Designation_____

Date_____

ANNEXURE

(See paragraph 2(ii) of the Schedule)

CERTIFICATE FROM THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

It is certified that M/s _____, incorporated at No. _____dated_____ is a holding company having 100% share of the following subsidiary companies, namely:-

(a) ----------

(b) ----------

(c) ----------

(d) ----------

And the holding company and its subsidiary companies (mentioned above) have not violated any corporate governance requirements notified by the SECP from time to time and the said companies are entitled to avail group taxation under section 59AA of the Income Tax Ordinance. The SECP shall also inform the [1][Commissioner of Inland revenue] concerned, if any code of corporate governance is violated by the holding company or its subsidiary companies mentioned above availing the benefit of group taxation under section 59AA of the Income Tax Ordinance, 2001.

8-119-20-02-16

[1]Substituted for "Commissioner of Income Tax" by SRO 1218(I)/2015 dated December 08, 2015.

Signature_____
Name of the issuing authority_____
Seal/Stamp_____
Date:_____]

[1][**231E. Special Audit Panel**.-(1) This rule shall under section 177 of the Ordinance apply to all cases for conducting audit by the special audit panel as determined by the Commissioner in the light of sub-section (1B) of section 210 of the Ordinance.

(2) The Board may appoint as many special audit panels as may be necessary, comprising two or more members from the following, namely:-

(a) an officer or officers of Inland Revenue;

(b) a firm of chartered accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961);

(c) a firm of cost and management accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966); or

(d) any other person as directed by the Board.

(3) Board shall invite firm of Chartered Accountant or Cost and Management Accountant through advertisement and shall determine their eligibility and remuneration on case to case basis or on the basis as determined by the Board.

(4) Special audit panel shall conduct audit, including a forensic audit of the income tax affair of:-

(a) any person, or

(b) classes of persons

(5) The Commissioner shall determine the scope of audit under sub-rule (4) on case- to-case basis.

(6) Special audit panel shall be headed by a chairperson who shall be an officer of Inland Revenue.

(7) The chairperson of special audit panel shall be responsible for the procedure which may inter-alia include the following, namely:-

(a) to decide in consultation with the Commissioner about the place of sitting or the special audit panel;

(b) to specify date and time for conducting audit;

(c) to supervise the proceedings of audit;

(d) to issue notices by courier or registered post or electronic mail to the taxpayer under audit;

(e) to requisition and produce records, documents, information from the taxpayer under audit and from other persons in respect of the taxpayer under audit; and

(f) to ensure attendance of the taxpayer for hearing in person or through an advocate or representative.

[1]Rule 231E inserted by SRO 31(I)/2016 dated January 13, 2016.

(8) The special audit penal may conduct inquiry or seek expert opinion as may be considered necessary.

(9) Powers under section 175 and 176 of the Ordinance for conducting audit under sub-section (11) of section 177 of the Ordinance shall be exercised by an officer or officers of Inland Revenue.

(10) Audit proceedings shall not be held invalid in case of absence of any member of the panel, other than chairperson.

(11) The chairperson shall consolidate audit findings and get signatures of all other members of the panel for further action in light of sub-section (6) or sub-section (14) of section 177 of the Ordinance as deemed fit.

(12) In case of difference of opinion among members of the special audit panel, the audit findings of majority members would carry weight, and the chairperson shall proceed as per sub-rule (11). In case the majority members do not include chairperson, then the special audit panel shall send the report of difference of opinion to the Commissioner and the Commissioner may decide either to constitute new special audit panel or send the said report to another officer or officers of Inland Revenue. The audit findings either from the new special audit panel or from another officer or officers of Inland Revenue would suffice for further actions under sub-role (11).

(13) Audit proceedings under sub-rule (12) shall include the taxpayer's record, documents, statements and difference of opinion by previous special audit panel and opportunity of being heard to the taxpayer under audit.]

[1][**231F. Selection and conduct of audit**.-(1) This rule shall apply to selection of cases for audit by the FBR under section 214C of the Income Tax Ordinance, 2001 (XLIX of 2001).

(2) The following steps shall be followed for selection of cases for audit through a computer ballot on random and parametric selection basis for tax years mentioned therein, namely:-

(a) data of all returns (e-filed and manually filed) shall be utilized as a basic data;

(b) the Board shall decide the cases of persons or classes of persons which are to be excluded from audit selection and such exclusions shall be publicized each year through FBR's web-portal for information, prior to the process of balloting or selection;

(c) cases falling under exclusions shall be identified and such cases shall be excluded from the data to be used for balloting;

(d) the data of the remaining cases shall be utilized for computer ballot for audit selection;

(e) for each tax year cases for audit shall be selected in accordance with the predetermined percentage, to be publicized through FBR's web-portal, and prior to the balloting process, each year;

[1]Rule 231F inserted by SRO 131(I)/2016 dated February 18, 2016.

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(f) immediately after computer ballot, the lists of selected case shall be generated and placed on FBR's web-portal;

(g) the whole balloting system for audit selection shall be based only on the NTNs/CNICs of the filers;

(h) the NTNs and CNICs of the cases selected for audit shall be communicated to concerned RTOs and LTUs as per their respective jurisdictions;

(i) for the purpose of selection of cases on parametric basis, risk parameters for persons or classes or persons to be used for balloting, wherever necessary, shall be determined by the Board, as under:-

(A) risk parameters for persons or classes of persons to be used for balloting shall be determined by the Board;

(B) audit selection parameters may be based upon the following:-

(I) financial ratios for the year viz a viz the history of the case;

(II) financial ratios viz a viz industrial, sectoral or national ratios;

(III) industrial comparisons or bench marks;

(IV) quantum of losses or refunds beyond certain thresholds; or

(V) compliance history; and

(j) computer balloting process in both categories of selection for audit shall be held in the presence of representatives from Chambers of Commerce and Industries and representatives of Tax Bar Associations.

(3) The cases selected for audit by the Board shall be processed and the Commissioner Inland Revenue concerned shall issue intimation letter to the taxpayer about the selection of his case for audit with the following details:-

(a) section under which selection has been made;

(b) tax year for which the case has been selected for audit;

(e) mode of selection whether random or parametric;

(d) compliance requirements on the part of taxpayer e.g.-

(i) provision of prescribed books of accounts;

(ii) supporting information and documents, etc;

(iii) computerized data, access to computerized data or provision of attested hard copies of computerized data.

(4) On completion of examination of books of accounts, data or information under this rule the discrepancies, if found, shall be intimated to the taxpayer for obtaining taxpayers ' explanation, in the form of audit report, seeking taxpayer's explanation on these points.

8-119-20-02-16

(5) Explanations of the taxpayer, where found not acceptable, shall be intimated to the taxpayer, through a notice under section 122(9) of the Income Tax Ordinance, 2001 about the amendment in assessment alongwith the rationale or basis of such amendment and necessary amendment in assessment order shall be passed under section 122 of the said Ordinance after affording adequate opportunity of hearing to the taxpayer.]

[1][**231FA. Procedure for E-Audit**.- (1) The provisions of this rule shall apply for the conduct of audit proceedings electronically under sub-section (2A) of section 177 of Income Tax Ordinance, 2001 (XLIX of 2001).

