

Federal Board of Revenue

INSPECTOR INLAND REVENUE GUIDE

ACCORDING TO THE SYLLABUS INSPIRED
FROM PAST PAPERS

BS-16

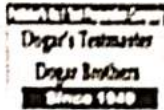
Info

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Salient Features:

- English
- Functions of FBR
- Fiscal Policy of Pakistan
- Administration and Reforms
- Excise Act, 2005
- Tax Ordinance, 2001
- Tax Act, 1990



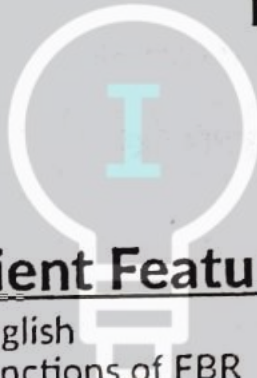


Dogar's Testmaster
Latest & Up-to-Date

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- English
- Functions of FBR
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- Federal Excise Act, 2005
- Income Tax Ordinance, 2001
- Sales Tax Act, 1990

By: Muhammad Ali Haral

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Price: Rs. 850

CONTENTS IN DETAIL

INSPECTOR INLAND REVENUE PAST PAPER (Solved)

(Inspector Inland Revenue Past Paper is available at our website;
www.dogar.com.pk/inspectorinlandpastpaper)

INTRODUCTION

- v Selection Procedure
 viii Syllabus of the Written Test

Part – 1

ENGLISH

- 02 Vocabulary
 09 Antonyms
 13 Synonyms
 17 Sentence Completion
 28 Analogy
 37 Preposition

Part – 2

PROFESSIONAL TEST

- 48 Federal Board of Revenue (FBR)
 49 Taxes in Pakistan
 53 Tax Reforms in Pakistan
 57 Fiscal Policy in Pakistan
 61 Income Tax Ordinance, 2001
 160 The Federal Excise Act, 2005
 225 Sales Tax Act, 1990
 355 Federal Budget 2021-22
 358 Economic Survey 2020-21
 359 Glossary of Tax Terms
 400 The Sales Tax Act, 1990 (MCQs)
 408 The Federal Excise Act, 2005 (MCQs)
 413 Income Tax Ordinance, 2001 (MCQs)
 420 Miscellaneous MCQs

FEDERAL PUBLIC SERVICE COMMISSION

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Islamabad, the 29th July, 2021

Consolidated Advertisement No. 6/2021

Intending candidates may apply on-line upto 16th August, 2021 for the following vacancies. Also visit FPSC's website for details mentioned in the General Instructions to the candidates

116. Case No F-116-2021-R(G-2021) INSPECTOR INLAND REVENUE (BS-16), PERMANENT, REVENUE DIVISION, FEDERAL BOARD OF REVENUE MINIMUM QUALIFICATION: Second Class or Grade 'C' Bachelor's Degree with Economics / Business Administration / Commerce / Statistics / Law from a University recognized by HEC. AGE LIMIT: 20-28 years plus five (5) years general relaxation in upper age limit. NUMBER OF VACANCIES: Four hundred and ninety two (492). DOMICILE QUOTA: Merit- Thirty Seven, Punjab- Two hundred and forty five (Open Merit- Two hundred and nine, Women quota- Twenty four & Minorities/ Non-Muslims quota- Twelve), Sindh (Rural)- Fifty six (Open Merit- Forty eight, Women quota- Five & Minorities/ Non-Muslims quota- Three), Sindh (Urban)- Thirty eight (Open Merit- Thirty two, Women quota- Four & Minorities/ Non-Muslims quota- Two), Khyber Pakhtunkhwa- Fifty six (Open Merit- Forty eight, Women quota- Five & Minorities/ Non-Muslims quota- Three), Balochistan- Thirty (Open Merit- Twenty five, Women quota- Three & Minorities/ Non-Muslims quota- Two), FATA - Fifteen (Open Merit- Thirteen, Women quota- One & Minorities/ Non-Muslims quota- One), GB-Five (Open Merit- Four & Women quota- One), AJK- Ten (Open Merit- Nine & Women quota- One). PLACE OF POSTING: Anywhere in Pakistan.

Closing date..... 16.8.2021

IMPORTANT INSTRUCTIONS FOR SUBMISSION OF APPLICATIONS

Observance of General Instructions:

In all cases eligibility of the candidates shall be determined as per Commission's policy laid down in General Instructions displayed at FPSC's Website. Candidates are advised to go through the said General Instructions to update themselves before applying.

Procedure to apply:

- (i) All applications must be submitted online through FPSC's website www.fpsc.gov.pk
- (ii) Candidates may edit on-line applications only once within the closing date in order to rectify any error/ omission etc.
- (iii) Information claimed in on-line application form will be treated as final.
- (iv) Subsequent claims of experience, earlier not given in on-line form, are considered afterthought and an attempt to become eligible. Such subsequent claims shall not be accepted.
- (v) Detailed General Instructions/ guidelines to apply online are available on the website.
- (vi) No hardcopy of online application is required from the applicants.
- (vii) Those applicants who do not have access to internet facility, are allowed to submit their applications on or before the closing date, addressed to Secretary FPSC on plain paper giving detailed particulars in the light of prescribed conditions for the post applied for, intimating difficulties in submission of online applications. Such applications will be accepted subject to approval of the Commission.

Application Fee:

- (i) The rate of fee for various posts is:- BS-16 to 17 = Rs. 300/- ; BS 18= Rs. 750/- ; BS-19 = Rs. 1200/- ; BS-20 and above = Rs. 1500/-
- (ii) The fee may be deposited on or before the closing date in the nearest Government treasury or in a branch of National Bank of Pakistan or in a State treasury authorized to transact business on behalf of Government under head "C02101-ORGANS OF STATE EXAMINATION FEE REALIZED BY FPSC". Bank draft/ Cheque/ Postal Order is not acceptable.
- (iii) Original I.R may be preserved and provided to the supervisory staff at the time of test/ examination at the Center given in Admission Certificates. Photocopy or Bank Scroll is not acceptable.
- (iv) I.R may not be sent to FPSC in advance but provided at the time of test/ exam or when asked for.

Relaxation in Upper Age Limit:

Maximum age limit as prescribed under the Recruitment Rules shall be relaxed in pursuance of introl Appointment to Civil Posts (Relaxation of Upper Age Limit) Rules, 1993 (as amended from time to time). The detail is given at para-6 of General Instructions available at FPSC's website www.fpsc.gov.pk

Shortlisting criteria for interview:

The candidates will be shortlisted for interview as per policy of the Commission contained in para-16 (A) B&C of General Instructions.

6. **Documents required from the candidates:**
- (i) After the test/ exam, on the basis of results, the candidates who are on higher merit positions in respective quota would be asked to furnish the attested copies of requisite documents viz. two photographs, Matric, Intermediate certificates, Bachelor's, Master's, M.Phil, Ph.D Degrees, CNIC, Experience Certificate (where required) showing nature of job/ detailed job description issued by an authorized officer of the Ministry/Division/Department concerned, Domicile Certificate, Departmental Permission Certificate (in case of government servant) as well as Original TR (in non-test cases) etc. within 15 days of the Notice from FPSC by post, SMS and E-mail
- (ii) Wherever an equivalence of the required degree is to be claimed by a candidate, an equivalence certificate issued by HEC may be furnished to FPSC to authenticate the claim.
- (iii) Experience from Firms/ Companies/ Institutions/ Organizations/ Banks/ NGOs etc., will be accepted if these are well known nationally or internationally, have appropriately been registered/ incorporated with concerned government department/ institution for doing business, maintain office (s) and have proper registration number/ Reference number, where applicable.
- (iv) The candidates who fail to furnish the requisite documents within stipulated time or furnish incorrect/incomplete information, their candidature shall be liable to rejection. Therefore, they are advised to keep their documents ready for submission to FPSC by the due date.
- (v) From requisition of documents it should not be presumed that the candidate has been shortlisted for interview as his/her eligibility is to be determined in view of documents and merit position.
7. Eligibility of the candidates in all respects shall be reckoned upto the closing date.
8. **Admission Certificate:**
Admission Certificate for Screening/ Descriptive Test for the respective posts will be placed on the website of FPSC i.e. www.fpsc.gov.pk on 5th November, 2021. Candidates are advised to frequently visit this website for the updates. They will be intimated through SMS as well. However, no information in this regard shall be sent through post.
9. **Conduct of Test:**
- (i) It will be mandatory for the candidates to bring original CNIC, Treasury Receipt and downloaded copy of Admission Certificate at the time of Screening/ Written Test.
- (ii) Without original Treasury Receipt candidates would not be allowed entry in the Examination Hall. Photocopy of T.R/ Bank Scroll would not be accepted. Candidates are advised to preserve the original T.R so as to avoid any inconvenience at the time of entry in the Examination Halls.
- (iii) Test/ Examination for Consolidated Advt. No. 6/2021 will tentatively be held from 21st November, 2021 onwards. Such tests/ Examination can however be conducted earlier also in case of limited number of candidates.
10. **Change of Centre:** Candidates are allowed to avail facility for change of Examination Centre, only through on-line request from 01-10-2021 to 15-10-2021.
11. **Closing Date** for submission of applications is Monday, 16th August, 2021.

SYLLABUS OF THE WRITTEN TEST

(INSPIRED FROM PAST PAPERS)

Part – 1

ENGLISH (20%)

- Grammar Usage, Sentence Structuring

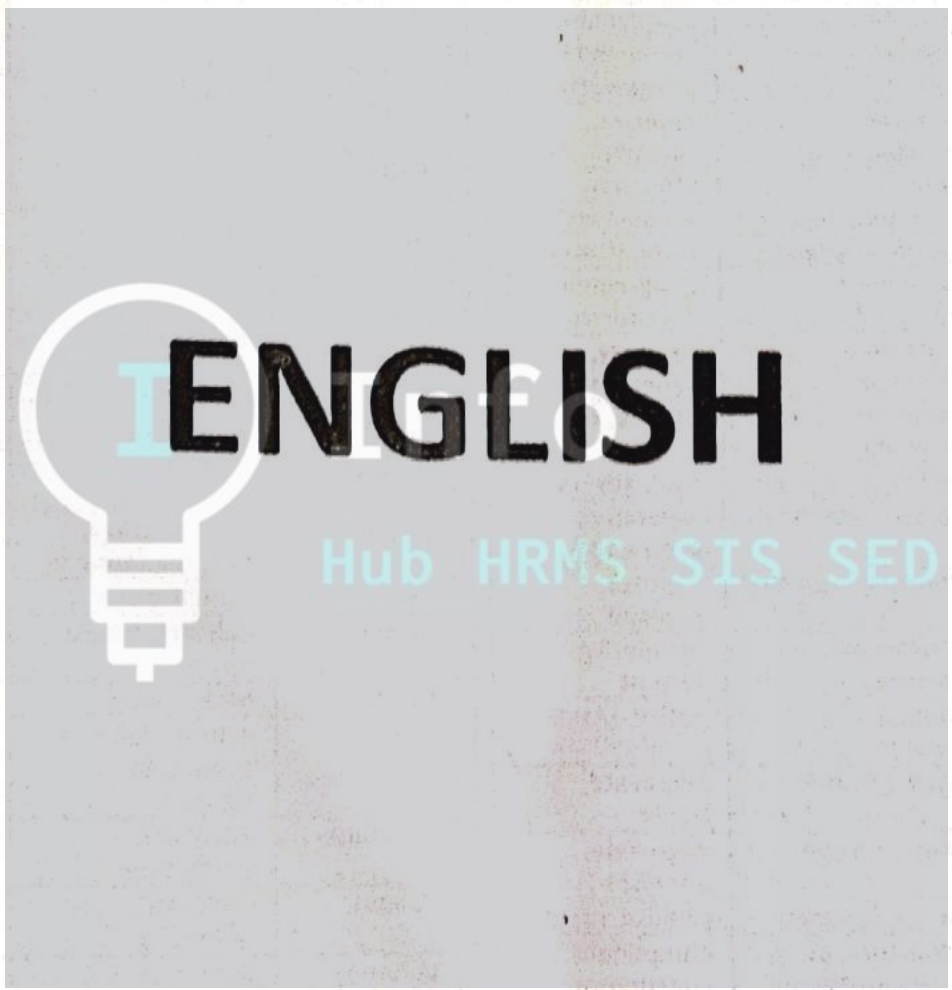
Part – 2

PROFESSIONAL TEST (80%)

- Functions of Federal Board of Revenue.
- Fiscal Policy of Pakistan
- Tax Administration / Reforms in Pakistan
- Sales Tax Act 1990
- Federal Excise Act 2005
- Income Tax Ordinance 2001 (Chapter – III & Part IV of Chapter – X only)

نوٹ:

یہ رہنما کتاب ہے جو کہ ٹیسٹ میں آپ کی کامیابی میں معاون ہے۔ ابھی تک ادارہ کی طرف سے سلیبس کا اعلان نہیں کیا گیا اس لئے اس کتاب کو سابقہ پرچہ جات کو سامنے رکھ کر تیار کیا گیا ہے۔ قرین قیاس یہی ہے کہ سلیبس میں زیادہ رد و بدل نہیں ہوگا۔ لہذا سلیبس میں کسی بھی قسم کی تبدیلی کی صورت میں اضافی مواد ہماری ویب سائٹ www.dogar.com.pk پر فراہم کر دیا جائے گا۔



Vocabulary for Synonyms, Antonyms and Sentence Completion Questions

The following list of synonyms and antonyms has been derived from the past papers as well as vocabulary similar to the questions asked before for extra help in preparation. Most of these have been recurring throughout the previously held exams and the chances of repetition will allow candidates to prepare well. An added variety of synonyms and antonyms have been added for further help of candidates.

Word	Synonyms (Similar)	Antonyms (Opposite)
Abate	moderate, decrease	aggravate, supplement
Abject	despicable, servile	commendable, praiseworthy
Abjure	forsake, renounce	approve, sanction
Abortive	vain, unproductive	effectual, productive
Absolve	pardon, forgive	compel, accuse
Accord	agreement, harmony	disagreement, discord
Acrimony	harshness, bitterness	courtesy, benevolence
Adamant	stubborn, inflexible	flexible, soft
Adherent	follower, disciple	rival, adversary
Adjunct	joined, added	separated, subtracted
Admonish	counsel, reprove	approve, applaud
Adversity	misfortune, calamity	prosperity, fortune
Alien	foreigner, outsider	native, resident
Allay	pacify, soothe	aggravate, excite
Alleviate	abate, relieve	aggravate, enhance
Allure	entice, fascinate	repulse, repel
Amalgamation	admixture, alloy, amalgam, blend, cocktail, combination	component, constituent, element, ingredient
Amplify	enlarge, extend	lessen, contract
Antipathy	hostility, aversion	admiration, fascination
Annihilate	crush, decimate, demolish, eradicate, exterminate, extinguish, finish off	bear, build, construct, create, fix, aid, approve
Apathy	unconcern, indifference	concern, care
Arraign	charge, blame	exculpate,

Audacity	boldness, arrogance	pardon, mildness, cowardice
Authentic	genuine, reliable	fictitious, unreal
Awkward	clumsy, rough	clever, apt
Axiom	maxim, truth	absurdity, blunder
Baffle	frustrate, perplex	compose, facilitate
Bane	affliction, curse, nemesis, scourge	benefit, blessing, boon, felicity
Barbarous	uncivilized, savage	cultured, humane
Benevolence	humanity, generosity	malevolence, inhumanity
Bewitching	magical, fascinating	repulsive, repugnant
Bizarre	absurd, crazy, fanciful, fantastic	realistic, reasonable
Bleak	dismal, gloomy	bright, pleasant
Brittle	delicate, fragile	tough, enduring
Bustle	haste, flurry	slowness, quiet
Canny	astute, clear-eyed, clear-sighted	unknowing
Calamity	adversity, misfortune	happiness, fortune
Callous	obdurate, unfeeling	compassionate, tender
Calumny	defamation, aspersion	commendation, praise
Capable	competent, affable	incompetent, inept
Captivate	charm, fascinate	disillusion, offend
Captivity	imprisonment, confinement	freedom, liberty
Cataclysm	alluvion, bath, cataract, deluge, flood, flood tide, inundation, Niagara, overflow	blessing, boon, good fortune, good luck, happiness, miracle, wonder, success
Cavity	depth,	elevation,

	depression	projection			distort
Cease	terminate, desist	begin, originate		Dedicate	devote, consecrate
Chaste	virtuous, pure	sullied, lustful		Defer	prolong, suspend
Cheeky	bold, brash, saucy, impudent, insolent, nervy,	meeek, mousy (or mousey), retiring, shy, timid		Defile	contaminate, pollute
Chastise	punish, admonish	cheer, encourage		Defray	spend, pay
Conjecture	guess, shot, supposition, surmise	proof, reality, truth, calculation, certainty, fact, measurement		Deficit	crunch, dearth, deficiency, drought (also drouth), failure
Compassion	kindness, sympathy	cruelty, barbarity		Deliberate	cautious, intentional
Comprise	include, contain	reject, lack		Delicious	palatable, tasteful
Complex	compound, network, structure system	division, separation		Demolish	ruin, devastate
Concede	yield, permit	deny, reject		Deprive	despoil, divest
Concur	approve, agree	differ, disagree		Deride	mock, taunt
Consent	agree, permit	object, disagree		Despicable	worthless, shameless
Consequence	effect, outcome	origin, start		Devilish	baroque, excessive, exorbitant, extravagant, extreme, fancy, immoderate, inordinate
Consolidate	solidify, strengthen	separate, weaken		Disdain	detest, despise
Conspicuous	prominent, obvious	concealed, hidden		Disgorged	regurgitate, discharge, retch, spew
Convenient	acceptable, advantageous, agreeable, available, beneficial, comfortable, conducive	bad, disadvantageous, disagreeable, harmful, hindering, hurtful		Disparate	different, dissimilar, distant, distinct, distinctive
Contempt	scorn, disregard	regard, praise		Eccentric	strange, abnormal
Contradict	deny, oppose	approve, confirm		Ecstasy	delight, exultation
Contrary	dissimilar, conflicting	similar, alike		Efface	destroy, obliterate
Crumble	atrophy, decay, decline, degenerate, descend	ameliorate, improve, meliorate		Elevate	dignify, heighten
Cynical	misanthropic, pessimistic	un-cynical		Eliminate	expel, oust
Dainty	elegant, delicate	clumsy, coarse		Eloquence	expression, fluency
Dangle	droop, flap, hang, sling, sway, swing	disenchant, disgust, dissuade, repulse, turn off		Emancipate	discharge, disenfranchise, enfranchise, enlarge,
Decay	collapse, decompose	flourish, progress		Encumbrance	hindrance, obstacle
Deceit	deception, artifice	veracity, sincerity		Endeavour	undertake, aspire
Decipher	interpret, reveal	misinterpret,			refuse, negate
					accelerate, expedite
					purify, sanctity
					disclaim, repudiate
					abundance, adequacy, amplitude, opulence,
					rash, sudden
					distasteful, unsavoury
					repair, construct
					restore, renew
					inspire, encourage
					worthy, decent
					middling, moderate, modest, reasonable, temperate
					approve, praise
					bottle (up), contain, restrain, shut
					alike, identical, indistinguishable, kin
					natural, conventional
					despair, calamity, depression
					retain, maintain
					deprecate, denounce
					restore, accept
					halting, stammering
					bind, confine, enchain, fetter, restrain
					incentive, stimulant
					cease, quit

Dogar's Testmaster

Enormous	colossal, mammoth	diminutive, negligible
Epitome	precise, example	increment, expansion
Equivocal	uncertain, hazy	obvious, lucid
Eradicate	destroy, exterminate	secure, plant
Esteem	respect, regard	ridicule, spurn
Eternal	perpetual, endless	temporary, momentary
Evade	avoid, elude	acknowledge, confront
Evident	obvious, apparent	obscure, concealed
Expedient	advantageous, desirable, feasible	
Judicious, opportune	disadvantageous, impossible, unfeasible, unreasonable, unwise	
Exemplify	demonstrate, illustrate, instance	demonstrate, illustrate, instance
Fabricate	construct, produce	destroy, dismantle
Fallacy	delusion, mistake	veracity, truth
Falter	stumble, demur	persist, endure
Fanatical	narrow-minded, biased	liberal, tolerant
Fantastic	fanciful, uncommon	ordinary, normal
Feeble	weak, frail	strong, robust
Ferocious	cruel, fierce	gentle, sympathetic
Feud	strife, quarrel	fraternity, harmony
Fleeting	transient, temporary	enduring, eternal
Flimsy	trifling, transparent	firm, tenacious
Fluctuate	deflect, vacillate	stabilize, resolve
Forsake	desert, renounce	hold maintain
Fragile	weak, infirm	enduring, tough
Frantic	violent, agitated	subdued, gentle
Frivolous	petty, worthless	solemn, significant
Frugality	economy, providence	lavishness, extravagance
Gloom	obscurity, darkness	delight, mirth
Glut	stuff, satiate	starve, abstain
Glid	bowl, breeze, brush, coast	flounder, struggle

