

4. 13000cc to 1499cc 30,000
5. 1500cc to 1599cc 45,000
6. 1600cc to 1999cc 60,000
7. 2000cc and above 120,000

235 (1)

Electricity commercial and industrial consumer with gross amount of bill:

1. Upto Rs. 500
2. Exceeds Rs. 500 to Rs. 20,000
3. Exceeding Rs. 20,000
 - 10% of the amount of bill.
 - Commercial Consumer: Rs. 1950 + 12% of amount exceeding Rs. 20,000.
 - Industrial Consumer: Rs. 1950 + 5% of amount exceeding Rs. 20,000.

Domestic electricity consumer:

- Monthly bill less than Rs. 25,000 - 0%
- Monthly bill Rs. 25,000 or more - 7.5%
- If exemption certificate from CIR is produced.
- Adjustable only in case of companies. For all other persons:
 1. Tax collected shall be minimum tax on income of the person if the amount is upto Rs. 360,000.
 2. Tax collected on monthly bill exceeding Rs. 30,000 per month shall be adjustable.
[See Notes]
- Person preparing electricity consumption bill
- Payment of electricity bill

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Telephone and internet, where the monthly bill exceeds Rs. 1,000

- Telephone bill of a subscriber.
- Prepaid cards for telephones.
- Sale of units through any electronic medium or whatever form.
- Telephone bill of a subscriber.
- Prepaid cards for internet.
- 10% of the exceeding amount of bill.
- 15% of amount of bill or price of internet prepaid cards or prepaid telephone cards or sale of units through any electronic medium.
- In case of persons registered under section 184, rate of collection of tax shall be 75% of the amount of bill, etc.
- Govt., Foreign diplomats, Diplomatic mission in Pakistan on the basis of exemption certificate obtainable from FBR, PWB Pension and Workers' Welfare Fund, 2022.
- Adjustable
- Person preparing the telephone bill and persons issuing or selling the prepaid cards or units.
- Collection of telephone bill or sale of prepaid cards.

Synopsis of Taxes	Income Tax – Payment of Tax				[19-312]
236A	Sale by public auction of any property or goods and sale by auction of franchise, services by Pakistan Railway including sales of scrap. Awarding of any lease, including a lease of right to collect tolls, fees or other levies.	10% of the gross sale price	Nil	Adjustable	Person making sale
236B	Winning, accepting or attracting the transfer of prize/bonus/property.	5% of gross sale price	See the Notes	See the Notes	Person responsible for transfer, etc.

236C	Foreign-produced TV drama serial or play	Rs. 1,000,000 per episode	Nil	Minimum tax	Licensing Authority
	Foreign-produced TV play (single episode)	Rs. 3,000,000			
	Advertisement starring foreign actor	Rs. 100,000 per second			
236D	Functions and gatherings	10% of total bill	Nil	Adjustable	Prescribed person
236G	Sales to distributors, dealers and wholesalers: Fertilizers	0.7% or 0.25% [see note]	Nil		Manufacturer or commercial importer
	Other than fertilizers	2%			
236H	Sales to retailers by manufacturer, distributor, dealer, wholesaler or commercial importer:	0.5% of gross amount of sales	Nil	Adjustable	Manufacturer, distributor, dealer, wholesaler or commercial importer
	Person not appearing in Active Taxpayers' List	2.5%			
236K	Purchase or transfer of immovable property (other than by Govt. (Federal, Provincial, Local), foreign diplomatic mission etc.)	See the Notes	See the Notes	See the Notes	Person responsible for registering, recording or attesting transfer
236Y	Transfer of any sum remitted outside Pakistan, on behalf of any person who has obtained credit, debit or prepaid card transaction with a person outside Pakistan	5% of gross amount remitted abroad	Nil	Adjustable	Banking company

236Z Bonus shares issued by companies	10% of value of shares	Nil	Final Tax	Company issuing bonus shares
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Synapsis of Taxes

Income Tax - Payment of Tax

(19-313)

Section 148

NOTES ON TAX WITHHOLDING

Notes

1. The Finance Act, 2015 withdrew [by omitting section 148(2)] the FBR's power to specify any goods or class of goods or person or class of persons importing such goods on which tax shall not be collected at the import stage. Notwithstanding the omission of section 148(2), the notifications issued under that sub-section and for the time being in force shall continue to remain in force, unless specifically amended or rescinded through a notification issued for this purpose. [148(2A)]
2. Tax shall be collected at the time of clearance of goods from the port and in the same manner as if it were the customs-duty payable in respect of the import. Relevant provisions of the Customs Act, 1969 shall apply. [148(5) & (6)]
3. The tax required to be collected at the import stage shall be the minimum tax on the income of the importer arising from the imports. However, it shall not be minimum tax in the case of import by an industrial undertaking of goods for its own use. In this case, it will be adjustable. [148(7)] Tax required to be collected at the import stage shall be minimum tax on the income of every person arising from imports of: [148(7A)] i) Edible oil; ii) Packaging material; iii) Paper and paper board; or iv) Plastics. The FBR (with the approval of the Minister-in-charge) may add, omit, or amend any entry regarding goods subject to minimum tax.
4. **Value of Goods [148(9)] For Goods Taxable at Retail Price under the Third Schedule of the Sales Tax Act** The retail price of the goods increased by the sales tax payable in respect of the import and taxable supply of the goods. **Minimum Value of Goods [148(6A) & (9)]** FBR may notify and determine the minimum value of goods for the purpose of collection of tax u/s 148 of ITO. In that case, the minimum value as increased by the customs duty, federal excise duty, and sales tax payable at the time of import shall be the value for income tax purposes. **For Goods (Other than those covered above)**

Value of the goods determined by customs authorities for custom duty plus the amount of customs duty, federal excise duty, and sales tax on the import of such goods.

Synopsis of Taxes

– Income Tax – Payment of Tax

[19-314]

6. Application of Customs Act, 1969 (148(6))

Relevant provisions of the Customs Act, 1969 apply to the collection of tax under section 148. Having said that, where the minimum value of goods has been determined and notified by **FBR under 148(6A) of ITO**, then that shall apply.

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An employer, while deducting tax at source, shall make necessary adjustments for any:

1. Tax credits available under sections 61 and 63;
2. Tax withheld under the ITO during the tax year;
3. Excess deduction or deficiency arising out of any previous deduction; or
4. Failure to make a deduction during the year.

While computing the estimated tax for the year, the following amounts shall be added:

- Estimated tax on estimated salary income for the year; and
- Surcharge under 4AB, if applicable.

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- Tax shall not be deducted from inter-corporate dividends within the group companies entitled to **Group Taxation**, with the condition that the return of the group has been filed for the latest completed tax year. *(Clause-118 of Part-IV)*
- The rate of tax on dividend received from such a **Developmental REIT Scheme**, which is set up by **30-06-2020** with the objective of development and construction of residential buildings, shall be reduced by **50%** for three (3) years from the date of setting up of the said scheme.

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- Tax rate is applied on the gross amount of **Yield** as reduced by **Zakat** paid.
- Tax deductible shall be a **minimum tax** on profit on debt arising to a taxpayer. However, under the following cases, it will **not be minimum tax**:
 1. Taxpayer is a company; or

2. Profit on debt is taxable under **section 7B**.

Tax shall not be deducted under section **151** from the following payments made to the persons/entities listed below:

1. **Inter-corporate profit on debt** within the group companies entitled to **Group Taxation**.
(*Clause-110C of Part-IV*)
2. Any amount paid as **yield or profit** on investment in **Bahbood Saving Certificates** or **Pensioners' Benefit Account**. (*Clause-36A of Part-IV*)
3. **Special Purpose Vehicle (SPV)** for the purpose of securitization. (*Clause-38 of Part-IV*)
4. **A Venture Capital Company**. (*Clause-38A of Part-IV*)
5. **Islamic Development Bank**. (*Clause-38C of Part-IV*)
6. Any person who is making payments to:
 - **National Investment (Unit) Trust**
 - **A collective investment scheme**
 - **A Madrasah**
 - **Approved Pension Fund**
 - **Approved Income Payment Plan**
 - **A REIT Scheme**

Synopsis of Taxes – Income Tax – Payment of Tax

[19-315]

7. Exemptions and Special Conditions:

1. A Private Equity and Venture Capital Fund.
2. A recognized provident fund.
3. An approved superannuation fund.
4. An approved gratuity fund. (*Clause-478 of Part-IV*)
5. Any payment as profit or interest on **TFCs** issued by **Prime Minister's Housing Development Company**, which has been issued on or after **01-07-1999**. (*Clause-599 of Part-IV*)
6. Income of a **resident individual** from **Saving Accounts** under the **Directorate of National Savings**, if the monthly installment is up to **Rs. 1,000**. (*Clause-580 of Part-IV*)

7. Payments made to **The ECO Trade and Development Bank**. *(Clause-72 of Part-IV)*
8. The **Prime Minister's Flood Relief Fund, 2022**. *(Clause-121 of Part-IV)*

Person Not Appearing in Active Taxpayers' List (Third Proviso of Rule of Tenth Schedule):

- Tax required to be collected under **Section 151** on **yield or profit on debt** shall be **25%**.
-

Section 152 – Tax at Source:

1. **Exemption for Importers:** Tax at source shall not apply if goods are sold by an importer in the same state in which they were imported, and the importer has already paid tax under **Section 148** at the time of import.
2. **Payments to Non-Residents:**
 - A person responsible for making payment to a **non-resident** for foreign-produced commercials may make the payment **directly** or through an agent/intermediary.
 - In all such cases, tax shall be deducted under **Section 152(1BA)**.
3. **Foreign Currency Accounts:**
 - A **banking company** maintaining a **Foreign Currency Value Account (FCVA)** or a **Non-Resident Pakistan Rupees Value Account (NRVA)** for a **non-resident individual** holding:
 - **Pakistan Origin Card (POC),**
 - **National ID Card for Overseas Pakistanis (NICOP), or**
 - **Computerized National ID Card (CNIC)**
 - Shall **deduct tax** from **capital gains** arising from the disposal of **debt instruments** and **government securities** (including **Shariah-compliant investments**) through the **SCRA account**.
4. **Service Charges & Commissions:**
 - Where an **exchange company** retains **service charges or commission**, the exchange company shall be deemed to have **paid the tax** on such charges, and the tax shall be collected accordingly. *(Section 152(1DD))*
5. **Payments to Non-Residents through Banking Channels:**

- When a **person retains money** in relation to these services from the amount payable to a **banking company** on any account, the **banking company** shall be deemed to have **paid the tax**, and tax shall be **collected accordingly**. *(Section 152(1DD))*

6. Tax on Payments to Non-Residents:

- Any payment made to a **non-resident** by a person who is liable to tax as an **agent of such a non-resident** shall not be eligible for **deduction** under **Section 152(3)**.

7. Declaration before Payment:

- Before making a payment, the **agent shall file a declaration** that they are an agent of the non-resident.

8. Tax on Payment to Permanent Establishment (PE):

- Payment to a **PE** may be made in **full or as an advance**. *(Section 152(2A))*

9. Tax Withholding on Insurance & Reinsurance Premiums:

- Tax withholding under **Section 152(4AA)** on **insurance or reinsurance premium** shall not apply to an amount that is **tax-exempt under a PE**. *(Section 152(4AA))*

10. Minimum Tax on Services:

- Tax deduction on **services under Section 152(2A)** shall be **minimum tax**. However, where payments are received by a **company for the sale of goods**, this rule **shall not apply**.

Synopsis of Taxes

– Income Tax – Payment of Tax

[19-316]

11. Tax Deduction at a Reduced Rate for Payments to Non-Residents

- The recipient of payments (referred to in **Section 152(1A)** having **PE** or **152(2A)**) may apply (in the prescribed form) to **CIR** for permission that payments to him be made after **deduction of tax at a reduced rate**.
- Such **reduction shall not exceed 80%** of the specified rate.
- The CIR, in cases where tax deduction under **152(1)** or **152(2)** is adjustable, may **issue an order** after conducting an inquiry as they deem fit. *(Section 152(4A))*

12. Definition of “Prescribed Person”

- The term **“Prescribed person”** has the **same meaning as specified under Section 153**. *(152(8))*

13. Withholding Tax on Profit on Debt Payable to Non-Residents

- If a **non-resident person (without a PE in Pakistan)** is earning profit on debt, withholding tax shall be applied at the **rate provided in the Avoidance of Double Taxation Treaty** with the country of that person. *(Clause 6A, Part-II of Second Schedule)*

14. Payment to Non-Resident without Deduction of Tax – Section 152(5), (6A), (6), & (7)

- Before making payment to a **non-resident without deduction of tax under Section 152**, the payer must first **furnish a written notice** to the CIR.
- The notice must include:
 - **Name and address of the non-resident**
 - **Rate and amount of payment**
 - **Other particulars as may be prescribed**
- The **CIR may issue an order directing the payer to deduct tax** from the payment under **Section 152(2)**.
- In either case, the **CIR shall issue an order within thirty (30) days** from the date of receipt of notice.

15. Exceptions to Tax Deduction on Payments to Non-Residents

- Tax shall not apply to **payments made on account of**:
 1. **Import of goods** where:
 - The title of the goods **passes outside Pakistan** and
 - The import is **supported by import documents**, except where:
 - The **supply is made in connection with**:
 - **Installation, construction, assembly, or commissioning** of goods.
 - **Guarantees or supervisory activities** related to the supply.
 - **Ancillary activities** by the **associates of the supplier** in Pakistan or a PE.
 - The **goods are imported** under the **name of another person**.

- The **supply is made by a resident parent or a PE in Pakistan** of a **non-resident person** in connection with the **overall arrangement**.

2. **Educational and medical expenses** remitted according to **SBP regulations**.

Section 153 – Tax Deduction at Source

1. Applicability of Tax

- **Tax is applied on the gross amount.**
- **Payments may be made in full, part, or advance.**

2. Applicability to Goods & Services

- **Supply of goods** includes **cash and credit purchases** by the payer.
- **Exports of goods** and **payments made for exported goods** are **exempt from tax deduction** under **SRO 368(1)/94, dated 7/3/94**.

3. Tax Deduction on Sales

- **Tax at source shall be deducted** from the **gross amount of the sale of goods**, including **applicable sales tax**.

4. Payments to Residents

- **Provisions of Section 153 apply to payments made to a resident person** for the following transactions: *(List continues in the next section of the document.)*

Synopsis of Taxes – Income Tax – Payment of Tax [19-317]

6. Applicable Transactions for Tax Deduction

- **Sale of Goods**, including:
 1. Rendering or providing services such as:
 - **Stitching, dyeing, printing, embroidery, washing, sizing, and weaving** for an exporter or an export house.
 2. Rendering or providing any other services.
 3. Execution of contracts, other than a contract for the sale of goods or the rendering or providing of services.

7. Tax Collection for Services Rendered Through Agents

- Where a person rendering or providing services **receives payment through an agent** or any other third person, and that person (agent, etc.) retains **service charges or fees**, by whatever name called, from the **payment remitted to the recipient**, the recipient shall have to **collect applicable tax from the agent**, along with the payment received by them.

8. Cases Where Section 153 Does Not Apply

- The provisions of **Section 153 shall not be applicable** to the following:
 1. **Sales made by the importer of goods**, if the **importer has already paid tax under Section 148** at the **time of import**, and the **goods are sold in the same condition**.
 2. **Refund of any security deposit**.
 3. **Payments made by the government** to a contractor for the **construction materials supplied** to the contractor by the government.
 4. **Purchase of assets by:**
 - A **Modaraba**
 - A **Leasing company**
 - A **Banking company**
 - A **Financial institution**, under a **lease or buy-back agreement**.
 5. **Any payment for securitization of receivables or issuance of Sukuks** by a **Special Purpose Vehicle** to the **originator**.