(2) **Definitions**.- in this rule, unless there is anything repugnant in subject or context,-

(a) "Adjudication Officer" means an officer of Inland Revenue to whom a case is assigned for assessment on the basis of audit report under these rules;

(b) "Audit Officer" means an officer of Inland Revenue to whom a case is assigned for conducting e-audit under these rules;

(c) "Automated Case Selection System" means an algorithm for randomized allocation of cases by using suitable technological modes;

(d) "Competent Authority" means the Board in case of selection of audit under section 214C and Commissioner Inland Revenue having jurisdiction in case of selection under section 177 of the Ordinance;

(e) "e-audit" means the audit proceedings of registered person conducted through electronic means including video links, or any other facility as may be specified by the Board from time to time; and

(i) "Iris" means a web based computer programme for operation and management of Inland Revenue taxes and laws administered by the Board.

(3) Where a case has been selected under section 177 or section 214C of the Ordinance, as the case may be, and the competent authority may issue direction to conduct e-audit, the following procedure shall be adopted, namely:-

(a) the cases selected for e-audit under sub-rule (1) shall be processed through Automated Case Selection System which will create an assignment for issuing notices through Iris to the taxpayer against selection of cases for audit;

(b) for issuance of notices, Automated Case Selection System will configure the:-

8-159-15-07-2021

[1]Rule 231FA inserted by SRO 835(I)/2021 dated June 29, 2021.

(i) list of officers of Inland Revenue to whom the case can be assigned; and

(ii) list of the cases to be marked across the jurisdiction; and thereafter, intimate to the concerned Commissioner IR where the case has been assigned by the Automated Case Selection System;

(c) the concerned Commissioner Inland Revenue to whom the case has been assigned by the Automated Case Selection System shall serve a notice under sub-section (1) of section 177 of Income Tax Ordinance, 2001, specifying the reasons for selection of his case for audit;

(d) a taxpayer shall produce the record or documents including books of accounts maintained under Income Tax Ordinance, 2001 through Iris or electronic data carrier notified by the Board;

(e) a taxpayer shall not be required to appear either personally or through authorized representative in connection with any proceedings under e-audit before the officer of Inland Revenue. In case of any explanation required by the taxpayer or officer of Inland Revenue, requests for personal hearing, shall be made through Iris and may be allowed to do so in assigned Jurisdiction and such hearings shall be conducted exclusively through video links from personal computer system or any of the nearest Tax Facilitation Centre situated at the premises of the different Tax Offices, as the case may be;

(f) an Audit Officer to whom the case is assigned, after considering all the information, documents or evidence, if finds no discrepancy and have no conclusive proof against taxpayer may close the audit and send it to the Automated Case Selection System;

(g) after examination of record and after obtaining taxpayers' explanation on all the issues raised, if the Audit Officer to whom the case is assigned, does not agree with the declared version and proposes order for assessment of tax, shall prepare an audit report, containing audit observations/ findings and forward the report to taxpayer through Iris and Automated Case Selection System simultaneously;

(h) the Automated Case Selection System will once agall1 configure and assign the case to any Adjudication Officer across the jurisdiction to make an order for assessment of tax under section 122, including imposition of penalty and default surcharge in accordance with sections 182 and 205 of the Ordinance, if required, as pointed out in the audit report;

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(i) notwithstanding anything contained in the Income Tax Rules, 2002, the Jurisdiction assigned under sub-clause (ii) of clause (b) of sub-rule (3) above, by the Automated Case Selection System shall be deemed to have been made under the powers conferred by section 209 of the Income Tax Ordinance, 2001 till such time proceedings under clause (k) are finalized for the purpose of section 122 and section 177 of Income Tax Ordinance, 2001;

(j) the adjudication officer to whom the case is assigned under clause (h) of sub-rule (3) above, shall after a notice under section 122(9) of the ordinance through Iris to show cause to such person, make an order for assessment of tax as pointed out in the audit report and issue Assessment Order accordingly under section 122 of the Income Tax Ordinance, 2001 and send it to the Automated Case Selection System:

Provided that in case the taxpayer applies electronically for agreed assessment under section 122D in the prescribed form to the committee constituted under section 122D(5), and the committee may,-

(i) accept or modify the offer, and the taxpayer agrees to that offer, the Adjudication Officer shall pass the amended assessment order accordingly; or

(ii) rejects or unable to reach on consensus, the case will be referred back to Adjudication Officer for passing amended order under section 122 on the basis of available record and reply of the taxpayer; and

(k) the Automated Case Selection System, shall forward the assessment order passed under section 122 of the Ordinance for initiating recovery proceedings, if any under section 137 of the Income Tax Ordinance, 2001 to the jurisdiction where such person is originally registered.]

[1][**231G. Determination of value of bonus shares issued by a company not quoted on the stock exchange, to the shareholders of the company**.-(1) The value of bonus shares issued by a company, not quoted on the stock exchange, to its shareholders in terms of sub-section (6) of section 236N of the Ordinance shall be the face value, or the breakup value, as determined below, whichever is higher.

(2) The breakup value of the bonus share shall be determined in the following manner:-

(a) the total equity of the company divided by the total number of ordinary shares (after the issuance of bonus shares), as of the last day of the period for which financial statements are prepared and approved by the Board of Directors for the purpose of issuance of bonus shares. The total equity of the company shall be determined by adding paid up capital of the ordinary shares and the reserves; and

[1]Rule 231G inserted by SRO 1085(I)/2016 dated November 24, 2016.

(b) for the purpose of sub-clause (a) above, the term "reserve" shall have the same meaning as defined under sub-section (3) of section 5A of the Ordinance.]

[1][**231H. Reduced rate of tax for *Shari'ah* compliant companies in terms of Sub-Clause (a) of clause (18B) of Part-II of the Second Schedule to the Ordinance**.- In order to avail reduced rate of tax in terms of sub-clause (a) of clause (18B) of Part-II of the Second Schedule to the Ordinance, the *Shari'ah* compliant criteria for a company, whose shares are traded on a stock exchange, shall be as follows:-

(i) The business of the company shall be *Halal* i.e. it shall not include processing or manufacturing of pork, liquor, non-*Halal* products, pornographic material or any other activity not permitted by *Shari'ah*.

(ii) There should be *Riba* free financing on-the balance sheet of the company, however the company may be leveraged through Islamic modes of financing obtained from licensed Islamic financial institutions.

(iii) All the investments made by the company should be one hundred percent *Shari'ah* compliant, therefore, it would not be permissible for the company to acquire non-*Shari'ah* compliant instruments or securities which yield interest or income that is not *Halal*.

(iv) The company shall be obliged to maintain free float of the company at thirty percent of the outstanding shares.]

[1]Rule 231H inserted by SRO 12(I)/2017 dated January 10, 2017.

8-186-10-11-2025

[1][**231I. Values of minerals for the purpose of sub-section (4) of section 236V of the Income Tax Ordinance, 2001**.- (1) The values of minerals specified in column (2) of the Table below for the purposes of sub-section (4) of section 236V of the Ordinance are specified in column (3) thereof, namely:-

TABLE

S. No.	**Name of mineral**	**Rate per metric tonne (in Rupees)**
(1)	(2)	(3)
1	Argilaceous clay	500
2	Asbestos	4875
3	Antimony	11700
4	Agglomerate	6500
5	Barite	6500
6	Basalt	9100
7	Bentonite	3900
8	Bauxite	4550
9	Bajri	780
10	Brine/salt	570
11	Barytes	875
12	Ball clay	875
13	Coal	5000
14	Clay	1625
15	China Clay	625
16	Calcite	1300
17	Celestite	1625
18	Conglomerate	1950
19	Chromite	18750
20	Chalk	2500
21	Dolomite	2250
22	Diorite	6500
23	Fluorite	10400
24	Fullers Earth	1300
25	Fire Clay	1300
26	Gypsum	1950
27	Granite	13000
28	Gabro stone	9750
29	Granodiorite	9750
30	Gravel	750

[1]Rule 231I inserted by SRO 140(I)/2020 dated March 02, 2020.