Gorgeous	magnificent, dazzling
Gracious	courteous, beneficent
Grisly	disgusting, atrocious
Grudge	hatred, aversion
Guile	cunning, deceit
Hallucination	illusion, phantom, aberration, apparition, fantasy
Hamper	retard, prevent
Haphazard	random, unsorted
Hapless	unfortunate, ill-fated
Hanged	attach, bend, drape, drift, flap, float
Harass	irritate, molest
Haughty	arrogant, pompous
Hazard	Peril, danger
Heretic	non-conformist, secularist
Hideous	frightful, shocking
Hypocrisy	deception, affectation
Hypothetical	debatable, imaginary, problematic, speculative, theoretical, vague
Icon	figure, idol, picture, portrait, symbol
Indigenous	aboriginal, autochthonous, born
Infinitesimal	atomic, bitsy, bitty, itty-bitty (or itsy-bitsy), little bitty, microscopic
Investigate	consider, examine,

	explore, inspect interrogate	
Immaculate	unsullied, spotless	defiled, tarnished
Immense	huge, enormous	puny, insignificant
Immerse	submerge, involve	emerge, uncover
Imminent	impending, brewing	distant, receding
Immunity	prerogative, privilege	blame, censure
Impair	diminish, deteriorate	restore, revive
Impartial	just, unbiased	prejudiced, biased
Impediment	hurdle, obstruction	assistance, concurrence
Impious	irreligious, unholy	pious, devout
Impute	attribute, ascribe	exculpate, support
Inane	empty, meaningless, pointless, senseless	meaningful, significant
Inclination	disposition, affection	disinclination, indifference
Incompetent	inefficient, unskilled	dexterous, skilled
Incongruous	inappropriate, absurd	compatible, harmonious
Inevitable	unavoidable, ascertained	unlikely, doubtful
Infringe	violate, encroach	comply, concur
Ingenuous	undisguised, naïve	wily, crafty
Insinuate	allude, hint	conceal, camouflage
Inspid	tasteless, vapid	delicious, luscious
Insolvent	indigent, destitute	wealthy, solvent
Instil	inculcate, inject	eradicate, extract
Intricate	tangled,, complicated	regulated, orderly
Intrigue	scheme, conspiracy	candour, sincerity
Intrinsic	genuine,, fundamental	extraneous, incidental
Invective	accusation, censure	approval, acclamation
Invincible	unconquerable, impregnable	effeminate, languid
Inquisitive	analytical, nosy, big-eyed, challenging,	incurious, indifferent, unconcerned,

	forward, impertinent, inquiring	uninterested
Irrepressible	irresistible, unconfined	composed, hesitant
Jaded	tired, exhausted	renewed, recreated
Jejune	dull, boring	interesting, exciting
Jovial	frollicsome, cheerful	solemn, morose
Jubilant	rejoicing, triumphant	melancholy, depressing
Judicious	thoughtful, prudent	irrational, foolish
Just	honest, impartial	unequal, unfair
Justify	defend, exculpate	impute, arraign
Juvenile	young, tender	dotage, antiquated
Keen	sharp, poignant	vapid, insipid
Kindred	relation, species	unrelated, dissimilar
Knave	dishonest, scoundrel	paragon, innocent
Knell	death knell, last, blow	reconstruction, rediscovery
Knotty	Complicated, difficult	simple, manageable
Lavish	abundant, excessive	scarce, deficient
Lax	slack, careless	firm, reliable
Lenient	compassionate, merciful	cruel, severe
Liabile	accountable, bound	unaccountable, apt to
Liberal	magnanimous, generous	stingy, malicious
Linger	loiter, prolong	hasten, quicken
Listless	indifferent, inattentive	brisk, attentive
Lucid	sound, rational	obscure, hidden
Lunacy	delusion, insanity	normalcy, sanity
Lure	attract, entice	repel, dissuade
Lurid	exaggerated, ghastly, gory, grim, grisly, horrifying, macabre, obscene	clean, delightful, dull, mild, moral, nice, pleasant, pleasing, upright, humble, modest
Luscious	palatable, delicious	unsavoury, tart
Luxuriant	profuse, abundant	scanty, meagre

Malice	animosity, animus, antipathy, bitterness, enmity, grudge, hatred	friendliness, friendship, good will, happiness, kindness
Melodious	melodic, musical, tuneful	discordant, grating, inharmonious
Minute	diminutive, miniature	large, colossal
Miraculous	marvelous, extraordinary	ordinary, trivial
Mitigate	alleviate, relieve	augment, enhance
Modest	humble, courteous	arrogant, pompous
Molest	harass, tease	console, soothe
Mollify	appease, assuage	irritate, infuriate
Momentous	notable, eventful	trivial, insignificant
Monotonous	irksome, tedious	varied, pleasant
Munificent	liberal, hospitable	frugal, penurious
Murky	dusky, dreary	bright shining
Mutinous	recalcitrant, insurgent	submissive, faithful
Mutual	joint, identical	separate, distinct
Myopic	nearsighted, shortsighted, biased, half-sighted	
Negligent	inattentive, careless	vigilant, careful
Niggardly	miser, covetous	generous, profuse
Nimble	prompt, brisk	sluggish, languid
Nonchalant	indifferent, negligent	attentive, considerate
Notion	approach, assumption, conception, impression, opinion, perception	being, concrete, reality, ignorance, misunderstanding, stupidity
Novice	tyro, beginner	veteran, ingenious
Noxious	baneful, injurious	healing, profitable
Nullify	cancel, annul	confirm, uphold
Numerous	profuse, various	scarce, deficient
Obstruct	impede, prevent	hasten, encourage

Obvious	evident, apparent	obscure, ambiguous
Occult	latent, ambiguous	intelligible, transparent
Odious	malevolent, obnoxious	engaging, fascinating
Offensive	abhorrent, arrogant	docile, compliant
Offspring	descendant, sibling	ancestor, forefather
Opaque	obscure, shady	transparent, bright
Oracular	cryptic, vague	lucid, distinct
Ordain	order, impose	revoke, abolish
Ornamenta	decorative, adorned	unseemly, plain
Outbreak	eruption, insurrection	compliance, subjection
Outrage	offence, maltreatment	praise, favour
Overwhelm	triumph, subjugate	flounder, falter
Pamper	flatter, indulge	deny, disparage
Paramount	foremost, eminent	trivial, inferior
Peerless	matchless, unrivalled	mediocre, commonplace
Peevish	perverse, sullen	suave, amiable
Pertness	flippancy, impudence	modesty, diffidence
Perverse	petulant, obstinate	complacent, docile
Placid	tranquil, calm	turbulent, hostile
Pompous	haughty, arrogant	unpretentious, humble
Proliferate	accelerate, accumulate, appreciate, balloon,	contract, decrease, diminish, dwindle, lessen
Precarious	doubtful, insecure	assured, undeniable
Predicament	plight, dilemma	resolution, confidence
Premature	precocious, untimely	belated, opportune
Prodigious	vast, enormous	unimpressive, diminutive
Prodigy	miracle, marvel	normal, average
Profligate	dissolute, degenerate	virtuous, upright
Profuse	lavish, abundant	scarce, scantily
Proscribe	prohibit, exclude	solicit, include
Protract	prolong, delay	abbreviate, curtail
Provoke	inflame, incite	pacify, comfort
Prudent	cautious, discreet	impetuous,

Quack	impostor, deceiver	unwise, upright, unfeigned
Quaint	queer, strange	familiar, usual
Quarantine	seclude, screen	befriend, socialize
Quell	subdue, reduce	exacerbate, agitate
Questionable	dubious, disputable	reliable, authentic
Quibble	equivocate, prevaricate	unfeign, plain
Radiant	aglow, beaming, bright, glowing, sunny	dim, dull, lackluster, unbright, unbrilliant
Ratify	consent, approve	deny, dissent
Ravage	destroy, ruin	reconstruct, renovate
Rebate	abatement, deduction, discount reduction	increase, rise, escalation
Redeem	recover, liberate	conserve, lose
Remnant	residue, piece	entire, whole
Remonstrate	censure, protest	agree, loud
Remorse	regret, penitence	ruthlessness, obduracy
Remote	inaccessible, farther	adjoining, adjacent
Rescind	annul, abrogate	delegate, permit
Resentment	displeasure, wrath	content, cheer
Retract	recant, withdraw	confirm, assert
Reverence	respect, esteem	disrespect, affront
Rout	vanquish, overthrow	succumb, withdraw
Rustic	rural uncivilised	cultured, refined
Ruthless	remorseless, inhumane	compassionate, lenient
Sarcastic	ironical, derisive	courteous, gracious
Saucy	impudent, insolent	modest, humble
Scanty	scarce, insufficient	lavish, multitude
Shabby	miserable, impoverished	prosperous, thriving
Shrewd	cunning, crafty	simple, imbecile
Slander	defame, malign	applaud, approve
Smudge	befoul, begrime, bemire,	clean, cleanse

	besmirch, blacken	
Sneer	mock, scorn	flatter, praise
Solicit	entreat, implore	protest, oppose
Sporadic	intermittent, scattered	incessant, frequent
Squalid	dirty, filthy	tidy, attractive
Stain	blemish, tarnish	honour, purify
Stupor	lethargy, unconsciousness	sensibility, consciousness
Subsequent	consequent, following	Preceding, Previous
Substantial	considerable, solid	tenuous, fragile
Subvert	demolish, sabotage	generate, organise
Superficial	partial, shallow	profound, discerning
Sycophant	parasite, flatterer	devoted, loyal
Taboo	prohibit, ban	permit, consent
Taciturn	reserved, silent	talkative, extrovert
Tedious	wearisome, irksome	exhilarating, lively
Temperate	cool, moderate	boisterous, violent
Throng	assembly, crowd	dispersion, sparsity
Timid	diffident, coward	bold, intrepid
Tranquil	peaceful, composed	violent, furious
Transient	temporal, transitory	lasting, enduring
Trenchant	assertive, forceful	feeble, ambiguous
Trivial	trifling, insignificant	significant, veteran
Tumultuous	violent, riotous	peaceful, harmonious
Tyro	beginner, learner	proficient, veteran
Umbrage	resentment, bitterness	sympathy, goodwill
Uncouth	awkward, ungraceful	elegant, graceful
Usurp	seize, wrest	restore, compensate
Utterly	completely, entirely	deficiently, incompletely
Vagrant	wanderer, roaming	steady, settled
Valid	genuine, authentic	fallacious, deceptive
Valour	bravery, prowess	fear, cowardice
Vanity	conceit, pretension	modesty, humility
Venerable	esteemed, honoured	unworthy, immature

Venom	poison, malevolence	antidote, benevolent
Veteran	ingenious, experienced	novice, tyro
Vicious	corrupt, obnoxious	noble, virtuous
Vigilant	cautious, alert	careless, negligent
Volatile	light, changing	heavy, ponderous
Vouch	confirm, consent	repudiate, prohibit
Vulgar	inelegant, offensive	elegant, civil
Waive	relinquish, remove	impose, clamp
Wan	pale, faded	bright, healthy
Wane	decline, dwindle	ameliorate, rise
Wary	cautious, circumspect	heedless, negligent
Wed	marry, combine	divorce,

Wicked	vicious, immoral	separate
Wield	use, employ	virtuous, noble
Wilt	wither, perish	forgo, avoid
Yearn	languish, crave	revive, bloom
Yell	shout, shriek	content, satisfy
Yield	surrender, abdicate	whisper, muted
Yoke	connect, harness	resist, protest
Zeal	eagerness, fervour	liberate, release
Zenith	summit, apex	apathy, lethargy
Zest	delight, enthusiasm	nadir, base
Zig-zag	oblique, wayward	disgust, passive
		straight, unbent



Info

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ANTONYMS

From the given options choose a word most opposite in meaning to the one in question.

- 1) Mangle
 a) Disfigure b) damage
 c) mend d) wreck
Correct answer: c
Explanation: Mangle means to injure badly or alter in such a form as unrecognizable. Mend means to alter for better; heal or cure.
- 2) Exalt
 a) Condemn b) glorify
 c) worship d) praise
Correct answer: a
Explanation: Exalt means to heighten or intensify, to praise or honor. Condemn means to express strong disapproval or declare or judge unfit for something.
- 3) Persecute
 a) Harass b) comfort
 c) torture d) afflict
Correct answer: b
Explanation: Persecute means to cause to suffer, to annoy. Comfort is an act of consoling, to relieve from affliction/pain.
- 4) Redemptive
 a) Rescue b) cleansing
 c) danger d) heaven
Correct answer: c
Explanation: Redemptive means to save someone from evil or danger. Danger means possibility of some threat or evil.
- 5) Wallow
 a) Rejoice b) roll
 c) delight d) dislike
Correct answer: d
Explanation: Wallow means to engage oneself entirely in a task with pleasure. Dislike means to feel aversion towards something.
- 6) Censure
 a) Rebuke b) criticize
 c) praise d) condemn
Correct answer: c
Explanation: Censure means harsh criticism or to condemn someone or something. Praise means to express approval or to value.
- 7) Blur
 a) Hold one's tongue b) utter
 c) exclaim d) give away
Correct answer: a
Explanation: Blur means to utter impulsively, to speak out without thinking. Hold one's tongue means to stop talking, speak carefully.
- 8) Preliminary
 a) Beginning b) concluding
 c) foremost d) primal
Correct answer: b
Explanation: preliminary means to something that serves as a preceding event or introduces what follows. Concluding means an event occurring at the end.
- 9) Solitude
 a) Isolation b) Secluded
 c) Loneliness d) association
Correct answer: d
Explanation: Solitude means a state of being alone or withdrawn from society. Association means a group of people organized for a common goal.
- 10) Oblivious
 a) Cautious b) unaware
 c) heedless d) insensible
Correct answer: a
Explanation: Oblivious means lacking conscious awareness of something. Cautious means showing careful forethought.
- 11) Gaiety
 a) Cheer b) sadness
 c) glee d) festivity
Correct answer: b
Explanation: Gaiety is a state of being cheerful or light-hearted. Sadness is the emotion experienced when not in a state of well-being.
- 12) Pedestrian
 a) Walker b) humdrum
 c) monotonous d) motorist
Correct answer: d
Explanation: Pedestrian is a person who travels by foot. Motorist is a person who drives an automobile.

- 13) Amiable
 a) Friendly b) sympathetic
 c) irritable d) charming

Correct answer: c
Explanation: Amiable means possessing sweetness, diffusing warmth or friendliness. Irritable means sensitive to stimulus; easily annoyed.

- 14) Peculiar
 a) Strange b) unusual
 c) ordinary d) rare

Correct answer: c
Explanation: peculiar means deviating from the usual or expected. Ordinary means not special in any way especially in quality or degree.

- 15) Sleek
 a) Glossy b) polished
 c) lustrous d) coarse

Correct answer: d
Explanation: sleek is something having a smooth, beaming surface. Coarse are textures that are rough to touch.

- 16) Dandy
 a) Quality b) splendid
 c) substandard d) nifty

Correct answer: c
Explanation: Dandy means a person who is much concerned about his appearance. Substandard means a person falling short of some standards/prescribed norms.

- 17) Sob
 a) Cry b) giggle
 c) creep d) moan

Correct answer: b
Explanation: sob means to weep convulsively. Giggle means to laugh nervously.

- 18) Vicious
 a) Benevolent b) sinful
 c) ferocious d) nasty

Correct answer: a
Explanation: vicious means able or disposed to inflict pain or suffering. Benevolent means intending or showing kindness.

- 19) Unctuous
 a) Flattering b) sleek
 c) bland d) blunt

Correct answer: d
Explanation: Unctuous means excessively charming in manner or speech. Blunt

someone characterized by directness in manner or speech, without being subtle.

- 20) Fidget
 a) Trifle b) twitch
 c) relax d) jiggle

Correct answer: c
Explanation: fidget means uneasiness or restlessness. Relax means to become less tighten.

- 21) Ominous
 a) Threatening b) propitious
 c) gloomy d) scary

Correct answer: b
Explanation: ominous means threatening or tragic developments. Propitious means presenting favorable circumstances; kind, gracious, helpful etc.

- 22) Hunch
 a) Prediction b) suspicion
 c) forecast d) proof

Correct answer: d
Explanation: Hunch means an expression that something might be the case. Proof is actual evidence to establish the truth of something.

- 23) Gad
 a) Roam b) drift
 c) stay put d) stray

Correct answer: c
Explanation: Gad means to walk about or to roam about. Wander aimlessly. Stay put means to remain at a place without moving.

- 24) Sordid
 a) Reputable b) filthy
 c) shabby d) nasty

Correct answer: a
Explanation: Sordid means morally degraded, unethical or dishonest. Reputable means having or worthy of something; praise worthy.

- 25) Slumber
 a) Nap b) peace
 c) nap d) wakefulness

Correct answer: d
Explanation: slumber means a periodic state in which the consciousness of the world is suspended. Wakefulness is a periodic state in which one is conscious of the world.

- 26) Diligent
 a) Tireless b) inactive
 c) persistent d) energetic

Correct answer: b
Explanation: Diligent is being characterized by care in carrying out tasks. Inactive is someone who is ignorant and not active physically or mentally.

- 27) Wick
 a) Match b) dissipate
 c) spotlessness d) sate

Correct answer: c
Explanation: Wick is a loosely woven cord that draws fuel by capillary action. Spotlessness is a state of being absolutely clean; a tightly woven surface.

- 28) Undulant
 a) Wavy b) crinkle
 c) curvy d) straight

Correct answer: d
Explanation: Undulant is a surface having a rising or falling appearance/ wavy appearance. Straight is a surface without deviation.

- 29) Tread
 a) Crawl b) walk
 c) pace d) footstep

Correct answer: a
Explanation: Tread is a step in walking or running. Crawl is slow locomotion on hands and knees/ dragging the body.

- 30) Visage
 a) Face b) look
 c) features d) elude

Correct answer: d
Explanation: Visage is an expression conveyed by a person's face. Elude means escape either physically or mentally, escape understanding by.

- 31) Pedestal
 a) Support b) ceiling
 c) foundation d) pillar

Correct answer: b
Explanation: pedestal means an architectural support or base. Ceiling is the overhead surface of a covered space.

- 32) Colossal
 a) Minute b) immense
 c) huge d) tremendous

Correct answer: a

Explanation: colossal means so great in size and extent. Minute means infinitely small.

- 33) Fissure
 a) Tear b) gap
 c) closing d) cleavage

Correct answer: c
Explanation: Fissure is a narrow opening made by parting of any substance. Closing is the act of closing something/ to close a substance.

- 34) Concord
 a) Harmony b) violence
 c) peace d) unity

Correct answer: b
Explanation: concord means to agree, to act together. Violence is to injure, an act of aggression.

- 35) Woeful
 a) Afflicted b) harmed
 c) injured d) joyous

Correct answer: d
Explanation: woeful means affected by or full of grief. Joyous means full of or characterized by joy.

- 36) Aghast
 a) Carefree b) brave
 c) astonished d) stunned

Correct answer: a
Explanation: Aghast means terrified, struck with fear. Carefree means free of trouble and worry.

- 37) Shriek
 a) Scream b) howl
 c) holler d) whisper

Correct answer: d
Explanation: shriek is to utter a shrill cry/ piercing cry. Whisper is to speak softly, in a low voice.

- 38) Cascade
 a) Drizzle b) rush
 c) spout d) squirt

Correct answer: a
Explanation: cascade is a sudden downpour. To rush down in great quantity. Drizzle means to shed in drops/minute particles.

- 39) Sojourn
 a) Stopover b) vacation
 c) break d) reside

Correct answer: d

Explanation: sojourn is a temporary stay. Stay to spend a short length of time. Reside means to make one's home in a particular place.

- 40) Rampart
a) Barrier b) fence
c) jeopardy d) embankment

Correct answer: c

Explanation: Rampart is an embankment built around a space for defensive purposes. Jeopardy is a source of danger, a possibility of incurring loss.

- 41) Niche
a) Solid b) hole
c) hollow d) corner

Correct answer: a

Explanation: Niche is a small concavity. A substance having holes inside. Solid is something of entirely one substance with no holes inside.

- 42) Epilogue:
a) Conclusion b) preface
c) ending d) termination

Correct answer: b

Explanation: Epilogue is the closing part of a speech/discourse. Preface is a short introductory essay at the start of a book/discourse.

- 43) Pretentious
a) Humble b) arrogant
c) inflated d) proud

Correct answer: a

Explanation: pretentious is someone making claims to be important or distinct. Humble means claiming little for one self. Someone who's not boastful of himself or his abilities.

- 44) Placid
a) Serene b) calm
c) violent d) peaceful

Correct answer: c

Explanation: placid is someone who is not easily irritable, peaceful, pleased. Violent is someone with or marked by great force or emotional intensity.

- 45) Relish
a) Enjoy b) abhor
c) savor d) delight

Correct answer: b

Explanation: relish means to take pleasure in, get enjoyed from. Abhor means to hate or strongly dislike something or someone.

- 46) Reprehensible
a) Shameful b) obnoxious
c) sinful d) creditable

Correct answer: d

Explanation: Reprehensible means someone deserving severe rebuke/scolded. Creditable means someone who deserves praise, who is worthy of belief and credit.

- 47) Glimpse:
a) Glance b) sight
c) stare d) spy

Correct answer: c

Explanation: glance is a quick look while stare is a fixed look with wide eyes for a notable amount of time.

- 48) Trivial
a) Conventional b) significant
c) slight d) unimportant

Correct answer: b

Explanation: Trivial means something of small or no importance. Significant is something important in meaning or value.

- 49) Mock
a) Ridicule b) taunt
c) tease d) flatter

Correct answer: d

Explanation: Mock means to treat with contempt. The act of ridicule. Flatter means to praise somewhat dishonestly or to favor bias.

- 50) Triumphant
a) Pleased b) depressed
c) victorious d) joyous

Correct answer: b

Explanation: triumphant means to be joyful or proud especially because of success. Depressed means to be filled with melancholy. To feel low and unhappy than usual.

SYNONYMS

- 1) Abate means:
a) Intensify b) revive
c) escalate d) diminish

Correct answer: d

Explanation: Abate means to decrease or lessen so diminish is the correct option which means the same.

- 2) Aboriginal means:
a) Indigenous b) emigrant
c) uncanny d) foreign

Correct answer: a

Explanation: Aboriginal means being the first of its kind in a region. Indigenous is the correct answer which means native or primitive.

- 3) Abridge means:
a) Extend b) enlarge
c) dilate d) condense

Correct answer: d

Explanation: Abridge means to lessen or shorten so Condense is the right answer which means to compress or make precise.

- 4) Bane means:
a) Disaster b) comfort
c) felicity d) blessing

Correct answer: a

Explanation: Bane means cause of ruin, misery. Disaster means a state of extreme misfortune or misery.

- 5) Barren means:
a) Fertile b) fruitful
c) verdant d) infertile

Correct answer: d

Explanation: Barren means unproductive and desolate. Infertile is the correct option which means the same as barren.

- 6) Caliber means:
a) Destitution b) inadequacy
c) quality d) scarcity

Correct answer: c

Explanation: Caliber means a degree of worth or excellence. Quality means the same.

- 7) Capricious means:
a) Fickle b) predictable

- c) uniform d) invariable

Correct answer: a

Explanation: capricious means unpredictable. Fickle means the same.

- 8) Abhorrent means:
a) Agreeable b) loathsome
c) savory d) pleasing

Correct answer: b

Explanation: Abhorrent means something that is offensive. Loathsome means a highly offensive thing. Both have the same meanings.

- 9) Repressed means:
a) Stifled b) confessed
c) declared d) emitted

Correct answer: a

Explanation: Repressed means suppression of impulses or emotions. Stifle means to restrain oneself from acting on emotions.

- 10) Monetary means:
a) Non-financial b) fiscal
c) fleck d) whiff

Correct answer: b

Explanation: Monetary and fiscal both mean involving financial matters.

- 11) Intrigue means:
a) Dismiss b) monotone
c) fascinate d) neglect

Correct answer: c

Explanation: Intrigue and fascinate both means cause to be interested or curious.

- 12) Impulsively means:
a) Deliberately b) cautiously
c) consciously d) rashly

Correct answer: d

Explanation: Impulsively and rashly both means doing something in a foolhardy, incautious manner.

- 13) Scoff means:
a) Praise b) agree
c) taunt d) accept

Correct answer: c

Explanation: Scoff and taunt both means to harass with continuous criticism or shoeing contemptuous disregard.