9. Changes Related to “Large Import House”

- The term "**Large Import House**", which was previously appearing under **Section 148(7)**, has been **omitted** by the **Finance Act, 2020**.
- A **special tax rate of 1.25%**, as provided in **Clause 24(A) of Part-II of Second Schedule**, for **WHT under Section 153(1)(a)**, shall **not be available** to large distribution houses.

10. Status of the Tax Deducted

- **Tax deduction shall be as follows:**

A. Sale of Goods (Including Toll Manufacturing)

- **Tax deducted on the income of a resident person shall be minimum tax.**
- However, it will be **adjustable** if the payments are received on sale or supply of goods by:
 1. **A company that has manufactured such goods.**
 2. **A public-listed company.**
 3. **A manufacturer of iron and steel products or a seller of goods manufactured by them (Clause 46A).**
 4. **Tax on payment for the sale of gold and silver articles to be withheld under Section 153(1) shall be adjustable (Clause 31, Part-II of Second Schedule).**

B. Specified Services to Exporters or Export Houses

- **Tax deducted on the income from services (as specified above in point 6(i)) to an exporter or an export house shall be final tax on such income.**

C. Rendering or Providing of Services

- **Tax deducted on the income from rendering or providing services shall be treated as minimum tax.**
- **If the tax withheld under normal tax regime (NTR) or under Section 153 is higher, then that shall be the tax liability of the person for the tax year.**

Synopsis of Taxes

– Income Tax – Payment of Tax

[19-318]

Services Subject to Withholding Tax @ 4%

(Clause (2), Division-III, Part-I of First Schedule)

- i) Transport services
- ii) Freight forwarding services
- iii) Air cargo services
- iv) Courier services
- v) Manpower outsourcing services
- vi) Hotel services
- vii) Security guard services
- viii) Software development services
- ix) IT services and IT-enabled services
- x) Tracking services
- xi) Advertising services (other than by print or electronic media)

- xii) Share registrar services
- xiii) Engineering services (including architectural services)
- xiv) Warehousing services
- xv) Services rendered by asset management companies
- xvi) Data services provided under license issued by the Pakistan Telecommunication Authority
- xvii) Telecommunication infrastructure (tower) services
- xviii) Call center services
- xix) Building maintenance services
- xx) Services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited (inspection, certification, testing, and training services)
- xxi) Oilfield services
- xxii) Telecommunication services
- xxiii) Collateral management services
- xxiv) Travel and tour services
- xxv) REIT management services
- xxvi) Services rendered by NCCPL

Note: The tax rate of **4% shall be applicable only** to a **service provider whose services are subjected to withholding tax on gross receipts** and where the **service provider has not agitated taxation of gross receipts before any court of law.**

Execution of Contracts:

1. **Adjustable** – Received by a **public company listed on the stock exchange.**
2. **Minimum** – Received by **any other taxpayer.**
3. The **Commissioner may allow**, in cases where tax under this section is adjustable, **by a written order, to make payment to a specified person without deduction of tax or deduction of tax at a reduced rate.**
4. **Where any tax is deducted by a person while making payment to SPV on behalf of the Originator, the tax so deducted shall be credited to the originator.**

Synopsis of Taxes – Income Tax – Payment of Tax [19-319]

5. Definitions for Section 153

6. **(i) ‘Prescribed Person’** means the following persons:
 - (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 one hundred million rupees or above in any of the preceding tax years;
 - (i) an individual, having turnover of one hundred million rupees or above in any of the preceding tax years; or
 - (j) a person registered under the **Sales Tax Act, 1990** having turnover of one hundred million rupees or more in any of the preceding tax years;
 - (k) a builder; or
 - (l) a developer.
7. **(ii) ‘Services’** includes the services of accountants, architects, dentists, doctors, engineers, interior decorators, and lawyers, otherwise than as an employee.
 8. **(iii) ‘Sale of goods’** includes a sale of goods for cash or on credit, whether under a written contract or not.
 9. **(iv) ‘Manufacture’** 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 or is so changed, transformed, or reshaped that it becomes capable of being put to use differently or distinctly; or
 - (b) process of **assembling, mixing, cutting, or preparation** of goods in any other manner.
 10. **(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;
 - (b) the gross fees for the rendering of **services or giving benefits**, including commissions;
 - (c) the **gross receipts from the execution of contracts**; and
 - (d) the company’s share of the amount stated above of any association of which he or the company is a member.
 11. **(vi) Fast Moving Consumer Goods (FMCG)** means the consumer goods which are supplied in retail marketing as per daily demand of a consumer. It does not include durable goods. **[22A]**

Non-Application of Section 153

[Clause (46AA), Part-IV of Second Schedule]

Provisions of section 153 do not apply to the following persons:

- i) A **Provincial Government**;
- ii) A **local government**;
- 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;

iv) **Persons receiving payments** from a company exclusively for the supply of agricultural produce, including fresh milk, fish by an entity 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;

v) **Companies receiving payments** for the supply 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 taxpayers** u/s 181, receiving payments for the supply of sand, bricks, grit, gravel, crushed stone, soft mud, or clay; and

x) **Artisans, plumbers, electricians, surface finishers, carpenters, painters, or daily wage workers**, 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:

- (a) **Services are provided or rendered by an individual** who is not a registered taxpayer u/s 181;
- (b) The **name, CNIC Number, and address** of such individual is recorded by the recipient of such service; and
- (c) **Payment is made directly to such an individual.**
xi) **Resident importer** in respect of payments received for the supply of goods imported by him and on which tax has been paid u/s 148. **[Clause (47A), Part-IV of Second Schedule]**

154(5)

Primarily, tax **deducted u/s 154 is treated as minimum tax** in respect of such income. However, it shall not be so in the case of a person who opts that such income **not be subject to minimum tax**.

This option **shall be available for the tax year 2015** and shall be exercised every year at the time of filing of return u/s 114.

Section 154A

1. **Tax deducted on export of services shall be final tax** if the following conditions are fulfilled:
 - (i) **Return has been filed**;
 - (ii) **Withholding tax statements** for the relevant tax year have been filed, if so required under ITO;
 - (iii) **Sales tax returns under Federal or Provincial laws** have been filed, if required under the law; and
 - (iv) **No credit for foreign taxes paid** shall be allowed.
 2. It shall **not be final tax** if the person does not fulfill the specified conditions or who opts **not to be subject to final taxation**.
 3. **Option available** under this section shall be exercised every year at the time of **filing of return u/s 114**.
 4. The **FBR in consultation with SBP** shall prescribe mode, manner, and procedure of payment of tax under section 154A.
 5. The **FBR may include or exclude certain services** on which these provisions are applicable.
-

Section 155 – Tax on Rent

1. **Tax on rent**, in the case of **individual and association of persons**, shall be deducted at the following rates:

S. #	Gross amount of rent	Rate of tax
1	Up to Rs. 300,000	Nil
2	Rs. 300,001 to Rs. 600,000	5% of amount exceeding Rs. 300,000
3	Rs. 600,001 to Rs. 2,000,000	Rs. 15,000 + 10% of amount exceeding Rs. 600,000
4	Exceeding Rs. 2,000,000	Rs. 155,000 + 25% of amount exceeding Rs. 2,000,000

2. **Tax on rent, in the case of a company**, shall be deducted @ 15% of the gross amount of rent.
 3. **Gross amount of rent** includes the amount to be included in RCT on account of advance rent and adjustable against rent.
 4. **Tax shall be deducted** at the time of **payment of rent of immovable property** irrespective of head of income.
 5. **Following persons are required to deduct tax while paying rent:**
 - **Federal Government, Provincial Government, Local Government, Companies, Non-Profit Organizations, Charitable Institutions, Diplomatic Missions, Foreign States, etc.**
 - **Private educational institutions, boutiques, beauty parlors, hospitals, clinics, marriage halls, and offices** paying rent of Rs. 1,500,000 and above per year.
-

Section 156 – Tax on Prizes

Where a prize is won in cash, then the person giving the prize shall collect the amount of tax due on the prize.

- This tax shall be final tax in respect of prizes or winnings.

Synopsis of Taxes

– Income Tax – Payment of Tax

[19-322]

Section 231AB – Cash Withdrawals & Tax Deduction

- A banking company shall deduct tax only if the account holder is not appearing in the **Active Taxpayers' List (ATL)** and aggregate cash withdrawals in a single day exceed Rs. 50,000.
-

Section 231B – Tax on Registration of Motor Vehicles

1. **Value of vehicle shall be as below:**
 - **Imported Vehicle:** Import value assessed by Customs plus **customs duty, FED, and sales tax payable at the import stage.**
 - **Locally Manufactured or Assembled Vehicle:** Invoice value inclusive of all **duties and taxes.**

- **Purchased through Auction:** Auction value inclusive of **all duties and taxes**.
- 2. **Every motor vehicle registration authority of the Excise and Taxation Department shall, at the time of registration, collect tax at applicable rates,**
 - **If the locally manufactured motor vehicle has been sold prior to registration by the person who originally purchased it from the local manufacturer.**
 - **However, tax on registration shall not be payable** if the person provides evidence of tax having been paid under **231B(3)** in case of locally manufactured vehicles or **148** in case of imported vehicles.
- 3. **Rate of tax is to be collected & reduced by 10% each year from the date of first registration** in Pakistan.
 - **Tax rate shall be increased by 200% if the person is not appearing in ATL.**
- 4. **Provisions of section 231B shall NOT apply to the following persons:**
 - **1. The Federal Government**
 - **2. A Provincial Government**
 - **3. A Local Government**
 - **4. A Diplomatic mission in Pakistan**
 - **5. A foreign diplomat**
- 5. **Advance tax shall not be collected after five (5) years from the date of first registration.**
- 6. **"Date of first registration" means:**
 - (a) **The date of issuance of brand new registration number** if the vehicle is acquired from a **manufacturer** in Pakistan.
 - (b) **The date of registration for an imported vehicle.**
 - (c) **The date of registration by the Ministry of Foreign Affairs** if the vehicle is an **unregistered vehicle of a diplomat or a diplomatic mission in Pakistan.**
 - (d) **In all other cases, the date of first registration by the Excise and Taxation Department.**
- 7. **Motor vehicle includes**
 - **Car, caravan, automobile, jeep, limousine, pickup, sports utility vehicle, trucks, vans, wagon, and any other automobile.**

- It does NOT include motorcycles.

Synopsis of Taxes

– Income Tax – Payment of Tax

[19-323]

1. A motor vehicle used for public transportation, carriage of goods, and agriculture machinery.
2. A rickshaw or a motorcycle rickshaw.
3. Any other motor vehicle having an engine capacity of up to 200CC.

Section 233 – Tax on Commission & Brokerage

1. In the case of a **person running an online marketplace**, as defined in **Section 2(38B)**, the **tax rate shall be 5%**. [(Clause 28C) of Part-IV of the Second Schedule]
2. If the **agent retains commission or brokerage** from any amount remitted by him to the principal, it shall be deemed that **commission has been paid to him by the principal**, and the **principal shall collect tax from the agent**. [(233(2))]
3. Where the principal is making **payment on account of commission** to an advertising agent, directly or through **electronic or print media**, the principal **shall deduct tax** (in addition to tax deducted under **153(1)(b)** on advertising services excluding commission) at the rates applicable to "Brokerage and Commission" (**specified in Division II or Part IV of the First Schedule**) on an amount equal to:

$$A \times 1585A \times \frac{15}{85} = 15A$$

- **A = Amount paid or to be paid to electronic or print media for advertising services (excluding commission), on which tax is deductible under 153(1)(b).** [(233(2A))]
4. **Tax deducted under Section 233(2A), as above, shall be final tax on the income of the advertisement agent.**

Section 234 – Tax on Motor Vehicles

1. Where the **motor vehicle tax is collected in installments or lump sum**, income tax **may also be collected in installments or lump sum**.

2. **Passenger transport vehicles** with a **registered seating capacity of not less than 10 persons**, the tax shall be collected for a period of **10 years** starting from **July 1st of the year of the first registration**.
 3. Where a **motor vehicle is used in Pakistan for more than 10 years**, no advance tax shall be collected after 10 years.
 4. In respect of a **goods transport vehicle** with a **registered laden weight of less than 8,120 kilograms**, advance tax shall **not be collected after 10 years** from the date of **first registration** in Pakistan.
 5. **"Motor vehicle"** shall have the same meaning as assigned to it in **Section 231B(7)**.
-

Section 235 – Tax on Electricity Consumption

1. **"Electricity consumption bill"** means the electricity bill inclusive of sales tax and all incidental charges.
2. Tax shall not be collected from a domestic consumer if their name appears on the **Active Taxpayers' List (ATL)**.
3. In the case of consumers other than companies, there exists an ambiguity on **whether the tax collected should be minimum tax or adjustable tax**. Clause **235(4)** specifies that **the amount shall be adjustable**, but Clause **235(6)** mentions **the amount on a monthly bill exceeding Rs. 360,000 shall be treated as minimum tax**.
 - Under such a situation, a question arises: which treatment shall be appropriate?

Synopsis of Taxes

– Income Tax – Payment of Tax

[19-324]

Tax shall not be collected from a person who produces a certificate from the **CIR** that his income during the tax year is exempt from tax or that he has discharged advance tax liability under **147** or whose entire income is subject to the final tax regime or minimum tax regime.

"Professionals" include **accountants, lawyers, doctors, dentists, health professionals, engineers, architects, IT professionals, tutors, trainers, and other persons engaged in the provision of services**. [(235(1A))]

Section 236 – Tax on Donations via SMS

Section 236 does not apply to amounts donated through SMS to the Prime Minister's Flood Relief Fund, 2022.

Section 236A – Sale by Public Auction

1. "Sale by public auction or auction by a tender" includes renewal of a license previously sold by public auction or auction by a tender.
 2. Where payment is received in installments, advance tax is to be collected with each installment.
-

Section 236C – Advance Tax on Sale of Immovable Property

1. Any person responsible for registering, recording, or attesting transfer of any immovable property shall collect advance tax from the seller at the following rates:

S. No.	Gross Amount of Consideration Received	Tax Rate
1	Up to Rs. 50 million	3%
2	Exceeds Rs. 50 million and up to Rs. 100 million	3.5%
3	Exceeds Rs. 100 million	4%

Person Appearing in ATL but Have Not Filed Return by Due Date [(Rule-1A of Tenth Schedule)]

Tax required to be collected under 236C of ITO shall be at the following rates:

S. No.	Gross Amount of Consideration Received	Tax Rate
1	Up to Rs. 50 million	6%
2	Exceeds Rs. 50 million and up to Rs. 100 million	7%
3	Exceeds Rs. 100 million	8%

Non-Application of Rule 1A of 10th Schedule

Rule 1A shall not apply to a person who has **filed a return** by the **due date** specified in **Section 118** or as extended under **Sections 119 or 214A** of ITO for **all of the last three tax years** preceding the tax year **for which the return has not been filed by the due date**.