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31	Iron ore	5200
32	Limestone (for manufacturers of cement)	4500
33	Limestone (other than cement factory)	1500
34	Laterite	815
35	Lake salt	875
36	Marble onyx	16250
37	Magnesite	3900
38	Marble (other than onyx)	3900
39	Manganese	5200
40	Ochre / red ochre	3900
41	Ordinary stone	910
42	Pumice	1950
43	Quartz	3900
44	Quartzite	3250
45	Rock salt	875
46	Silica sand	4500
47	Sulphur	3900
48	Soap stone	5250
49	Serpentine	3250
50	Shale (cement industry)	2500
51	Sand	650
52	Shale	750
53	Slate Stone	1875
54	Sandstone	750
55	Tar sand	490
56	Tuff	1625

(2) Advance tax shall be collected by the provincial authority or a person authorized by the provincial authority to collect or recover royalty on minerals excavated and transported from leased area.

(3) Where a person having authority to collect or recover royalty on behalf of the provincial authority

(a) fails to collect tax as required; or

(b) having collected tax fails to pay the tax to the Commissioner as required under section 160,

the person having authority to collect or recover royalty as well as provincial authority shall be jointly and severally liable to pay the amount of tax to the Commissioner who may pass an order to that effect and proceed to recover the same.]

8-159-15-07-2021

232. Repeal & Savings.– (1) The following rules as in force before the commencement of these rules are hereby repealed, namely Income Tax Rules, 1982;

(2A) Notwithstanding anything contained in sub-rule (1), rules 190 to 198, 201, 201D, 201F, 202(C), 202D, 202E, 202F of Income Tax Rules, 1982 shall stand repealed on the first day of July, 2003; and

(2B) Any proceedings including proceedings under part IX (Chapters A, B, C, D, E & F) initiated, or any action taken or initiated, or approval sought, under Income Tax Rules, 1982 prior to 01.07.2002; such proceedings, action, or approval sought shall be completed under the Income Tax Rules, 1982 and to that extent Income Tax Rules, 2002 would not apply.

[C. No. 4(2)IT-Jud/02]

Vakil Ahmad Khan
Member (Direct Taxes)/
Additional Secretary

8-159-15-07-2021

[1][SECOND SCHEDULE

(See rules 34, 35, 36 and 39)

PART–I

(History of amendments of Return Forms Part I of the Second Schedule)

-Second Schedule substituted by Notification No. SRO 861(I)/2003, dated September 1, 2003.

PART–I –

-Part I substituted by Notification No. 785(I)/2007 dated August 4, 2007 read with SRO 680(I)/2007 dated July 5, 2007. Part I was earlier substituted by SROs 761(I)/2006 dated July 26, 2006, 732(I)/2005 dated July 22, 2005 and 651(I)/2004 dated July 30, 2004.

-Title "RETURN OF TOTAL INCOME UNDER THE INCOME TAX ORDINANCE, 2001 (FOR COMPANY)," substituted by "RETURN OF TOTAL INCOME/STATEMENT OF FINAL TAXATION UNDER THE INCOME TAX ORDINANCE, 2001 (FOR COMPANY)" by SRO 887(I)/2007 dated September 3, 2007 for Tax Year 2007.

-S. No. 29 and related entry substituted by SRO 887(I)/2007 dated September 3, 2007 for Tax Year 2007.

-S. Nos. 81 and 92 and related entries substituted by SRO 887(I)/2007 dated September 3, 2007 for Tax Year 2007.

-Words "Including PTR sales" omitted in entries related to S. Nos. 7 & 29 by SRO 939(I)/2007, dated September 13, 2007.

-Word "interest" inserted in entry at S. No. 31 by SRO 939(I)/2007, dated September 13, 2007.

-Words etc. "selling expenses (Freight outwards, etc)" substituted for "Others" in entry at S. No. 63 by SRO 939(I)/2007, dated September 13, 2007.

-S. No. 74 and entry related thereto substituted by SRO 939(I)/2007, dated September 13, 2007.

-Words "for the year" inserted in entry at S. No. 75 by SRO 939(I)/2007, dated September 13, 2007.

-Words "and adjusted" inserted by SRO 939(I)/2007, dated September 13, 2007.

-S. No. 77 and entry related thereto substituted by SRO 939(I)/2007, dated September 13, 2007.

-S. No. 166 and entry related thereto substituted by SRO 939(I)/2007, dated September 13, 2007.

-Word etc. "Statement u/s 115(4)" inserted in the end by SRO 939(I)/2007, dated September 13, 2007.

PART–IA – -Part IA inserted by SRO 1158(I)/2010 dated December 30, 2010. Earlier the same was inserted by SRO 881(I)/2010 dated September 09, 2010. A similar part was inserted earlier by SRO 878(I)/2009 dated October 08, 2009 and it appears that insertion now being made is in fact a substitution for the part already existing.

PART–IB – -Part IB inserted by SRO 850(I)/2011 dated September 17, 2011.

PART–IC – -Part IC inserted by SRO 848(I)/2012 dated July 10, 2012.

PART–IC – -Part IC inserted by SRO 828(I)/2013 dated September 26, 2013.

8-136-25-10-18

PART–II

(History of amendments of Return Forms Part II of the Second Schedule)

PART–II -

-Part II substituted by SRO 785(I)/2007 dated August 4, 2007 read with SRO 680(I)/2007 dated July 5, 2007. Part II was earlier substituted by SROs 761(I)/2006 dated July 26, 2006, 732(I)/2005 dated July 22, 2005 and 651(I)/2004 dated July 30, 2004.

-Title "RETURN OF TOTAL INCOME UNDER THE INCOME TAX ORDINANCE, 2001 (FOR INDIVIDUAL/AOP)" substituted by "RETURN OF TOTAL INCOME/STATEMENT OF FINAL TAXATION UNDER THE INCOME TAX ORDINANCE, 2001 (FOR INDIVIDUAL/AOP)" by SRO 887(I)/2007 dated September 3, 2007 for Tax Year 2007.

-S. Nos. 15 and 37 and related entries substituted by SRO 887(I)/2007 dated September 3, 2007 for Tax Year 2007.

-Word "City" in entry at S. No. 4 omitted by SRO 939(I)/2007, dated September 13, 2007.

-Words etc. "%age in capital" in 3rd column in entry at S. No. 4 and words "Capital Amount" in 4th column of entry at S. No. 4 substituted for "%age" by SRO 939(I)/2007, dated September 13, 2007.

-Words "including PTR sales" in entry at S. No. 9 omitted by SRO 939(I)/2007, dated September 13, 2007.

-Figures etc."[9 – 10]" substituted for "excluding PTR G.P." by SRO 939(I)/2007, dated September 13, 2007.