- 14) Incredulous means:
 - a) believable
 - b) skeptical
 - c) convinced
 - d) naive

Correct answer: b
Explanation: Incredulous and skeptical both mean not willing to accept something or having doubt about the truth of that thing.

- 15) Shudder means:
 - a) Steady
 - b) firm
 - c) tremble
 - d) invoice

Correct answer: c
Explanation: Shudder and tremble both means to shake or vibrate involuntary.

- 16) Vague means:
 - a) Ambiguous
 - b) define
 - c) obvious
 - d) specific

Correct answer: a
Explanation: Vague and ambiguous both means not clearly understood or expressed. Something lacking clarity or distinctness.

- 17) Contemptuous means:
 - a) Admiring
 - b) applauding
 - c) considerate
 - d) scornful

Correct answer: d
Explanation: Contemptuous and scornful both mean manifesting or expressing ridicule or disdain.

- 18) Appalled means:
 - a) Brave
 - b) bold
 - c) frightened
 - d) adventurous

Correct answer: c
Explanation: Appalled and frightened both mean to strike with fear, horror etc.

- 19) Furore means:
 - a) Please
 - b) rage
 - c) pleasure
 - d) tameness

Correct answer: b
Explanation: Furore and rage both means a sudden outburst especially of anger.

- 20) Sapling means:
 - a) Seedling
 - b) roots
 - c) uproot
 - d) adult

Correct answer: a

Explanation: Sapling and seedling both means a young tree.

- 21) Brace means:
 - a) Weaken
 - b) support
 - c) loosen
 - d) relax

Correct means: b
Explanation: Brace and support both means to keep something firm or upright using woods iron etc. or material assistance.

- 22) Loam means:
 - a) Soil
 - b) rinse
 - c) wash
 - d) cleanliness

Correct answer: a
Explanation: Loam is a kind of rich soil consisting of clay and sand and other organic materials.

- 23) Offend means:
 - a) Please
 - b) gratify
 - c) annoy
 - d) reverence

Correct answer: c
Explanation: Offend means to annoy, to hurt, to displease etc.

- 24) Whiff means:
 - a) Sniff
 - b) fragrance
 - c) essence
 - d) aroma

Correct answer: a
Explanation: whiff and sniff both mean to perceive by inhaling through nose.

- 25) Fleck means:
 - a) Mass
 - b) spot
 - c) stack
 - d) mess

Correct answer: b
Explanation: Fleck and spot both means a small contrary part of something. A small part different from the whole lot.

- 26) Hollow means:
 - a) Massive
 - b) peak
 - c) cavity
 - d) solid

Correct answer: c
Explanation: Hollow cavities both mean something having an empty space within a solid substance. Something excavated in the interior.

- 27) Willow means:
 - a) Oak
 - b) widow
 - c) animals
 - d) wax

Correct answer: a
Explanation: Willow is any of the numerous deciduous trees and shrubs of

the genus Salix like oak, Cypress, avocado etc.

- 28) Rattle means:
 - a) Silence
 - b) harmonious
 - c) clatter
 - d) hush

Correct answer: c
Explanation: Rattle and clatter means to make sharp loud continuous sounds.

- 29) Suede means:
 - a) Nylon
 - b) shoes
 - c) dusk
 - d) suite

Correct answer: a
Explanation: Suede and nylon are forms of synthetic fibers. Suede is leather with a napped surface.

- 30) Indignation means:
 - a) Pleasure
 - b) delight
 - c) rage
 - d) affinity

Correct answer: c
Explanation: Indignation and rage both mean feeling of anger.

- 31) Delirium means:
 - a) Insanity
 - b) harmony
 - c) dusk
 - d) dejection

Correct answer: a
Explanation: Delirium and Insanity are both states of mind in which the actions are incoherent, irregular and wild. State of violent mental agitation.

- 32) Havoc means:
 - a) Cosmos
 - b) adjustment
 - c) chaos
 - d) haven

Correct answer: c
Explanation: Havoc and Chaos both mean wide and general destruction, needless disturbance.

- 33) Stout means:
 - a) Sturdy
 - b) thin
 - c) slender
 - d) sleek

Correct answer: a
Explanation: Stout and sturdy both mean firm, materially strong, something having rugged physical strength.

- 34) Profusion means:
 - a) Scarcity
 - b) plenty
 - c) paucity
 - d) deprivation

Correct answer: b

Explanation: profusion and plenty both mean state of abundance; lavish supply.

- 35) Heifer means:
 - a) calf
 - b) cow
 - c) bull
 - d) hen

Correct answer: a
Explanation: Heifer is a calf; Young cow (that has not yet had a child). Young of domestic cattle.

- 36) Clench means:
 - a) Break
 - b) grip
 - c) kick
 - d) liberate

Correct answer: b
Explanation: clench means to grip, hold in a tight grasp.

- 37) Tyrant means:
 - a) Oppressor
 - b) fair
 - c) loving
 - d) victim

Correct answer: a
Explanation: a person who uses power in a cruel way. An absolute ruler. Oppressor, someone who oppresses people and causes harm/danger to them, is the closest synonym.

- 38) Decree means:
 - a) Plea
 - b) claim
 - c) order
 - d) appeal

Correct answer: c
Explanation: Decree is a legally binding order or command made by a court.

- 39) Versatile means:
 - a) Limited
 - b) static
 - c) variable
 - d) monotonous

Correct answer: c
Explanation: Versatile and variable both mean changeable or inconstant; competent in many areas and able to turn from one thing to another with ease.

- 40) pacify means:
 - a) soothe
 - b) excite
 - c) enrage
 - d) annoy

Correct answer: a
Explanation: Pacify and sooth both means to suppress anger, agitation or excitement.

- 41) Afflict means:
 - a) Solace
 - b) delight

- c) distress d) assist

Correct answer: c

Explanation: Afflict and distress both mean to cause great trouble and physical or psychological pain.

- 42) Trifling means:

- a) Significant b) trivial
c) pivotal d) tickling

Correct answer: b

Explanation: Trifling and trivial both mean something that is of very low importance.

- 43) Feeble mean:

- a) Frail b) mighty
c) strong d) sturdy

Correct answer: a

Explanation: Feeble and frail both mean someone pathetically lacking physical energy, force or effectiveness.

- 44) Exhort means:

- a) Dissuade b) forbid
c) encourage d) dismay

Correct answer: c

Explanation: Exhort and encourage both mean to use words such as cheers and shouts to incite good deeds.

- 45) Prodigious mean:

- a) ordinary b) Immense
c) oblivious d) slight

Correct answer: b

Explanation: Prodigious and immense both mean so great in size and extent.

- 46) Clamour means:

- a) Outcry b) silence
c) mutism d) calmness

Correct answer: a

Explanation: Clamour and outcry both mean loud and persistent noise from people.

- 47) Oppressive mean :

- a) Tyrannical b) mild
c) submissive d) gentle

Correct answer: a

Explanation: Oppressive and tyrannical both mean someone marked by unjust severity and arbitrary behavior.

- 48) Queer means:

- a) Regular b) ordinary
c) standard d) peculiar

Correct answer: d

Explanation: Queer and Peculiar both mean something deviating from the usual or expected. Something extraordinary.

- 49) Acrid means:

- a) Pungent b) pleasant
c) savory d) cordial

Correct answer: a

Explanation: Acrid and pungent both mean strong and sharp, harsh or bitter.

- 50) Myriad means:

- a) Limited b) little
c) infinite d) enumerable

Correct answer: c

Explanation: Myriad and infinite mean something too much to be countable. A large indefinite number.

SENTENCE COMPLETION

- He lacks quality friends because he treats others with _____ disdain.
 - Tranquil
 - Barbaric
 - Mirthful
 - Sedating
- Her formal _____ made her a remarkable person for other colleagues.
 - Shibboleth
 - Attire
 - Locution
 - Cultism
- The church was raised to the rank of _____.
 - Basilica
 - Lazaret
 - Abode
 - Amah
- The editor _____ the manuscript with his changes.
 - Dwelled
 - Ameliorated
 - Snuggled
 - Nuzzled
- Intolerance is a _____ to understanding.
 - Beeline
 - Barrier
 - Corduroy
 - Transition
- His quick _____ was a product of good design.
 - Affection
 - Affirmation
 - Adroitness
 - Delinquency
- He _____ his way into the room.
 - Cleared
 - Attempered
 - Optimised
 - Angled
- All the men's hearts were _____ by her beauty.
 - Despised
 - Expatriated
 - Farthest
 - Beguiled
- The two women crooned and _____ at the baby.
 - Fomented
 - Blathered
 - Baffled
 - Trembled
- That medicine _____ his heart rate.
 - Effects
 - Affects
 - Perts
 - Spiritism
- Our team leader is very well known for his _____.
 - Beneficence
 - Interdictions
 - Apathy
 - Consternation
- The _____ science of rhabdomancy requires a dowsing rod.
 - Douse
 - Arcane
 - Remit
 - Abatement
- Due to manager's slogan of change at work place, a large part of young labour is a/an _____ supporter of their manager.
 - Slanted
 - Vivid
 - Avid
 - Blunt
- Be systematically _____, do something for no other reason than that you would rather not do it.
 - Felon
 - Ascetic
 - Bedlamite
 - Ironical
- _____ in Russia killed the president and took reigned the country for 50 years.
 - Advocators
 - Sympathisers
 - Antagonists
 - Daemons
- Tim was certified with a/an _____ for bravery.
 - Apportion

- b. Devolve
c. Accolade
d. Deteriorate
17. The Professor's lecture was so _____ that students tended to avoid it.
a. Risible
b. Shady
c. Abstruse
d. Repugnant
18. At the end of prayers, for the flood victims, Priest made a special _____ to calm the families.
a. Denotation
b. Benediction
c. Proliferation
d. Obviation
19. The word closest in the meaning of promptly is:
a. Slowly
b. Rapidly
c. Lately
d. Negligently
20. A carefully _____ poem can be like a dead butterfly pinned to a board.
a. Analyzed
b. Chanted
c. Imperturbable
d. Dramatize
21. The word opposite in the meaning to splendors is
a. Dullness
b. Luster
c. Grandeur
d. Magnificence
22. The patient will be _____ after 24 hours of surgery.
a. Ambulatory
b. Gimpy
c. Stultified
d. Ribbed
23. James has a mysterious _____ with Sam in the office.
a. Altercation
b. Jeopardy
c. Progeny
d. Affinity
24. The carpenter _____ two pieces of wood.
a. Articulated
- b. Drizzled
c. Pelted
d. Chucked
25. They never _____ in Egypt, even after living many years.
a. Acclimated
b. Mortified
c. Manifested
d. Postulated
26. He made a/an _____ debut in cricket as a bowler. Everyone hailed his bowling ability.
a. Untoward
b. Ominous
c. Sinewy
d. Auspicious
27. He accepted the task with _____.
a. Alacrity
b. Gravely
c. Anxiously
d. Idly
28. We can never trust a/an _____ roof during monsoon.
a. onerous
b. rigorous
c. Arboreal
d. Galvanized
29. The _____ provided rich material for a definitive biology.
a. Gobs
b. Slews
c. Muckheaps
d. Archives
30. A / An _____ egg fetid the cake.
a. Addled
b. Fermented
c. Rancid
d. Acidulous
31. The word opposite in the meaning to quiver is:
a. Calm
b. Shudder
c. Convulsion
d. Shake
32. She was the final _____ on all matters of fashion.
a. Advocate
b. Profounder
c. Hapless
d. Arbitrator
33. Immigrants often want to _____ quickly to the surroundings
a. Spurned
b. Winnow out
c. Assimilate
d. Vacillate
34. Benazir's interest _____ into politics, day by day.
a. Redounds
b. Impacted
c. Clupeid
d. Accrued
35. The word closest in the meaning to quirk is:
a. Aberration
b. Normality
c. Useless
d. Inability
36. The word closest in the meaning to vulnerable is:
a. Tested
b. Pushover
c. Lashed
d. Bendability
37. My aunt _____ me all her jewelry.
a. Added
b. Acumen
c. Bequeathed
d. Propelled
38. The word opposite in the meaning to contemplate is:
a. Overlook
b. Ponder
c. Convulsion
d. Consider
39. The company tried to project a/an _____ image.
a. Exemplified
b. Umbrageous
c. Panegyric
d. Altruistic
40. Phrenology was a/an _____ of modern neuroscience.
a. Subsequent
- b. Antecedent
c. Occurrent
d. Grapheme
41. In the 19th century any reference to female sexuality was considered vile. Identify the synonym for the underlined word.
a. Aspersion
b. Aberration
c. Abolition
d. Abundance
42. The student looked around the examination room with _____.
a. Apprehension
b. Apprise
c. Inculpation
d. Incrimination
43. Man who tried to attack her, was _____ by her.
a. Doted
b. Imparted
c. Battered
d. Apprehend
44. The Maestro _____ to the request for an encore.
a. Beckoned
b. Acquiesced
c. Spurned
d. Scorned
45. A successful businessman is _____ of the risks.
a. Audacious
b. Agoraphobic
c. Dismay
d. Coerce
46. He discovered the _____ of reading at an early age.
a. Drollery
b. Frivolity
c. Frippery
d. Amenities

ANSWERS & EXPLANATIONS (SENTENCE COMPLETION)

Question Number: 1
Correct Option: b

Explanation: - **Disdain** mean disrespect or to humiliate someone/something.

- **Tranquil** means placid.

Sample sentence: I lay near the lake to relax, what a tranquil scene it is.

- **Mirthful** means laughter, joy.

Sample sentence: The mirthful poem always cheers me up when I am sad.

- **Sedate** means cause to be calm.

Sample sentence: It was difficult to sedate the angry mob because they wanted nothing less than fulfilment of their demands.

- **Barbaric** means uncivilized.

Sample sentence: Men battering is a barbaric act.

Therefore, **barbaric** is an appropriate word to fill in the blank.

Question Number: 2
Correct Option: b

Explanation: - **Shibboleth** means slogan, a common saying or a belief related to a particular sect or political group.

Sample sentence: When he described his narrative, it was evident from his shibboleth that he belonged to the rival organization.

- **Attire** means clothing of a distinctive style.

Sample sentence: He always wears a formal attire, irrespective of the occasion.

- **Locution** means saying, particular form of expression, or, phrase.

Sample sentence: Salim has adopted the same locution despite having been criticized for his extremist views.

- **Cultism** means religious zeal.

Sample sentence: The cult leader saw him as an influential figure.

Hence, **attire** is an appropriate word to fill in the blank.

Question Number: 3
Correct Option: a

Explanation: - **Basilica** means a roman catholic church accorded certain privileges.

- **Lazaretto** means a hospital for persons with infectious diseases.

- **Abode** means residence.

- **Amah** means a woman hired to suckle a child for someone else.

Therefore, **Basilica** is an appropriate word to fill in the blank.

Question Number: 4
Correct Option: b

Explanation: - **Dweller** means to reside permanently.

Sample sentence: She has dwelled in this building for many years.

- **Ameliorate** means to make better.

Sample sentence: The government should draft strategies to ameliorate negative impact of pollution on the environment.

- **Snuggled** means position comfortably.

Sample sentence: He snuggles with his cat while feeding her.

- **Nuzzle** mean cozy.

Sample sentence: I love to nuzzle up in my bed during winters.

Therefore, **Ameliorated** is the most appropriate word to fill on the blank.

Question Number: 5
Correct Option: b

Explanation: - **Beeline** means the most direct route.

Sample sentence: One should always chose beeline for success, short cuts create may lead to problems.

- **Barrier** means obstacle.

Sample sentence: Feudalism is a barrier to democracy.

- **Corduroy** means a cut pile fabric with vertical ribs, usually made of cotton.

Sample sentence: She was wearing a beautiful red corduroy suit.

- **Transition** means the act of passing from one state to the next.

Sample sentence: Transition from communist state to capitalist state is a difficult one.

Barrier is the most appropriate word to fill in the blank.

Question Number: 6
Correct Option: c

Explanation: - **Affection** means fondness.

Sample sentence: He is very rude towards his children, he does not show his children any affection.

- **Affirmation** means statement asserting truth of something.

Sample sentence: Court didn't affirm to what he said as a result of which he was convicted of theft.

- **Adroitness** means skillful performance.

Sample sentence: Shakir is an adroit negotiator, I am sure he will crack a deal.

- **Delinquency** means criminal behaviour.

Sample sentence: There is an increase in juvenile delinquency in my town.

Adroitness is the most appropriate word to fill in the blank.

Question Number: 7
Correct Option: d

Explanation: - **Cleared** means rid of objects.

Sample sentence: Smog cleared away after important steps were taken.

- **Attempered** means modify the temperature.

Sample sentence: Neither clothes nor fire would attemper the cold weather.

- **Optimized** means get the most out of it.

Sample sentence: My boss wants me to make optimal use of the given resources.

- **Angled** means move or proceed at an angle.

Sample sentence: He angled himself for the gym.

Hence, **angled** is correct answer.

Question Number: 8
Correct Option: d

Explanation: - **Despised** means treated with contempt or to dislike.

Sample sentence: He despised himself for being lazy.

- **Expatriate** means a person who is voluntarily absent from home or country.

Sample sentence: There are many Pakistani expatriates in USA.

- **Farthest** mean to the greatest distance of space or time.

Sample sentence: This is the farthest distance I can travel in one day.

- **Beguiled** means attracted.

Sample sentence: I was beguiled by her beauty. **Beguiled** is most appropriate word to fill in the blank.

Question Number: 9
Correct Option: b

Explanation: - **Blather** means to talk foolishly.

Sample sentence: The insane man will blather on and on.

- **Foment** means try to stir up public opinion.

Sample sentence: The movie was banned because of the fear that it will foment religious tension.

- **Baffled** means confused.

Sample sentence: The speaker spoke so fast that the audience got baffled and could not comprehend what he said.

- **Trembled** means move quickly up and down and afterwards.

Sample sentence: Her voice starts trembling when she heard about the bad health of her mother.

Crain means to sing in an exaggerated manner. In my sentence, usually conjunction **and** is used to join two words which are almost similar in meaning. Therefore, option **B** is correct.

Question Number: 10
Correct Option: b

Explanation: - **Effect** means consequence of some previous phenomenon.

Sample sentence: Heavy rainfall effects the traffic.

- **Affect** means act physically on.

Sample sentence: How does your smoking habit affect me?

- **Pert** means showing lack of respect.

Sample sentence: She gave a pert reply to the media person.

- **Spiritism** means practice of spiritualism.

Sample sentence: He claims to have deep knowledge of spiritism. He claims that he talks with spirits.

Affects is an appropriate word to fill in the blank.

Question Number: 11
Correct Option: a

Explanation: - **Beneficence** means the quality of being helpful.

Sample sentence: All the team members are motivated because of our leader's beneficence.

- **Interdiction** means a court order prohibiting a party from doing a certain activity.

Sample sentence: Court has issued interdiction notice to drug manufacturing company on account of using harmful substances.

- **Apathy** means an absence of emotion.

Sample sentence: He is so apathetic that he did not call his father when his father was unwell.

- **Consternation** means fear resulting from the awareness of danger.

Sample sentence: He started to shiver in consternation.

Question Number: 12
Correct Option: b

Explanation: - **Douse** means put out.

Sample sentence: The rescue team was able to douse the fire with water.

- Arcane means requiring secret knowledge.

Sample sentence: The narrative may seem to be arcane to those with little knowledge on the subject.

- Remit means send money.

Sample sentence: My brother sends me remittances every month.

- Abatement means suspension.

Sample sentence: He created a new tax abatement strategy.

Question Number: 13

Correct Option: c

Explanation: - Slanted means having an oblique direction.

Sample sentence: The sunlight slanted through the glass roof into the room.

- Avid means excessively desirous.

Sample sentence: She was eager to serve her community that's why she took an avid interest in community work.

- Vivid means full of life, distinct.

Sample sentence: The vivid scenery was a sight for sore eyes.

- Blunt means having a broad or rounded end, not sharp.

Sample sentence: You cannot cut vegetables with a blunt knife.

Therefore, Avid is the most appropriate word to fill in the blank.

Question Number: 14

Correct Option: b

Explanation: - Ascetic means practicing great self-denial.

Sample sentence: Monks live an ascetic life.

- Felon means criminal.

Sample sentence: Be careful of Sam, he is a convicted felon.

- Bedlamite means a lunatic.

Sample sentence: The protesters went almost mad. It was bedlam.

- Ironical means humorously sarcastic.

Sample sentence: It is ironical that the least educated parliamentarian was made the education minister.

Question Number: 15

Correct Option: c

Explanation: - Advocate mean a person who pleads for a cause.

Sample sentence: The Civil Society Organization advocated for environmental protection.

- Sympathizer means comforter.

Sample sentence: Judge granted him bail. The judge was very sympathetic towards him.

- Antagonist means someone who offer opposition.

Sample sentence: He made a clever strategy to defeat the antagonist.

- Daemon means a supernatural being.

Sample sentence: Many of Plato's works mention the philosophical concept of Daemon, as opposed to its mythological understanding.

Hence, Antagonists is the appropriate word to fill in the blank.

Question Number: 16

Correct Option: c

Explanation: - Apportion means allocate.

Sample sentence: Apportion the utility bill among all the users.

- Devolve means pass on.

Sample sentence: The new legislation lead to devolution of power. More authority has been given to local bodies.

- Accolade means a tangible symbol signifying distinction.

Sample sentence: He received the Oscar award, the highest accolade in the film industry.

- Deteriorate means become worse.

Sample sentence: You have been using this mobile since the past 5 years. Its condition has deteriorated now.

Accolade is the most appropriate word to fill in the blank.

Question Number: 17

Correct Option: c

Explanation: - Abstruse means difficult to understand.

Sample sentence: Many people find it abstruse to understand the complex nature of our economy.

- Risible means laughable.

Sample sentence: His comedy was risible.

- Shady means not as expected.

Sample sentence: This person seems to be shady, he will not be hired by the HR manager.

- Repugnant means offensive to the mind.

Sample sentence: His ideas are repugnant to that of mine but I still like them.

Question Number: 18

Correct Option: b

Explanation: - Denotation the act indicating or pointing out by name.

Sample sentence: The word "petrichor" has the denotation "a person who loves nature".

- Benediction means the act of praying for divine protection.

Sample sentence: Clergyman made a special benediction for the victims of terrorist attack.

- Proliferation means growth by the rapid multiplication of parts.

Sample sentence: Nuclear proliferation is a global challenge.

- Obviation means act of prevention by disposing of it effectively.

Sample sentence: Manager tried to obviate the risk of product failure.

Therefore, Benediction is the most appropriate word to fill in the blank.

Question Number: 19

Correct Option: b

Explanation: Promptly means without delay.

- Slowly means gradually.

- Rapidly means very quickly.

- Lately means not long ago.

- Negligently means carelessly.

Hence rapidly is the correct synonym.