Person Not Appearing in Active Taxpayers' List (Tenth Schedule)

- **Tax required to be collected under 236C of ITO on the gross amount of consideration received on the sale or transfer of immovable property shall be 10%.**
-

Definition of "Person Responsible for Registering, Recording, or Attesting Transfer"

The term "**person responsible for registering, recording, or attesting transfer**" includes:

- **Local authority**
- **Housing society**
- **Co-operative society**
- **Public and private real estate projects (registered/governed under any law)**
- **Joint ventures**
- **Private commercial concerns**
- **Registrar of properties**

Synopsis of Taxes

– Income Tax – Payment of Tax

[19-325]

Advance tax shall not be collected under the following cases:

1. **The seller is a dependent of a Shaheed belonging to the Pakistan Armed Forces.**
2. **The seller is a dependent of a person who dies while in the service of the Pakistan Armed Forces, Federal Government, or Provincial Governments** or a war-wounded person while in service or **an ex-serviceman** and serving personnel of armed forces or **ex-employees or serving personnel** of Federal and Provincial Government.
3. **The first sale of an immovable property** that has been **acquired or allotted as an original allottee**, duly certified by the **allotment authority**.
4. If the **seller or transferor** is a **non-resident individual** holding a **Pakistan Origin Card (POC)** or **National ID Card for Overseas Pakistanis (NICOP)** or **CNIC** who **acquired the property** through a **Foreign Currency Value Account (FCVA)** or **NRP Rupee Value Account (NRVA)** maintained with **authorized banks in Pakistan**, the tax collected from

such persons **shall be final discharge of tax liability** in lieu of capital gains taxes taxable u/s **37** earned by the seller or transferor from that property.

The **person responsible for registering, recording, or attesting the transfer of immovable property** shall **not register, record, or attest** transfer unless the **seller or transferor has discharged his tax liability u/s 7E of ITO** and provides the **evidence of such tax payment**.

The evidence shall be in the **prescribed mode, form, and manner**.

Section 236CB – Advance Tax on Functions

- **"Function"** includes **any wedding-related event, seminar, workshop, session, exhibition, concert, show, party, or any other gathering held for such purpose**.
 - **"Prescribed person"** includes the **owner, lease-holder, operator, or manager of a marquee, hall, marque, hotel, restaurant, commercial lawn, club, or any community place or any other place used for such purpose**.
-

Section 236G – Advance Tax on Sales by Manufacturers & Importers

- **Persons required to collect advance tax** are the **manufacturers or commercial importers**.
 - **Tax is collected against sales to distributors, dealers, and wholesalers**.
 - **Rate of advance tax on sales to distributors, dealers, or wholesalers of fertilizer shall be 0.25%**, if they are **already appearing on the Active Taxpayers' List** issued under the **Sales Tax Act, 1990, and the Income Tax Ordinance, 2001**.
-

Section 236H – Advance Tax on Sales by Distributors & Dealers

- **Persons required to collect advance tax** are the **manufacturers, distributors, dealers, wholesalers, or commercial importers**.
- **Tax is collected against sales to:**
 1. **Retailer**, if the sale is made by a **manufacturer, distributor, dealer, or commercial importer**.
 2. **Another wholesaler**, if the sale is made by a **distributor or dealer**.

- **"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** [(218A1)].

Synopsis of Taxes

– Income Tax – Payment of Tax

[19-326]

Section 236I – Advance Tax on Education Fees

- It is **collected from a person not appearing on the Active Taxpayers' List (ATL)**.
- **"Fee"** includes **tuition fee and all charges received by the educational institution**, by whatever name called, **excluding refundable amounts**.
- **Provisions of section 236I shall not apply to a non-resident person if:**
 - **His stay in Pakistan is less than 183 days** (on the basis of a **copy of passport** furnished to the educational institution);
 - **He furnishes a certificate** that he has **no Pakistan-source income**; and
 - **Fee is remitted directly from abroad** through **normal banking channels** to the **bank account of the educational institution**.

Section 236K – Advance Tax on Transfer of Immovable Property

- **Any person responsible for registering, recording, or attesting transfer of any immovable property** shall collect **advance tax from purchaser or transferee** at the following rates:

S. No.	Amount of Fair Market Value	Tax Rate
1	Up to Rs. 50 million	3%
2	Exceeds Rs. 50 million and up to Rs. 100 million	3.5%
3	Exceeds Rs. 100 million	4%

Person Appearing in ATL but Have Not Filed Return by Due Date

(Rule-1A of Tenth Schedule)

- **Tax required to be collected u/s 236K of ITO shall be at the following rates:**

S. No. Amount of Fair Market Value of Immovable Property Tax Rate

1	Up to Rs. 50 million	6%
2	Exceeds Rs. 50 million and up to Rs. 100 million	7%
3	Exceeds Rs. 100 million	8%

Non-Application of Rule 1A of Tenth Schedule

- Rule 1A shall **not apply** to a person who has **filed return by the due date** specified in **Section 118** or as extended u/s **119** or **214A** of **ITO** for **all of the last three tax years** preceding the tax year for which the return has **not been filed by the due date**.
- **Person Not Appearing in ATL (Tenth Schedule)**
 - Tax required to be collected u/s 236K of ITO (from purchaser or transferee of property) shall be at the following rates:

S. No. Amount of Fair Market Value of Immovable Property Tax Rate

1	Up to Rs. 50 million	12%
2	Exceeds Rs. 50 million and up to Rs. 100 million	16%
3	Exceeds Rs. 100 million	20%

- Where payment for the transfer is being collected in installments, and the transfer is to be effected after making payment of all installments, the person collecting the installments shall also collect the advance tax along with the collection of the installment.

Synopsis of Taxes**– Income Tax – Payment of Tax****[19-327]**

- Person responsible for registering, recording, or attesting transfer” includes:
 - Persons responsible for local authority, housing authority, housing society, or co-operative society.
 - Public and private real estate projects registered/governed under any law.
 - Joint ventures, private commercial concerns, and registrars of properties.

- **Provisions of section 236K do not apply to schemes introduced by the Government (Federal or Provincial) or an Authority established by the Government for expatriate Pakistanis, with a condition that proof of payment is available in the foreign exchange remitted from outside Pakistan through normal banking channels.**
 - **In case of inheritance:**
 - **If the property is neither purchased nor any consideration is paid, the withholding tax shall not be applicable.**
 - **Further, any transfer of property through gifts among family members like spouse, father, mother, son, daughter, brother, and sister shall not suffer withholding under this section.**
 - *(Para 21 of Circular No. 2 of 2014 & Circular No. 10 of 2015).*
 - **Rate of tax for Non-Filer shall be 1% up to the date appointed by the FBR through a notification in the Official Gazette.**
 - **If the seller or transferor is a non-resident individual:**
 - **Holding Pakistani Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or CNIC.**
 - **Acquired the said immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan.**
 - **Tax collected from such persons shall be the final discharge of tax liability for such buyer or transferee.**
 - **Any person responsible for collecting payments in installments for purchase or allotment of any immovable property:**
 - **Where the transfer is to be effected after making payment of all installments, shall at the time of collecting installments, collect advance tax at the applicable rate.**
 - **Where tax has been collected along with installments, no further tax shall be collected at the time of transfer of property in the name of the buyer for whom tax has been collected in installments, which is equal to the amount payable u/s 236K.**
-

Section 236O – Advance Tax Exemptions under the Income Tax Ordinance, 2001

- **Advance tax under Chapter XII of the Income Tax Ordinance, 2001 (sections 231A–236Z) shall not be deducted or collected from the following persons:**
 - **The Government (Federal or Provincial).**
 - **A foreign diplomat or a diplomatic mission in Pakistan.**
 - **Any person who produces a certificate issued by the CIR that his income during the tax year is exempt.**
-

Section 236Q – Advance Tax Deductions Not Applicable to Certain Payments

- **Tax under this section shall not be deducted on payments for:**
 1. **Agricultural machinery.**
 2. **Machinery leased by a leasing company, an investment bank, a modaraba, a scheduled bank, or a development finance institution in respect of assets owned by such an institution.**

Synopsis of Taxes

– Income Tax – Payment of Tax

[19-328]

231B to 236O

The provisions of **advance tax to be deducted or collected under Chapter-XII** of the Income Tax Ordinance, 2001 are **not applicable** to:

1. **The Government (Federal or Provincial);**
 2. **The foreign diplomat or a diplomatic mission in Pakistan; and**
 3. **A person who produces a valid exemption certificate issued by the CIR.**
-

NON-APPLICABILITY OF PROVISIONS REGARDING TAX AT SOURCE

Refer to Chapter **“Exemptions and Concessions”**

TIME OF DEDUCTION OF TAX [158]

The **amount of tax at source** shall be deducted at the **time the amount is actually paid**. However, in the case of **'profit on debt'**, it shall be deducted **at the time when the amount is credited** to the account of the recipient or is paid, **whichever is earlier**.

- **"Amount actually paid"** shall have the meaning as may be prescribed by the **Income Tax Rules, 2002**.
-

TAX DEDUCTED TREATED AS FINAL TAX [169(4)]

Where the **tax deducted or collected** is treated as **final tax**, and the **law prescribes different rates for filers and non-filers**, the **following procedure shall be adopted**:

1. The **tax computed as per the rates applicable to the filer** shall be treated as **final tax**; and
 2. The **excess tax collected or deducted from non-filer** shall be **adjustable against his return for the relevant tax year**.
-

EXEMPTION OR LOWER RATE CERTIFICATE [159]

Under the following **cases**, a **person may apply to CIR** (in the prescribed form) for the issuance of **exemption or lower rate certificate**:

1. The **income is exempt from tax**;
 2. The **income is subject to tax at a rate lower than the rate specified in the First Schedule**; or
 3. The **income is taxed under the hundred percent (100%) tax credit under Income Tax Ordinance, 2001**.
- **In case of a company**, CIR shall **issue the certificate within fifteen (15) days of filing of application**.
 - It shall be **deemed that CIR has issued the exemption certificate** upon the expiry of fifteen days from the **filing of application** and the **certificate shall be automatically processed and issued by IRIS**.
 - **The CIR may 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**.

- The CIR, before issuance of the certificate, shall satisfy himself that the applicant is entitled to have such a certificate.
- A person who is liable to deduct or collect tax at source under any provision of the Income Tax Ordinance shall collect the full amount of tax unless a valid exemption or lower rate certificate is presented to him.

Synopsis of Taxes

– Income Tax – Payment of Tax

[19-329]

Amendment of Withholding Tax Rates by FBR [159(6)]

The Finance Act, 2015 omitted sub-sections (3) through (5) of section 159. According to the omitted provisions, the FBR was empowered to amend the rates of withholding tax, exempt persons, classes of persons, goods, or classes of goods from withholding tax by issuing notifications in the Official Gazette, which were to be placed before the both Houses of Majlis-e-Shoora.

Notwithstanding omission of the above-referred sub-sections, any notification issued prior to their omission and for the time being in force shall continue to remain in force, unless rescinded through a notification issued by FBR for this purpose.

Reduced Rate Certificate [153(4)]

Where tax u/s 153 is not minimum tax (i.e., is adjustable), the recipient of payment may apply to CIR who may, by a written order, allow to make payment to that person at a reduced rate but such reduced taxation shall not exceed eighty percent of the specified rate.

- Reduced rate certificate to a company shall be issued within fifteen (15) days of filing of application subject to a condition that the advance tax liability has been discharged.
- Where certificate is not issued to the company within fifteen (15) days, it shall be deemed that CIR has issued the reduced rate certificate upon the expiry of fifteen days, and the certificate shall be automatically processed and issued by IRIS.
- The CIR may 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.

PAYMENT OF TAX COLLECTED OR DEDUCTED [160 & Rule-4 & 163]

A person who is responsible for deduction or collection of tax at source has to **deposit the amount of tax within a period specified under the Income Tax Rules, 2002**. The Rules have **specified different time periods** for **different persons**, which are given as follows:

1. **Where tax has been collected or deducted by the Federal Government or a Provincial Government, on the day the tax was collected or deducted; and**
 2. **Where tax has been collected or deducted by any person other than the Government, tax shall be paid by remittance to the Government Treasury or deposit in an authorized branch of the SBP or NBP:**
 - **Within seven (7) days from the end of each week ending on every Sunday; and**
 - **Where payment is being made to a non-resident through State Bank or any other banking company, prior to remitting abroad the amount from which tax is to be deducted.**
- **Persons liable to deduct or collect tax at source are also required to file prescribed periodical statements to the tax department [165].**

LIABILITY OF PERSON FAILING TO DEDUCT OR PAY TAX [161 &163]

The **person deducting or collecting the tax shall deposit the amount to the Government Treasury within a prescribed period**. The **following are the outcomes of the contravention of the provisions relating to payment of tax deducted or collected at source**:

1. **The defaulting person shall, without prejudice to any other liability, be personally liable to pay the tax if he fails.**

Synopsis of Taxes –

Income Tax – Payment of Tax

[19-330]

i) To deduct or collect the tax at source; or

ii) To deposit the tax deducted or collected within the prescribed period.

- **The amount of tax shall not be recovered** from the defaulting person if the person **from whom the tax was to be deducted/collected has already paid the amount of tax**. However, the defaulting person **shall be liable to pay the default surcharge. Before recovery of the tax, an opportunity of being heard shall be provided to the defaulting person.**
- **The defaulting person shall be liable to pay a default surcharge on such amount @ 12% per annum** for the period of his non-payment.

- *(Under certain other cases default surcharge is charged at the rate which is higher of 12% p.a. or KIBOR + 3% p.a.)*
 - **While computing the total income** of the defaulting person, the payment **on which tax at source was not deducted shall not be allowed as an admissible expense.**
 - **If the amount of tax withheld has been recovered from the defaulting person**, then he shall be **entitled to recover the same** from that person from whom it should have been deducted or collected. Under such a case, **that other person shall be entitled to claim the tax credit** in respect of such payment.
 - **The amount of advance tax or tax deducted at source shall be treated as an amount due under an assessment order. All provisions of the Income Tax Ordinance shall apply accordingly.**
-

RECOVERY OF TAX FROM WHOM IT WAS NOT DEDUCTED OR COLLECTED [162]

- **The CIR may collect the amount of tax** from a person from whom **it was to be deducted or collected but was not so deducted or collected.**
 - **It is to be noted that such recovery of tax does not absolve the defaulting person from any other legal action under the law, e.g., imposition of default surcharge, rendering the expense as inadmissible, etc.**
-

RECOVERY OF TAX NOT DEDUCTED OR SHORT DEDUCTED [162(6)(i)]

Where tax **deductible has not been deducted or short deducted**, such amount may be recovered **u/s 162**.

ISSUANCE OF CERTIFICATE OF TAX DEDUCTED [164 & Rule-42]

- **Every person deducting or collecting tax at source shall issue copies of the Computerized Payment Receipt (CPR) or any other equivalent document along with the tax deduction number from whom the tax has been deducted or collected.**
- **This certificate shall be in the prescribed form and shall contain along with other things, the information about the amount paid and the tax deducted.**
- **The certificate shall be issued to the person to whom the payment is made or on behalf of the taxpayer and shall be issued within one week of deduction.**

- **Such CPR, SPR, or certificate shall be treated as sufficient evidence of the collection or deduction for the purpose of claiming credit for tax u/s 168.**
- **For persons or classes of persons notified as SWAPS agent, SWAPS Payment Receipt (SPR) shall be issued in place of Computerized Payment Receipt (CPR).**
- **The certificate shall be issued in the prescribed form and within a period of fifteen (15) days after the end of the financial year in which tax was deducted or collected.**
- **Where tax deducted or collected relates to the certificate before the end of the financial year, a certificate shall be issued within seven (7) days of the date when requested was made.**
- **Where a certificate issued to the withholding agent has been lost, stolen, or destroyed, a duplicate of the same may be issued if so requested**

Synopsis of Taxes

Income Tax – Payment of Tax

[19-331]

SETTLEMENT OF TRANSACTIONS LIABLE TO WITHHOLDING TAX BY SWAPS AGENTS [164A]

1. **The FBR may notify any person or class of persons required to deduct or collect tax under the ITO to integrate with Synchronized Withholding Administration and Payment System (SWAPS) and to act as SWAPS agent within the time and in the manner as prescribed by FBR.**
2. **Tax deducted or purported to be collected or deducted by a notified SWAPS agent and credited to the CIR through digital mode, shall be treated to have been paid under section 160 of the ITO.**
3. **Where tax has been paid by a notified SWAPS agent, copy or number of SPR shall replace copy or number of CPR.**
4. **Any notified SWAPS agent shall not be eligible for tax credit (under Part X of Chapter III of ITO, i.e., u/s 61 to 64H) and any exemption under the ITO if notified SWAPS agent fails to integrate with FBR.**
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.**
6. **All other provisions of the ITO shall, mutatis mutandis, apply to the notified SWAPS agents.**

SWAPS Agent [(2B2B)]

‘Synchronized Withholding Administration and Payment System agent’ or SWAPS agent means any person or class of persons notified by FBR to collect or deduct withholding taxes through Synchronized Withholding Administration and Payment System.