-Words etc. ""(Attach Annex-A for Tax Depreciation" in entry at S. No. 17 omitted by SRO 939(I)/2007, dated September 13, 2007.

-Brackets and symbol "(*)"in entry at S. No. 19 omitted by SRO 939(I)/2007, dated September 13, 2007.

-Words etc. "(Attach Annex-A for Tax Depreciation" inserted in entry at S. No. 20 by SRO 939(I)/2007, dated September 13, 2007.

-S. No. 21 and related entry substituted by SRO 939(I)/2007, dated September 13, 2007.

-Words etc. "(Attach Annex-B)" inserted in entry at S. No. 22 by SRO 939(I)/2007, dated September 13, 2007.

-Words etc. "(sum of 24 to 30)" inserted in entry at S. No. 23 by SRO 939(I)/2007, dated September 13, 2007.

-Figures etc. "[(18 + 19) – 20 – 21 – 22]" substituted for "[(18+19) – 20]" in entry at S. No. 25 by SRO 939(I)/2007, dated September 13, 2007.

-Words etc. "Taxable Income/(Loss) [23 – 31]" in entry at S. No. 40 substituted for "Net Taxable Income/(Loss) [38 – 39]" by SRO 939(I)/2007, dated September 13, 2007.

-17Note -2 in the end omitted by SRO 939(I)/2007, dated September 13, 2007.

"TY" in 3rd column and "2007" inserted in 4th column inserted by SRO 939(I)/2007, dated September 13, 2007.

-In entries at S. Nos. 81 and 82, "5" substituted for "10" by SRO 939(I)/2007, dated September 13, 2007.

-In the end of verification portion, word etc. "/Statements u/s 115(4)" inserted by SRO 939(I)/2007, dated September 13, 2007.

-Word "Signatures" inserted at the end of Annex A by SRO 939(I)/2007, dated September 13, 2007.

-Word etc. "[Add 5]" inserted in entry at S. No. 22 in Annex C by SRO 939(I)/2007, dated September 13, 2007.

-Annexure B in Part II substituted by SRO 887(I)/2007 dated September 3, 2007, earlier it was inserted by SRO 785(I)/2007 dated August 4, 2007 read with SRO 680(I)/2007 dated July 5, 2007.

*There has been an error in the SRO 887(I)/2007 it states the amendment to be made in Part VI instead of Part II for Annexure B & C.

Parts III, IIIA - omitted by SRO 785(I)/2007 dated August 4, 2007 read with SRO 680(I)/2007 dated July 5, 2007. Earlier it was substituted by SRO 761(I)/2006, dated July 26, 2006, before this was substituted by SRO 732(I)/2005, dated July 22, 2005 and SRO 651(I)/2004, dated July 30, 2004.

-Word "Statement" omitted by SRO 887(I)/2007 dated September 3, 2007.

Part IIA inserted by SRO 1159(I)/2010 dated December 30, 2010. Earlier the same was inserted by SRO 895(I)/2010 dated September 22, 2010. A similar part was inserted earlier by SRO 718(I)/2009 dated August 11, 2009 and it appears that insertion now being made is in fact a substitution for the part already existing.

Part IIB inserted by SRO 850(I)/2011 dated September 17, 2011.

Part IIC inserted by SRO 848(I)/2012 dated July 10, 2012.

Part IID inserted by SRO 799(I)/2013 dated September 17, 2013.

Part-IIE inserted by SRO 819(I)/2014 dated September 16, 2014.

Part-IIF inserted by SRO 963(I)/2014 dated September 17, 2014.

Part-IIF inserted by SRO 841(I)/2015 dated August 26, 2015.

Part-IIG inserted by SRO 877(I)/2015 dated September 04, 2015.

Part-IIH inserted by SRO 792(I)/2016 dated August 25, 2016.

Part-II-I inserted by SRO 972(I)/2016 dated October 17, 2016.

Part-IIJ&K inserted by SRO 819(I)/2017 dated August 17, 2017.

Part-IIL inserted by SRO 982(I)/2017 dated September 28, 2017.

8-136-25-10-18

PART–II

(History of amendments of Forms Part II of the Second Schedule)

PART–II -

Part-II-M inserted by SRO 1012(I)/2018 dated August 17, 2018.

Part-II-N inserted by SRO 1357(I)/2018 dated November 09, 2018.

Part-II-O inserted by SRO 979(I)/2019 dated September 02, 2019.

Part-II-OA inserted by SRO 1160(I)/2019 dated September 27, 2019.

Part-II-P inserted by SRO 1000(I)/2019 dated September 06, 2019.

Part-II-Q inserted by SRO 822(I)/2020 dated September 08, 2020.

Part-II-R inserted by SRO 885(I)/2020 dated September 17, 2020 & amended with SRO 1955(I)/2022 dated 24.10.2022.

Part-II-S inserted by SRO 1316(I)/2020 dated December 09, 2020 & amended with SRO 1955(I)/2022 dated 24.10.2022.

Part-II-T inserted by SRO 853(I)/2021 dated July 01, 2021.

Part-II-U inserted by SRO 1073(I)/2021 dated August 27, 2021.

Part-II-V inserted by SRO 978(I)/2022 dated June 30, 2022 & amended with SRO 1891(I)/2022 dated 13.10.2022 and with SRO 1955(I)/2022 dated 24.10.2022.

Part-II-W inserted by SRO 1733(I)/2022 dated September 13, 2022.

Part-II-X inserted by SRO 778(I)/2023 dated June 27, 2023.

Part-II-Y inserted by SRO 779(I)/2023 dated June 27, 2023.

Part-II-Z inserted by SRO 949(I)/2024 dated July 04, 2024.
https://download1.fbr.gov.pk/SROs/2024741372148854SRONo.949OF2024Electronic.pdf

Part-II-ZA inserted by SRO 950(I)/2024 dated July 04, 2024.
https://download1.fbr.gov.pk/SROs/20247413755816SRONo.950(ManualReturn)2024.pdf

Part-II-ZD inserted by SRO 1561(I)/2025 dated August 18, 2025, for Forms click on the following link
https://download1.fbr.gov.pk/SROs/2025818198039714SRO1561.pdf

Part-II-ZC inserted by SRO 1562(I)/2025 dated August 18, 2025, for Forms click on the following link
https://download1.fbr.gov.pk/SROs/2025818198324521SRO1562.pdf

Part-II-ZE to Part-II-ZH inserted by SRO 1496(I)/2026 dated September 02, 2026.
https://download1.fbr.gov.pk/SROs/2026921792446743SRO1495.pdf

8-191-15-09-2026

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[1][

8-168-31-08-2022

[1]Part II-V inserted by SRO 978(I)/2022 dated June 30, 2022.

8-169-31-08-2022

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8-160-20-08-2021

1202-08-02-0918

8-160-20-08-2021

8-160-20-08-2021

(Part U is not reproduced here)

Page 1

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[1]Parts IV and V omitted by SRO 785(I)/2007 dated August 4, 2007 read with SRO 680(I)/2007 dated July 5, 2007. Earlier it was substituted by SRO 761(I)/2006, dated July 26, 2006, before it was substituted by SRO 732(I)/2005, dated July 22, 2005 and SRO 651(I)/2004, dated July 30, 2004.

*Part IV is omitted but new wealth statement form is placed on website of the Board

Reduced copy of attached Excel Sheet (Wealth Statement) will be pasted.