Question Number: 20

Correct Option: a

Explanation: - Analyzed means examined carefully and methodically.

Sample sentence: He asked me to carefully analyze the work and leave no room for mistakes.

- Chanted means sing or repeatedly shout the same words.

Sample sentence: The protestor chanted anti-government slogans outside the Parliament.

- Imperturbable means unflappable not easily disturbed.

Sample sentence: She is an imperturbable person who never gets annoyed of anything.

- Dramatize means put into dramatic form.

Sample sentence: She dramatized the entire incident to prove herself not guilty.

Analyzed is an appropriate word to fill in the blank.

Question Number: 21

Correct Option: a

Explanation: Splendors means grandeur.

- Dullness means lack of interest.

- Luster means soft glow.

- Grandeur means impressiveness of appearance or style.

- Magnificence means the quality of being magnificent.

Hence dullness is the correct antonym.

Question Number: 22

Correct Option: a

Explanation: - Ambulatory means able to walk about.

Sample sentence: He got a fracture in his leg last week but he is ambulatory now.

- Gimp means disable in leg.

Sample sentence: The doctor said that the guy with the gimp leg will be able to walk.

- Stultified means cause to appear foolish.

Sample sentence: Their lack of seriousness has made the matter stultified.

- Ribbed means unsmooth.

Sample sentence: Do you prefer a smooth or ribbed shirt?

Ambulatory is an appropriate word to fill in the blank.

Question Number: 23

Correct Option: a

Explanation: - Altercation means a loud argument.

Sample sentence: The seemingly insignificant difference of opinion turned into an altercation between the two.

- Jeopardy means danger of loss or harm.

Sample sentence: He realized he was in jeopardy when surrounded by the opposition members.

- Progeny means immediate descendants of a person.

Sample sentence: Many Australians are the progeny of immigrants.

- Affinity means attraction.

Sample sentence: Azeem likes to watch football. He has a deep affinity with the sports. Altercation is an appropriate word to fill in the blank.

Question Number: 24

Correct Option: a

Explanation: - Articulated (in carpentry) means provide with a joint.

- Dribbled means run or flow slowly.

Sample sentence: The footballer is an expert at dribbling the ball.

- Pelted means bombard.

Sample sentence: Protesters pelted the building with stones.

- Chucked means throw carelessly.

Sample sentence: I chucked the old clothes away.

Question Number: 25

Correct Option: a

Explanation: - Acclimated means get used to a certain climate.

Sample sentence: I could not acclimate to Karachi's weather because I have lived for a long time in Lahore.

Motivated means to feel ashamed.
 Sample sentence: He was motivated when he realized that he can break the window but he couldn't do it because he is a
Motivated means demonstrated.
 Sample sentence: Her painting was a demonstration of art work.
Postulated means contend/put forward.
 Sample sentence: Einstein postulated the theory of relativity.

Question Number: 26
 Correct Option: d
Explanation: - **Untoward** means indecent.
 Sample sentence: The untoward circumstances forced us to cancel our trip.
Ominous means indicating evil intent.
 Sample sentence: His ominous gestures were indicating that he will do something evil.
Slews means tough.
 Sample sentence: The athlete had an incredible stamina and he was slewsy.
Auspicious means favorable circumstances.
 Sample sentence: Your wedding is an auspicious occasion for the entire family as everyone is meeting after 2 years.
 Auspicious is the most appropriate word to fill in the blank.

Question Number: 27
 Correct Option: d
Explanation: - **Alacrity** means liveliness & eagerness.
 Sample sentence: He is a motivated employee that's why he accepted the new task with alacrity.
Gravely means to a degree that is a cause for worry/alarm.
 Sample sentence: Farmers are gravely concerned for the implementation of the disaster management policy because of floods forecast.
Anxiously means with anxiety.
 Sample sentence: He was told by his friend that he has symptoms of diabetes that's why he was anxiously waiting for his health report.
Idly means lazily.
 Sample sentence: She never cleans her room, idly sitting in the mess.
 Alacrity is an appropriate word to fill in the blank.

Question Number: 28
 Correct Option: c
Explanation: - **Onerous** means oppressive.
 Sample sentence: My boss punished me by assigning me onerous duties.
Rigorous means harsh.

Sample sentence: The rigorous law will lead to human rights violation.
Arboreal means formed by trees.
 Sample sentence: An arboreal roof is useless during heavy rainfall.
Galvanized means to stimulate to action.
 Sample sentence: I motivated my team members to galvanize them to take action.
 Hence, **Arboreal** is the correct word to fill in the blank.

Question Number: 29
 Correct Option: d
Explanation: - **Gobs** means many.
 Sample sentence: He withdrew cash from ATM and he was carrying great gobs of cash.
Slews means batch or large quantity.
 Sample sentence: The company printed a slew of pamphlets to distribute in the entire city.
Muck heaps means a pile of refuse.
 Sample sentence: The muck heaps produced an unbearable odor for all those who passed by.
Archives means collection of records.
 Sample sentence: I archived all the unwanted messages in my mobile.
 Archive is the most appropriate word to fill in the blank.

Question Number: 30
 Correct Option: a
Explanation: - **Addled** means no longer edible.
 Sample sentence: Due to exposure to sunlight, all of these bananas are addled.
Fermented means cause to undergo fermentation.
 Sample sentence: Milk becomes cheese by fermentation.
Rancid means having a rank smell due to chemical decomposition.
 Sample sentence: Curry goes rancid in heat.
Acidulous means acidic in nature.
 Sample sentence: He made acidulous remarks on her hard work because he was jealous of her promotion.

Question Number: 31
 Correct Option: a
Explanation: **Quiver** means shake or move involuntarily.
Calm means steady.
Shudder means to shiver, usually due to fear.
Convulsion means a sudden and violent movement of the body.
Shake means starting to move.
 Hence calm is the correct antonym.

Question Number: 33
 Correct Option: d
Explanation: - **Advocator** means a person who pleads for a cause.
 Sample sentence: Mr. Ahmed advocates for minority rights.
Profoundee means felt very strongly.
 Sample sentence: My aunt's death had a profound effect on her children.
Hapless means miserable.
 Sample sentence: They were hapless about their future after the death of their father.
Arbiter means someone with the power to settle matters at will.
 Sample sentence: She is an arbiter of fashion as whatever she says becomes a standard in the fashion industry.

Question Number: 34
 Correct Option: c
Explanation: - **Assimilate** means become similar to one's environment.
 Sample sentence: Cultural assimilation is very important to co-exist in a pluralistic society.
Spurned means rejected.
 Sample sentence: Ali spurned Adil's invitation because Ali hates Adil.
Winnow out means eliminate.
 Sample sentence: Despite the hard work he was winnowed out during the selection stage.
Vacillate means fluctuate.
 Sample sentence: He is still vacillating between studying abroad or working in his family business.
 Assimilate is the most appropriate word to fill in the blank.

Question Number: 35
 Correct Option: a
Explanation: - **Accrued** means grown by addition.
 Sample sentence: If you don't pay your bills on time they will accrue and you will have to pay a heavy amount.
Redounds mean to have a good or bad effect.
 Sample sentence: His courageous acts will redound on him.
Impacted means packed in together or overcrowded.
 Sample sentence: It is an impacted district of Punjab.
Clupeid is a type of fish.

Question Number: 36
 Correct Option: b
Explanation: **Vulnerable** means exposed to the possibility of being attacked.
Tested means performance.
Pushover means who is easy to overcome.
Lashed means having eyelashes of a specified kind.
Bendability means flexibility.
 Hence pushover is the correct synonym.

Question Number: 37
 Correct Option: c
Explanation: - **Addled** means confused or vague.
 Sample sentence: Overthinking can addle your head.
Acumen mean insightfulness.
 Sample sentence: He has a great medical acumen.
Bequeath means given by will after one's death.
 Sample sentence: She bequeathed his entire property to her granddaughter.
Propelled means cause to move forward with force.
 Sample sentence: Ahmed was propelled by administration to take action against his subordinates.

Question Number: 38
 Correct Option: a
Explanation: **Contemplate** means to think deeply on/about something.
Overlook means to ignore something.
Ponder means thinking about something carefully.
Convulsion means sudden and violent movement of the body.
Consider means to think about and be drawn towards something.
 Hence overlook is the correct antonym.

Question Number: 39
 Correct Option: d
Explanation: **Quirk** means a peculiar aspect of a person's character or behavior.
Aberration means unusual.
Normality means the state of being usual.
Useless means not able to achieve.
Inability means a state of being unable to do something.
 Hence aberration is the correct synonym.

Explanation: - Exemplified means represent.
 Sample sentence: *The manager exemplified the use of new machinery.*

- **Umbrageous** means shadowed.
 Sample sentence: *My house is covered with tall umbrageous tress.*

- **Panegyric** means formally expressing praise.
 Sample sentence: *After the famous leader died, a poet wrote a panegyric to honor his life.*

- **Altruistic** means showing unselfish concern for the welfare of others.

Sample sentence: *Ali always provides his services in cash and kind for uplifting the community. His altruistic traits have earned him a lot of respect.*

Therefore, Altruistic is the most appropriate word to fill in the blank.

Question Number: 40
 Correct Option: b

Explanation: - Subsequent mean following in time or order.

Sample sentence: *Teacher told me that we will cover new concepts next week in subsequent topics.*

- **Antecedent** means anything that precedes something similar in time.

Sample sentence: *The now-outdated Newtonian model of physics is the antecedent of all subsequent developments in the field.*

- **Occurrent** means presently occurring.

Sample sentence: *Malaria is occurrent in slums.*

- **Grapheme** means graphical symbol.

Sample sentence: *The old cave has large number of grapheme, only experts can comprehend them.*

Antecedent is an appropriate word to fill in the blank.

Question Number: 41
 Correct Option: a

Explanation: - **Aspersions** means a disparaging remark.

Sample sentence: *He is such a humble guy but I was shocked when I saw him casting aspersions on his wife.*

- **Aberration** means a disorder in one's mental state.

Sample sentence: *Due to some mental aberration he forgets whatever is said to him.*

- **Abolition** means act of abolishing a system.
 Sample sentence: *Slavery should be abolished from every part of the world.*

- **Abundance** means property of a more than adequate quantity or supply.

Sample sentence: *The store manager told the biscuit sales man that he has abundant stock of biscuits, he will not order more.*
Aspersions is the most appropriate word to fill in the blank.

Question Number: 42
 Correct Option: a

Explanation: - **Apprehension** means fearful expectation.

Sample sentence: *Doctor shared all the apprehensions related to Amjad's health.*

- **Apprise** means advise or to tell.

Sample sentence: *The Chief Minister has been apprised of the situation.*

- **Inculpation** means blame.

Sample sentence: *He has been inculpated of theft although there wasn't sufficient evidence against him.*

- **Incrimination** means accusation that you are responsible for some lapse.

Sample sentence: *Sam was not found guilty because investigators could not find enough incriminating evidence against him.*

Option A, **Apprehension** is correct.

Question Number: 43
 Correct Option: c

Explanation: - **Doted** means shower with love.

Sample sentence: *Asma was the youngest sibling. Everyone doted on her.*

- **Imparted** means transmit knowledge or skills.

Sample sentence: *It is a teacher's responsibility to impart appropriate knowledge to his students.*

- **Battered** means violent attack.

Sample sentence: *People involved in battering equates to a criminal offense.*

- **Apprehend** means arrest someone.

Sample sentence: *Police apprehended the robber from his dwelling.*

Therefore, **Battered** is the most appropriate word to fill in the blank.

Question Number: 44
 Correct Option: b

Explanation: - **Beckoned** means signal with hands or nod.

Sample sentence: *My father beckoned me to follow him.*

- **Acquiesce** means to agree or express agreement.

Sample sentence: *My boss acquiesced to my request and granted me a leave for 10 days.*

- **Spurned** means reject.

Sample sentence: *My mother spurned my request and did not allow me to play with friends.*

- **Scorned** means hated.

Sample sentence: *His mischief was scorned by his team mates.*

Question Number: 45
 Correct Option: a

Explanation: - **Audacious** means invulnerable to fear.

Sample sentence: *Your decision to go alone to the forest is audacious.*

- **Agoraphobic** means afraid of open or public places.

Sample sentence: *A sales man should not be agoraphobic.*

- **Dismay** means discouragement.

Sample sentence: *He could not hide his dismay at his failure.*

- **Coerce** means pressure or to force.

Sample sentence: *Law does not allow coercive conversion. Rather, it asks for peaceful preaching.*

Therefore, **Audacious** is the most appropriate word to fill in the blank.

Question Number: 46
 Correct Option: d

Explanation: - **Amenity** means pleasantness resulting from agreeable conditions.

Sample sentence: *The government promised to provide amenities in rural areas to uplift the living condition of the locals.*

- **Drollery** means a comic incident.

Sample sentence: *We enjoyed and laughed so much at his drollery.*

- **Frivolity** means not serious.

Sample sentence: *The CEO labels the complaints of the trade union as frivolous and did not pay heed to it.*

- **Frippery** means something of little value.

Sample sentence: *He never wore the shirt which I gave to him, considering it to be mere frippery.*

ANALOGIES

1. Which of the following pair of words have similar relationship as in?
SCOWL: SMILE
 - a. Jazz: Harsh
 - b. Acid: Vinegar
 - c. Tendentious: Buck
 - d. Wine: Water
 - e. Despair: Hope
2. Which of the following pair of words have similar relationship as in
LOOM: YARN::
 - a. Vanish: Tale
 - b. Wool: Sweater
 - c. Smithy: Iron
 - d. Admire: Disdain
3. Which of the following pairs of words has a similar relationship as : COUNSELOR: ADVICE?
 - a. artist: musician
 - b. patron: support
 - c. honesty: charity
 - d. bank: banker
4. Which of the following pair of words have similar relationship as in
BINOCULARS: SEE:
 - a. Spectacle: Notice
 - b. Skeptic: Idea
 - c. Ear trumpet: Hear
 - d. Camera: Aperture
5. Which of the following pair of words have similar relationship as in
CHURCH: SPIRE::
 - a. Temple: Shrine
 - b. Opera: Stage
 - c. Courtroom: Bench
 - d. Mosque: Minaret
6. Which of the following pair of words have similar relationship as in
CLARIFY: CONFUSION
 - a. Cloud: Thunder

- b. Wish: Success
- c. Declare: Bankruptcy
- d. Algorithm: Structure
- e. Mediate: Altercation

7. Which of the following pair of words have similar relationship as in :
SCHOLAR : IGNORANT::
 - a. Hardworking: Lazy
 - b. Knife: Sword
 - c. Courage: Bold
 - d. Luxury: Wealth
8. Which of the following pair of words have similar relationship as in
ETHEREAL: EMPYREAL
 - a. Obsequious: Sycophantic
 - b. Jargon: Authentic
 - c. Fetus: Offspring
 - d. Earnest: Saccharine
 - e. Novice: Expert
9. Which of the following pair of words have similar relationship as in :
STRUT: WALK::
 - a. sweating: wrestling
 - b. hunter: fire
 - c. speech: stage
 - d. stammer: talk
10. Which of the following pair of words have similar relationship as in
ARCHIPELAGO: ISLAND :
 - a. Peninsula: Strait
 - b. Cluster: Stars
 - c. Border: Desert
 - d. Sun: Planet
11. Which of the following pair of words have similar relationship as in :
FISH: SCHOOL:
 - a. puppy: dog
 - b. novel: story
 - c. lions: pride
 - d. ear: nose

12. Which of the following pair of words have similar relationship as in :
SKETCH: ARTIST:
 - a. secret: confident
 - b. cell: prisoner
 - c. palette: painter
 - d. draft: writer
 - e. lawyer: court room
13. Which of the following pair of words have similar relationship as in
SLIPSHOD: ORGANIZATION::
 - a. Clever: Shroud
 - b. Cringing: Obsequious
 - c. Prodigal: Generosity
 - d. Phlegmatic: Emotion
14. Which of the following pair of words have similar relationship as in
GROAN: SCREAM :
 - a. Stroll: Amble
 - b. Clown: Crone
 - c. Strained: Wit
 - d. Grin: Guffaw
15. Which of the following pair of words have similar relationship as in
THEATER: HISTRIONIC::
 - a. Slyness: Stupid
 - b. Hamlet: Populous
 - c. Number: Numerology
 - d. Courtroom: Forensic
16. Which of the following pair of words have similar relationship as in
ABHOR : DISLIKE::
 - a. Calcify: Petrify
 - b. Rebuke: Ridicule
 - c. Torture: Discomfort
 - d. Fodder: Cattle
17. Which of the following pair of words have similar relationship as in
BOTANY: PLANTS::
 - a. Land: Shrubs
 - b. Astronomy: Stars
 - c. Anthropology: Thom
 - d. Philosophy : Encyclopedia
18. Which of the following pair of words have similar relationship as in
TEDIOUS : BOREDOM
 - a. Burglar: Warning
 - b. Witty: Rejuvenation
 - c. Enigmatic: Uncertainty
 - d. Square: Circle
 - e. Cliche: Epigram
19. Which of the following pair of words have similar relationship as in
AERIE : EAGLE::
 - a. Venom : Rattle Snake
 - b. Viper: Reptile
 - c. Hawk: Falcon
 - d. Lair: Wolf
20. Which of the following pair of words have similar relationship as in
MACHINE GUN : MUSKET::
 - a. Tank: Chain
 - b. Frigate: Cruiser
 - c. Autumnal: Vernal
 - d. Palace: Cottage
21. Which of the following pairs of words has a similar relationship as in MENDICANT: BEGGING::
 - a. Coup: Thunder
 - b. Proponent: Abstained
 - c. Player: Chess
 - d. Charlatan: Deception
22. Which of the following pair of words have similar relationship as in
BEEF: COW::
 - a. Venison: Buffalo
 - b. Sheep: Mutton
 - c. Mutton: Sheep
 - d. Pork: Goat
23. Which of the following pair of words have similar relationship as in
PARCHMENT: PAPER
 - a. Pity: feeling
 - b. Book: paging C.
 - c. Trees: lumber

- d. Quill: pen
24. Which of the following pair of words have similar relationship as in
PRICE: EXORBITANT
- Listening: boredom
 - Motion: distance
 - Fire: overshoot
 - Fatigue: exhaustion
25. Which of the following pair of words have similar relationship as in
PILFER: ROB:
- Doctor: Treatment
 - Taste: Eat
 - Affirm: Intimate
 - Innuendo: Desperado
26. Which of the following pair of words have similar relationship as in
FLURRY: BLIZZARD
- Anger: bluster
 - Drizzle: downpour
 - Draw: doodle
 - Simmer: cook
27. Which of the following pair of words have similar relationship as in
BROOM: SWEEP::
- Rack: Leaves
 - Attic: Basement
 - Dove: Peace
 - Give: Take
28. Which of the following pair of words have similar relationship as in:
ALBUM: PHOTOGRAPHS::
- head: cap
 - bulb: light
 - compact disks: CPU
 - shelf: books
 - pen: paper
29. Which of the following pair of words have similar relationship as in
CORRESPONDENCE: CLERK
- Office: Manager
 - Secretary: Stenographer
- c. Proceeds: Accounts
d. Records: Archivist
30. Which of the following pair of words have similar relationship as in:
NOSE: SMELL:
- tongue: speak
 - foot: hit
 - hand: finger
 - teeth: chew
 - eye: lid
31. Which of the following pair of words have similar relationship as in:
GILL: FIN::
- cockroach: antenna
 - instrument: pencil
 - hard disk: keyboard
 - bread: butter
32. Which of the following pair of words have similar relationship as in
ELICIT: RESPONSE
- Religion: ethics
 - Crime: arrest
 - Answer: question
 - Coax: smile
33. Which of the following pair of words have similar relationship as in
VISE: GRIPS
- Tempers: flare
 - Kiln: potter
 - Spout: geysers
 - Callipers: measure
34. Which of the following pair of words have similar relationship as in:
EAGLE: AMERICA:
- Bath: Turkey
 - John Bull: England
 - Oriole: Baseball
 - Statue: Liberty
35. Which of the following pair of words have similar relationship as in
DIET: ANOREXIA::
- Teasing: Provocation

- b. Laughter: Irrepressible
c. Appraisal: Army
d. Revolutionaries: Intrigue
36. Which of the following pair of words have similar relationship as in
INITIATE: END
- Enthusiasm: Euphemism
 - Sum: Difference
 - Malignant: Cancer
 - Attend: Ignore
 - Start: Begin
37. Which of the following pair of words have similar relationship as in
MOUNTAIN: TUNNEL
- Window: Frame
 - Door: Handle
 - Charcoal: Fire
 - River: Bridge
 - Wall: Height
38. Which of the following pair of words have similar relationship as in
ABOLITIONIST: SLAVERY::
- Prohibitionist: Liquor
 - Capitalist: Commerce
 - Peace: War
 - Glass: Jug
39. Which of the following pair of words have similar relationship as in
VESSEL: FLEET
- Forest: Clearing
 - Squadron: Rank
 - Hound: Pack
 - Wide: Trunk
 - Lion: Lair
40. Which of the following pair of words have similar relationship as in
AUTHOR: INVENTOR::
- Copy right: Patent
 - Plot: Machine
 - Technology: Gadget
 - Book: Factory
41. Which of the following pair of words have similar relationship as in:
COOL: FROZEN::
- sharp: cut
 - warm: hot
 - hassock: stool
 - Freedom: Liberty
42. Which of the following pair of words have similar relationship as in
MUMBLE: SHOUT
- Tickle: poke
 - Hunger: lunch
 - Provoke: tease
 - Flipper: swim
43. Which of the following pair of words have similar relationship as in
CHEF: RECIPE
- Celestial: Deferential
 - Musician: Score
 - People: Band
 - Novelist: Puzzle
 - Ambivalent: Dexterous
44. Which of the following pairs of words have a similar relationship as PARROT: APE::
- Curve: Arc
 - Wood: Tree
 - Crane: Boar
 - Alarm: Fire
45. Which of the following pair of words have similar relationship as in
APPEARANCE: SUBPOENA:
- Death: fight
 - Payment: bill
 - health: game
 - Applause: encore
46. Which of the following pair of words have similar relationship as in?
SIESTA: NAP
- Lariat: rope
 - Farm: plantation
 - Sauerkraut: cabbage
 - Coin: rug

47. Which of the following pair of words have similar relationship as in
EVADE: QUESTION

- Shirk: malingerers
- Elicit: response
- Parry: blow
- Knowledge: thrust

48. Which of the following pair of words have similar relationship as in
LUGUBRIOUS: DOLEFUL

- Banal: Inspid
- Tractable: Recalcitrant
- Pensive: Vacuous
- Profligate: Miserly
- Tangible: Illusory