FILING OF STATEMENTS [165]

- Every person **collecting or deducting tax at source** under **any of the sections** out of **sections 148, 149 to 158 or 231A to 236Z** shall furnish to the **Commissioner a quarterly statement** in the **prescribed form**. **Related provisions are discussed below:**
 - The statement shall contain the following information:
 1. **Name, CNIC/N, NTN and address of each person** from whom tax is collected or deducted.
 2. **Total amount paid to a person from which tax is withheld.**
 3. **Total amount of tax withheld.**
 4. **Any other particulars as may be prescribed by the FBR.**
 - A prescribed person is required to furnish the statement even if no withholding tax is deducted or collected during the period.
 - Statements shall be furnished by the 20th day of the month next following the end of the quarter.
 - The Commissioner, on application of a prescribed person, may extend the filing period.
 - Every person deducting tax out of salary paid to employees shall also file an annual statement in the prescribed form.
-

Notes:

- A person shall not file statements u/s 165 if the person has furnished the information required u/s 165A.

Synopsis of Taxes

Income Tax – Payment of Tax

[19-332]

2.

As far as the divulgence of information u/s 165 is concerned, the provisions of **section 165(1)** shall **override** any conflicting provisions contained in any of the following laws:

1. The **Banking Companies Ordinance, 1962.**
 2. The **Protection of Economic Reforms Act, 1992.**
 3. The **Foreign Exchange Regulations Act, 1947.**
 4. The **Regulations made under the State Bank of Pakistan Act, 1956.**
-

Filing of Revised Statement [165(2A)]

Where a person has furnished a statement u/s 165 and thereafter discovers any **omission or wrong statement therein**, he may **file a revised statement within sixty (60) days** of filing the statement being revised.

E-Filing of Statements [165(7) & (8)]

1. **Every prescribed person** collecting or deducting tax shall **e-file to CIR an annual statement** for the **relevant tax year within thirty (30) days** of the end of tax year. This statement is **in addition** to the statement to be filed for deduction u/s 149.
 2. **Every prescribed person** collecting or deducting tax shall **also e-file to CIR a statement** in the **prescribed form, reconciling** the amounts mentioned in **annual statement filed with the amounts declared in the return, audited accounts or financial statements**. It is to be filed by the **due date of filing of return of income**.
-

DEDUCTION OF SERVICE CHARGES FROM TAX WITHHELD [168(6) & (7)]

- A person who has **tax deducted or collected at source, notwithstanding** anything contained in any other law or **any ruling** for the time being in force, **shall not be entitled to deduct any amount** on account of **service charges** from the tax withheld or collected by the person under the **Income Tax Ordinance**.
 - In case a person has deducted service charges in **contravention** to the above provision, **the amount so deducted shall be payable by the person to the Government. All provision regarding recovery of tax shall apply in this case.**
-

ADVANCE PAYMENT OF TAX [147]

For the purposes of **advance payment of tax** during the tax year, the **taxpayers have been divided into the following two categories:**

1. **Companies or Association of Persons; and**
 2. **Individuals.**
- **Companies or AOPs [(147), (4) & (4A)]**
 1. **Every company or an AOP shall pay advance tax.**
 2. **The advance tax is paid on a quarterly payment basis. The amount of advance tax payable for a quarter shall be computed as per the following formula:**
 $(A \times B/C) - D$
Where:
 - **A = Taxpayer's turnover for the quarter.**
 - **B = Taxpayer does not provide the turnover or the turnover for the quarter is not known, 1/4th of 120% of the turnover of the latest tax year for which a return has been filed shall be taken as turnover for the quarter.**

Synopsis of Taxes	Income Tax – Payment of Tax	[19-333]
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1. **A = Tax assessed to the taxpayer for the latest tax year. It includes Super Tax u/s 4C, Minimum Tax u/s 113, and Alternative Corporate Tax u/s 113C.**
2. **C = Taxpayer's turnover for the latest tax year.**
3. **D = Tax paid in the quarter for which tax credit is allowed.**

In other words, tax for a quarter shall be **computed at the average rate of tax based on tax and turnover of the immediately preceding tax year.**

- **Super Tax u/s 4C, Minimum tax u/s 113, and Alternative Corporate Tax u/s 113C shall also be considered while computing the average tax rate for advance tax.**
- **While computing the amount of advance tax, tax and incomes covered under STR (i.e., u/s 5, 6 & 7A) and FTR shall not be considered.**

Advance Tax Payment Schedule

The tax shall be **paid by the following dates:**

Name of Quarter Period of Quarter		Last Date for Payment of Advance Tax
September	From 1st July to 30th September	25th September
December	From 1st October to 31st December	25th December
March	From 1st January to 31st March	25th March
June	From 1st April to 30th June	15th June

Advance Tax for Companies and AOPs

- A company and an AOP shall also pay advance tax even in the absence of last assessed income or declared agricultural income. Advance tax liability shall be computed as follows: [147(6A)]

(i) Advance tax payable shall be estimated on the basis of quarterly turnover. Provisions of Minimum Tax u/s 113 and Alternative Corporate Tax u/s 113C shall also be taken into account.

(ii) Tax already paid by or on behalf of the taxpayer shall be adjusted against the tax for the quarter. The balance, if any, shall be paid as advance tax.

Estimation of Tax Payable [147(4A) & (7A)]

It is mandatory on such a taxpayer, including a banking company, who is required to pay advance tax, to estimate the amount of tax payable by it for the relevant tax year. Other conditions in this regard are:

1. The estimate shall be prepared at any time before the second installment is due.
 2. If the tax payable is likely to be more than the tax for the latest tax year, the taxpayer shall file the estimate with the Commissioner on or before the due date of the second quarter.
 3. Advance tax payable for the second quarter shall be fifty percent (50%) of the tax payable as per the estimate filed to the Commissioner, as reduced by any amount already paid (for the first and second quarters of tax withheld).
 4. The remaining fifty percent (50%) shall be paid in two equal installments by the due date of the third and fourth quarter of the tax year.
-

The **FBR may prescribe the manner** for furnishing the **estimate and calculation of the amount of tax payable** under **this section through IRS or any other automated system specified by the FBR. [147(7A)]**

Synopsis of Taxes

Income Tax – Payment of Tax

[19-334]

Individuals [147(2) & (6B)]

1. Any **individual whose taxable income** for the **latest tax year** is **Rs. 1,000,000 or more** is required to pay an amount of tax, **which is equal to one-fourth (1/4th) of the assessed tax liability** of the latest tax year.
2. Tax shall be **paid by the dates specified in the following table: [147(5)]**

Name of Quarter	Period of Quarter	Last Date for Payment of Advance Tax
September	From 1st July to 30th September	15th September
December	From 1st October to 31st December	15th December
March	From 1st January to 31st March	15th March
June	From 1st April to 30th June	15th June

-
3. The **incomes and tax payable in respect of the following sources shall not be included** while computing the **taxable income and tax liability of the latest tax year**:
 - **Salary income**
 - **Income chargeable to tax as a separate block (u/s 5, 6, 7)**
 - **Income, which is taxable under Final Taxation (FTR)**
 4. The taxpayer **may make an adjustment of an amount deducted at source** during the period. **Tax at source in respect of income under such heads which are excluded at the time of determination of advance tax shall be ignored** while determining the advance tax for the quarter.
 5. Any **amount of tax paid in advance shall be adjusted** against the **final tax liability** of the taxpayer.
-

Estimated Advance Tax Less Than Latest Tax Year's Tax [147(6), (6A) & (6B)]

- Where a taxpayer **believes that his tax liability for the current tax year will be less than the previous year**, he **may furnish his estimate** to the **CIR** and adjust the amount of his installments accordingly.
- The **estimate of the amount of tax payable shall contain the following information**:
 1. **Turnover for the completed quarters** of the relevant tax year;
 2. **Estimated turnover of the remaining quarters** along with reasons for any **decline in estimated turnover**;
 3. **Documentary evidence of estimated expenses or deductions** which may result in **lower payment of advance tax**;
 4. **The computation of the estimated taxable income** of the relevant tax year.

Documents to be Filed Along with Estimation

Where **estimation of tax payable has been filed**, the estimate shall contain:

- **Turnover for the completed quarters** of the relevant tax year;
- **Estimated turnover for the remaining quarters.**

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3. Supporting **evidence of expenses or deductions** in computing income;
4. **Evidence of tax payments** and tax credits; and
5. **Computation of estimated taxable income.**

Where the **CIR is not satisfied** with the documentary evidence provided or where an **estimate of the amount of tax payable is not accompanied by details (mentioned above)**, the **CIR 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 given under section 147(4)**.

Advance Tax on Capital Gain [147(5B)]

Advance tax on **capital gain from the sale of "securities"** shall be **chargeable** as below:

Sr. No.	Holding Period of Security	Rate of Advance Tax
1.	Less than six (6) months	2% of capital gains derived during the quarter.
2.	More than six (6) months but less than twelve (12) months	1.5% of capital gains derived during the quarter.

Notes:

1. "Security" means shares of a public company, vouchers of Pakistan Telecommunication Corporation, modaraba certificate, an instrument of redeemable capital and derivative products.
2. Advance tax shall be payable to the Commissioner within seven (7) days after the close of each quarter.
3. This advance tax shall not be payable by individual investors.

Advance Tax on Exports, Etc. [147(6C)]

In addition to tax collectable or deductible u/s 154 of ITO, the persons specified below shall also deduct or collect advance income tax under this section @ 1% of such foreign exchange proceeds, export proceeds, or export contracts. The withholding or deducting tax u/s 154 & 154A shall be treated as minimum tax in respect of income from exports.

Section	Tax Withholding Agent	Transaction
154(1)	Authorized foreign exchange dealer	Export proceeds realization
154(3)	Banking company	Realization of sale of goods to an exporter under an inland back-to-back L/C
154(3A)	EPZA	Export of goods by industrial undertaking in EPZ

Section	Tax Withholding Agent	Transaction
154(3B)	Direct exporter and export house registered under EPZ Rules, 2001 and Export Facilitation Scheme, 2021	Making payment for a firm contract to an indirect exporter
154(6)	Collector of Customs	Clearing of goods exported
154A	Authorized foreign exchange dealer	Export proceeds of goods by industrial undertaking in EPZ

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ADVANCE TAX FROM PROVINCIAL SALES TAX REGISTERED PERSONS [147A]

A person who was **not a filer on the 30th day of June of the previous tax year** and is **registered with the Provincial Revenue Authority for provincial sales tax** shall be liable to pay on **monthly basis** an **adjustable advance tax** under the **Income Tax Ordinance, 2001**. Other provisions in this regard are:

1. **Advance tax shall be computed @ 3% of the turnover declared before the provincial revenue authority. It shall be paid monthly at the time when provincial sales tax return is to be filed.**
 - This tax shall be **treated as a tax due under the assessment order.**
2. **Tax so paid shall be adjustable** at the time of making **payment of advance tax u/s 147.**
3. **It shall be adjustable against the tax payable** by the **taxpayer for that tax year** in the manner as provided in **section 4(3) of the Income Tax Ordinance.**
4. **Any part of this tax which cannot be adjusted** against the tax for the **tax year shall be refunded** in accordance with **section 170 of the Income Tax Ordinance.**

PAYMENT OF TAX WITH RETURN [137(1)]

Every person who is **required to furnish a return of his total income** is also **required to pay the amount of tax payable by him**. The amount of **tax payable is computed** as per the following:

Total tax liability (including minimum tax for the tax year) XXX

Less: Tax already paid during the tax year on account of:

Total tax liability (including minimum tax for the tax year) XXX

i) **Tax deducted/collected at source** XXX

ii) **Tax paid in advance u/s 147** XXX

iii) **Any refund of tax pertaining to previous tax years** XXX

Net tax payable with the return (or refundable) XXX

- The **above calculated tax amount** is to be **paid by the due date** for furnishing of the **return**.
- While computing **tax liability, minimum tax u/s 113** shall also be taken into account.

It is **deemed that a taxpayer has not filed a return of total income** if he **files a return without payment of tax payable** with the return.

In case the **tax liability for the tax year is less than the amount of tax already paid** during the **tax year**, then the taxpayer **shall claim a refund of excess tax paid** by or on behalf of him.

PAYMENT OF TAX ON DEMAND [137(2)]

The **Commissioner may issue a notice** to a taxpayer **demanding the payment** of a **specified amount of tax** if the **taxpayer has paid a lesser amount of tax**. The **demand for tax may also arise** as a **result of the difference between the declared income and the assessed income** and/or imposition of **default surcharge and penalties**.

- The **amount of tax so demanded** should be **paid within thirty (30) days** from the **date of service** of notice.
- A **taxpayer may submit an application to the Commissioner** for:
 1. **Granting an extension** in the **time for payment** of tax, or
 2. **Allowing the payment in installments** of the tax demanded.

The **Commissioner may make such orders as he may think fit**.

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Advance tax due u/s 147 is treated as if the amount were tax due under an assessment order (147(7)). The **date of payment** of such tax shall be as specified under **sub-sections (5), (5A), and (5B)** of section 147. [Proviso to 137(2)]

RECOVERY OF TAX FROM OTHER PERSONS [140]

The CIR may issue a notice to any of the following persons for payment of an amount (specified in the notice) on behalf of the taxpayer:

1. Any person owing or who may owe money to the taxpayer.
2. Any person holding or who may hold money for, or on account of, the taxpayer.
3. Any person holding or who may hold money on account of some other person for payment to the taxpayer.
4. Any person having authority of some other person to pay money to the taxpayer.

The CIR shall not issue notice for recovery where the taxpayer has filed an appeal u/s 127 against the order determining the tax liability and Commissioner (Appeals) has not yet decided with a condition that the taxpayer has paid 10% of due tax.

The CIR shall specify in the notice the amount payable and the date within which payment is to be made. The date for payment shall not be a date before the noticee becomes liable to pay the taxpayer or held on his behalf. Any person not complying with the notice shall be deemed as a taxpayer in default.

- The amount which can be recovered from another person shall not exceed the amount payable by him or held on behalf of the taxpayer.
- Where such person is liable to make a series of payments (e.g., salary) to the taxpayer, the notice issued by the CIR may specify an amount to be paid on each payment until the total tax payable by the taxpayer has been paid.
- Where the CIR has issued a notice to the above-referred person for recovery of tax on behalf of the taxpayer, the amount specified in the notice may be recovered as an amount of tax deducted or collected at source. Provisions of sections 160, 161, 162, and 163 shall apply to the amount specified in the notice.

Any person who has paid an amount in compliance with a notice issued by the CIR shall be treated as having paid the amount under the authority of the taxpayer. The receipt issued by CIR for such payment shall constitute a good and sufficient discharge of his liability to the taxpayer.