Page 2

Reduced copy of attached (Return of Total Income/ Statement of Final Taxation) will be pasted.

[1][**IT-1**

[1]Form IT-1 and Annex-A to C inserted by SRO 891(I)/2008 dated August 26, 2008.

Annex-A

Annex-B

8-68-31-08-09

Annex-C

Reduced copy of attached (Return of Total Income/ Statement of Final Taxation) will be pasted.

[1][**IT-2**

[1]Form IT-2 and Annex-A to C inserted by SRO 891(I)/2008 dated August 26, 2008.

[IT 2 cont. page 2]

Annex-A

Annex-B of IT 2

Annex-C of IT 2

PART- VA

STATEMENT OF FIX TAX FOR RETAILERS UNDER SECTION 113A/113B OF THE INCOME TAX ORDINANCE, 2001 AND PURCHASE OF LOCALLY PRODUCED EDIBLE OIL BY MANUFACTURERS OF COOKING OIL OR VEGITABLE GEE OR BOTH

Original for the Department/Duplicate for the Taxpayer
(Please mark ✓ in the relevant box/Use additional sheets where necessary)
* In case of a new taxpayer without NTN, please attach prescribed NTN application ☐

Tax Year **2006 R6**
LTU/RTO/MTU/Zone Code _____
Circle Code _____
NTN * _____
CNIC/Reg. No. _____ (CNIC for Individuals only & Reg. No. for Companies only)

Taxpayer's (Individual/Association of Persons/Company) Profile

1. Year Ending On _____ (dd/mm/yyyy) 2. Status IND AOP COY In case of an AOP/Company, particulars of partners/members/Directors — As per Annex I attached ☐
3. Residential Status — Resident — Non-resident
4. Name * (In Block Letters) _____
5. Business Name _____
6. Address Residence _____ Is this your mailing address Yes / No
In case of an individual _____
Business _____ Is this your mailing address Yes / No
7. Telephone (i) _____ (ii) _____ 8. Fax _____
9. Nature/description of Business _____
10. Business Code _____ (To be filed by the department)

* In case of an individual - His/her name in full AND In case of an association of persons - Name and style of the association of persons

Particulars	Code	Amount (Rs.)	Amount (Rs.)
11. (a) Annual Turnover of the retailer (with turnover upto Rs. 5,000,000)	31015		
(b) Annual Turnover of the retailer (with turnover exceeding Rs. 5,000,000)	31015		
(c) Purchase of locally produced edible oils by manufactures of cooking oil or vegitable gee or both	310431		
12. Tax on the above at the rate* of _____ %			
* In case of a retailer with turnover upto Rs. 5,000,000 @ 0.75%			
In case of a retailer with turnover exceeding Rs. 5,000,000 @ 1.00%			
In case of purchase of locally produced edible oils @ 1.00%	9203		
13. Tax Already Paid			
(a) Advance tax including tax paid with monthly sales tax return Evidence of payment attached ☐	9469		
(b) Tax collected/deducted at source			
(i) On cash withdrawal from bank Evidence of payment attached ☐	9449		
Name and Branch of bank / Account No. etc.	94491		
	94492		
(ii) With motor vehicle tax Evidence of payment attached ☐	9440		
Registration No. / Engine / Seating Capacity	94401		
	94402		
(iii) With bill for electricity consumption Evidence of payment attached ☐	9441		
Consumer No. / In the name of	94411		
	94412		
(iv) With telephone bills, mobile phone and pre-paid cards Evidence of payment attached ☐	9442		
Phone Number. / In the name of	94421		
	94422		
(v) Others including adjustment of prior year(s) Refunds (specify)	9498		
Evidence of payment attached ☐	94981		
Evidence of payment attached ☐	94982		
(c) **Sub-Total [Add 13(a) to 13(b)(v)]**	9470		
14. **Balance Tax** [12 minus 13(c)]	9999	(a) Refundable	
		(b) Payable	
15. Tax Paid With Statement Evidence of payment attached ☐	9471		

Verification

I, _____, holder of CNIC No. _____ in my capacity as Self / Member or Partner of Association of Persons / Representative* of Taxpayer named above, do solemnly declare that to the best of my knowledge and belief the information given in this Statement is correct, complete and in accordance with the provisions of the Income Tax Ordinance, 2001 and Income Tax Rules, 2002.
(The alternative in the verification, which is not applicable, should be scored out.)
* As defined in section 172 of the Income Tax Ordinance, 2001

Date (dd/mm/yyyy) _____ Signature _____

ACKNOWLEDGMENT

Inward No. _____

Date (dd/mm/yyyy) _____ Name & signature of receiving official Seal.

8-68-31-08-09

[1]Part VA substituted by SRO 761(I)/2006, dated July 26, 2006, it was earlier substituted by SRO 732(I)/2005, dated July 22, 2005 and SRO 651(I)/2004, dated July 30, 2004.

[1][PART VI

[2][ ]

*[3][Annex XIII

[1]Part VI substituted by SRO 761(I)/2006, dated July 26, 2006, it was earlier substituted by SRO 732(I)/2005, dated July 22, 2005 and SRO 651(I)/2004, dated July 30, 2004.
[2]Annexures I, IIA, IIB, IIC, IID, IIE, IIF, IIG, III, IV, V, VI, VII, VIII, IX, X, XI and XII in Part VI omitted by SRO 785(I)/2007 dated August 4, 2007 read with SRO 680(I)/2007 dated July 5, 2007. The amendments are applicable from tax year 2007 and onwards.
[3]Annexure XIII in Part VI inserted by SRO 785(I)/2007 dated August 4, 2007 read with SRO 680(I)/2007 dated July 5, 2007.
*Annexure XIII is missing in SRO 785(I)/2007 dated August 4, 2007.

8-68-31-08-09

Note: Pages from 144.27 to 144.46(xiii) stand deleted due to updating.

[1][PART VII
Certificate of Collection or Deduction of Tax
(See rule 42)

S. No. Original/Duplicate. Date of issue.

Certified that a sum of Rupees_____(Amount of tax collected/deducted in figures)
Rupees_____
_____(Amount in words)
on account of Income Tax has
been collected/deducted from _____
(Name and address of the person
from whom tax collected/deducted) _____
In case of an individual, his/her name in full and In case of an association of persons / company, name and style of the association of persons/company

having National Tax Number _____ (if any) and
holder of CNIC No. _____ (in case of an individual only)
on _____ (Date of collection/deduction)
Or during the period From _____To _____(Period of collection/deduction)
under section * _____(Specify section of the Income Tax Ordinance, 2001)
on account of * _____ (Specify nature)
vide _____ (Particulars of LC, Contract etc.)
on the value/amount of Rupees_____ (Gross amount on which tax collected/ deducted in figures)
Rupees _____
_____ (Amount in words)

This is to further certify that the tax collected/deducted has been deposited in the Federal Government Account as per the following details:

Date of deposit.	SBP / NBP/ Treasury.	Branch/City.	Amount. (Rupees)	Challan /Treasury No.
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Company/office etc. collecting/deducting the tax:
Name. _____Signature _____

[1]Parts VII to XI inserted by Notification SRO No. 641(I)/2005, dated June 27, 2005.