49. Which of the following pair of words have similar relationship as in
DRAMA: STAGE:

- Disease: relapse
- Commercial: program
- Eclipse: gulf
- Movie: cinema

50. Which of the following pair of words have similar relationship as in :
RACE: FATIGUE::

- fasting: hunger
- round: boxing
- flower: color
- hiking: gangrene

51. Which of the following pair of words have similar relationship as in
LARVA: ADULT

- Adam: Eve
- Cub: Deer
- Tadpole: Frog
- Grasshopper: Insect
- Snake: Reptile

52. Which of the following pair of words have similar relationship as in
HORSE: STEED::

- Offspring: Spawn
- Compass: Bore

- Dampness: Mildew
- Girl: Damsel

53. Which of the following pair of words have similar relationship as in
DOLLAR: DIME

- Rupee: Frank
- Saleswoman: Pitch
- Retreat: Victory
- Century: Decade
- Ring: Necklace

54. Which of the following pair of words have similar relationship as in
DISCREDITED: REPUTATION

- Choleric: heat
- Stronghold: facility
- Stilted: simplicity
- Apprehensive: shyness

55. Which of the following pair of words have similar relationship as in
ARCHITECT : BLUE PRINT::

- Mason: Wall
- Knight: Rider
- High: Low
- Pugilist: Victory

56. Which of the following pair of words have similar relationship as in :
INDUSTRIOUS: HARDWORKING::

- sky: blue
- muddy: unclear
- book: reading
- pond: lake

57. Which of the following pair of words have similar relationship as in
CALIBER: RIFLE

- Army: ammunition
- Compass: bore
- Quality: shoot
- Gauge: rails

58. Which of the following pair of words have similar relationship as in
FASTIDIOUS: VULGARITY:

- Vacillating: action

- Fade: Intensity
- Security: mob
- Speeding: bourgeois

59. Which of the following pair of words have similar relationship as in
ELECTRON: NUCLEUS

- Electric: exciting
- Earth: Sun
- Magnet: pole
- Cell: membrane

60. Which of the following pair of words have similar relationship as in
CAT: MOUSE::

- Bird : Worm
- Dog : Tail
- Trap : Attic
- Hide : Seek

61. Which of the following pair of words have similar relationship as in
SOPHIST: TRUTH

- Quack: medicine
- Director: plan
- Alarmist: legend
- Actor: shoot

62. Which of the following pair of words have similar relationship as in
FODDER: BULL:

- Goddess: Valentine
- Pesticide: Beetle
- Slop: Hog
- Roe: Cupid

63. Which of the following pair of words have similar relationship as in
STETHOSCOPE: PHYSICIAN

- Microscope: amoeba
- Psychiatrist: couch
- Wrench: plumber
- Bat: baseball

64. Which of the following pair of words have similar relationship as in
AGENDA: MEETING::

- Teacher: Class

- Agency: Assignment
- Map: Trip
- Man: Woman

65. Which of the following pair of words have similar relationship as in
MOAT: CASTLE

- Bridge: River
- Propel: Ship
- Archer: Bow
- Cummerbund: Waist
- Shoe: Foot

66. Which of the following pair of words have similar relationship as in:
AFFLUENT: LUCKY:

- Greedy: Money
- Charitable: Stingy
- Unsuccessful: Lazy
- Rely: Retort

67. Which of the following pair of words have similar relationship as in
GROVEL: SERVICE

- Elevator: Skyscraper
- Neglect: fortuitous
- Summary: Narration
- Foresee: Prescient
- Risk: Indiscriminate

68. Which of the following pair of words have similar relationship as in
ARGUMENT: DEBATE::

- Violence: Peace
- Fight: Contest
- Challenge: Opponent
- Doe: Stag

69. Which of the following pair of words have similar relationship as in
RIDDLE: SPHINX

- Luxury: Limousine
- Love: loathe
- Fire: Prometheus
- Scylla: ore

70. Which of the following pair of words have similar relationship as in

- RUNE: ALPHABET
 a. Range: Mountain
 b. Team: Player
 c. Suspicious: Thief

- d. Stream: Water
 e. Star: Constellation

Answers and Explanations (Analogies)

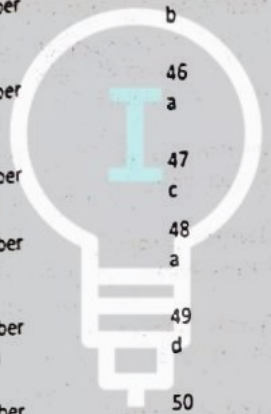
- Question Number 1
 Correct Option e
- Question Number 2
 Correct Option c
- Question Number 3
 Correct Option b
Explanation
 A patron provides support A counselor provides advice.
 The correct answer is (B).
- Question Number 4
 Correct Option c
- Question Number 5
 Correct Option d
- Question Number 6
 Correct Option e
- Question Number 7
 Correct Option a
Explanation
 Ignorant is the antonym of scholar, so lazy is the antonym of hardworking.
- Question Number 8
 Correct Option d
- Question Number 9
 Correct Option d
Explanation
 To strut is a style of walking. Stammer is style of talking.
- Question Number 10
 Correct Option b
- Question Number 11
 Correct Option c

- Explanation
 A school is group of fish, so as Pride is group of lions. The correct answer is (C).
- Question Number 12
 Correct Option d
Explanation
 An ARTIST makes SKETCH before final work.
- Question Number 13
 Correct Option d
- Question Number 14
 Correct Option d
- Question Number 15
 Correct Option d
- Question Number 16
 Correct Option a
- Question Number 17
 Correct Option b
- Question Number 18
 Correct Option c
- Question Number 19
 Correct Option d
- Question Number 20
 Correct Option a
- Question Number 21
 Correct Option d
- Question Number 22
 Correct Option c
- Question Number 23
 Correct Option d

- Question Number 24
 Correct Option d
- Question Number 25
 Correct Option b
Explanation
 Piffer means to steal something of less value Rob means to steal something more valuable. Both the words have the same context but the degree of stealing is different.
 From the given options we can see that taste and eat mean the same thing but with a slightly different degree.
- Question Number 26
 Correct Option b
- Question Number 27
 Correct Option a
- Question Number 28
 Correct Option d
Explanation
 Make up a sentence that expresses the relationship between the two words in the question. Your sentence maybe "An ALBUM is a place for saving PHOTOGRAPHS"
 A _____ is a place for saving _____.
 Put in the words from the choices, the pair that makes the most sense in the sentence is the correct answer.
 A head is a place for saving caps.
 A bulb is a place for saving light
 A compact disk is a place for saving CPU.
 A shelf is a place for saving books
 A pen is a place for saving papers.
 Only choice (D) makes sense. It is the right choice.
- Question Number 29
 Correct Option d
Explanation
- Question Number 30
 Correct Option d
Explanation

- Function of Nose is to SMELL.
- Question Number 31
 Correct Option c
Explanation
 As gills and fins are parts of a fish, so hard disk and keyboard are parts of a computer. The correct answer is (C).
- Question Number 32
 Correct Option d
- Question Number 33
 Correct Option d
- Question Number 34
 Correct Option b
- Question Number 35
 Correct Option a
- Question Number 36
 Correct Option d
- Question Number 37
 Correct Option d
- Question Number 38
 Correct Option a
- Question Number 39
 Correct Option c
- Question Number 40
 Correct Option a
- Question Number 41
 Correct Option b
Explanation
 Cool and frozen differ in intensity; similarly, warm and hot differ in intensity.
- Question Number 42
 Correct Option a
- Question Number 43
 Correct Option b

- Question Number 44
Correct Option a
- Question Number 45
Correct Option b
- Question Number 46
Correct Option a
- Question Number 47
Correct Option c
- Question Number 48
Correct Option a
- Question Number 49
Correct Option d
- Question Number 50
Correct Option a
Explanation
Race causes fatigue, as fasting causes hunger. The correct answer is (A).
- Question Number 51
Correct Option c
- Question Number 52
Correct Option d
Explanation
- Question Number 53
Correct Option d
Explanation
- Question Number 54
Correct Option c
- Question Number 55
Correct Option a
- Question Number 56
Correct Option b
Explanation
Industrious is the synonym of hardworking, Muddy is the synonym of unclear.



- Question Number 57
Correct Option d
- Question Number 58
Correct Option a
- Question Number 59
Correct Option b
- Question Number 60
Correct Option a
Explanation
- Question Number 61
Correct Option a
- Question Number 62
Correct Option c
- Question Number 63
Correct Option c
- Question Number 64
Correct Option c
- Question Number 65
Correct Option d
- Question Number 66
Correct Option c
- Question Number 67
Correct Option d
- Question Number 68
Correct Option b
- Question Number 69
Correct Option c
- Question Number 70
Correct Option e

PREPOSITIONS

Correct use of English prepositions can be very difficult for nonnative speakers of English. One reason for this is that, although there are sometimes rules for the use of prepositions, many prepositional phrases fall under the category of idiomatic-expressions. This means that there is often no easily identifiable reason why one preposition is correct while another preposition is wrong.

Prepositions Used with Expressions of Time
Use at for specific times of the day:

Example:

Sheila got up	at	6:30. She ate lunch	at	noon
	at	time	at	time

Use on for days:

Example:

He'll arrive	on	June 4th.
	on	day

Use in for weeks, months, seasons, years, and centuries:

Examples:

She was born and died	in	of September.
	in	month

I hope to have it finished	in	the second week
	in	week

In English, people say in the morning, in the afternoon, and in the evening, but for the words day and night, by day and at night are used.

Examples:

I work	in the morning	and study	In the afternoon.
--------	----------------	-----------	-------------------

A nocturnal animal is one that does most of its activity at night. An animal that does most of its activity by day is said to be diurnal.

Some Verb + Preposition Combinations
Some verbs can take more than one preposition, but with a change in meaning. For example, speak and talk can be followed by to or with + the person being addressed, and about + the topic being discussed.

Example:

He spoke	To	Maria.
	to	person

He spoke	about	literature.
	about	subject

The verbs argue and quarrel take with + the person being disagreed with, and about or over + the issue causing the disagreement.

Examples:

My sister	argued	With	my brother.
My brother	quarreled	With	his friend.

The verb agree takes with + a person, and on + the topic of agreement.

Example:

Tanveer	agreed	with	Lawrence on where they should look for a house.
	agree	with	

Almost all other verbs take only prepositions. A few may take more than one prepositions, but have the same meaning with either one, here are some of the verb + preposition combinations you might find on the test. As you study the list, note that some of the verbs are transitive (that is, they take a direct object), whereas others are intransitive (they have no direct object).

Examples:

I thanked	Yaqoob	for	his help.
		for	object

Verb + preposition Combinations:

against	from	of
react against	distinguish from	accuse of
	emerge from	think of
at	escape from	
stare at	hide from	on
hint at	obtain from	bet on
	prevent from	insist on
for	prohibit from	
apologize for	recover from	to
blame for	rescue from	belong
excuse for	stop from	contribute to
fight for	suffer from	lead to
hope for		object to
pay for	in	respond to
pay for	believe in	
substitute for	excel in	with
thank for	invest in	associate with
vote for	participate in	cover with

	result in succeed in	provide with sympathize with
--	-------------------------	------------------------------------

Some Adjective + Preposition Combinations

Like some verbs, many adjectives are usually followed by a single preposition. Here are some adjective + preposition combinations you might find on the test.

about	of	inferior to
concerned about	afraid of	limited to
confused about	aware of	opposed to
excited about	capable of	polite to
worried about	composed of	related to
	conscious of	similar to
against	envious of	superior to
discriminated against	font of	unrelated to
	guilty of	used to
for	innocent of	
known for	jealous of	With
prepared for	proud of	acquainted with
qualified for	seared of	annoyed with
remembered for	terrified of	associated with
responsible for	tired of	bored with
		content with
from	to	displeased with
absent from	able to	dissatisfied with
different from	accustomed to	done with
	addicted to	familiar with
in	committed to	filed with
dressed in	connected to	finished with
interested in	confined to	furnished with
involved in	dedicated to	patience with
	engaged to	pleases with
	equal to	satisfied with

	exposed to	upset with
	faithful to	

Adjective That Can Take More Than One Preposition without a Change in Meaning:

angry at/angry with	made of/made from
based on/based upon	puzzled at/puzzled by
disappointed in/disappointed with	surprised by/surprised at
friendly to/friendly with	

Prepositions that Resemble Adverb Clause Subordinate Conjunctions.

A few prepositions resemble or are identical in form and meaning to subordinate conjunctions that introduce adverb clauses. These deserve special attention. Column A consists of a list of subordinate adverb clause conjunctions, while Column B consists of a list of prepositions. This means that the words in Column A should be followed by a clause (subject and verb) and the words in Column B should be followed by a noun.

Subordinate Conjunctions	Prepositions
because	because of
while	during
despite the fact that	despite
in spite of the fact that	in spite of
until	until
since	since
after	after
before	Before

PRACTICE EXERCISE-I

- Do you take pride ----- your appearance?
A. In B. at
C. About D. of
Correct answer: a
Explanation: In use to show that something is inside something else or someone or something is available like Is Farah in? or something is coming into something like the rain is coming in through the window.
- All is always ----- time.
A. In B. on
C. over D. at
Correct answer: b
Explanation: On tells us when something is attached to or touching a surface. In the given example on is touching the surface of time.
- The horses ran ----- the garden.
A. Over B. up
C. through D. onto
Correct answer: c
Explanation: through is used as a preposition when it is followed by a noun. Through shows moving from one end to another.
- The show starts ----- midnight.
A. By B. at
C. on D. to
Correct answer: b
Explanation: At is used for specific points in times on the clock or points of time in a day.
- We made it ----- time.
A. In B. on
C. through D. at
Correct answer: a
Explanation: In is used to show that something is inside something else or someone or something is available like Is Farah in? or something is coming into something like the rain is coming in through the window.
- Be there --- noon --- we'll be late.
A. By, or B. by, and
C. and, or D. at, else
Correct answer: a
Explanation: By shows time limit for start or end of an activity. It also shows when something /someone is near, beside or by something/someone. Or is used as a function word to pinpoint alternative/different situations.
- There is also Christmas ----- Haram's Birthday --- Saturday.
A. and, on B. but, at
C. on, by D. while, by
Correct answer: a
Explanation: And is used to show connection or addition of items or events within the class. On tells us when something is attached to or touching a surface or used to indicate days of a week.
- There is a cat ---- the tree along ---- the dog.
A. In, by B. at, over
C. under, with D. inside, in
Correct answer: c
Explanation: under is used to show in or into a position below something like the cat is under the tree. In the given example it is used to show the combination of two things.
- When I'll sleep, I have to get my books--- the bed.
A. In B. into
C. onto D. off
Correct answer: d
Explanation: off is used to show a state of discontinuance. Like the books have to be removed from a place where they were already present this shows discontinuance from the previous state.
- This paper was based ----- history
A. over B. at
C. into D. on
Correct answer: d

Explanation: On tells us when something is attached to or touching a surface. Also used to indicate the source of dependence. Like the correct answer is based on means the source of the paper was a history subject.

11. The Eagle flew low----- our heads.
A. Under B. at
C. over D. by
Correct answer: c
Explanation: over is used to indicate motion or situation in a position higher than or above another.
12. I've not seen Ramsha----- last month.
A. For B. from
C. since D. on
Correct answer: c
Explanation: since is used to indicate a definite past time until now. As last month is a definite time in the past so since is used here.
13. I stood ---- her in the lane.
A. next to B. over
C. below D. past
Correct answer: a
Explanation: next to indicates immediately following or adjacent to.
14. We washed all the crockery-----the dinner.
A. By B. between
C. After D. at
Correct answer: c
Explanation: After in this MCQ is used to show something subsequent in time i.e. after the dinner. It is also used to show something behind in place like people are standing one after the other.
15. Come ----- the classroom with me.
A. On B. onto
C. Over D. into
Correct answer: d
Explanation: Into is used as a function word to show insertion, introduction or positioning. It is used to show movement or when someone or something gets involved with the other.

16. Fredrick is dying. I am afraid he is----- his last legs.
A. In B. at
C. On D. over
Correct answer: c
Explanation: On his last legs is an idiom which means about to come to an end.
17. I was ----- a bad temper so I fought with my friend.
A. In B. on
C. at D. with
Correct answer: a
Explanation: In a bad temper. It is used with a state of mind like in a mood, In anger etc.
18. There is some dispute----- the shop.
A. Among B. in
C. Over D. about
Correct answer: c
Explanation: Dispute over is used when there is a disagreement among things.
19. I am a bit weak----- geography but I am trying hard.
A. At B. in
C. Over D. on
Correct answer: b
Explanation: we are weak in something like weak in calculations etc.
20. I can't even think ----travelling ---- public bus.
A. Of, by B. off, to
C. by, in D. of, to
Correct answer: a
Explanation: By shows time limit for start or end of an activity. It also shows when something /someone is near, beside or by something/someone but the preposition by is sometimes used with the transport as in the given example. Of is used to show components or contents of something like in the given MCQ travelling is a component of thinking.
21. Don't depend ---- others.
A. Upon B. on
C. Onto D. for
Correct answer: b

Explanation: On tells us when something is attached to or touching a surface. It also indicates a source of dependence. Like here the source of dependence are others.

22. He would surely tide ---- the crisis.
A. Against B. at
C. Over D. among
Correct answer: c
Explanation: over is used to indicate motion or situation in a position higher than or above another.
23. He was unfit ----- the job as he was lacking --- communication.
A. For, in B. to, on
C. for, at D. among, under
Correct answer: a
Explanation: For is used to show purpose like unfit for the job. In use to show that something is inside something else or someone or something is available like Is Farah in? Or something is coming into something like the rain is coming in through the window.
24. He had longing ---- a dessert so we went out.
A. About B. for
C. To D. in
Correct answer: b
Explanation: For is used to show purpose like longing for dessert.
25. He was roaming ---- the garden.
A. On B. in
C. at D. under
Correct answer: b
Explanation: In is used to show that something is inside something else or someone or something is available like Is Farah in? Or something is coming into something like the rain is coming in through the window.
26. Life promises a lot ---- pleasure.
A. Of B. for
C. about D. more
Correct answer: a
Explanation: Of is used to show components or contents of something. It also indicates the action of the object implied by the preceding noun.
27. He knows German and Italian ----- Chinese.
A. Beside B. besides
C. by D. except
Correct answer: b
Explanation: besides here is used in the sense of together with. Like he knows Chinese together with German and Italian.
28. Taylor was pleased----- my work.
A. At B. for
C. over D. with
Correct answer: d
Explanation: which is used in conjunction or addition but also to show the manner of action like being pleased with work.
29. We've been living in the house ----- 1997.
A. For B. from
C. Since D. to
Correct answer: c
Explanation: since is used to indicate a definite past time until now. As last month is a definite time in the past so since is used here.
30. There is something admirable ----- him.
A. To B. for
C. About D. with
Correct answer: c
Explanation: about is used to show things in regard to or concerned with. In the given MCQ admiration is concerned with him so something is admirable about him.

Practice Exercise-II

Right Answers are given in BOLD.

1. What is the useworrying about the lost treasures?
A. at B. in
C. on D. of
2. The patient complains to the doctor headache.
A. of B. with
C. from D. about
3. Sometimes travelingintercity buses cause much delayed reach.
A. of B. in
C. by D. from
4. The candidates were directed to write the essay.....blue ink.
A. In B. with
C. from D. on
5. Abidinglaw is the culture of civilized nations.
A. of B. in
C. by D. from
6. I phoned him last evening to congratulatepromotion.
A. in B. on
C. of D. for
7. The divers jumped.....the river to take out the lost necklace.
A. on B. in
C. into D. to
8. No one should be surprised that the wrestler drinks, every day a jug fill.....milk.
A. of B. with
C. in D. upon
9. He who teaches English should be good..... it.
A. in B. on
C. with D. at
10. Any one, fond mountaineering must reach the sky-touching peaks.
A. of B. by
C. on D. with
11. A person, gifted common sense can make right decisions.
A. on B. by
C. with D. over
12. She burst....., "I hate you!"
A. on B. in
C. of D. out
13. There came thick clouds _____ the stadium when the players had started the play.
A. in B. over
C. with D. to
14. Where have you beenI last saw you?
A. for B. with
C. since D. by
15. When the property was dividedthe two sisters, they seemed to be at daggers drawn with each other.
A. among B. between
C. with D. for
16. The bank robber shot the guard a gun.
A. by B. for
C. with D. in
17. No Pakistani leader can be compared..... Quaid-e-Azam so far as the honesty of purpose is concerned.
A. to B. with
C. over D. in
18. To be appointedthis post, a candidate is required to be an M.A with three years long experience.
A. to B. on
C. with D. for
19. He has been blind, from birthone eye.
A. from B. in
C. on D. of
20. No one can be preventedenjoying his legal rights.
A. from B. for
C. with D. on
21. Naveed has invited his friends.....lunch today.
A. for B. to
C. with D. over
22. The farmers looked worried when the water supply gave
A. out B. off
C. of D. about
23. In olden times, the books were copied wordword.
A. by B. in
C. for D. from
24. I will be highly grateful you if you assign me this task.