RECOVERY OF TAX BY COMMISSIONER [138]

The following procedure shall be adopted for the recovery of the amount of tax payable by a taxpayer if he has defaulted in making payment of the tax demanded by the CIR:

1. The CIR may issue a notice to the taxpayer requiring him to pay the amount mentioned in the notice. The notice shall be in the prescribed form and contain the time for payment. CIR may extend the time fixed for payment.
2. If the taxpayer does not comply with the notice issued by CIR, the CIR may recover the amount through one or more of the following modes:
 - Attachment and sale of one or more property of the taxpayer. The property may be movable or immovable.
 - Appointment of a receiver for the management of the property of the taxpayer.

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iii) Arrest the taxpayer for a period of up to six months; and

iv) Following other actions which may be taken u/s 148(1)(a, c & d)

- Deduct the amount from any money owing to the person from whom such amount is recoverable and which may be at the disposal or in the control of such officer or any officer of Income Tax, Customs, or Central Excise Department.
- Require any person (by a written notice) to stop clearance of imported goods or manufactured goods or attach bank accounts; and
- Seal the business premises till such time the amount of tax is paid or recovered in full.

Notes:

1. While exercising the powers as discussed above, the CIR enjoys the same powers as a Civil Court under the Code of Civil Procedure, 1908. [138(3)(5)]
 2. The FBR may make Rules for recovery of tax. These Rules shall be binding upon the Tax Department and the taxpayer. [138(4)]
-

RECOVERY OF TAX BY DISTRICT OFFICER (REVENUE) [138A]

The CIR may forward the case to the District Officer (Revenue) for recovery of the tax payable by a taxpayer residing within his jurisdiction. The District Officer (Revenue) shall recover the amount as arrears of land revenue. For the purposes of recovery of tax, the District Officer (Revenue) has the same powers as a Civil Court under the Code of Civil Procedure, 1908.

ESTATE IN BANKRUPTCY [138B]

Where a taxpayer is declared bankrupt, the following special provisions shall be applicable:

1. Tax liability under the Income Tax Ordinance, 2001 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.
 3. Tax shall be paid before the claims preferred by other creditors are settled.
-

RECOVERY OF TAX FROM PERSONS ASSESSED IN AZAD JAMMU AND KASHMIR OR GILGIT-BALTISTAN [146]

Under the following situation, a Tax Recovery Officer in Pakistan shall take necessary steps for the recovery of tax payable by a taxpayer who is residing in Pakistan:

- The taxpayer is assessed in Azad Jammu and Kashmir or Gilgit-Baltistan but resides in Pakistan;
 - The concerned CIR is not in a position to recover the amount of tax as the taxpayer does not possess any property in Azad Jammu and Kashmir or Gilgit-Baltistan; and
 - The concerned CIR has forwarded a certificate to the TRO in Pakistan for the recovery of the specified amount of tax payable by the taxpayer.
-

MISCELLANEOUS PROVISIONS REGARDING RECOVERY OF TAX [146A]

1. The proceedings for the recovery of tax may be initiated at any time.
2. The CIR has power to amend, cancel, or reissue a certificate issued by him for the recovery of tax. He may do so at any time.

3. The taxpayer has **no right to question the TRO or the District Officer (Revenue)** about the validity or correctness of the **certificate issued by CIR for recovery of tax**.
 4. The **CIR may utilize any of the modes available to him to the final recovery of tax**.
 5. Any amount required to be paid to the CIR under **any provision of the Income Tax Ordinance** shall be taken as if it were tax due under an assessment order. [163]
-

TAX ARREARS SETTLEMENT INCENTIVE SCHEME [146E]

The **FBR has power to make schemes** in respect of **recovery of tax arrears or withholding taxes**. Under this scheme, the **FBR may also waive the default surcharge or penalty levied** in respect of tax arrears or withholding taxes. For the **purpose of implementation of such a scheme**, the **FBR may make rules**.

ASSISTANCE IN THE RECOVERY AND COLLECTION OF TAXES [146C]

Provisions of **sections 138, 138A, 138B, 139, 140, 141, 142, 143, 144, 145, 146, 146A, and 146B** of the **Income Tax Ordinance, 2001** 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 inter-governmental agreement, or a similar arrangement or mechanism.

RECOVERY OF LIABILITY OUTSTANDING UNDER OTHER LAWS [146B]

The **CIR shall recover the outstanding liability** in respect of **any defaulter** if the liability is:

1. **Outstanding under any law** for the time being in force (**other than the ITO**) enacted by the **Parliament**;
2. **Treated under that law as arrears (money due to the state)**; and
3. **Required to be recovered or collected by CIR or is referred to CIR for the recovery**.

The **recovered amount** shall be **deposited in the designated account specified** in the law under which the **liability was outstanding**.

PRIORITY OF TAX COLLECTED OR DEDUCTED [166]

Where a **person has deducted or collected tax** under the provisions of the **Income Tax Ordinance**, that **tax shall be held by him in trust for the Federal Government**. Further, this **amount shall not be subject to attachment in respect of any debt or liability** of the person who has deducted or collected it.

- **Where a person who has deducted or collected tax** at the source is **made into liquidation or becomes bankrupt**, the **amount of tax deducted or collected shall not form part of the assets of that person**. In this case, the **CIR shall have first claim** for that amount **before any distribution of property**.

Every amount that a **person is required to deduct at source or pay an installment** shall be a **first charge** on the **payment**. The amount so required shall be deducted prior to any other deduction from the payment. Even in a case where a person is required to deduct any tax where an error is found later, or the amount was not deducted earlier, the **deduction of tax under the Income Tax Ordinance shall be made at any time**.

INDEMNITY [167]

Where a **person has deducted tax at source and remitted the same to CIR**, it shall be **treated that the person has made the payment to the recipient of the payment**. In other words, the **person from whom the tax has been deducted at source cannot claim it from the payer**

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STATUS OF TAX DEDUCTED OR COLLECTED AT SOURCE [168]

The **tax deducted or collected at source** at one place shall be treated as **income of the person from whom it was deducted or collected** and at other places, this amount shall be treated as **payment of tax by the person from whom it was deducted or collected**.

The amount of **tax at source shall be available as tax credit** while determining the tax liability of the person from whom it was deducted or collected. Any **excess amount of this tax shall be refunded** to the person according to the **provisions of the law**.

However, where the tax **collected or deducted is taken as final tax**, then it will **not be available as tax credit**.

Tax collected under **152(1E), 154(4), 154A(2), 156(3) & 156A(2)** is treated as **final tax**.

RECEIPTS FOR AMOUNTS PAID [220]

The **Commissioner Inland Revenue** shall give a receipt for any tax or amount paid by a person or recovered from a person under the **Income Tax Ordinance, 2001**.

LIQUIDATOR [141]

Every person who is **appointed as liquidator** shall, within **fourteen (14) days** of his **appointment or taking possession of an asset (whichever is earlier)**, give **written notice to the CIR** about this fact.

The **CIR** shall **notify the liquidator**, within **three (3) months** of the receipt of notice, the **amount which shall be sufficient to provide for any tax liability** (whether **past, current, or future**) of the **person whose assets are subject to control of the liquidator**.

The **liquidator cannot dispose of any asset** in his possession until he has been **notified as above by the CIR**. However, the CIR may **grant leave for parting with the asset**.

The liquidator shall **set aside the amount notified by the CIR**. He shall be **liable to the extent of the amount set-aside** for tax of the person who **owned the assets**. **Where any debt has a priority over the tax, the liquidator may not pay such debt**.

Where the **liquidator fails to comply with the provisions** of the law, he shall be **personally liable** to the extent of the amount required to be **set-aside**. However, if the **sale proceeds of any asset are less than the amount notified by the CIR**, the liquidator's **liability shall be restricted up to that amount**. The **amount notified by the CIR** shall be **considered as an amount of tax due under an assessment order**.

Important Notes:

1. The **above provisions** are **applicable irrespective of anything contained in any other law** for the time being in force.
2. The term "**liquidator**" includes the following persons:
 - **A liquidator of a company**
 - **A receiver appointed out of Court**
 - **A receiver appointed by a Court**
 - **A trustee for a bankrupt**
 - **A mortgagee in possession**

RECOVERY OF TAX DUE BY NON-RESIDENT MEMBER OF AN AOP [142]

The **Income Tax Ordinance** provides a **special procedure** for **recovery of tax due by a non-resident member of an AOP**. Legal provisions in this regard are discussed below.

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RECOVERY OF TAX DUE BY NON-RESIDENT MEMBER OF AN AOP [142]

1. Any tax due by a **non-resident member of an AOP** in respect of his **share from the AOP** shall be **assessable in the name of the AOP or any resident member of the AOP**.
2. Such amount shall be **treated as if it were tax due under an assessment order**. It may be **recovered out of the assets of AOP or the resident member personally**.
3. A person **making payment of tax as above** shall be **treated as acting under the authority of the non-resident**. Such person is **indemnified in respect of all payments made by him**.

Note:

- **Share of profits of the AOP is exempt** in the hands of its member; hence there **cannot be any tax liability** of a member which **remained unpaid and required to be recovered from an AOP**.
- After **amendment in section 92 and omission of section 93 in 2007**, section **142** should have been omitted.

REWARD TO OFFICIALS [227A]

The **officers and officials of Inland Revenue** shall be **entitled to cash reward** for their **meritorious conduct** in cases involving **concealment or evasion of taxes** and **for other meritorious services**.

Other provisions in this regard are:

1. **Cash reward shall be paid only after realization** of a part of the whole of the taxes involved in the case.

2. The **FBR may prescribe the procedure** for this purpose. It may also **specify the apportionment of reward** for **individual performance** or **the collective welfare of officials**.
 3. **Cash reward may also be sanctioned** to the **informer providing credible information leading to detection** of concealed or evaded tax.
-

REWARD TO WHISTLEBLOWERS [227B]

The **FBR 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**. The reward is **paid out of the taxes collected** on the **basis of the information provided by the whistleblower**.

The **FBR may notify the procedure** for rewarding the whistleblowers. It may also **specify the apportionment of reward** among the whistleblowers.

Cases Where Reward Claims Shall Be Rejected:

1. The information provided is of **no value**.
2. The information is **not supported by any evidence**.
3. The **FBR already had the information** provided by the whistleblower.
4. The information was **available in public records**.
5. **No collection of taxes** is made from the information provided **out of which the FBR can pay the reward**.

Definition of “Whistleblower”

A **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**.

(Sections 2(7) & 227B(4))

1. **FBR may sanction rewards to e-intermediaries for filing of returns of new taxpayers.**
2. **FBR with approval of the 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. **FBR with approval of the Federal Minister in-charge may notify the procedure in this behalf and also notify the class or classes of persons eligible for reward or benefit.**

Note:

- **These provisions shall take effect from the date notified by the FBR.**

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ASSESSMENT PROCEDURE

ASSESSMENT [25(5)]

‘Assessment’ includes provisional assessment, reassessment, and amended assessment.

Assessment is the act through which the taxable income, the tax liability, or the amount of refund of a taxpayer is determined. The entire process which enables the tax department to finalize an assessment is termed as ‘Assessment Procedure’. This procedure involves the following steps:

1. **Filing the return of income;**
2. **Scrutinizing the return and the documents in order to form an opinion regarding the correctness or otherwise of the income declared by the taxpayer;**
3. **Issuance of assessment order (determining therein the taxable income and the tax for the tax year) or treating the return filed by the taxpayer as an assessment order; and**
4. **Payment of the amount of tax payable, if any.**

FILING OF RETURN OF INCOME [114(1) & (1A)]

The following persons are required to file the return of income:

1. **Every company;**

2. Every individual (whether salaried or non-salaried) whose taxable income for any tax year exceeds the maximum amount which is not chargeable to tax;
3. Every AOP which has a taxable income for the tax year exceeding the threshold;
4. Any non-profit organization as defined in section 2(36);
5. Every person whose income for the year is subject to final taxation under any provision of the Income Tax Ordinance;
6. Any person who has been charged to tax for any of the two immediately preceding tax years;
7. Any person who claims a loss carried forward for a tax year;
8. Any person who fulfills any of the following conditions:
 - i) Owns immovable property with land area of 500 square yards or more;
 - ii) Owns any flat located within the Municipal limits existing immediately before the commencement of Local Government laws in the provinces or areas in a Cantonment Board or the Islamabad Capital Territory;
 - iii) Owns immovable property with a land area of 500 square yards or more located in a rating area;
 - iv) Owns a flat having covered area of 2,000 square feet or more located in a rating area;
 - v) Owns a motor vehicle having engine capacity above 1000CC;
 - vi) Has obtained National Tax Number; or
 - vii) Has a commercial or industrial connection of electricity and the amount of annual bill exceeds Rs. 500,000.

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Persons Not Required to File Return of Income [115(3)]

Following persons **are not required** to file **return of income solely** by reason of owning **immovable property** located **within municipal limits** or **cantonment areas** or a **motor vehicle**:

1. **A widow;**
 2. **An orphan** below the age of **25 years;**
 3. **A disabled person;** and
 4. **A non-resident person.**
-

Exemptions for Certain Resident Persons

A **resident person** who is **registered** with **any** of the following **is also not required** to file a return of income:

1. **Chamber of Commerce and Industry;**
2. **Trade or business association;**
3. **Market committee; or**
4. **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.**

Additional Exemptions

1. **Any resident individual** required to **file foreign income and assets statement** under **section 116A.**
2. **Persons or classes of persons** notified by **FBR** with the **approval of the Minister-in-charge.**
3. **Any individual whose income from business exceeds Rs. 300,000 but does not exceed Rs. 400,000.**

Conditions Applicable to a Return [114(2)]

The return of income shall:

1. **Be in the prescribed form;**
2. **Fully state all the relevant particulars and information** as are specified in the form;
3. **Be accompanied by prescribed annexures, statements, or documents;**
4. **Contain a declaration of the records** kept by the taxpayer;

5. Be signed by the person or his authorized representative;
 6. Be accompanied by evidence of payment of due tax as per return of income;
 7. Be accompanied with a wealth statement as required under section 118; and
 8. Be accompanied with a foreign income and assets statement as required under section 116A.
-

Notes:

1. The FBR may prescribe different returns for different classes of income or persons including persons subject to Foreign Tax Regime (FTR) [114(2A)].
2. Unless proved otherwise, a return purporting to be made or signed by or on behalf of a person shall be treated as having been duly made by him or with his authority [114(7)].

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Wealth Statement and Filing Requirements

1. A wealth statement is to be furnished by the due date for filing the return of income for that year. [118(4)]
 2. Where a taxpayer does not bear a National Tax Number (NTN), he shall also file an application for NTN along with the return. Otherwise, it shall be considered that he has not filed a return under the Ordinance. [118(6)]
 3. A return of income under section 114, wealth statement under section 116, and a foreign income and assets statement under section 116A (if applicable) shall be furnished in the prescribed manner. [118(1)]
-

Penalty on Company and AOP for Non-Compliance [114(2) & 182(1)-S.35]

A company (including a banking company) and an AOP (on non-compliance) shall be liable to pay a penalty, which is the higher of:

1. Rs. 500,000; or
2. 10% of the tax chargeable on taxable income.

Defaults on Which Penalty May Be Imposed:

A company or AOP shall be liable to the above-referred penalty if it:

- 1. 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;**
 - 2. Furnishes an annexure, statement, or document specified in the return of income as blank or with incomplete/incorrect particulars; or**
 - 3. Attaches blank or incomplete annexures, statements, or documents where such annexures/statements are required.**
-

Filing of Return Electronically [114(2A)]

A return of income filed electronically by a taxpayer shall also be deemed as a return filed by him under the existing procedure (i.e., filing of return on a prescribed form). For this purpose, the following points should be considered:

- 1. The return is filed electronically on the web, any magnetic media, or any other computer-readable media; and**
- 2. The media should be such which is specified by the FBR.**

To ensure the efficiency of this system, the FBR is empowered to make rules for:

- Determining eligibility of e-intermediaries; and**
 - Developing digital mechanisms to ensure accurate data transmission to the tax department.**
-

Filing Requirement for Salaried Individuals

- Where salary income of a taxpayer for the tax year is Rs. 500,000 or more, the taxpayer shall file a return of income electronically in the prescribed form.**
- This return shall be accompanied by:**
 - 1. Proof of deduction/payment of tax;**
 - 2. Wealth statement as required under section 116; and**

3. Foreign income and assets statement under section 116A.

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Notes:

1. Filing income tax returns electronically has been rendered mandatory for all individuals earning taxable salary. The condition of Rs. 500,000 or more shall not be applicable. (*SRO 791(I)/2015, dated: 10-08-2015*)
2. The FBR has an authority to amend the above-referred condition on any direct that it shall not apply for a tax year.