Statements for the quarter ended September 30, 2005.– Following is the text of CBR's Letter C.No.1(10)ITR/05 dated October 15, 2005:–

"I am directed to refer to the subject mentioned above and to say that the Quarterly Statements as prescribed vide SRO No. 641 dated 27.06.05 for the period ending on 30.09.2005 is due on 15.10.2005. It has been represented to the Board that since people are mostly engaged in relief work after the earthquake disaster and a large number of them may not have been able to file their statements to date. The Central Board of Revenue realizes the hardship face by the nation. 7

2. In order to facilitate the withholding agents, it has been decided that statements for the quarter ended on 30.09.05 may be accepted up-to 31.10.2005 without drawing any adverse inference."

8-51-30-11-07

Certificate of Collection or Deduction of Tax Income Tax Rules, 2002

Address. _____ Name. _____

NTN (if any) _____ Designation. _____

Date. _____ Seal. _____

[1][**LIST**

*Section	On account of
148	Import of goods
149	Payment of Salary
150	Payment of Dividend
151(1)(a)	Payment or credit of profit on debt to a resident person on schemes of National Savings
151(1)(b)	Payment or credit of profit on debt to a resident person on an account or deposit with a banking company or a financial institution
151(1)(c)	Payment or credit of profit on debt to a resident person on securities of Federal or Provencal Government or a local authority
151(1)(d)	Payment or credit of profit on debt to a resident person on any bond, certificate, debenture, security or any other instrument by a banking company, financial institution, company incorporated under the Companies Ordinance, 1984, a body corporate formed by or under any law in force in Pakistan or a finance society
152(1)	Payment to a non-resident person on account of royalty or fee for technical services
152(1A)(a)	Payment to a non-resident on account of execution of a contract or sub-contract under a construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project
152(1A)(b)	Payment to a non-resident on account of execution of any other contract for construction or services rendered relating thereto
152(1A)(c)	Payment to a non-resident person on account of execution of a contract for advertisement services rendered by TV Satellite Channels
152(2)	Payment to a non-resident person on any other account including profit on debt but excluding those covered under section 153(3)
153(1)(a)	Payments to a resident person or a PE of a non-resident on account of sale of goods
153(1)(b)	Payments to a resident person or a PE of a non-resident on account of services rendered or provided
153(1)(c)	Payments to a resident person or a PE of a non-resident on account of execution of a contract, other than contract for sale of goods or services rendered or provided
153(1A)	Payment to a resident person or a PE of a non-resident on account of services rendered or provided of stitching, dying, printing, embroidery, washing, sizing and weaving
154(1)	Realization of proceeds of exports of goods
154(2)	Realization of foreign indenting commission
154(3)	Realization of proceeds of sale of goods to an exporter under an inland back-to-back letter of credit etc.
154(3A)	Export of goods by an industrial undertaking located in an export processing zone
154(3B)	Payment against sale of goods by an indirect exporter to a direct exporter or an export house registered under DTRE Rules, 2001
155	Payment of rent of immovable property
156	Payment of prize on a prize bond or winnings from a raffle, lottery, cross-word puzzle or quiz; and prize offered by companies for promotion of sale
156A	Payment of commission on petroleum products of petrol pump operators
156B	Withdrawal from pension fund
231A	Cash withdrawal from a bank account
231B	Tax collected on sale of motor car by a manufacturer or authorized dealer.
233	Payment of brokerage or commission
233A(1)(a) and 233A(1)(b)	On value of shared purchased/ sold by a member of a stock exchange in lieu of its commission income
233A(1)(c)	On value of shares traded by a person (sold) through a member of a stock exchange
233A(1)(d)	On financing of cfs (Badla) in shares business
234	Alongwith motor vehicle tax of motor vehicles
234A	Tax collected on the amount of gas bill of a CNG Station.
235	Alongwith electricity consumption bills
236	Telephone users including mobile phones & pre-paid card.]

[1]List substituted by SRO 1062(I)/2007 dated October 27, 2007.

8-51-30-11-07

8-28-30-06-05

[1]Part VIII

Annual Statement of Collection or Deduction of Income Tax (Other than from Salary)

[See rule 44(1)]

Particulars of withholding agent/payer/collector:

Name _____ NTN_____

Address _____

Statement for the year ending ___30th June,_____

S. No.	Name, address and NTN of the person from whom tax collected or deducted Where NTN is not available indicate CNIC or Electricity Consumer or Telephone or Vehicle Registration No. etc.	Nature of payment etc.	Section under which tax collected or deducted (As detailed on back of this form)	Value / amount on which tax collectible or deductible during the year. (Rupees)	Amount of tax collected or deducted during the year. (Rupees)	Rate of tax collected or deducted. (Percentage)	Amount of tax deposited. (Rupees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	NTN _____ CNIC Consumer No. Reg. No. _____						
2.							
	NTN _____ CNIC						
	Consumer No. Reg. No. _____						
3.							
	NTN _____ CNIC						
	Consumer No. Reg. No. _____						
4.							
	NTN _____ CNIC						
	Consumer No. Reg. No. _____						
5.							
	NTN _____ CNIC						
	Consumer No. Reg. No. _____						

[1]Parts VII to XI inserted by Notification SRO No. 641(I)/2005, dated June 27, 2005.

Verification

I, _____(Name), holder of CNIC No. _____, in my capacity as_____ (Designation) and person responsible for collecting / deducting the tax , do hereby solemnly declare that to the best of my knowledge the information given in this statement is correct, complete and in accordance with the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

Dated:_____ (dd/mm/yyyy) Signature_____

Total (Rupees) _____

Tax deposited as per 1st quarter statement _____

Tax deposited as per 2nd quarter statement _____

Tax deposited as per 3rd quarter statement_____

Tax deposited as per 4th quarter statement_____

Total (Rupees)_____

Please see filling instructions at back page.

Filling Instructions

1. Use additional sheet(s) wherever necessary
2. State amount excluding tax relating to earlier year deposited during the year and including tax deposited in following year relating to current year in column 8.
3. This statement should be filled in the order of each person from whom tax has been collected or deducted and mentioning against it the details relating to tax collected or deducted under various section as illustrated below:

S. No.	Name, address and NTN of the person from whom tax collected or deductedWhere NTN is not available indicate NIC or Consumer or Telephone or Registration No. etc.	Nature of payment etc.	Section under which tax collected or deducted(As detailed on back of this form)	Value / amount on which tax collectible or deductible during the year (Rupees)	Amount of tax collected or deducted during the year (Rupees)	Rate of tax collected or deducted (Percentage)	* Amount of tax deposited (Rupees)
1.	XYZ & Co, 24, North, Jinnah Avenue, Islamabad	Sale of goods	153(1)	275,865	9,655	3.50%	9,655
	18-01-1234567	Services	153(1)	12,650	633	5.00%	633
		Commission	233	35,000	3,500	10.00%	3,500
2.	ABC, H.No. 20, Street No. 10, Sector VI, Rawalpindi	Dividend	150	1,250	125	10.00%	125
	02-01-2345678	Profit on debt	151	6,230	623	10.00%	623
	8-63-15-11-08	Rent	155	320,000	16,000	5.00%	16,000

4. Description of sections is as under:

Section	On account of 8-28-30-06-05
148	Import of goods

Section	On account of
153(3)(e)	