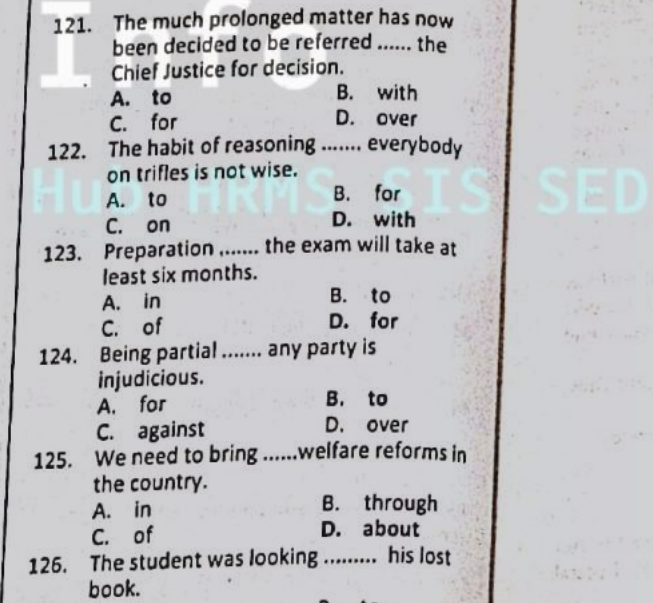
- A. for B. to
C. from D. with
25. He is available in the office every day with the exceptionSaturday and Sunday.
A. to B. of
C. for D. with
26. Because of corrupted manners he was excluded the team.
A. on B. from
C. by D. for
27. Your examination is drawing near; you must be engrossed your studies.
A. on B. with
C. in D. over
28. Everybody is enraged his stupidity.
A. by B. on
C. in D. over
29. He felt in his pocket some money.
A. in B. on
C. for D. by
30. When the children did not refrain from making mistakes, the father frowned them.
A. at B. on
C. in D. with
31. It makes no sense why rich people are always greedy more money.
A. for B. of
C. in D. with
32. I feel hopeful success in the examination.
A. in B. by
C. of D. on
33. It is not wise to include idle talks.
A. on B. over
C. about D. in
34. We are greatly indebtedhim for this favor.
A. with B. for
C. to D. in
35. She is completely involved writing her thesis.
A. in B. on
C. with D. over
36. On this point no one can differyou.
A. with B. from
C. or D. in
37. My car battery has run
A. out B. about
C. down D. in
38. Those who have the courage and confidence do not despair failures in life.
A. on B. in
C. over D. of
39. He told the news everybody in the town.
A. about B. of
C. on D. to
40. I am accustomed listening to romantic music.
A. for B. to
C. by D. with
41. The question was so difficult that no candidate could guessthe answer to it.
A. in B. for
C. at D. on
42. The firefighters had to struggle the whole day to get the fire.
A. on B. by
C. with D. over
43. To jest at others is not cultured behavior.
A. in B. at
C. for D. with
44. Before he came to settle down in my locality I had been unknown him.
A. with B. about
C. for D. to
45. Everybody longs a successful life but is not interested in the required hard work.
A. in B. by
C. for D. with
46. A man of truthful belief always tries to live honest labors.
A. by B. with
C. on D. for
47. Jamal was married last monthhis cousin Rabina.
A. by B. to
C. with D. for
48. Although he is badly in need money, yet he will adopt no foul means.
A. of B. for
C. with D. on
49. She is often mistaken her twin sister.
A. with B. as
C. for D. from
50. No objection can be raisedthis proposal.
A. on B. to

51. In these modern days, brides do not shed tears when they part their parents.
A. from B. of
C. with D. by
52. A stone hearted trifles his feelings.
A. on B. after
C. over D. with
53. If you are good-oriented, you will triumph evil in the long run.
A. on B. over
C. with D. against
54. Those who trust Allah and do the right, never feel isolated.
A. in B. on
C. with D. by
55. According to his doctor he has fallen a victim cancer.
A. on B. to
C. in D. for
56. Despite having been warned the pick pockets, he lost his money.
A. about B. in
C. from D. against
57. None except Waseem Akram was worthy the honor of victory.
A. with B. of
C. on D. over
58. A traitor Pakistan should be sentenced to death punishment.
A. of B. in
C. to D. with
59. We are no longer interested his affairs as he fabricates happenings.
A. on B. with
C. for D. in
60. If you jump the conclusion without reasoning, you will make no mark.
A. in B. on
C. to D. with
61. The poor dwellers lamented the loss of their properties, caused by leaked water pipes.
A. with B. in
C. on D. for
62. No one can hinder you making advancement if you have determination.
A. from B. in
C. for D. on
63. He who is not eligible this post will not be interviewed.

64. You should have reminded him his promise.
A. with B. for
C. of D. from
65. The matter will soon be referred the editorial board.
A. with B. by
C. to D. on
66. What will we do if we run short fuel?
A. of B. with
C. for D. in
67. He who is not satisfied his lot is always found complaining.
A. for B. in
C. with D. over
68. The doctor gave him medicine that could instantly relieve him his pain.
A. in B. of
C. with D. over
69. The patient's condition is getting critical, please send the doctor at once.
A. on B. by
C. for D. with
70. Everyone, who attended the program was sick the unruly performance.
A. of B. by
C. with D. on
71. Kamal completely takes her father.
A. on B. with
C. after D. from
72. He gave the most of his money to the needy.
A. in B. for
C. out D. away
73. They were speaking the plans for the holidays.
A. about B. in
C. on D. with
74. If you have information you should stick the point and not digress.
A. in B. on
C. over D. to
75. To set out a journey we need to hire a bus.
A. in B. on
C. of D. with
76. He seized my suggestion and began to work immediately.
A. on B. with
C. upon D. against

77. He is very lavish praising others.
A. in B. on
C. with D. from
78. One's malice others harms oneself more.
A. on B. towards
C. in D. over
79. Why does he always meddle the affairs of others?
A. on B. from
C. with D. by
80. He is no match for her in tennis.
A. from B. over
C. on D. for
81. His clear and elegant prose sets him most other journalists.
A. apart from B. on
C. in D. out
82. It is necessary health that we take physical exercise regularly.
A. with B. for
C. in D. over
83. Do not be neglectful your duties.
A. with B. on
C. of D. in
84. Why is he always opposed our plans?
A. with B. in
C. for D. to
85. Why have you taken offence my remarks?
A. in B. at
C. on D. with
86. Nobody is ready to listen what he says.
A. in B. for
C. to D. with
87. Taking drugs causes serious harms.
A. to B. in
C. out D. with
88. He is such a flatterer that his views are always identical those of his boss.
A. on B. in
C. for D. with
89. More and more people are taking to streets to clamor lower prices of essential goods.
A. with B. in
C. for D. to
90. The accused has been absolved the charge of murder.
A. of B. on
91. Ministers enjoy full authority their departments but the people are still helpless.
A. in B. on
C. over D. with
92. Who can make amends to him his loss.
A. in B. for
C. to D. with
93. If we adhere principles in life, we make a difference.
A. to B. on
C. in D. with
94. Why do children always persist buying toys?
A. on B. in
C. to D. for
95. If you have deceived others then be prepared the worst.
A. for B. in
C. to D. with
96. The people are gathering to protest the injustice.
A. for B. on
C. against D. from
97. Cautious attitude in Winter can protect you cold.
A. against B. for
C. with D. from
98. A judge should not be partial anybody.
A. to B. on
C. with D. in
99. Our teacher can take pride his knowledge of English grammar.
A. on B. in
C. over D. with
100. How can we prohibit others doing evils?
A. for B. in
C. on D. from
101. My uncle presented him a watch on my birthday.
A. in B. for
C. with D. on
102. Allama Muhammad Iqbal presided the Alahbad meeting 1930.
A. over B. in
C. on D. for
103. No one should have the right to encroach others' land.
A. in B. an

104. Our teacher advised us to desist.....the acts of violence.
 C. for D. upon
 A. in B. for
 C. from D. on
105. A rich man should carea poor man.
 A. for B. to
 C. with D. of
106. We should confide our secrets only sincere friends.
 A. about B. in
 C. on D. of
107. Only spirited players are confident their ultimate victory.
 A. about B. in
 C. on D. of
108. The bride blushed her husband's romantic remarks.
 A. in B. over
 C. at D. on
109. The school function beganthe national anthem.
 A. with B. in
 C. for D. on
110. I borrowed a camera my friend.
 A. with B. for
 C. from D. over
111. A fool does not properly care his family.
 A. in B. for
 C. from D. over
112. You should keep with all times.
 A. of B. with
 C. up D. on
113. The property does not belong me.
 A. with B. to
 C. for D. of
114. The murderer was begging mercy.
 A. on B. against
 C. for D. with
115. If we associate bad boys we get defamed.
 A. with B. in
 C. on D. over
116. He assured mehis full favor.
 A. above B. for
 C. with D. of
117. The question arises as to why students do not pay attention their studies.
 A. in B. on
 C. to D. for
118. Our ambition earning wealth by hook or crook can lead us astray.



119. We should stand..... our relatives in times of need.
 A. by B. with
 C. over D. against
120. I reminded him his promise which he had forgotten for a long time.
 A. about B. for
 C. with D. of
121. The much prolonged matter has now been decided to be referred the Chief Justice for decision.
 A. to B. with
 C. for D. over
122. The habit of reasoning everybody on trifles is not wise.
 A. to B. for
 C. on D. with
123. Preparation the exam will take at least six months.
 A. in B. to
 C. of D. for
124. Being partial any party is injudicious.
 A. for B. to
 C. against D. over
125. We need to bringwelfare reforms in the country.
 A. in B. through
 C. of D. about
126. The student was looking his lost book.
 A. for B. to
 C. against D. over
127. I prevailed him to join the teaching profession.
 A. on B. on
 C. in D. from
128. Great people prefer death dishonor.
 A. to B. than
 C. from D. in
129. We can partall possessions happily for a noble end.
 A. for B. with
 C. on D. from
130. Those who do not live their means often get insulted.
 A. in B. for
 C. within D. from

Part - 2

PROFESSIONAL TEST

FEDERAL BOARD OF REVENUE (FBR)

Introduction and Brief History of FBR

The Central Board of Revenue (CBR) was created on April 01, 1924 through enactment of the Central Board of Revenue Act, 1924. In 1944, a full-fledged Revenue Division was created under the Ministry of Finance. After independence, this arrangement continued up to 31st August 1960 when on the recommendations of the Administrative Re-organization Committee, FBR was made an attached department of the Ministry of Finance. In 1974, further changes were made to streamline the organization and its functions. Consequently, the post of Chairman FBR was created with the status of ex-officio Additional Secretary and Secretary Finance was relieved of his duties as ex-officio Chairman of the FBR.

In order to remove impediments in the exercise of administrative powers of a Secretary to the Government and effective formulation and implementation of fiscal policy measures, the status of FBR as a Revenue Division was restored under the Ministry of Finance on October 22, 1991. However, the Revenue Division was abolished in January 1995, and FBR reverted back to the pre-1991 position. The Revenue Division continues to exist from December 01, 1998.

Functions of FBR

- The Federal Board of Revenue has the following functions to play;
- To deal with all policy matters, rules, regulations, interpretation of relevant laws and perform all allied functions, relating to income Tax, Sales Tax, Federal Excise Duty, Income Support Levy, Capital Value Tax, and Corporate Asset Tax; including: a. Exemptions b. Avoidance of Double Taxation Agreements
 - To formulate and present proposals relating to Income Tax, Sales Tax, Federal Excise Duty, Income Support Levy and Capital Value Tax for annual Finance Bill;
 - To liaise with international organizations, agencies on matters relating to Inland Revenue;
 - To supervise all inter-ministerial issues relating to Inland Revenue;
 - To coordinate in matters relating to Inter Provincial Coordination Committee;
 - Process, short list and nominate officers of IRS for IRS specific training;
 - To exercise powers and perform functions of the Board under the provisions of Sales Tax Act 1990, Income Tax Ordinance 2001, Federal Excise Act 2005, Income Tax Rules 2002, Federal Excise Rules 2005 and Sales Tax Rules 2006, as delegated by the Board;
 - To perform any other duty or task assigned by the Chairman, FBR. Exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990: Sections 2(46)(g), 3 (1B), 3(6), 4(d), 8B Proviso, 9, 10(1) Provisos, 14, 22(1)(f), 22(2), 23(1), 23(3), 23(4), 26 (1) 15' & 2nd provisos, 26(5), 50(1), 61, 61A, 63, 72C with approval of Chairman and Clause 48 of 6th Schedule.

Legal Basis of the functions of the FBR

The Federal Board of Revenue derives its functions from the following enactments; Sections 2(29C)(b), 27(0), 28(3) to the extent of formulating criteria of approval of leasing companies etc., 32(3), 46(d), 59AA(6), 61(5), 67(2), 74(2A), 76(11), 77(6), 100B(2)(e), 111(5), 114(2A) in consultation with Member (IT), 148(2), 155(3)(vii), 159(3) to the extent of exempting persons, class of persons, goods or class of goods from withholding tax, 181(3), 181(3) Proviso, 183, 206, 206A, 227A with approval of Chairman, 237(1), Clause 12 of Part I of 2nd Schedule, Clause 13(m) of Part I of 2nd schedule, Clause 53A of Part I of 2nd Schedule and Clause 57 of Part I of 2nd Schedule. Sections 3(3), 4(2) proviso, 4(5), 4(8), 5(2), 5(3), 6(3), 7(1), 12(5), 17(1)(g), 18(3), 18(4), 18(5), 40(1) and 42C with approval of Chairman.

Income Tax Rules, 2002; Rules 19A, 19B, 19C, 19D, 19E, 19F and 231A.

Federal Excise Rules, 2005; Rules 31(2), 32(2), 33(1), 33(2), 33(3), 40(7), 41A(15), 43(6) and 79.

Sales Tax Rules, 2006; Rules 18 and 150.

TAXES IN PAKISTAN

Government earns revenue through plenty of ways like interests, dividends, trading profits etc. and tax is one of the primary tool of revenue in above mentioned ways. Someone rightly describes tax as; "A fine is a tax for doing something wrong whilst tax is a fine for doing something right." FY 2019-20, reflecting a growth of 4.4% over the collection of Rs. 3,996.7 billion during 2018-2019. I will begin my writing with Ogden Nash's stanza

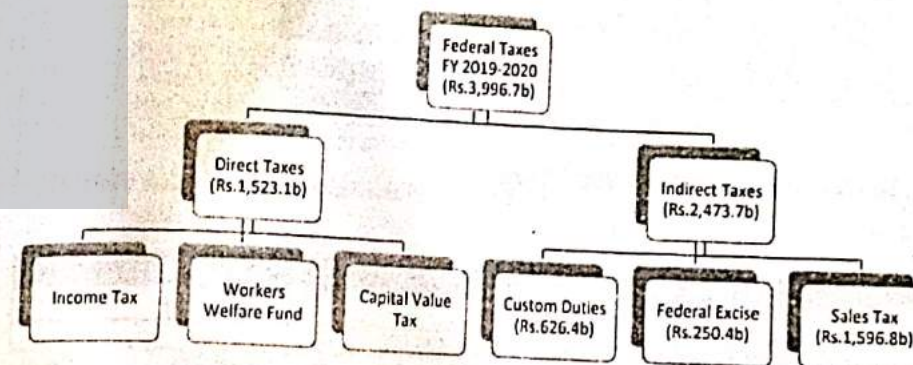
The more you earn, the less you keep, and now I lay me down to sleep,
I pray the Lord my soul to take, if the tax-collector hasn't got it before I wake.

The sources of tax revenue in Pakistan are:

- Federal Taxes
- Provincial Taxes

Federal Taxes

Details of direct and indirect taxes of Pakistan:

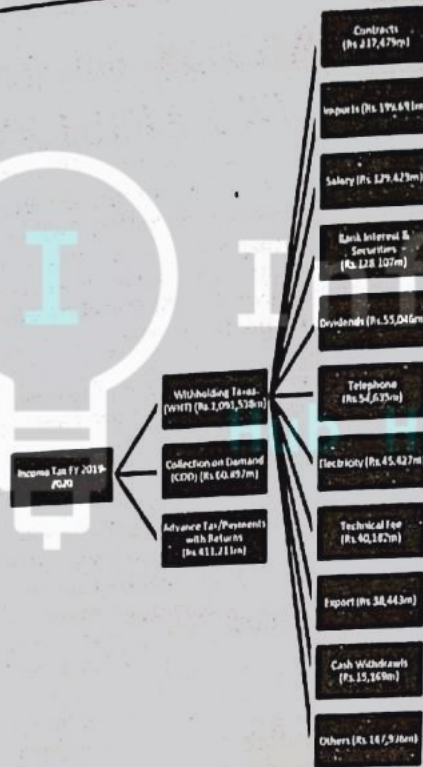


Comparison of Net Revenue Collection FY 2019-2020 vs FY 2018-2019:

Tax Head	FY: 2019-2020	FY: 2018-2019	Growth	
			Absolute	%
Direct Taxes	1,523.1	1,445.5	77.6	5.4
Sales Tax	1,596.8	1,459.2	137.6	9.4
FED	250.4	238.2	12.2	5.1
Customs	626.4	685.6	-59.2	-8.6
Total	3,996.7	3,828.5	168.2	4.4

Income Tax

This is a kind of direct tax that is levied on a person having income more than a certain level. The following description elaborates the income tax scheme in Pakistan:



Taxable Income according to Finance Act 2019

The rates of tax imposed on income of every individual and association of persons except a salaried individual shall be as set out in the following table:

S. No.	Taxable income	Rate of tax.
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 400,000	0%
2.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 400,000
3.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000
4.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 70,000 plus 15% of the amount exceeding Rs. 1,200,000
5.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 250,000 plus 20% of the amount exceeding Rs. 2,400,000
6.	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 370,000 plus 25% of the amount exceeding Rs. 3,000,000
7.	Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 620,000 plus 30% of the amount exceeding Rs. 4,000,000
8.	Where taxable income exceeds Rs. 6,000,000	Rs. 1,220,000 plus 35% of the amount exceeding Rs. 6,000,000

Where the income of an individual, chargeable under "salary", exceeds seventy-five per cent of his taxable income, the rates of tax to be applied shall be as set out in the following table:

S. No.	Taxable income	Rate of tax.
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 600,000	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000
5.	Where taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000	Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000
6.	Where taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000	Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000
7.	Where taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000
8.	Where taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs. 8,000,000
9.	Where taxable income exceeds Rs. 12,000,000 but does not exceed Rs. 30,000,000	Rs. 2,345,000 plus 27.5% of the amount exceeding Rs. 12,000,000
10.	Where taxable income exceeds Rs. 30,000,000 but does not exceed Rs. 50,000,000	Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000
11.	Where taxable income exceeds Rs. 50,000,000 but does not exceed Rs. 75,000,000	Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000
12.	Where taxable income exceeds Rs. 75,000,000	Rs. 21,420,000 plus 35% of the amount exceeding Rs. 75,000,000

Workers Welfare Tax

An industrial establishment contributes 2% of its assessable income under WWF Ordinance, 1971, when it exceeds Rs. 500,000/- in an accounting year. Employees Old Age Benefit Scheme is financed through this fund.

Capital Value Tax

Capital Value Tax is payable by every individual, association of persons, firm and company, not born on the National Tax Register. Currently CVT is payable with different rates on immovable commercial and non-commercial property, residential flats, and purchase of shares of stock exchange.

Worker' Profits Participation Fund

This tax is paid by companies engaged in industrial undertakings satisfying any one of the following:

- The number of workers employed by the company at any time during a year is 50 or more,
- The paid-up capital of the company on the last day of its accounting year is Rs. 20 lakhs or more,
- The value of the fixed assets of the company (at cost) on the last day of the accounting year is Rs. 40 lakhs or more.

5% of the profits are to be distributed amongst workers. Any leftover amount after distribution amongst the workers is deposited with the government to become part of the WWF.

Custom Duties

Customs duties are levied through Customs Act, 1969 on goods imported into Pakistan. It contributes 25% in the indirect taxes and 15.7% in total taxes collected by FBR. The collection of custom duties is important as it also contributes in the base calculation of other taxes like sales tax on imports and withholding tax. Around 59% of customs duty collections were contributed by 10 major commodities grouped in PCT chapters during FY 2019-2020. POL products were the top contributors of the customs duty during FY 2019-2020.

Federal Excise Duty (FED)

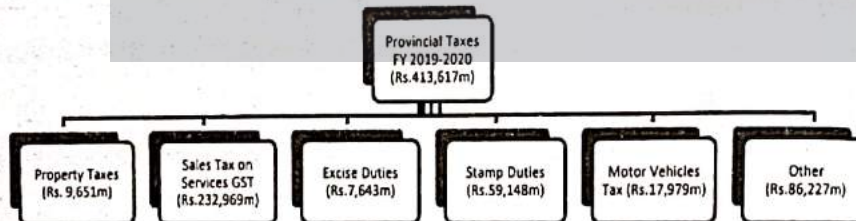
Federal Excise Duties are levied on domestic production, imports and services rendered in the country. Generally, the major excisable commodities include cigarettes, cement, and beverages. For the FY 2019-2020, the sectors which made major contributions in FED revenues include tobacco, beverages, cement, edible oil, natural gas, and some services (such as air travel).

Sales Tax

Sales tax is liable on sales of all goods and services produced in the country excluding those goods exempted in the Sales Tax Act, 1990. The rate structure was different for native products and imports. Sales tax remained the top revenue generating source of federal taxes receipts after direct taxes during FY 2019-2020 (contributing around 39.9% of total revenue collection). The share of sales tax on imports is 54.9% and of domestic sales tax is 45.1%, during the FY 2019-20. POL products were the major contributing commodity group for both domestic sales tax and sales tax on imports. Apart from POL products, some other major contributors for domestic sales tax include; electrical energy, textile sector, sugar, and food products. While for sales tax on imports, major contributors include iron and steel, machinery and mechanical appliances, plastic resins, electrical machinery, edible oil, vehicles (non-railway).

Provincial Taxes

The taxes mentioned in the following chart are collected from the provincial tax net;



TAX REFORMS IN PAKISTAN

Pakistan's tax-to-GDP ratio is one of the lowest in the world, and has been on the decline for the past two years. The revised estimates for FY 2019-2020 put the ratio at 9.4%. In order to expand the tax net and improve the taxation situation in the country, a pragmatic reform program is the need of the hour. Therefore, following recommendations can be very helpful in this respect.

Formation of a Tax Intelligence Bureau:

There is immediate need for a Tax Intelligence institution. This should have substantial powers to inspect financial data from anywhere. It must be embellished with the latest, modern technology and a highly professional team. They should have proper job security and independence as well.

They would be able to perform certain tasks:

- Monitor the online transaction between banks to companies, companies to companies and customer to company and dealing with foreign financial institutions.
- Intercept the financial dealings of companies with local dealers, clients and agents.
- Major task of this to reduce the money laundering across globe.
- Getting financial data of Pakistani citizens from foreign countries.
- Make check over officials who directly deals with the collection and assessment of tax.
- Data Provision of those persons who evade tax and its basic purpose should be to expand the numbers of taxpayers.

Through this kind of bureau, a transparent tax system can be established. It will increase the number of tax payers and boost the performance of tax official as well. Corruption in tax collection can also be reduced while having public complaint department where they receive complaint from public about corruption and they will secretly investigate the matter.

Revisiting Legal procedures:

In Pakistan, convictions or imprisonments on the matter of tax evasion are nonexistent. There is dire need to impose strict legal implications upon those people who evade tax at high level. Inland Revenue commissioner should be given legal power or Government can give instructions to the police to act on the advice of commissioner.

In 2019, FBR announced that persons found guilty of hiding information regarding offshore assets would face a penalty of Rs. 100,000 or an amount equal to 200 per cent of the tax evaded involving an undeclared offshore asset. In addition, a person who fails to declare an offshore asset to the income tax commissioner or furnishes inaccurate particulars of an offshore asset and the revenue impact of such concealment or furnishing of an accurate particular is Rs10m or more will commit an offence punishable on conviction with imprisonment up to three years or with a fine up to Rs. 500,000 or both. It is the responsibility of the government to make sure that such punishments are meted out effectively.

Bureaucratic practices such as involving numerous signatories on every other document results in the wastage of much time and makes the overall system and performance of institutions like the FBR quite weak. Substantial rights and powers should be given at every level to avoid this issue. However, critical matters should be approved by more than two officers including Commissioner.