RETURN NOT FILED WITHIN DUE DATE [182A]

A return of income is to be filed by the due date or within the date extended by FBR or the Commissioner (*u/s 214A or 119, respectively*). Where a person fails in compliance of this provision (*which includes late-filing of return*), the person for the year for which return was not filed within the due date, shall not be:

1. Included in 'active taxpayers' list;
2. Allowed to carry forward any loss for that tax year;
3. Issued refund during the period the person is not included in the active taxpayers' list; and
4. 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.

This punishment is over and above any other penalty which may be imposed under the Income Tax Ordinance, 2001.

Inclusion in Active Taxpayers' List [Proviso to 182A(1)(a)]

The person shall be included in the active taxpayers' list on filing return after the due date, if the person pays surcharge at the following rates:

1. In case of a company: Rs. 20,000;
 2. In case of an AOP: Rs. 10,000; and
 3. In case of an individual: Rs. 1,000.
-

TAXPAYER'S PROFILE [114A]

The following persons shall furnish a profile:

1. A person applying for registration as a taxpayer u/s 181;
 2. A person deriving income chargeable to tax as income from business;
 3. A person whose income is subject to final taxation;
 4. A non-profit organization as defined in section 2(36);
 5. A trust or welfare institution; and
 6. Any other person prescribed by the FBR.
-

Particulars of Profile:

A taxpayer's profile shall be:

1. In the prescribed form and accompanied by prescribed annexures, statements, or documents.

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2.

Fully stating, 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;

3. Signed by the person (*in case of an individual*) or the person's representative (*where section 172 applies*); and
 4. Filed electronically on the web as prescribed by the FBR.
-

Date of Furnishing the Profile

Taxpayer's profile shall be furnished as below:

- Where person is registered u/s 181 before 30-09-2020: On or before 31-12-2020
- Where person is not registered u/s 181 before 30-09-2020: Within 90 days of registration

Note: Any change in the particulars of taxpayer's profile shall be updated within ninety (90) days of change.

Failure in Furnishing or Updating Taxpayer's Profile [182A(2)]

A person shall not be included in the active taxpayer's list for the latest tax year ending prior to the due date or extended date if the person fails to furnish or update taxpayer's profile within the due date (*u/s 114A(3)*) or extended date (*u/s 214A*).

Without prejudice to any other liability under the Income Tax Ordinance, the defaulting person shall be excluded from the active taxpayers' list upon filing the taxpayer's profile after the due date or extended date and payment of the following surcharge:

1. In case of a company: Rs. 20,000;
 2. In case of an AOP: Rs. 10,000; and
 3. In case of an individual: Rs. 1,000.
-

ENFORCING FILING OF RETURNS [114B]

1. FBR may issue income tax general order for persons who are liable to file return of income but are not in ATL. The GO may provide for:
 - i) Disabling of mobile phones or mobile phone SIMs;
 - ii) Discontinuance of electricity connection;

- iii) Discontinuance of gas connection; or
- iv) Restriction on foreign travel from the country for a citizen of Pakistan.

2. This restriction does not apply to persons holding NICOP, minors, students, persons proceeding abroad for Hajj or Umrah and such other classes of persons as notified by the FBR.

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2.

Where return has been filed or it is established that the person was not liable to file return, FBR or CIR having jurisdiction may order restoration of mobile phones, mobile phone SIMs and connections of electricity and gas.

3.

Before including a person in general order it is to be satisfied that notice u/s 114(4) was issued and the person has not filed the return within the date of compliance mentioned in the notice.

- General order cannot be issued unless the date of compliance of notice has elapsed.
- Above referred actions shall not preclude any other action provided under Income Tax Ordinance.

Penalty for Non-Compliance of Income Tax General Order [114B & 182(1)-Sr.10A]

Any person who fails to comply with income tax general order issued by the FBR within fifteen (15) days of its issuance, the person shall pay penalty of Rs. 50 million for first default and Rs. 100 million for each subsequent default. This penalty shall be effective from the date as may be notified by FBR.

WEALTH STATEMENT [116]

The Commissioner is empowered to require any taxpayer (*being an individual*) to furnish a wealth statement within a time period specified in the notice. The statement should contain the following information:

1. Total assets and liabilities (*including foreign assets and liabilities*) of the taxpayer as on the date specified in the notice;

2. Total assets and liabilities (*including foreign assets and liabilities*) of his spouse, minor children and dependents as on the date specified in the notice;
 3. Any assets (*including foreign assets*) transferred by him to any person during the specified period;
 4. Detail of the total expenses incurred by the taxpayer, his spouse, minor children and dependents during the specified period; and
 5. The reconciliation of statement of wealth.
-

Notes:

1. Every resident individual shall file a wealth statement and wealth reconciliation statement along with the filing of return of income for any tax year. (116(2))
 2. Every member of an AOP shall also furnish his wealth statement and wealth reconciliation statement for the tax year along with return of income of the AOP. (Proviso to 116(2))
-

Revision of Wealth Statement [116(3)]

Where a person after furnishing a wealth statement discovers any omission or wrong statement, he may revise the same at any time before receipt of a notice for amendment in assessment u/s 122. The revised wealth statement shall be accompanied by a revised wealth reconciliation statement and the reasons for filing the revised wealth statement under intimation to the CIR in the prescribed form and manner.

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A revision may be declared as void by the CIR

If he is of the opinion that revision is not for the purpose of correcting a bona fide omission or wrong statement. Before issuing an order, an opportunity of being heard shall be provided to the taxpayer.

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.

Special Instructions on Declaration of Assets in Wealth Statement

(SRO 1160(I)/2019 of 27-09-2019)

The following points must be considered while declaring assets in the wealth statement:

1. All assets must be declared in detail, including auxiliary expenses; and
2. Any assets held abroad are to be declared at cost in Pak Rupee Value.

FOREIGN INCOME AND ASSETS STATEMENT [116A(1)]

Every resident individual taxpayer shall file a statement known as 'Foreign Income and Assets Statement' if the individual is having:

1. A foreign income of US \$10,000 or more; or
2. Foreign assets with a value of US\$ 100,000 or more.

The statement should be in the prescribed form and verified in the prescribed manner and contain the following information:

1. The individual's total foreign assets and liabilities as on the last day of the tax year;
2. Foreign assets transferred by him to any other person during the tax year, stating the consideration for the transfer; and
3. Complete particulars of the following matters:
 - Details of the foreign income;
 - Total expenditure incurred during the tax year; and
 - The expenditure incurred wholly and necessarily for the purposes of deriving that foreign income.

Requisition of Foreign Income and Assets Statement by Commissioner [116A(2)]

Where, according to the opinion of the CIR, a person was required to file the Foreign Income and Assets Statement and failed to do so, the CIR may require such person to furnish the statement.

The notice of CIR shall contain the reasons on which his opinion is based.

DATE OF FILING OF RETURN [118(3)]

The return of income shall be filed by such dates as are specified in the table below:

Sr. #	Taxpayer	Last Date of Filing of Return
1	Company with tax year ending on or between 1st of January and 30th of June.	31st December next following the tax year.
2	A company with tax year ending on or between 1st of July and 31st of December.	30th September next following the tax year.
3	Salaried individual required to file return through e-portal.	30th of September next following the end of tax year to which it relates.
4	An AOP or an individual other than as specified above.	30th of September next following the end of tax year to which it relates.

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If the tax year of a taxpayer ends at any time between 1st day of July to 30th day of September

Then the date of filing of return shall be the 30th day of September after the close of the calendar year in which the tax year ends (*i.e., in the next calendar year*).

[S.R.O. No. F.50(5) DT.P-1/94 dated: 03/08/1994]

Example

Determine the last date of filing of return of income in case of the following persons:

Taxpayer	Tax Year Ending On
A. Zahid Spinning Mills Limited	30-06-200A
B. Lucky Star Rice Mills Limited	31-08-200A
C. Saif-ul-Maluk & Company (AOP)	30-06-2008

Taxpayer	Tax Year Ending On
D. Mr. Abid	30-06-2008
E. Kaghan Sugar Mills Limited	30-09-2008

Answer

Taxpayer	Tax Year Ending On Last Date of Filing of Return	
Zahid Spinning Mills Limited	30-06-200A	31-12-200A
Lucky Star Rice Mills Limited	31-08-200A	30-09-200B
Saif-ul-Maluk & Company (AOP)	30-06-2008	30-09-2008
Mr. Abid	30-06-2008	30-09-2008
Kaghan Sugar Mills Limited	30-09-2008	30-09-200C

EXTENSION IN FILING PERIOD [119]

Where a person is unable to furnish the return of income, etc., he may apply to the Commissioner for extension in the time prescribed by the law for furnishing of return, etc. The application for extension must be made within the due date for filing the return, statement, etc.

The Commissioner may extend the filing period maximum up to fifteen (15) days. However, under exceptional circumstances, a longer period extension may also be granted.

Where the Commissioner has not extended the time for furnishing the return, the taxpayer may apply to the Chief Commissioner, who may grant further extension up to 15 days. Under exceptional circumstances, the extension may be for a longer period.

The extension may be granted on the grounds that the applicant is unable to furnish the return, statement, etc., by due date due to:

1. Absence from Pakistan;
2. Sickness or other misadventure; or
3. Any other reasonable cause.

The extension may be in respect of the following documents:

- 1. Return of income to be filed every year (*u/s 114*);**
- 2. Return of income to be furnished on discontinuance of the business (*u/s 117*); or**
- 3. A wealth statement (*u/s 116*).**

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Income Tax – Payment of Tax

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Note:

Extension in filing period does not mean the extension in the due date for payment of tax with return. If a taxpayer does not deposit the tax amount by the date fixed by the Ordinance, he shall be liable to pay the default surcharge for late payment. [119(6)]

METHODS OF FURNISHING OF RETURN [118]

A taxpayer may furnish the 'return of income' by any of the following modes:

1. By Registered post with acknowledgment due, (*Registered A.D.*) sent to the authorized officer at his official address;
2. By delivering the return by hand to the authorized officer;
3. By courier service; and
4. By electronic filing of returns.

FURNISHING OF A RETURN ON DEMAND [114(4)&(5)]

The Commissioner may issue a notice to any person requiring him to furnish a return of income for any tax year or assessment year specified in the notice. Such notice may be issued to a person who is, in the opinion of the CIR:

1. Chargeable to tax under any provision of the law; or
2. Required to furnish a return of income under section 114(1) of the Ordinance.

The Commissioner shall specify the filing period in his notice. Generally, it is a period of thirty (30) days from the date of service of the notice, but the CIR may issue a notice for a longer or shorter period.

It is provided that the above-referred notice may be issued in respect of one or more of the last five (5) completed tax years or assessment years. In other words, the notice may be issued within a maximum period of five (5) years. However, in case of a person who has not filed return for any of the last ten completed tax years, the notice may be issued in respect of one or more of the last ten completed tax years. [114(5)]

Note:

The above-stated time-limitation 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.

DEMAND OF RETURN FOR A PERIOD OF LESS THAN TWELVE MONTHS [114(3)]

Under any other appropriate circumstances, the Commissioner may require a person to furnish a return of income for a period that is less than twelve (12) months, if:

1. The person has died;
2. The person has become bankrupt;
3. The person has gone into liquidation;
4. The person has permanently left Pakistan; or
5. Any other appropriate reason.

Notes:

1. The Commissioner may issue the notice to a person or his representative.
2. The Commissioner shall specify in the notice the due date for filing of income.

Synopsis of Taxes

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REVISED RETURN OF INCOME [114(6) & (6A)]

If a person has furnished a return and discovers any omission or wrong statement, they may furnish a revised return. A taxpayer may revise the return whenever any omission or wrong statement in the return comes to his notice. A person may revise the return subject to the following conditions:

1. The revised return should be accompanied by the revised accounts or the revised audited accounts, as are applicable to the person. The Commissioner may waive this condition if he is satisfied that filing of revised accounts or audited accounts is not necessary.
2. A written statement duly signed by the taxpayer containing the reasons for revision is filed with the revised return.
3. The revised return is accompanied by a written approval of the Commissioner. This approval shall not be required if the revised return is filed within sixty (60) days of filing of return.

Where application is submitted to the Commissioner seeking approval for revised return and the Commissioner has not made order within sixty (60) days of such application, it shall be deemed that approval has been granted. In this case, submission of order of CIR granting the revised return shall not be required.

The approval of the CIR shall not be required and shall be deemed to have been granted if:

- The CIR has not made the order for approval within sixty (60) days from the date when revision was sought; or
 - The declared taxable income is more than or the declared loss is less than the income or loss as determined u/s 120.
4. The taxable income declared is not less than and the loss declared is not more than the income or loss determined by an order issued under the following sections:
 - 121 → Best judgment assessment;
 - 122 → Amended assessment;
 - 122A → Revision of assessment by the Commissioner;
 - 129 → Decision by Commissioner (Appeals);
 - 132 → Decision by Appellate Tribunal;
 - 133 → Decision by the High Court; or
 - 221 → Rectification of mistakes.

Note:

If any of the above-referred conditions is not fulfilled, the return furnished by the taxpayer shall be treated as an invalid return and as if it had not been furnished.

While revising a return, the following further provisions shall also be considered:

1. No penalty shall be recovered from the taxpayer if the revised return is filed voluntarily and the amount of tax sought to be evaded together with default surcharge is paid. This is done before receipt of any notice for audit (u/s 177) or amendment of assessment (u/s 122).
2. Where the taxpayer pays the amount of tax as pointed out by the Commissioner during the audit or before the issuance of notice for amendment of assessment (u/s 122), no penalty shall be recovered from him.

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Income Tax – Payment of Tax

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3. Where the taxpayer revises the return after issuance of show-cause notice u/s 122(9), then he will have to deposit the amount of:

- Tax sought to be evaded;
- Default surcharge; and
- 50% of the penalties leviable under Income Tax Ordinance.

Under this case, the show-cause notice issued by the Commissioner shall abate.

4. The mode and manner for seeking the revision shall be as prescribed by the FBR.
5. The CIR shall grant approval in case of a bona fide omission or wrong statement.

BUSINESS BANK ACCOUNT [114A]

Every taxpayer shall declare to the Commissioner the bank account utilized by him for business transactions. Business bank account shall be declared through original or modified registration form prescribed u/s 181.

ASSESSMENT [120]

Any return of income filed under the Income Tax Ordinance, 2001 may fall under any of the following categories:

1. The return is complete in all respects; and
2. The return is not complete, rather, has some deficiencies.

Where Return of Income is Complete [120(1) & (2)]

Where the return furnished by a person is complete in all respects, it shall be treated as an assessment order issued by the Commissioner. The amount of taxable income and the tax liability or refund shown in the return shall be taken as assessed income, tax liability, or refund.

Under this case, it shall be taken that the assessment order has been issued by the Commissioner on the date of filing of return.