150	Dividend paid:
151(1)(a)	Profit on debt paid or credited to a resident person on schemes of National Savings
151(1)(b)	Profit on debt paid or credited to a resident person on an account or deposit with a banking company or a financial institution
151(1)(c)	Profit on debt paid or credited to a resident person on securities of Federal or Provencal Government or a local authority
151(1)(d)	Profit on debt paid or credited to a resident person on any bond, certificate, debenture, security or any other instrument by a banking company, financial institution, company incorporated under the Companies Ordinance,1984, a body corporate formed by or under any law in force in Pakistan or a finance society
152(1)	Payment to a non-resident person on account of royalty or fee for technical services
152(2)	Payment to a non-resident person on any other account including profit on debt but excluding those covered under section 153(3)
153(1)(a)	Payments to a resident person or a PE of a non-resident on account of sale of goods
153(1)(b)	Payments to a resident person or a PE of a non-resident on account of services rendered or provided
153(1)(c)	Payments to a resident person or a PE of a non-resident on account of execution of a contract, other than contract for sale of goods or services rendered or provided
153(3)(c)	Payment to a non-resident on account of a contract or sub-contract under a construction, assembly or installation project in Pakistan, including a contract for supply of supervisory activities in relation to such project
153(3)(d)	Payment to a non-resident on account of any other contract for construction or services rendered
	Payments to a non-resident person on account of contract for advertisement services rendered by TV Satellite Channels
154(1)	Realization of proceeds of exports of goods
154(2)	Realization of foreign indenting commission
154(3)	Realization of proceeds of sale of goods to an exporter under an inland back-to-back letter of credit etc.
154(3A)	Export of goods by an industrial undertaking located in an export processing zone
154(3B)	Payment against sale of goods by an indirect exporter to a direct exporter or an export house registered under DTRE Rules, 2001
155	Payment of rent of immovable property
156	Payment of prize on a prize bond or winnings from a raffle, lottery, cross-word puzzle or quiz; and prize offered by companies for promotion of sale
156A	Payment of commission on petroleum products of petrol pump operators
156B	Withdrawal from pension fund
[1][231A]	Cash withdrawal
233	Payment of brokerage or commission including indenting, advertising, yarn, insurance or travel agent
233A(1)(a) and 233A(1)(b)	On value of shares purchased or sold by a member of a stock exchange in lieu of its commission income
233A(1)(c)	On value of shared traded by a person (sold) through a member of a stock exchange
233A(1)(d)	On financing of carry over trade (Badla) in shares business
234	Alongwith motor vehicle tax of motor vehicles
235	Alongwith electricity consumption bills
236	Telephone users including mobile phones & pre-paid cards

[1]Substituted for "232" by SRO.1017(I)/2005 dated September 28, 2005.

8-63-15-11-08

[1][Part IX
Annual Statement of Deduction of Income Tax from Salary

[See rule 44(1)]

[1]Part IX substituted by SRO 997(I)/2008 dated September 17, 2008. It was earlier substituted by 821(I)/2007, dated August 15, 2007, earlier it was inserted by Notification SRO No. 641(I)/2005, dated June 27, 2005.

[1][

IT 3

DECLARATION BY SALARIED PERSON

8-63-15-11-08

[1]Part IX substituted by SRO 997(I)/2008 dated September 17, 2008.

8-186-10-11-2025

[1][**Part X**

[2][**Quarterly Statement of collection or deduction of income tax under section 165(2) and section 165C**

[See Rule 44(2)]

(Scan Copy)

[1]Part X substituted by SRO 941(I)/2015 dated September 18, 2015. Earlier it was substituted by SRO 998(I)/2008 dated September 17, 2008. Earlier it was substituted by SRO No. 946(I)/2007, dated September 12, 2007, SRO 790(I)/2006, dated August 3, 2006.

[2]Substituted for "biannual Statement of Collection or Deduction of Income Tax under section 165(2) [See rule 44(2)]" by SRO 1775(I)/2025 dated September 10, 2025. Earlier it was substituted for "monthly" by SRO 849(I)/2019 dated July 24, 2019.

(Scan Copy)

8-186-10-11-2025

II- 144.56(1)

[1][**FORM-I**

QUARTERLY STATEMENT BY PAYMENT INTERMEDIARY AGAINST DIGITALLY ORDERED GOODS AND SERVICES

[See Rule 44(2)]

Particulars of Withholding Agent										
NTN/ STRN _____										
Name _____					E. Mail _____					
Details of supplier-wise amount withheld during the Quarter ending _____										
Particulars of supplier from whom Income tax Withheld					Particulars of Payment Made			Particulars of Tax Paid		
Sr.	Date dd/mm/yyyy	CNIC/ NTN/ STRN	Name	Address	Invoice Number	Invoice value	Payment received through Payment Intermediary	Amount of Tax Deducted	Amount of Tax Deposited	CPR No.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
TOTAL										
Verification		I, holder of CNIC/NTN/STRN number _____ in my capacity as _____ do hereby solemnly declare that to the best of my knowledge and belief the information given in this Monthly Statement is correct, complete and in accordance with the provisions of the Income Tax Ordinance, 2001 and Income Tax Rules, 2002 and notifications issued thereunder									
Date (dd/mm/yyyy) _____					Stamp			Signature: _____]		

[1]Form I & II inserted by SRO 1775(I)/2025 dated September 10, 2025.

8-185-15-09-2025

II- 144.56(2)

[1][**FORM-II**

QUARTERLY STATEMENT BY COURIER AGAINST DIGITALLY ORDERED GOODS

[See Rule 44(2)]

Particulars of Withholding Agent										
NTN/ STRN _____										
Name _____					E. Mail _____					
Details of supplier-wise amount withheld during the Quarter ending _____										
Particulars of supplier from whom Income tax Withheld					Particulars of Payment Made			Particulars of Tax Paid		
Sr.	Date dd/mm/yyyy	CNIC/ NTN/ STRN	Name	Address	Invoice Number	Invoice value	Payment received through Cash on Delivery (COD)	Amount of Tax Deducted	Amount of Tax Deposited	CPR No.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
TOTAL										
Verification	I, holder of CNIC/NTN/STRN number _____ in my capacity as _____ do hereby solemnly declare that to the best of my knowledge and belief the information given in this Monthly Statement is correct, complete and in accordance with the provisions of the Income Tax Ordinance, 2001 and Income Tax Rules, 2002 and notifications issued thereunder									
Date (dd/mm/yyyy) _____					Stamp			Signature: _____]		

[1]Form I & II inserted by SRO 1775(I)/2025 dated September 10, 2025.

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[1][**Part-XA**

DECOMMISSIONING CERTIFICATE

(As required under sub-rule (4A) 2 of Part-I of Fifth Schedule to the Income Tax Ordinance, 2001)

It is certified that the decommissioning cost claimed, presents fairly, in all material respects:

(i) I/We have examined the accounts and records of _____ (name, address & NTN of the taxpayer) relating to the decommissioning cost for the tax year _____.

(ii) The amortization charge of Decommissioning cost for current year, claimed by the Company in its return of total income for Tax Year _____ is in accordance with sub-Rule (4A) of rule 2 of Part I of the Fifth Schedule to the Income Tax Ordinance, 2001.

(iii) I/We certify that the tax payer has not included amounts of exchange loss, unwinding of discount, mark up or interest, cost of funds or inflationary impact in computing the decommissioning cost.

(iv) I/We also certify that the denomination of all amounts is in Pakistan rupees (PKR).