Levying the Savings Tax:

A savings tax can also be proposed that will tax the savings of people in bank accounts. Such a tax will discourage people from keeping their money idle in bank accounts and instead encourage them to invest all that money in productive ventures in order to generate employment opportunities in Pakistan. Furthermore, the government can launch financial instruments as an alternative investment. All the funds derived by the government through such instruments can be used to finance national infrastructure programs such as dams, bridges and schools etcetera. Such a savings tax will ultimately lead to an increase in aggregate investment and consumption and allow Pakistan to avoid economic recessions.

Introducing the Agricultural Tax:

The most important and perhaps the biggest flaw present in the tax laws of Pakistan is that agriculture which accounts for around 19.2% of the GDP and provides employment to around 38.5% of the total labor force is contributing not even a single penny to the national exchequer. Big landlords that earn millions from agriculture are not taxed in any way and those people who earn any other miscellaneous income also try to label that as agricultural income just to evade tax. Hence, if we want Pakistan to curtail its persistent budget deficit, we will have to collect tax from all the different sectors of the economy. As far as the details concerning such an agricultural tax is concerned, we can tax it similarly to business income where all the expenses incurred in order to derive that income are allowed as deductions. For agricultural income, expenses such as cultivation and harvesting of crops can be allowed as deductions from agricultural income. Small farmers and those people who indulge in agriculture on a subsistence level can be exempted from such a tax.

Another point to be noted over here is that some people in Pakistan have this misconception that any agricultural tax would lead to an increase in food inflation. However, it should be clear to all of us that the tax which is being proposed will be imposed on the profits that people earn from agriculture. This agricultural tax will not be imposed on the agricultural produce as what happens in a sales tax. Hence, to create false fears of food inflation just to exempt big landlords from paying taxes would be highly inequitable and unless Pakistan decides to tax all those segments of the society which can afford to pay their due share of taxes, Pakistan will continue to face the problem of budget deficits and ever mounting public debt.

Adjustments in the Capital Gains Tax:

During the past few decades, hundreds of people became millionaires and even billionaires in Pakistan by investing in the stock market and in the real estate. The boom in the stock and the real estate markets came and went, but those people who earned abnormal profits by investing in both these markets were not taxed to the extent that they should have been. Even now one can see that people who hold shares of listed companies for more than a year are completely exempt from paying even a single penny in tax. It can be argued that the government wants to encourage people to invest for the long term in the stock market. However, providing a complete exemption is clearly not logical and economically feasible in such economically trying times for the Pakistani government.

It would be a logical proposition to advise the government to start taxing stock market investments where the holding period is greater than a year and furthermore, the government should increase the tax rate on short term and speculative investment in the stock market which only makes the market more volatile. All these measures are extremely crucial in an environment in which the government is facing a fiscal squeeze and every single penny of tax collected by the government is extremely important. Similarly, investment in the real estate should also be taxed so that all those people who can afford to invest in such properties pay their due share of tax.

Rooting out the menace of Corruption:

All the above mentioned reforms will surely increase the tax revenue being collected by the Pakistani tax machinery. However, the problem and menace of corruption if not eliminated will lay to waste all the efforts of any party or institution to increase the tax revenue of Pakistan. Corruption is the reason due to which a hefty portion of our tax revenue is wasted away and is not spent on social development and national infrastructure projects. Hence, in order to ensure that all the measures that have been cited above must also be complimented with some other ancillary measures in order to make sure that no hurdle is put in the path of greater tax collection in Pakistan. Some of those measures can be:

- Firstly, the customs department which is heavily involved in the under-invoicing and incorrect declarations should be revamped at war footings.
- Besides this competent and dedicated personnel should be hired. Most importantly the hiring should be done solely on merit, so that deserving and clean people could serve the country.
- Furthermore, the people who make up the tax machinery should be held accountable and their performance should be monitored regularly. An intelligence division should be made within the Directorate Intelligence and Investigation, in order to keep check on the employees.
- Moving on, any abuse of authority if observed should be punished suitably. In order to come with the proper environment in which everyone does his own work and do it properly the senior management should set an example for the juniors.
- Plus to generate honesty and reward hard work in the tax machinery, anyone who is doing good work should be given incentives plus any one who uncovers any major tax evasion or scam should be given 25% of the detected amount.

Hence, measures like these can lead to the creation of a controlled environment in the tax machinery of Pakistan that will ultimately lead to the increase in tax revenue being collected and a lot less money being wasted due to corruption.

Furthermore, in today's environment it is crucial for the FBR to conduct strong audits in order to ensure that the tax returns filed by the taxpayers on self – assessment basis are accurate and complete and these returns do not in any way understate the income of the taxpayer. In order to facilitate the taxpayers a new scheme was introduced in the income tax ordinance called the universal self-assessment scheme (USAS). The scheme was that the taxpayer had to assess their income and file it honestly. This scheme basically was introduced to minimize the contact between the tax payers and the tax collector. Also the tax collector could not assess the income tax filed by the taxpayer, hence slashing the power of audit. The results of such scheme were catastrophic, the documentation and increase in revenue which started to take place in the nineties, faded away with this scheme. That is why strong audits are extremely necessary for the negative aspects of USAS to be eradicated. Recently, while presenting the Federal Budget for 2021-2022, the Finance Minister of Pakistan announced that USAS in its "actual form" is being restored to facilitate filers. By actual form, what was meant was that except when there is any "definitive information" contrary to the information disclosed in a tax return, all tax returns shall be deemed as assessment orders.

Minimizing the Non – Developmental Expenditures:

Non – developmental expenditure that eats up the most of the funds that Pakistan is able to generate include defence expenditure and the unnecessary and lavish expenditure that our politicians waste on their luxurious lifestyles. Hence, it would be useless to implement tax reforms if all that money is to be utilized on such non – developmental expenditure. It could be argued that in such tense times, it would not be advisable for Pakistan to reduce its defence expenditure. However, some tough

decisions will have to be taken in order to reduce the budget deficit of Pakistan.

Eliminating the Black Economy:

Finally, another big problem that Pakistan is facing, which is a big cause of low tax collection, is a lack of documentation. As the government does not have sufficient data on the incomes of people, it is obvious that it finds it really difficult to tax them as well. However, there is also a solution to this problem. If the government could get serious in making the tax system work properly, NADRA has its solutions in a single click. As NADRA issues the CNIC and that CNIC includes a unique ID number. Nowadays, nothing is possible without use of the CNIC. Suppose if you are going to open a bank account, you will require your CNIC. If you are spending something from your credit card, it includes your CNIC and moreover if you are buying an airline ticket, you require a CNIC. Nowadays, about everything requires a CNIC. If the government wants, with just a single click, you could easily track, who is doing what, how many bank accounts does he have and how many of them are actually declared, what is being earned and what is being spent. If the government wants, any information can be collected from the CNIC. Hence, such a measure if taken by the government can resolve the problem of documentation in Pakistan's economy and result in more tax being collected as the government will have at its disposal the record of the income and expenditure of its taxpayers.

FISCAL POLICY IN PAKISTAN

Government/Federal Receipts

The Government/Federal receipts consist of Revenue Receipts, Capital Receipts, External Receipts, and Public Account Receipts. All of these, except for the Public Account Receipts, become part of the Federal Consolidated Fund. Details of these four categories are as follows:

- 1. Revenue Receipts (Net of Provincial Shares):** In Pakistan, there's a heavy dependence upon revenue receipts. About 65-70% of the revenue is estimated to be drawn from revenue receipts. It includes tax revenue and non-tax revenue.
 - (a) Tax Revenue:** In taxes we have direct taxes such as income tax. Indirect taxes such as federal excise, sales tax, and custom duty. Indirect tax comprises the bulk of Pakistan's total tax revenue.
 - (b) Non-Tax Revenue:** It includes income from government property and enterprises and receipts from Civil Administration and other functions.
 - (c) Other Taxes/Surcharges:** Surcharges are also a type of indirect tax, but they don't fall under FBR tax revenues. Surcharges on natural gas and petroleum fall under this category.
- 2. Capital Receipts:** Capital receipts include, a) recovery of Loans and Advances from provinces and other entities, and b) Domestic Debt Receipts (Non-Bank) aka Public Debt (this includes Permanent Debt and Floating Debt). The net capital receipts received by the federal government generally constitute the available resources for the financing of its Public Sector Development Programme. Budget estimates for Capital Receipts based on the Federal Budget for FY 2021-2022 are as follows:

Object Code	Description	(Rs in million)		
		Budget Estimates 2020-21	Revised Estimates 2020-21	Budget Estimates 2021-22
E02	I. Recoveries of Loans and Advances	147,187	184,120	273,382
E021	Provinces	89,025	88,119	95,361
E022-27	PSEs and Others	58,142	96,001	177,960
E03	II. Total Domestic Debts Receipts (I+II)	11,278,787	16,238,700	22,783,874
E031	i) Permanent Debt Receipts	1,827,003	2,162,878	3,857,981
	Pakistan Investment Bonds (Bank)	277,531	569,000	746,685
	Pakistan Investment Bonds (non Bank)	1,079,472	1,131,468	1,661,296
	Premium Prize Bonds (Registered)	20,000	25,000	30,000
	Ijara Sukuk Bonds	450,000	437,410	1,200,000
E032	ii) Floating Debt Receipts	9,481,784	14,072,822	18,128,893
	Prize Bonds	48,626	50,871	10,418
	Treasury Bills through Auction	9,401,000	14,016,951	19,115,475
	Others Bills	1,858	-	-
	Ways and Means Advances	300	-	-
E	4 Capital Gross Receipts (I+II)	11,425,954	16,418,820	23,067,228
	Domestic Debt Receipts (I+II)	11,278,787	16,238,700	22,783,874
	Domestic Debt Repayment (page-18)	10,099,902	14,718,837	21,817,347
	Net Domestic Debt Receipts	1,178,885	1,817,063	1,166,627
5	Total Federal Internal Gross Receipts (3+4)	17,999,180	22,818,282	30,968,191

- 3. External Resources:** External Resources are loans and grants which come from various bilateral, multilateral, and other sources for approved projects, programmes and other initiatives. Loans and grants received by Pakistan can be classified into 'project' and 'non-

project' aid. Budget estimates for External Resources based on the Federal Budget for FY 2021-2022 are as follows:

Description	(Rs in million)		
	Budget Estimates 2020-21	Revised Estimates 2020-21	Budget Estimates 2021-22
	2,187,800	2,201,280	2,893,338
I Loans	218,183	228,897	289,943
Project Loans (PSDP)	60,822	120,587	93,713
Federal	151,331	99,309	166,231
Provincial	803,667	440,319	438,198
Programme Loans	1,438,781	1,832,838	1,998,200
Other Loans	165,000	128,800	160,000
Islamic Development Bank	165,000	-	-
Saudi Arabia (Oil Facility)	247,500	402,500	560,000
Euro Bonds/International Sukuk	-	161,000	-
China sale Deposits (bilateral)	647,213	782,335	779,200
Commercial Banks	211,068	77,400	496,000
IMF Loan for Budgetary Support	20,667	27,749	31,838
II Grants	20,667	27,749	31,838
Project Grants	5,653	10,315	6,287
Federal (PSDP)	15,014	17,434	25,349
Provincial (PSDP)	2,178,168	2,228,999	2,724,874
a. External Receipts (I+II)	44,781	87,889	22,817
b. Project Loans & Grants Outside PSDP	42,411	50,450	22,139
Loans	2,340	7,409	678
Grants	2,222,919	2,286,889	2,747,792
6 Total External Receipts (a+b)			

4. **Public Account Receipts:** As per Article 78(2) of the Constitution of the Islamic Republic of Pakistan, this includes all money received by the Government apart from the first 3 categories (these are not considered 'revenues' in terms of Article 78(1)). These Public Account receipts cannot be operated without establishment of Special Purpose Funds, deposits, reserves etc. under the authority of an act of the Parliament or with the approval of the Federal Government. Also, according to Section 32 of the Public Finance Management Act, 2019, special purpose funds, in which monies have been appropriated by the National Assembly shall be established under any law or with the approval of the Federal Government. There are two sources of such receipts. Namely, i) National Savings Schemes, and ii) Deposits & Reserves.

Government Expenditures

Government expenditure is classified into current expenditure and development expenditure:

- Current Expenditure:** It is classified into ten functional items as per the Chart of Accounts of the Federal Budget FY 2021-2022. These are; General Public Service (debt servicing etc.), Defence Affairs and Servicing, Public Order and Safety Affairs, Economic Affairs, Environment Protection, Housing and Community Amnesties, Health, Recreation Culture and Religion, Education Affairs and Services, and Social Protection.
- Development Expenditure:** Public Sector Development Program (PSDP) is another name given to Government's development expenditure. The priority areas in the Federal Budget FY 2021-2022 are transport, water and power, Kashmir affairs and Gilgit Baltistan division.

and COVID-19 and other natural calamities response.

The share of current expenditure always remains substantial. It constitutes a major portion of total Government expenditure. Non-development expenditure is generally regarded as being excessive and therefore subjected to persistent public criticism. With sharp increase in development expenditure is subjected to a rising trend which could only be controlled by rapid economic development. On the other hand, negligence of non-development expenditure may result into ill-equipped and under-staffed hospitals, dispensaries and educational institutes, and arrears in maintenance of roads, dams, bridges, electricity and forests. Non-development expenditure should be economically managed in order to ensure the economic development of Pakistan.

Tax Structure of Pakistan

- The narrow base enigma has been a base in Pakistan's tax structure from the beginning.
- In 1987 when population of the country was more than a hundred million, the total number of taxpayer was just over a million.
- The main base taxes imposed are direct and indirect taxes.
 - Direct tax of the Federal Government comprises of income tax, workers welfare fund, workers' profit participation fund, and capital value tax.
 - Indirect tax, on the other hand, consists of custom duties, federal excise, and sales tax.
- Direct tax contributions to total tax revenues have been low in Pakistan.
- Indirect tax, on the other hand, contributes the majority of total tax revenue. Indirect tax is regressive. It may cause the inflation to rise and its incidence falls on the poor classes of the economy.

Deficit Financing in Pakistan

Following are the sources of deficit financing in Pakistan:

- Printing new currency notes
- Public borrowings
- Auctioning of market treasury bills (MTBs) and Pakistan investment bonds (PIBs)
- Foreign loans, aid and grants
- Using previous balances, and
- Borrowings from banks. This also included the central bank, however, the present government has entered an agreement with the IMF that restricts borrowing from the central bank for deficit financing.

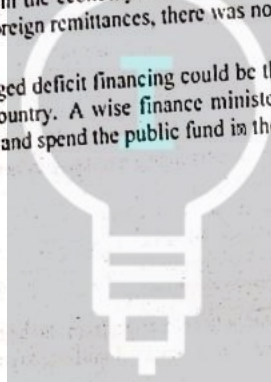
The public debt does not only constitute the above sources, it also includes money lent to Government out of the balances of the banks which would have been held if the Government had not borrowed them.

Deficit financing is a sound and necessary instrument of the Government finance and its role, its desirability and limitations of its use in mobilising revenue, must be properly analysed in the context of its broad implications on the economy and compared to the adequacy of other techniques of

resource mobilisation.

It was planned in Third Five-Year Plan that there will be no deficit financing during the said plan but the government had to revise the plan. In the Fourth Five-Year Plan there were annual plans and major upsets in the economy. In the Fifth and Sixth Five-Year Plans, though there were very large amounts of foreign remittances, there was not a remarkable reduction in deficit financing.

A well-managed deficit financing could be the key to greater economic achievements especially for a developing country. A wise finance minister has to keep an eye on all the factors of the economic development and spend the public fund in the manner that is most beneficial to the nation.



INCOME TAX ORDINANCE, 2001

AMENDED UPTO 30th JUNE, 2021

CHAPTER III TAX ON TAXABLE INCOME

PART I

COMPUTATION OF TAXABLE INCOME

9. Taxable income.—The taxable income of a person for a tax year shall be the total income ¹[under clause (a) of section 10] of the person for the year reduced (but not below zero) by the total of any deductible allowances under Part IX of this Chapter of the person for the year.

10. Total income.— The total income of a person for a tax year shall be the sum of the ²[—]

³[(a) person's income under all heads of income for the year; and]

⁴[(b) person's income exempt from tax under any of the provisions of this Ordinance.]

11. Heads of income.— (1) For the purposes of the imposition of tax and the computation of total income, all income shall be classified under the following heads, namely:—

(a) Salary;

⁵[(b) Income from Property;]

⁶[(c) Income from Business;]

⁷[(d) Capital Gains; and]

⁸[(e) Income from Other Sources.]

¹Inserted by the Finance Act, 2012.

²The words "person's income under each of the heads of income for the year" substituted by the Finance Act, 2012.

³Inserted by the Finance Act, 2012.

⁴Inserted by the Finance Act, 2012.

⁵ Clause (b) substituted by the Finance Act, 2002. The substituted clause (b) read as follows:
"(b) income from property;"

⁶ Clause (c) substituted by the Finance Act, 2002. The substituted clause (c) read as follows:
"(c) income from business;"

⁷ Clause (d) substituted by the Finance Act, 2002. The substituted clause (d) read as follows:
"(d) capital gains; and"

⁸ Clause (e) substituted by the Finance Act, 2002. The substituted clause (e) read as follows:
"(e) income from other sources."

(2) Subject to this Ordinance, the income of a person under a head of income for a tax year shall be the total of the amounts derived by the person in that year that are chargeable to tax under the head as reduced by the total deductions, if any, allowed under this Ordinance to the person for the year under that head.

(3) Subject to this Ordinance, where the total deductions allowed under this Ordinance to a person for a tax year under a head of income exceed the total of the amounts derived by the person in that year that are chargeable to tax under that head, the person shall be treated as sustaining a loss for that head for that year of an amount equal to the excess.

(4) A loss for a head of income for a tax year shall be dealt with in accordance with Part VIII of this Chapter.

(5) The income of a resident person under a head of income shall be computed by taking into account amounts that are Pakistan-source income and amounts that are foreign-source income.

(6) The income of a non-resident person under a head of income shall be computed by taking into account only amounts that are Pakistan-source income.

PART II

HEAD OF INCOME: SALARY

12. **Salary.**— (1) Any salary received by an employee in a tax year, other than salary that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Salary".

(2) Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including —

(a) any pay, wages or other remuneration provided to an employee, including leave pay, payment in lieu of leave, overtime payment, bonus, commission, fees, gratuity or work condition supplements (such as for unpleasant or dangerous working conditions)¹;

²[]

(b) any perquisite, whether convertible to money or not;

(c) the amount of any allowance provided by an employer to an employee including a cost of living, subsistence, rent, utilities, education, entertainment or travel allowance, but shall not include any allowance solely expended in the performance of the employee's duties of employment.

³*Explanation.*— For removal of doubt, it is clarified that the allowance solely expended in the performance of employee's duty does not include —

(i) allowance which is paid in monthly salary on fixed basis or percentage of salary; or

(ii) allowance which is not wholly, exclusively, necessarily or actually spent on behalf of the employer;

(d) the amount of any expenditure incurred by an employee that is paid or reimbursed by the employer, other than expenditure incurred on behalf of the employer in the performance of the employee's duties of employment;

¹ Semi-colon substituted by the Finance Act, 2015.

² Omitted by the Finance Act, 2015. The omitted proviso read as follows:—

Provided that any bonus paid or payable to corporate employees receiving salary income of one million rupees or more (excluding bonus) in tax year 2010, shall be chargeable to tax at the rate provided in paragraph (2) of Division I of Part I of the First Schedule;

³ Explanation added by the Finance Act, 2021.

- (e) the amount of any profits in lieu of, or in addition to, salary or wages, including any amount received —
- (i) as consideration for a person's agreement to enter into an employment relationship;
 - (ii) as consideration for an employee's agreement to any conditions of employment or any changes to the employee's conditions of employment;
 - (iii) on termination of employment, whether paid voluntarily or under an agreement, including any compensation for redundancy or loss of employment and golden handshake payments;
 - (iv) from a provident or other fund, to the extent to which the amount is not a repayment of contributions made by the employee to the fund in respect of which the employee was not entitled to a deduction; and
 - (v) as consideration for an employee's agreement to a restrictive covenant in respect of any past, present or prospective employment;
- (f) any pension or annuity, or any supplement to a pension or annuity; and
- (g) any amount chargeable to tax as "Salary" under section 14.

(3) Where an employer agrees to pay the tax chargeable on an employee's salary, the amount of the employee's income chargeable under the head "Salary" shall be grossed up by the amount of tax payable by the employer.

(4) No deduction shall be allowed for any expenditure incurred by an employee in deriving amounts chargeable to tax under the head "Salary".

(5) For the purposes of this Ordinance, an amount or perquisite shall be treated as received by an employee from any employment regardless of whether the amount or perquisite is paid or provided —

- (a) by the employee's employer, an associate of the employer, or by a third party under an arrangement with the employer or an associate of the employer;
- (b) by a past employer or a prospective employer; or
- (c) to the employee or to an associate of the employee ¹[or to a third party under an agreement with the employee or an associate of the employee.]

¹ Inserted by the Finance Act, 2002

(6) An employee who has received an amount referred to in sub-clause (iii) of clause (e) of sub-section (2) in a tax year may, by notice in writing to the Commissioner, elect for the amount to be taxed at the rate computed in accordance with the following formula, namely —

A/B%

where —

A is the total tax paid or payable by the employee on the employee's total taxable income for the three preceding tax years; and

B is the employee's total taxable income for the three preceding tax years.

(7) Where —

(a) any amount chargeable under the head "Salary" is paid to an employee in arrears, and

(b) as a result the employee is chargeable at higher rates of tax than would have been applicable if the amount had been paid to the employee in the tax year in which the services were rendered,

the employee may, by notice in writing to the Commissioner, elect for the amount to be taxed at the rates of tax that would have been applicable if the salary had been paid to the employee in the tax year in which the services were rendered.

(8) An election under sub-section (6) or (7) shall be made by the due date for furnishing the employee's return of income or employer certificate, as the case may be, for the tax year in which the amount was received or by such later date as the Commissioner may allow.

13. Value of perquisites.— (1) For the purposes of computing the income of an employee for a tax year chargeable to tax under the head "Salary", the value of any perquisite provided by an employer to the employee in that year that is included in the employee's salary under section 12 shall be determined in accordance with this section.

(2) This section shall not apply to any amount referred to in clause (c) or (d) of sub-section (2) of section 12.

¹(3) Where, in a tax year, a motor vehicle is provided by an employer to an employee wholly or partly for the private use of the employee, the amount

¹Substituted by the Finance Ordinance, 2002. The substituted sub-section (3) read as follows—

(3) Subject to sub-section (4), where, in a tax year, a motor vehicle is provided by an employer to an employee wholly or partly for the private use of the employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the amount computed in accordance with the following formula, namely —

(A*B)-C

chargeable to tax to the employee under the head "Salary" for that year shall include an amount computed as may be prescribed.]