Until the date from which section 120(2A) shall be applicable is not notified, provisions of section 120(1) shall be in force. After notification of that date, section 120(1) shall only apply when the provisions of section 120(2A), if invoked, are first complied with.

Note: Once compliance is made as above, the adjusted amount u/s 120(2A) shall be construed to be the tax payable and due.

Processing of Return of Income through Automated System [120(2A)]

In order to arrive at correctness of total income, taxable income, and tax payable, the return of income filed shall be processed through an automated system. Necessary adjustments for the following shall be made in the return:

1. Any arithmetical error in the return;
2. Any incorrect claim apparent from any information in the return;
3. Disallowance of any loss, deductible allowance or tax credit; and
4. Disallowance of carry forward of any loss u/s 182A(1)(b).

Synopsis of Taxes

Income Tax – Payment of Tax

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Conditions Applicable to Adjustment

While making adjustments, the following points shall be considered:

1. Before making any adjustment, a system-generated notice shall be given to the taxpayer specifying therein the intended adjustments.

2. Before making any adjustment, any response received from the taxpayer shall be considered. Where no response is received within thirty (30) days of the issue of notice, adjustments shall be made.
3. Where no such adjustments have been made within six (6) months of filing of return, the amounts superseded 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.

Note: The FBR shall notify the date from which provisions of section 120(2A) shall apply.

“Arithmetical error” includes any wrong or incorrect calculation of tax payable, including any minimum or final tax payable. [120(7)(a)]

"An incorrect claim apparent from any information in the return" means a claim (on the basis of an entry in the return) [120(7)(b)]

1. Of an item inconsistent with another entry of the same or some other item in the return;
2. Regarding any tax payment not verified from the collection system; or
3. In respect of a deduction, which exceeds specified statutory limit (expressed as monetary amount or percentage or a ratio or fraction).

Where Return of Income Is Not Complete [120(3) to (6)]

The following procedure shall be adopted in a case where a person has filed an incomplete return.

1. The Commissioner shall issue a notice to the taxpayer pointing out the deficiency in the return and the due date of removing the deficiency.
2. The notice shall not be issued after the expiry of one hundred and eighty (180) days from the end of the financial year in which the return was furnished.
3. Where the taxpayer has fully complied with the requirements of the notice issued by the Commissioner, the return furnished by the taxpayer shall be treated as complete on the date of filing of return. It means the assessment order shall be treated as has been made on the date of filing of return.
4. A return shall be treated as invalid and not furnished with the tax authorities if the taxpayer fails to fully comply with the notice within the due date.

SELECTION OF PERSON FOR AUDIT [120(1A)]

Section 120(1) specifies that if a return filed by a person is complete in all respects, then it shall be treated as an assessment order made by the Commissioner. But the Commissioner is empowered to conduct an audit of taxpayer affairs under section 177.

Under this case, all the provisions regarding audit under section 177 shall be applicable.

RESTRICTION OF PROCEEDINGS [120B]

No proceedings shall be undertaken against a person under the Income Tax Ordinance in respect of a declaration made by him under the Assets Declaration Act, 2019, regarding undisclosed assets, expenditure, and past paid tax thereon.

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BEST JUDGMENT ASSESSMENT [121]

Under any of the following cases, the Commissioner may make an assessment of a taxpayer on the basis of information or material available to him:

1. Where the taxpayer has failed to furnish return of income as demanded by CIR u/s 114(3) or (4) of ITO.
2. Where the taxpayer has failed to furnish return of income in response to notice u/s 117(3).
3. Where the taxpayer being a non-resident ship owner or charterer has failed to file a return as required u/s 143.
4. Where a non-resident aircraft owner has failed to file a return as required u/s 144.
5. Where a person has failed to file the wealth statement, if applicable u/s 116.
6. Where a person has failed to produce before the Commissioner or other authorized person such documents as are necessary for assessment of income or tax liability.
 - The authorized person may be employed by a firm of Chartered Accountants or Cost and Management Accountants or a special audit panel appointed u/s 177(11).

For making a best judgment assessment, the CIR may determine taxable income on the basis of 'sectoral benchmark ratios' prescribed by the Board.

Sectoral Benchmark Ratios

- Sectoral Benchmark Ratios means standard business sector ratios notified by the FBR 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.

Procedure for Best Judgment Assessment

While conducting best judgment assessment, the Commissioner is not bound to issue a notice to the concerned taxpayer. The Commissioner will issue an assessment order in writing. The order shall contain the following information:

1. The taxable income for the tax year;
2. The amount of tax due;
3. The amount of tax already paid, if any; and
4. The time, place, and manner of making an appeal against the assessment order.

When the best judgment assessment is made, the assessment, if any, retreated to have been made on the basis of return or revised return filed by the taxpayer shall be of no legal effect.

Notes:

1. In case of non-filing of a return of income, the Commissioner may opt for any of the following courses of action:
 - (i) He may issue a notice to the concerned person for furnishing of the return u/s 114(4); or
 - (ii) He may assess the taxable income and tax liability of the person u/s 121.
2. Where the Commissioner has opted to act u/s 121 (i.e., making an assessment on the basis of available information), then the assessment order shall only be issued within a period of six (6) years after the end of the tax year to which it relates. [121(3)]

AMENDED ASSESSMENT [122]

Under the Income Tax Ordinance, 2001, a return filed by a person is treated as an assessment order.

Now, if there is any omission or error in the return, then it becomes necessary to make appropriate modifications. This modification is termed as amended assessment.

Legal provisions in this regard are summarized below:

1. The Commissioner is empowered to make necessary alterations in the assessment made under section 120 or 121 of the Income Tax Ordinance, 2001.
2. Where a taxpayer has revised his return of income, it shall be treated as an amended assessment.
3. Where a Commissioner has amended an assessment, he may further amend the same as many times as are considered necessary.
4. The amended assessment may be made within a time period which is later of the following:
 - (i) Five (5) years from the end of the financial year in which the original assessment order is made; or
 - (ii) One (1) year from the end of the financial year in which the Commissioner has issued or treated to have been issued the amended assessment order.

Conditions for Amended Assessment

5. An amended assessment shall be made only if the Commissioner is satisfied that:
 - (i) Any income has escaped assessment;
 - (ii) The total income has been under-assessed;
 - (iii) The total income has been assessed at too low a rate;
 - (iv) The total income has been the subject of excessive relief or refund;
 - (v) Any income has been misclassified, i.e., the income chargeable under one head has been charged under another head of income; or
 - (vi) The assessment order is erroneous and is prejudicial to the interest of revenue.

6. Where the assessment was erroneous and prejudicial to the interest of revenue, then the Commissioner may amend or further amend an assessment order, if the subject matter was not in dispute in an appeal.
7. After making the amended assessment, the Commissioner shall issue the orders in writing. The order shall contain the following information (after amendment):
 - (i) The taxable income;
 - (ii) The amount of tax due;
 - (iii) The tax already paid; and
 - (iv) The time, place, and manner in which an appeal may be filed against the amended assessment.

Synopsis of Taxes**Income Tax – Payment of Tax****[19-357]****REVISION BY COMMISSIONER [122A]**

The Commissioner is empowered to call suo moto for record of any proceeding under the income tax law and revise the orders passed by any Officer of Inland Revenue. Other provisions in this regard are summarized below:

1. The Commissioner may revise the orders of any Officer of Inland Revenue. However, he cannot revise the order of Commissioner (Appeals).
 2. Before issuing a revised order, the Commissioner shall make necessary inquiry.
 3. The revision order should not be prejudicial to the taxpayer.
 4. Under the following cases, a revision cannot be made:
 - i) Where the time period fixed for appeal to Commissioner (Appeals) or Appellate Tribunals has not expired; or
 - ii) Where the order is pending in an appeal before any of the above-referred appellate authorities.
 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 120 days.
-

REVISION BY CHIEF COMMISSIONER [122B]

The Chief Commissioner is empowered to revise an order regarding the issuance of an exemption or lower rate certificate with regard to collection or deduction of tax at source passed by an authority subordinate to him. Other provisions in this regard are:

1. The Chief Commissioner may take necessary action either of his own motion or on an application made by taxpayer for revision.
2. The Chief Commissioner may call for the record of any proceedings relating to issuance of exemption or lower rate certificate.
3. Before revising the order of any of his subordinate authority, the Chief Commissioner shall:

i) Make such inquiry as is necessary; and

- o ii) Provide a reasonable opportunity of being heard to the taxpayer.

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AGREED ASSESSMENT IN CERTAIN CASES [122D]

Where a taxpayer is served with a notice for amendment in assessment under section 122(9) and in response, he intends to settle his case, he may, in addition to filing a reply to CIR, file an offer of settlement (in the prescribed form) before the assessment oversight committee.

The Committee after examining the offer may call for the record of the case and decide to accept or modify the offer through consensus and communicate its decision to the taxpayer. Before deciding, the Committee shall afford an opportunity of being heard to the taxpayer.

Following actions shall be taken if the taxpayer is satisfied with the decision of the Committee:

1. Taxpayer shall deposit the tax payable (including penalty and default surcharge) as per decision of the Committee.
2. After payment of the tax as above, the CIR shall amend assessment as per decision of the Committee.
3. Taxpayer shall waive the right to appeal against such amended assessment.
4. If tax is duly paid, no further proceedings shall be undertaken under the Income Tax Ordinance in respect of issues decided by 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 u/s 122(9) if:

1. The Committee has not been able to arrive at a consensus; or
2. The taxpayer is not satisfied with the decision of the Committee.

Any proceedings or decision of the Committee shall be ignored in this case.

Composition of the Committee [122A(5)]

The Committee shall comprise the following income tax authorities having jurisdiction over the taxpayer:

1. The Chief Commissioner Inland Revenue;
2. The Commissioner Inland Revenue; and
3. The Additional Commissioner Inland Revenue.

Notes:

- The above provisions shall not apply in cases involving concealment of income or where interpretation of question of law is involved having effect on other cases.
 - The FBR may make rules regulating the procedure of the Committee and for any matter connected with or incidental to the proceedings of the Committee.
-

PROVISIONAL ASSESSMENT [123]

Where the taxpayer has a 'concealed asset' or an undeclared 'offshore asset' and that asset is unreported or discovered by the Commissioner or by any Government department or agency, the Commissioner may make an order assessing their taxable income and the tax liability of the taxpayer.

This may be subject to the following conditions:

- A provisional assessment may be made before any assessment or amended assessment is made under section 121 or 122.

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OFFSHORE ASSET [2(38A)]

'Offshore asset' includes any movable or immovable asset held, any gain, profit, or income derived, or any expenditure incurred outside Pakistan by a person.

Undeclared Offshore Assets [123(1A)]

Where an undeclared offshore asset of a person is discovered by the CIR or any department or agency of the Government (FBR or FIA, etc.), the CIR may:

- Issue a notice for assessment order under sections 121 or 122;
- Issue a provisional assessment order;
- Issue an amended assessment order.

This assessment may be issued for the last completed tax year of the person, taking into account the offshore asset discovered.

Prosecution for Concealment of Offshore Asset [192B]

Any person, on conviction, shall be punishable with imprisonment up to 3 years or with a fine up to Rs. 500,000, or both, if he:

1. Fails to declare an offshore asset to the CIR or furnishes inaccurate particulars of an offshore asset; and
2. Revenue impact of such concealment or furnishing of inaccurate particulars is Rs. 10 million or more.

ASSESSMENT AFTER APPELLATE DECISION [124]

When an appellate authority, the High Court, or the Supreme Court has announced, set aside wholly or partly, canceled, or modified any assessment, amended assessment, or any other order made under the Income Tax Ordinance, it shall be sent to the concerned CIR.

- The CIR shall, in the light of the decision given by the appellate authority, make arrangements for the issuance of a fresh assessment order.
- During this assessment, the CIR has no authority to re-issue any notice, which had already been issued, or for the re-furnishing or re-filing of any return, statement, or particulars that had already been furnished under section 124(3).

LIMITATION FOR ASSESSMENT [124 (1) to (2)]

The Income Tax Ordinance, 2001 fixes a maximum time period within which the assessing authority must pass the assessment order.

The legal provisions in this regard are summarized in the table below:

Section	Type of Assessment	Limitation for Assessment
124(1)	Assessment, after appellate decision.	Two years from the end of the financial year in which the order is received by CIR.

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LIMITATION FOR ASSESSMENT [124(1) to (2)]

Section	Type of Assessment	Limitation for Assessment
124(2)	Assessment has been set-aside by any Appellate authority.	One year from the end of the financial year in which the order is received by Commissioner or Commissioner (Appeals).
125	Assessment after a decision by any Civil Court in Pakistan.	One year from the end of the financial year in which the decision is brought to the notice of CIR.

Case of Direct Relief

Where any direct relief (e.g., order for refund of excess tax deposited) is provided by any order of appellate authority, the Commissioner shall issue necessary orders within a period of two (2) months from the date the order was served to him.

Notes:

1. Limitation under 124(2) shall not apply if any appeal or reference has been preferred against the order setting aside the assessment. [Proviso of 124(2)].
2. It may be possible that as a result of an appellate decision, an income is excluded from one tax year and added to another tax year or is excluded from one income or person and included in the income of another person. Under such a case, an order issued by an appellate authority shall be sufficient for making an assessment or amended assessment for both the tax years or both persons, as the case may be.

POWERS OF TAX AUTHORITIES TO MODIFY ORDERS [124]

Where in a case of particular importance a question of law has been decided by a High Court or the Appellate Tribunal, the Commissioner may follow that decision in the assessment of the same taxpayer involving the same question of law. The Commissioner may follow the decision irrespective of the fact that the Commissioner has filed an appeal against such order of the Tribunal or the High Court.

However, where later on the decision of the Tribunal or the High Court is reversed or modified, the Commissioner may, within a period of one year from the date of receipt of the decision, modify the assessment based on the orders of the Tribunal or the High Court.

Note:

- In this case, the period of limitation prescribed in the Ordinance for making any assessment or order shall not apply to a modification order under 124.

ASSESSMENT IN CASE OF A DISPUTED PROPERTY [125]

Where there is a dispute regarding the ownership of a property and the case is before any Civil Court in Pakistan, the assessment will not be possible for the income attributable to that property in case of income derived from such property.

- The Commissioner shall make the assessment or amended assessment after the Court has decided the case.
- The assessment order shall be issued within one year after the end of the financial year in which the court has decided the case.

ASSESSMENT IN CASE OF DISCONTINUED BUSINESS [117]

Where a business is discontinued, the taxpayer is required to:

1. Give a notice to the Commissioner of such discontinuation within fifteen (15) days from the date of discontinuation.
2. Furnish a return of his income for the period starting from the first day of the tax year and ending on the date of discontinuation of the business.
 - This period shall be treated as a separate tax year.

ASSESSMENT IN CASE OF SUCCESSION TO BUSINESS [96C]

Where any other person (successor) has succeeded the business of a person (predecessor) and the other person continues to carry on that business, the assessment shall be made as per the following rules:

1. The predecessor shall be assessed for a period up to the date on which the succession took place.
2. The successor shall be assessed for the income of a period after the date of succession.

Notes:

1. Where the predecessor cannot be found, the whole assessment shall be made on the successor, and the tax payable by the predecessor shall be recovered from the successor.
 - Under such a case, the successor shall be entitled to recover the amount paid by him from the predecessor.
2. The above provisions are not applicable to such succession of business which took place due to the death of the predecessor.

ASSESSMENT OF PERSON ABOUT TO LEAVE PAKISTAN [145]

- Where a person is leaving Pakistan for good, he is required to intimate it to the Commissioner and file a return of his total income at least fifteen (15) days before the probable date of his departure.
- Where such person has failed in compliance with the above-referred provisions, the Commissioner may issue a notice to such person and requires him to file his return of income within a period specified in the notice.
- Tax liability in this case shall be computed at those rates which were applicable to the relevant tax year.