(v) The particulars required to be furnished under sub-Rule (4A) of rule 2 of Part I of the Fifth Schedule to the Income Tax Ordinance, 2001 are given in the Annexure to this certificate. The information provided in the Annexures is true and correct.

Signed: _____

Name: _____

Address: _____

Place: _____

Date: _____

ANNEXURE A

(GENERAL INFORMATION)

Particulars		
1.	Name of the taxpayer:	
2.	Address:	
3.	Tax Year:	
General		
4.	No. of concessions owned at the opening date of financial year	
5.	Names of concessions owned at the opening date of financial year	

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[1]Part XA inserted by SRO 357(I)/2011 dated May 04, 2011.

6.	No. of concessions owned at the closing date of financial year	
7.	Names of concessions owned at the closing date of financial year	
8.	Amount of decommissioning cost to be amortized under sub-rule (4A) (separately in respect of each concession)	
9.	No. of years of useful life (separately in respect of each concession)	
10.	Amount of amortization deduction claimed in the return	
Additions & Deletions		
11.	No. of concessions disposed off during the year	
12.	Names of concessions disposed off during the year	
13.	Gross consideration received	
14.	Name of the each purchaser	
15.	Address	
16.	No. of concessions acquired during the year	
17.	Names of concessions acquired during the year	
18.	Gross consideration paid	
19.	Name of the recipient	
20.	Address	
21.	Amount of decommissioning cost deleted	
22.	Amount of decommissioning cost added	
23.	Net amount of decommissioning claim	

Signed: _____
Name: _____
Address: _____
Place: _____
Date: _____

ANNEXURE B

(INFORMATION ABOUT THE CONCESSION)

1.	Name of the concession	
2.	Address	
3.	Name of the Operator	
4.	Address of the Operator	

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5.	Date of commencement of commercial production	
6.	Amount of amortization deduction claimed in the return in respect of the concession	
7.	Total no. of years of useful life	
8.	Balance no. of years of useful life available	
9.	Total amount of decommissioning cost	

Signed: _____
Name: _____
Address: _____
Place: _____
Date: _____

ANNEXURE C

(HISTORICAL DATA OF THE CONCESSION)

		Original provision at the commencement of commercial production	**Year 1**	**Year 2**	**Year 3**	**Year 4***
Opening Balance of:	Decommissioning cost					
	Financial charges					
	Exchange Loss					
	Unwinding of discount					
	Mark up or inflationary charges					
Closing Balance of:	Decommissioning Cost					
	Financial charges					
	Exchange Loss					
	Unwinding of discount					
	Mark up or inflationary charges					

II- 144.60

Additions during the year	Decommissioning cost					
	Financial charges					
	Exchange Loss					
	Unwinding of discount					
	Mark up or inflationary charges					
Deletions during the year	Decommissioning cost					
	Financial charges					
	Exchange Loss					
	Unwinding of discount					
	Mark up or inflationary charges					

*Use extra columns for additional number of years.

Signed: _____
Name: _____
Address: _____
Place: _____
Date: _____.]

2nd Sch. Pt. XA **Statement – Approved Superannuation Fund**

[1]Part XI

Statement of Deduction of Income Tax from Payment of Contributions to An Approved Superannuation Fund

[See rule 45]

Particulars of withholding agent/payer/collector

Name _____

Address _____

_____ NTN _____

S. No.	Name, address and National Tax Number of the employee	The period for which the employer has contributed to the superannuation fund	The amount of contributions re-paid		The average of deduction of Income Tax during the preceding three years	Amount of Income Tax deducted on re-payment	Date of deposit of Income Tax in Government Treasury (dd/mm/yyyy)	Treasury Challan Number
			Principal	Interest				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	('9)

Verification

I, _____ (Name), holder of CNIC No. _____, in my capacity as _____ (Designation) and person responsible for collecting / deducting the tax, do hereby solemnly declare that to the best of my knowledge the information given in this statement is correct, complete and in accordance with the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

Dated:_____ (dd/mm/yyyy) Use additional sheet, if necessary. Signature _____

[1]Parts VII to XI inserted by Notification SRO No. 641(I)/2005, dated June 27, 2005.

[1][Part-XII

Statement regarding transfer of property

1) The following monthly statement shall be filed by every person responsible to register or attest the transfer or right to use of immovable property [2][ ], located in urban area, if it is;

a) measuring at least 500 sq. yards or one kanal, whichever is less; or

b) a residential flat with covered area measuring 1500 sq. feet and above; or

c) a commercial property of any size;

Statement regarding transfer of properties-
for the month of …… 200....

S. No.	Name and address of the buyer	* National Tax Number of the buyer	Name of the seller	Address of the seller
(1)	(2)	(3)	(4)	(5)

* National Tax Number; of the seller	Full particulars and location of property	Value of the property as per deed of registration	Date of Registration
(6)	(7)	(8)	(9)

* CNIC number, in case NTN is not available.

"I_____ hereby certify that the above statement contains complete information regarding attestation/registration of properties, located in urban area [2][ ], measuring at least five hundred sq. yards or one kanal, residential flats with covered areas measuring 1500 sq. feet and above, and commercial properties for the month of _____ 200_____.

Name and Designation_____ Signature_____

Address_____ Date_____

(Seal)

2) For the purpose of this statement "urban area" means area falling within the limits of:-

i) the Islamabad capital territory;

ii) a cantonment board; or

iii) a municipal body;

iv) in case of Karachi up to 40 kilometers from the outer limit of municipal or cantonment limits;

v) in case of Lahore and Faisalabad up to 30 kilometers from the outer limit of municipal or cantonment limits;

[1]Part "XII" inserted by Notification SRO no. 669(I)/2006, dated June 28, 2006.

[2]Brackets and words "(other than agricultural land)" occurring twice, omitted by SRO 1121(I)/2006, dated November 6, 2006.

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vi) in other cases up to 10 kilometers from the outer limits of municipal bodies or cantonment boards; and

vii) includes areas defined as such in the Urban Immoveable Property Tax Act 1958 (WP Act V of 1958) and such areas as the Central Board of Revenue may, for time to time, by notification in the Official Gazette specify.

3) The statement referred to in sub-rule (1) shall be furnished on or before 10th of each month regarding properties registered or attested during the preceding month,

Part-XIII

Statement regarding sale of motor vehicles

1) Every manufacturer, dealer of motor vehicle, registration authority, bank, or leasing company, shall furnish a statement regarding sale or lease of motor vehicles, on monthly basis to the Commissioner or any officer appointed on his behalf as under, namely;

Statement for sale of motor vehicles

For the month of -----20--

S.No	Name and Address of Purchaser/ Lessee	NTN/CNIC of Purchaser/ Lessee	Registration Number of the Motor Vehicle	Motor Vehicle Make/Model/ Engine Capacity
(1)	(2)	(3)	(4)	(5)

Year of Manufacture	Date of First Registration of the vehicle in Pakistan	Registered Capacity/ Laden Weight of the Vehicle	Exfactory Price of Motor Vehicle
(6)	(7)	(8)	(9)

*This form can be modified by omitting the columns that are not applicable.

"I_____ certify that the above statement contains complete information regarding sale or lease of motor vehicles during the month of _____20____.

Name and Designation_____ Signature_____

Address_____ Date_____

(Seal)

2) The statement referred to in sub-rule (1) shall be furnished on or before 10th of each month regarding sale or lease of motor vehicles during the preceding month.]

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