Offshore Tax Evasion [145B]

- Subject to the following conditions, the Commissioner may freeze any domestic asset including any asset beneficially owned by the person who is likely to leave Pakistan:

Additionally, the penalty for non-furnishing of return is stated as follows:

Penalty for Non-Furnishing of Return [117(3) & 182(1)-Sr.18]

Where CIR has issued a notice for furnishing a return of income and the person fails to furnish the same within the specified time, the person shall be liable to pay a penalty, which is higher of:

1. 0.1% of the tax payable in respect of that tax year for each day of default; or
2. Rs. 1,000 per day of default.

However, minimum penalty for this default shall be as below:

- For Individual: Rs. 10,000
- For other taxpayers: Rs. 50,000

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Income Tax – Payment of Tax

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LIABILITY IN THE CASE OF A DECEASED PERSON [87]

In the case of the death of a taxpayer, his legal representative shall be deemed to be a taxpayer and all legal proceedings for the assessment of the total income and tax liability of the deceased taxpayer shall be taken against his legal representative.

- In this case, the liability of the legal representative shall be limited to the extent to which the estate of the deceased person is capable of meeting the liability.

Under such a case, the following points should be noted:

1. Any proceeding against the deceased person before his death may be continued against his legal representatives.
2. Any action which would have been taken against the deceased person if he had not died, the same may be initiated against his legal representatives after his death.
3. The income tax liability shall be the first charge on the deceased's estate.

"Legal Representative" includes: an executor, administrator, and any person administering the estate of a deceased person.

LIABILITY IN THE CASE OF A PRIVATE COMPANY [139]

Where tax liability of a private company (including a company which has gone into liquidation or winding-up) cannot be recovered from the company, then it may be recovered from the following persons:

1. A director of the company (excluding an employee director); and

2. A shareholder who holds at least ten percent (10%) of the paid-up capital of the company.
 - The shareholders shall be held liable only if they were directors or shareholders at any time during the relevant tax year.
 - Further, they shall be jointly and severally liable for the tax liability of the company.
 - In case of any conflict between the Companies Act, 2017 and the Income Tax Ordinance, 2001, the provisions of the Income Tax Ordinance shall apply.

Additional Notes:

- A director who has paid tax of the company can recover the amount from the company and from other directors. Other directors are responsible to pay their respective share of tax.
 - A shareholder, from whom the tax has been collected, has a right to recover the same from the company or other such shareholders who hold at least 10% of the paid-up capital of the company.
 - These shareholders are liable to pay the tax liability of the company in proportion to the shares held by them.
-

TAX LIABILITY OF AN AOP OR ITS MEMBER [134(4) to (6)]

- Where a tax liability of a member of an AOP in respect of his share from AOP cannot be recovered from him, then it shall be recovered from the AOP.

Synopsis of Taxes

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TAX LIABILITY OF AN AOP OR ITS MEMBER [134(4) to (6)]

- Where an AOP has not paid tax on its taxable income, the share received by its member from the AOP shall not be exempt; rather, shall be taxable.
- Under this case, there is a possibility that the member has not paid tax on his share from AOP, which may be recovered from the AOP.

Members of an AOP are jointly and severally liable for the tax liability of the AOP.

- The tax which cannot be recovered from the AOP shall be recovered from its members, subject to the following conditions:

1. Tax may be recovered from only those persons who were members of the AOP at any time in the relevant tax year; and
 2. The member who pays tax as above shall be entitled to recover it from the AOP or a share of the tax from any other member.
-

RECTIFICATION OF MISTAKES [221]

If there is any mistake in any order passed by an income tax authority (i.e., Commissioner, Commissioner (Appeals) or the Appellate Tribunal), it may amend the orders passed by it.

- The authority may make such rectification on its own motion or on being pointed out by any person or authority.
- Such amendment may be made within five (5) years from the date of the order sought to be amended.
- Where the suggested amendment results in the increase in the tax liability of a taxpayer, then it may be made only after giving the taxpayer a reasonable opportunity of being heard.

Important Notes:

- Where any mistake is brought into notice by the taxpayer, and the desired amendment is not made before the expiry of the financial year next following the date of intimation to the concerned authority, then it shall be deemed that mistake has been rectified as sought by the taxpayer.
-

SERVICE OF NOTICES, Etc. [218]

The law requires that notice, order, or requisition should be served by the tax authorities to a person for certain purposes.

- Under the following cases, it shall be treated that the document has been properly served on the person:

In Case of Resident Individual [218(1)]

It shall be treated that a notice, order, or requisition is properly served on a resident individual if it is:

1. Personally served on the individual;

2. Served on the representative of the individual who is under a legal disability;
3. Sent by registered post or courier service to his registered office, address, or a place of business of the person;
4. Served on the individual in the manner prescribed for service of summons under the Code of Civil Procedure, 1908; or
5. Served on the individual electronically in the prescribed manner.

In Case of Non-Resident Individual [218(1)(a)]

The notice, etc., shall be served on the representative of an individual who is a non-resident person.

In Case of Any Other Person [218(2)]

- In case of any other person, it shall be treated that notice has been properly served if it is: *(text continues in the next section)*.

Synopsis of Taxes

Income Tax – Payment of Tax

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SERVICE OF NOTICES, Etc. [218] (Continued)

1. Personally served on the representative of the person;
2. Sent by registered post or courier service to his registered office, address, or a place of business in Pakistan;
3. Served on the person in the manner prescribed for service of summons under the Code of Civil Procedure, 1908; or
4. Served on the individual electronically in the prescribed manner.

In Case of Dissolved AOP [218(3)]

Where an AOP is dissolved and there is a need to serve any notice, order, or requisition, then it shall be served on any person who was the principal officer or a member of the AOP immediately before its dissolution.

In Case of Discontinuing Business [218(4)]

Section 117 requires a person to furnish a notice to the CIR in case of discontinuation of his business.

- Where such person fails to intimate the CIR within the specified time, then the CIR may issue notice, order, or requisition to such person.
- Such notice, etc., shall be served on the person personally or on such individual who was his representative at the time of discontinuance.

Validity of Notice [218(5)]

A person cannot question the validity of any notice or its service if the person has filed the return or the notice has been otherwise complied with.

POWER TO ENTER AND SEARCH PREMISES [175]

1. The CIR or any officer authorized by him:
 - Shall have full and free access including real-time electronic access to any premises, place, account, documents, or computer. It may be exercised at all times and without prior notice.
 - May stamp, or make an extract or copy of any accounts, documents, or computer-stored information to which access is obtained.
 - May impound any accounts or documents and retain them for so long as may be necessary for examination for the purposes of prosecution.
 - May impound and retain the computer for as long as is necessary to copy the information required. It is exercised where a hard copy or computer disk of information is not maintained or it was not made available.
 - May make an inventory of any articles found in any premises or place to which access is obtained.
2. This power is granted for enforcement of any provision of the Income Tax Ordinance (including audit or a survey of persons liable to tax).
3. The CIR may authorize any valuator or expert to enter any premises and perform any assigned task.
4. The occupier of any premises or place to which access is sought shall provide all reasonable facilities and assistance for the effective exercise of the right of access.

POWER TO ENTER AND SEARCH PREMISES (Continued)

4. Any accounts, documents, or computer so impounded and retained shall be signed by the CIR or authorized officer.
 5. A person whose accounts, documents, or computer have been impounded and retained may examine them and make extracts or copies from them during regular office hours under supervision.
 6. Where any accounts, documents, or computer impounded and retained are lost or destroyed while in the possession of the CIR, the CIR shall make reasonable compensation to the owner for the loss or destruction.
 7. Right to enter and search premises shall be effective notwithstanding any law relating to privilege of the taxpayer in relation to access to premises or places, or the production of accounts, documents, or computer-stored information.
-

Notes:

1. The FBR may make rules relating to electronic real-time access for audit or a survey of persons liable to tax.
 2. "Occupier", in relation to any premises or place, means the owner, manager, or any other responsible person on the premises or place.
-

REAL-TIME ACCESS TO INFORMATION AND DATABASES [175A]

1. Irrespective of any provision in any law in force, arrangements shall be made to provide real-time access of information and database to the FBR in the prescribed form and manner by the following authorities:
 - (i) The National Database and Registration Authority with respect to information pertaining to:
 - National Identity Card
 - Pakistan Origin Card
 - Overseas Identity Card
 - Alien Registration Card
 - Other particulars contained in the Citizen Database

- (ii) The Federal Investigation Agency (FIA) and the Bureau of Emigration and Overseas Employment with respect to details of international travel.
- (iii) The Federal Investigation Agency and the Bureau of Emigration and Overseas Employment with respect to:
 - Details of international entry and exit of all persons
 - Information pertaining to work permits, employment visas, and immigration visas
- (iv) The Islamabad Capital Territory and provincial and local land record and development authorities with respect to:
 - Record-of-rights, including digitized record-of-rights
 - Period record
 - Record of mutations
 - Record of acquisition of rights
- (v) 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
- (vi) All electricity suppliers and gas transmission and distribution companies with respect to:
 - Particulars of consumer
 - Units consumed and amount of bill charged or paid
 - Where a "bill" is issued by a person other than the owner, the name and CNIC of the owner shall also be furnished

All electricity suppliers and gas transmission and distribution companies shall make arrangements by 01-01-2021 for allowing consumers to update the ratio of sharing of a connection to the particulars of users, as the case may be.

- (vii) Any other agency, authority, institution, or organization notified by the FBR.

The Tax Laws (Third Amendment) Ordinance, 2001 has made NADRA one of the assessing authorities under the Income Tax Ordinance (ITO). Provisions in this regard are:

1. For broadening the tax base or carrying out the purposes of ITO, NADRA (on its own motion or upon application by the FBR) shall share its records and any available information with FBR.
2. NADRA may:
 - (i) Submit proposals and information to FBR for broadening the tax base;
 - (ii) Identify in relation to any person (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.
 - b. Value of income, assets, etc., if no such value is notified to FBR or district authorities; if no value has been notified, the true or market value.
 - c. Enter into a MoU with FBR for secure exchange and utilization of information.
3. FBR may utilize any information communicated by NADRA and forward to an income tax authority for inquiry, who may utilize it for purposes of ITO.
4. NADRA may compute indicative income and tax liability by use of:
 - Artificial intelligence
 - Mathematical or statistical modeling
 - Any other modern device or calculation method.
5. The indicative income and tax liability computed by NADRA shall be notified by FBR to the concerned person who may pay the determined amount on such terms, conditions, installments, discounts, waivers pertaining to penalty and default surcharge and the time limit as prescribed by FBR.

FBR may prescribe the extent of installments, reprieves pertaining to penalty and default surcharge, and time limits.

(i) If the person pays tax liability, such payment shall be construed to be an amended assessment under 120 or 122(1) or 122(4), as the case may be.

6. If the person does not pay tax liability within the prescribed time, FBR shall take action under ITO on the basis of tax liability computed by NADRA.
7. If the person aggrieved with the liability has been determined under sub-section (4) and pays liability in terms of sub-section (5), such payment shall be construed to be an amended assessment under section 120 or sub-section (1) of section 122 or sub-section (4) of section 122, as the case may be.

Synopsis of Taxes

Income Tax – Payment of Tax

[19-367]

POWER TO OBTAIN INFORMATION OR EVIDENCE, Etc. [176]

The Commissioner is empowered to issue notice to any person (whether that person is liable to tax or not under the Income Tax Ordinance) and require him to:

1. Furnish any information relevant to any tax liability under the Income Tax Ordinance;
2. Fulfill any obligation under any agreement with foreign governments or tax jurisdictions;
3. Attend, at the specified time and place, for the purpose of being examined on oath concerning his or any other person's tax affairs; or
4. Produce any accounts, documents, or computer-stored information in his control.

Other legal provisions in this regard are:

1. The person may be required by the Commissioner to furnish information, etc. to him or any other authorized officer. [176(1)]
2. The CIR may impound any accounts or documents or computer (if hard copy or computer disk is not furnished), produce to him and retain them for so long as may be necessary for examination or prosecution purposes. [176(2) & (3)]
3. The person from whom information is required may, at his option, furnish the same electronically in a computer-readable media. [176(3)]
4. While exercising his jurisdiction as above, the Commissioner shall have the same powers as are vested in a Court under the Code of Civil Procedure, 1908, in respect of the following matters. [176(4)]
 - (i) Enforcing the attendance of any person and examining the person on oath or affirmation;
 - (ii) Compelling the production of any accounts, records, computer-stored information, or documents;

- (iii) Receiving evidence on affidavit; or
 - (iv) Issuing commissions for the examination of witnesses.
5. The above-discussed provisions are effective notwithstanding anything contained in any law or rule relating to the production of accounts, documents, or computer-stored information or the giving of information. [176(5)]

Obtaining Information by Audit or Special Audit Panel [176(1)(c) & (1A)]

The Commissioner may authorize, in writing, a firm of Chartered Accountants or Cost and Management Accountants or Special Audit Panel (appointed for audit u/s 177) to enter into the business premises of any person in order to obtain information, require production of any record and examine what is within that premises.

Such firm or panel may, if so authorized, exercise powers specified u/s 176(4).

AUDIT [177]

Primarily the assessment under the Income Tax Ordinance, 2001 falls under 'Self-Assessment'. However, section 120(1A) of the Income Tax Ordinance empowers a Commissioner to select a person for audit and conduct the same under section 177.

Legal provisions relating to audit are as below:

Synopsis of Taxes - Income Tax - Assessment [20-368]

1. After selecting a person for audit of his income tax affairs, the Commissioner may call for any record or documents including books of accounts maintained by him, under any law including the Income Tax Ordinance.
2. Where such records, etc., have been kept electronically, the Commissioner or other authorized officer shall have access to machine and software on which such data is kept. Duly attested hard copies of such information or data shall also be provided for the purpose of investigation and proceedings.
3. While calling for record, etc., the Commissioner must record the reasons in writing for such calling and the reasons shall be communicated to the taxpayer while calling for record/documents.
4. Maximum period within which the Commissioner may call for record or documents of the taxpayer is the expiry of six years from the end of the tax year to which they relate.

5. While conducting audit, the Commissioner may call for such other information and documents as he may deem appropriate.
6. The CIR may conduct audit proceedings electronically through video links or any other prescribed facility.
7. It shall be construed that taxable income has not been correctly declared and the CIR shall determine taxable income on the basis of prescribed sectoral benchmark ratios if the taxpayer:
 - (i) Has not furnished record, documents, or books of accounts;
 - (ii) Has furnished incomplete record or books of accounts; or
 - (iii) Is unable to provide sufficient explanation regarding the defects in records, documents, or books of accounts.

‘Sectoral benchmark ratios’ means standard business sector ratios notified by the FBR 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.

8. After completion of the audit, the CIR shall issue an audit report containing audit observations and findings. Before issuing this report, he shall obtain taxpayer’s explanation on all the issues raised in the audit.
9. After issuing the audit report, the CIR may amend the assessment under sections 122(1) or (4) of the Income Tax Ordinance. Before issuing assessment order, the CIR shall provide the taxpayer an opportunity of being heard as required under section 122(9) of the Income Tax Ordinance.
10. A person once audited in a year shall not be re-audited for the same tax year in the next following years where there are reasonable grounds for such audit.
11. The FBR or the CIR may appoint a firm of Chartered Accountants or a firm of Cost and Management Accountants to conduct an audit of the income tax affairs of any person or classes of persons or cases to case basis.
12. The CIR may authorize any person employed by a firm appointed for audit to exercise powers specified under sections 175 and 176 of the Income Tax Ordinance for the purposes of conducting an audit.