§ 1
(5) Where in a tax year the services of a housekeeper, driver, gardener or other domestic assistant is provided by an employer to an employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the total salary paid to the domestic assistant [such house keeper, driver, gardener or other domestic assistant] in that year for services rendered to the employee, as reduced by any payment made [to the employer] for such services.

(6) Where, in a tax year, utilities are provided by an employer to an employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the fair market value of the utilities provided, as reduced by any payment made by the employee for the utilities.

§(7) Where a loan is made on or after the 1st day of July, 2002, by an employer to an employee and either no profit on loan is payable by the employee or the rate of profit on loan is less than the benchmark rate, the amount chargeable to tax to the employee under the head "Salary" for a tax year shall include an amount equal to—

- (a) the profit on loan computed at the benchmark rate, where no profit on loan is payable by the employee, or

Where

A is the cost to the employer of acquiring the motor vehicle or, if the vehicle is leased by the employer, the fair market value of the vehicle at the commencement of the lease.

B is—

- (a) where the vehicle is wholly for private use, fifteen per cent,
(b) where the vehicle is only partly for private use, seven and a half per cent, and
C is any payment made by the employee for the use of the motor vehicle or for its running costs.*

* Sub-section (4) omitted by the Finance Act, 2002. The omitted sub-section (4) read as follows

(4) Where a motor vehicle referred to in sub-section (3) is available to more than one employee for a tax year, the amount chargeable to tax under the head "Salary" for each such employee for that year shall be the amount determined under sub-section (3) divided by the number of employees permitted to use the vehicle.

² The words "domestic assistant" substituted by the Finance Act, 2002

³ The words "by the employee" substituted by the Finance Act, 2002

⁴ Sub-section (7) substituted by the Finance Act, 2002. The substituted sub-section (7) read as follows

(7) Where, in a tax year, a loan is made by an employer to an employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the difference between the profit paid by the employee on the loan in the tax year, if any, and the profit which would have been paid by the employee on the loan for the year if the loan had been made at the benchmark rate for that year.

- (b) the difference between the amount of profit on loan paid by the employee in that tax year and the amount of profit on loan computed at the benchmark rate, as the case may be []]

²[Provided that this sub-section shall not apply to such benefit arising to an employee due to waiver of interest by such employee on his account with the employer? []]

⁴[Provided further that this sub-section shall not apply to loans not exceeding ³[one million] rupees]

(8) For the purposes of this Ordinance not including sub-section (7), where the employee uses a loan referred to in sub-section (7) wholly or partly for the acquisition of ⁶[any asset or property] producing income chargeable to tax under any head of income, the employee shall be treated as having paid an amount as profit equal to the benchmark rate on the loan or that part of the loan used to acquire ⁷[] [asset or property.]

(9) Where, in a tax year, an obligation of an employee to pay or repay an amount owing by the employee to the employer is waived by the employer, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the amount so waived.

(10) Where, in a tax year, an obligation of an employee to pay or repay an amount ⁸[owing] by the employee to another person is paid by the employer, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the amount so paid.

(11) Where, in a tax year, property is transferred or services are provided by an employer to an employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the fair market value of the property or services determined at the time the property is transferred or the services are provided, as reduced by any payment made by the employee for the property or services.

¹ Full stop substituted by the Finance Act, 2010.

² Added by the Finance Act, 2010.

³ Full stop substituted by the Finance Act, 2012.

⁴ Added by the Finance Act, 2012.

⁵ The word "five hundred thousand" substituted by Finance Act, 2017

⁶ The word "property" substituted by the Finance Act, 2002

⁷ The word "the" omitted by the Finance Act, 2014

⁸ The word "owed" substituted by the Finance Act, 2002

(12) Where, in the tax year, accommodation or housing is provided by an employer to an employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include an amount computed as may be prescribed.]

(13) Where, in a tax year, an employer has provided an employee with a perquisite which is not covered by sub-sections (3) through (12), the amount chargeable to tax to the employee under the head "Salary" for that year shall include the fair market value of the perquisite, ²[except where the rules, if any, provide otherwise.] determined at the time it is provided, as reduced by any payment made by the employee for the perquisite.

(14) In this section,—

- (a) "benchmark rate" means —
- (i) for the tax year commencing on the first day of July, 2002, a rate of five per cent per annum; and
 - (ii) for the tax years next following the tax year referred to in sub-clause (i), the rate for each successive year taken at one per cent above the rate applicable for the immediately preceding tax year, but not exceeding ⁴[ten per cent per annum] in respect of any tax year;
- (b) "services" includes the provision of any facility; and
- (c) "utilities" includes electricity, gas, water and telephone.]

¹ Sub-section (12) substituted by the Finance Act, 2002. The substituted sub-section (12) read as follows:

"(12) Where, in a tax year, accommodation or housing is provided by an employer to an employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include —

- (a) where the employer or an associate owns the accommodation or housing, the fair market rent of the accommodation or housing, or
- (b) in any other case, the rent paid by the employer for the accommodation or housing, as reduced by any payment made by the employee for the accommodation or housing."

² Inserted by the Finance Act, 2002

³ Sub-section (14) substituted by the Finance Act, 2002. The substituted sub-section (14) read as follows:

"(14) In this section, —
 "benchmark rate" means the State Bank of Pakistan discount rate at the commencement of the tax year,
 "services" includes the making available of any facility, and
 "utilities" includes electricity, gas, water and telephone."

⁴ The words "such rate, if any, as the Federal Government may, by notification, specify" substituted by the Finance Act, 2012

14. **Employee share schemes.**— (1) The value of a right or option to acquire shares under an employee share scheme granted to an employee shall not be chargeable to tax.

(2) Subject to sub-section (3), where, in a tax year, an employee is issued with shares under an employee share scheme including as a result of the exercise of an option or right to acquire the shares, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the fair market value of the shares determined at the date of issue, as reduced by any consideration given by the employee for the shares including any amount given as consideration for the grant of a right or option to acquire the shares.

(3) Where shares issued to an employee under an employee share scheme are subject to a restriction on the transfer of the shares —

- (a) no amount shall be chargeable to tax to the employee under the head "Salary" until the earlier of —
 - (i) the time the employee has a free right to transfer the shares, or
 - (ii) the time the employee disposes of the shares, and
- (b) the amount chargeable to tax to the employee shall be the fair market value of the shares at the time the employee has a free right to transfer the shares or disposes of the shares, as the case may be, as reduced by any consideration given by the employee for the shares including any amount given as consideration for the grant of a right or option to acquire the shares.

(4) For purposes of this Ordinance, where sub-section (2) or (3) applies, the cost of the shares to the employee shall be the sum of —

- (a) the consideration, if any, given by the employee for the shares;
- (b) the consideration, if any, given by the employee for the grant of any right or option to acquire the shares, and
- (c) the amount chargeable to tax under the head "Salary" under those sub-sections.

(5) Where, in a tax year, an employee disposes of a right or option to acquire shares under an employee share scheme, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the amount of any gain made on the disposal computed in accordance with the following formula, namely:—

A—B

where —

- A is the consideration received for the disposal of the right or option; and
- B is the employee's cost in respect of the right or option.
- (6) In this sub-section, "employee share scheme" means any agreement or arrangement under which a company may issue shares in the company to —
- an employee of the company or an employee of an associated company; or
 - the trustee of a trust and under the trust deed the trustee may transfer the shares to an employee of the company or an employee of an associated company.

PART III

HEAD OF INCOME: INCOME FROM PROPERTY

15. **Income from property.**— (1) The rent received or receivable by a person ¹[for] a tax year, other than rent exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Income from Property".

(2) Subject to sub-section (3), "rent" means any amount received or receivable by the owner of land or a building as consideration for the use or occupation of, or the right to use or occupy, the land or building, and includes any forfeited deposit paid under a contract for the sale of land or a building.

(3) This section shall not apply to any rent received or receivable by any person in respect of the lease of a building together with plant and machinery and such rent shall be chargeable to tax under the head "Income from Other Sources".

²[(3A) Where any amount is included in rent received or receivable by any person for the provision of amenities, utilities or any other service connected with the renting of the building, such amount shall be chargeable to tax under the head "Income from Other Sources".]

(4) Subject to sub-section (5), where the rent received or receivable by a person is less than the fair market rent for the property, the person shall be treated as having derived the fair market rent for the period the property is let on rent in the tax year.

(5) Sub-section (4) shall not apply where the fair market rent is included in the income of the lessee chargeable to tax under the head "Salary".

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¹ Substituted for the word "in" by the Finance Act, 2003.

² Inserted by the Finance Act, 2003.

³ Sub-section (6) omitted by the Finance Act, 2013. The omitted sub-section (6) read as follows:
(6) Income under this section shall be liable to tax at the rate specified in Division VI of Part I of the First Schedule."

⁴ Sub-section (7) omitted by the Finance Act, 2013. The omitted sub-section (6) read as follows:
(7) the provisions of sub-section (1), shall not apply in respect of a taxpayer who—
(i) is an individual or association of persons;
(ii) derives income chargeable to tax under this section not exceeding Rs. 150,000 in a tax year, and
(iii) does not derive taxable income under any other head."

⁵ Clause (6) inserted by the Finance Act, 2016.

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15A. Deductions in computing income chargeable under the head "Income from Property".— (1) In computing the income of a ⁵[] ⁶[person] chargeable to tax under the head "Income from Property" for a tax year, a deduction shall be allowed for the following expenditures or allowances, namely:—

- (a) In respect of repairs to a building, an allowance equal to one-fifth of the rent chargeable to tax in respect of the building for the year, computed before any deduction allowed under this section;
- (b) any premium paid or payable by the ⁷[] ⁸[person] in the year to insure the building against the risk of damage or destruction;
- (c) any local rate, tax, charge or cess in respect of the property or the rent from the property paid or payable by the ⁹[] ¹⁰[person] to any local authority or government in the year, not being any tax payable under this Ordinance;
- (d) any ground rent paid or payable by the ¹¹[] ¹²[person] in the year in respect of the property;
- (e) any profit paid or payable by the ¹³[] ¹⁴[person] in the year on any money borrowed including by way of mortgage, to acquire, construct, renovate, extend or reconstruct the property;

¹ Clause (6) omitted by the Finance Act, 2021. The omitted clause read as follows:

"(6) Income under this section derived by an individual or an association of persons shall be liable to tax at the rate specified in Division VIA of Part I of the First Schedule."

² Clause (7) inserted by the Finance Act, 2016.

³ Clause (7) omitted by the Finance Act, 2021. The omitted clause read as follows:

"(7) The provisions of sub-section (1), shall not apply in respect of an individual or association of persons who derive income chargeable to tax under this section not exceeding two hundred thousand rupees in a tax year and does not derive taxable income under any other head."

⁴ Inserted by the Finance Act, 2013.

⁵ The word "person" substituted by the Finance Act, 2016.

⁶ The word "company" substituted by the Finance Act, 2021.

⁷ The word "person" substituted by the Finance Act, 2016.

⁸ The word "company" substituted by the Finance Act, 2021.

⁹ The word "person" substituted by the Finance Act, 2016.

¹⁰ The word "company" substituted by the Finance Act, 2021.

¹¹ The word "person" substituted by the Finance Act, 2016.

¹² The word "company" substituted by the Finance Act, 2021.

¹³ The word "person" substituted by the Finance Act, 2016.

¹⁴ The word "company" substituted by the Finance Act, 2021.

- (f) where the property has been acquired, constructed, renovated, extended, or reconstructed by the ¹[] ²[person] with capital contributed by the House Building Finance Corporation or a scheduled bank under a scheme of investment in property on the basis of sharing the rent made by the Corporation or bank, the share in rent and share towards appreciation in the value of property (excluding the return of capital, if any) from the property paid or payable by the ³[] ⁴[person] to the said Corporation or the bank in the year under that scheme.
- (g) where the property is subject to mortgage or other capital charge, the amount of profit or interest paid on such mortgage or charge,
- ⁵{(h) any expenditure, not exceeding ⁶[four] per cent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section, paid or payable by the ⁷[] ⁸[person] in the year wholly and exclusively for the purpose of deriving rent chargeable to tax under the head, "Income from Property" including administration and collection charges.}
- (i) any expenditure paid or payable by the ⁹[] ¹⁰[person] in the tax year for legal services acquired to defend the ¹¹[] ¹²[persons]'s title to the property or any suit connected with the property in a court, and
- (j) where there are reasonable grounds for believing that any unpaid rent in respect of the property is irrecoverable, an allowance equal to the unpaid rent where—
 - (i) the tenancy was *bona fide*, the defaulting tenant has vacated the property or steps have been taken to compel the tenant to

¹ The word "person" substituted by the Finance Act, 2016.

² The word "company" substituted by the Finance Act, 2021.

³ The word "person" substituted by the Finance Act, 2016.

⁴ The word "company" substituted by the Finance Act, 2021.

⁵ Clause (h) substituted by the Finance Act, 2015. The substituted (h) read as follows:—

"(h) any expenditure (not exceeding six per cent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section) paid or payable by the person in the year for the purpose of collecting the rent due in respect of the property."

⁶ The word "six" substituted by "four" through Finance Act, 2020 dated 30th June, 2020

⁷ The word "person" substituted by the Finance Act, 2016.

⁸ The word "company" substituted by the Finance Act, 2021.

⁹ The word "person" substituted by the Finance Act, 2016.

¹⁰ The word "company" substituted by the Finance Act, 2021.

¹¹ The word "person" substituted by the Finance Act, 2016.

¹² The word "company" substituted by the Finance Act, 2021.

vacate the property and the defaulting tenant is not in occupation of any other property of the ¹[]²[person];

- (ii) the ³[] ⁴[persons] has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or has reasonable grounds to believe that legal proceedings would be useless; and
- (iii) the unpaid rent has been included in the income of the ⁵[] ⁶[persons] chargeable to tax under the head "Income from Property" for the tax year in which the rent was due and tax has been duly paid on such income.

(2) Where any unpaid rent allowed as a deduction under clause (j) of sub-section (1) is wholly or partly recovered, the amount recovered shall be chargeable to tax in the tax year in which it is recovered.

(3) Where a person has been allowed a deduction for any expenditure incurred in deriving rent chargeable to tax under the head "Income from Property" and the person has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be chargeable to tax under the head "Income from Property" in the first tax year following the end of the three years.

(4) Where an unpaid liability is chargeable to tax as a result of the application of sub-section (3) and the person subsequently pays the liability or a part of the liability, the person shall be allowed a deduction for the amount paid in the tax year in which the payment is made.

(5) Any expenditure allowed to a person under this section as a deduction shall not be allowed as a deduction in computing the income of the person chargeable to tax under any other head of income.

(6) The provisions of section 21 shall apply in determining the deductions allowed to a person under this section in the same manner as they apply in determining the deductions allowed in computing the income of a person chargeable to tax under the head "Income from Business".]

¹The word "person" substituted by the Finance Act, 2016.

²The word "company" substituted by the Finance Act, 2021.

³The word "person" substituted by the Finance Act, 2016.

⁴The word "company" substituted by the Finance Act, 2021.

⁵The word "person" substituted by the Finance Act, 2016.

⁶The word "company" substituted by the Finance Act, 2021.

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16. Non-adjustable amounts received in relation to buildings.— (1) Where the owner of a building receives from a tenant an amount which is not adjustable against the rent payable by the tenant, the amount shall be treated as rent chargeable to tax under the head "Income from Property" in the tax year in which it was received and the following nine tax years in equal proportion.

(2) Where an amount (hereinafter referred to as the "earlier amount") referred to in sub-section (1) is refunded by the owner to the tenant on termination of the tenancy before the expiry of ten years, no portion of the amount shall be allocated to the tax year in which it is refunded or to any subsequent tax year except as provided for in sub-section (3).

(3) Where the circumstances specified in sub-section (2) occur and the owner lets out the building or part thereof to another person (hereinafter referred to as the "succeeding tenant") and receives from the succeeding tenant any amount (hereinafter referred to as the "succeeding amount") which is not adjustable against the rent payable by the succeeding tenant, the succeeding amount as reduced by such portion of the earlier amount as was charged to tax shall be treated as rent chargeable to tax under the head "Income from Property" as specified in sub-section (1).

³[]

¹ New sub-section (7) added by Finance Act, 2019.

² Sub-section (7) omitted by the Finance Act, 2021. The omitted sub-section read as follows:

"(7) Notwithstanding sub-section (6) of section 15, the provisions of this section shall apply to an individual or an association of persons,²[] who opts to pay tax at the rate specified in Division I of Part I of the First Schedule."

³ Section 17 omitted by the Finance Act, 2006. The omitted section 17 read as follows:

"17. Deductions in computing income chargeable under the head "Income from Property".- (1) In computing the income of a person chargeable to tax under the head "Income from Property" for a tax year, a deduction shall be allowed for the following expenditures or allowances, namely:-

- In respect of repairs to a building, an allowance equal to one-fifth of the rent chargeable to tax in respect of the building for the year, computed before any deduction allowed under this section;
- any premium paid or payable by the person in the year to insure the building against the risk of damage or destruction;
- any local rate, tax, charge, or cess in respect of the property or the rent from the property paid or payable by the person to any local authority or government in the year, not being any tax payable under this Ordinance;
- any ground rent paid or payable by the person in the year in respect of the property;
- any profit paid or payable by the person in the year on any money borrowed including by way of mortgage, to acquire, construct, renovate, extend, or reconstruct the property;
- where the property has been acquired, constructed, renovated, extended, or reconstructed by the person with capital contributed by the House Building Finance Corporation or a scheduled bank under a scheme of investment in property on the basis of sharing the rent made by the Corporation or bank, the share in rent and share towards appreciation in the value of property

PART IV
HEAD OF INCOME: INCOME FROM BUSINESS

Division I
Income from Business

18. Income from business.— (1) The following incomes of a person for a tax year, other than income exempt from tax under this Ordinance, shall be chargeable to tax under the head "Income from Business"—

- (a) the profits and gains of any business carried on by a person at any time in the year,

(excluding the return of capital, if any) from the property paid or payable by the person to the said Corporation or the bank in the year under that scheme,

- (2a) where the property is subject to mortgage or other capital charge, the amount of profit or interest paid on such mortgage or charge,
- (2b) any expenditure (not exceeding six per cent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section) paid or payable by the person in the year for the purpose of collecting the rent due in respect of the property,
- (2c) any expenditure paid or payable by the person in the tax year for legal services acquired to defend the person's title to the property or any suit connected with the property in a Court, and
- (2d) where there are reasonable grounds for believing that any unpaid rent in respect of the property is irrecoverable, an allowance equal to the unpaid rent where—
- (i) the tenancy was bona fide, the defaulting tenant has vacated the property or steps have been taken to compel the tenant to vacate the property, and the defaulting tenant is not in occupation of any other property of the person,
- (ii) the person has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or has reasonable grounds to believe that legal proceedings would be useless, and
- (iii) the unpaid rent has been included in the income of the person chargeable to tax under the head "Income from Property" for the tax year in which the rent was due and tax has been duly paid on such income.

(2) Where any unpaid rent allowed as a deduction under clause (i) of sub-section (1) is wholly or partly recovered, the amount recovered shall be chargeable to tax in the tax year in which it is recovered.

(3) Where a person has been allowed a deduction for any expenditure incurred in deriving rent chargeable to tax under the head "Income from Property" and the person has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be chargeable to tax under the head "Income from Property" in the first tax year following the end of the three years.

(4) Where an unpaid liability is chargeable to tax as a result of the application of sub-section (3) and the person subsequently pays the liability or a part of the liability, the person shall be allowed a deduction for the amount paid in the tax year in which the payment is made.

(5) Any expenditure allowed to a person under this section as a deduction shall not be allowed as a deduction in computing the income of the person chargeable to tax under any other head of income.

(6) The provisions of section 21 shall apply in determining the deductions allowed to a person under this section in the same manner as they apply in determining the deductions allowed in computing the income of a person chargeable to tax under the head "Income from Business".

- (b) any income derived by any trade, professional or similar association from the sale of goods or provision of services to its members [

Explanation—For the removal of doubt, it is clarified that income derived by co-operative societies from the sale of goods, immovable property or provision of services to its members is and has always been chargeable to tax under the provisions of this Ordinance.]

- (c) any income from the hire or lease of tangible movable property,
- (d) the fair market value of any benefit or perquisite, whether convertible into money or not, derived by a person in the course of, or by virtue of, a past, present, or prospective business relationship? [

²[*Explanation*.—For the purposes of this clause, it is declared that the word 'benefit' includes any benefit derived by way of waiver of profit on debt or the debt itself under the State Bank of Pakistan Banking Policy Department's Circular No 29 of 2002 or in any other scheme issued by the State Bank of Pakistan.]

- (e) any management fee derived by a management company (including a modaraba ⁴{management company}).]

⁶[*Explanation*.—For the removal of doubt it is clarified that income subject to taxation under sections 5A, 5AA, 6, 7 and 7A shall not be chargeable to tax under this section.]

(2) Any profit on debt derived by a person where the person's business is to derive such income shall be chargeable to tax under the head "Income from Business" and not under the head "Income from Other Sources".

⁶[(3) Where a ⁷{lessor}, being a scheduled bank or an investment bank or a development finance institution or a modaraba or a leasing company has leased out any asset, whether owned by it or not, to another person, any amount paid or payable by the said person in connection with the lease of said asset shall be

¹ Semi colon substituted and Explanation added by the Finance Act, 2021.

² The semi-colon and the word "and" substituted by the Finance Act, 2011.

³ Inserted by the Finance Act, 2011.

⁴ Inserted by the Finance Act, 2002.

⁵ Added by the Finance Act, 2018.

⁶ Added by the Finance Act, 2003.

⁷ The word "lesser" substituted by the word "lessor" by the Finance Act, 2014.

treated as the income of the said [lessor] and shall be chargeable to tax under the head "Income from Business".]

²[(4) Any amount received by a banking company or a non-banking finance company, where such amount represents distribution by a mutual fund ³[or a Private Equity and Venture Capital Fund] out of its income from profit on debt, shall be chargeable to tax under the head "Income from Business" and not under the head "Income from Other Sources".]

19. Speculation business.— (1) Where a person carries on a speculation business—

- (a) that business shall be treated as distinct and separate from any other business carried on ⁴[by] the person;
- (b) this Part shall apply separately to the speculation business and the other business of the person, b head "Income from Business" for that year; and
- (e) any loss of the person arising from the speculation business sustained for a tax year computed in accordance with this Part shall be dealt with under section 58.

(2) In this section, "speculation business" means any business in which a contract for the purchase and sale of any commodity (including ⁵[stocks] and shares) is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity, but does not include a business in which—

- (a) a contract in respect of raw materials or merchandise is entered into by a person in the course of a manufacturing or mercantile business to guard against loss through future price fluctuations for the purpose of fulfilling the person's other contracts for the actual delivery of the goods to be manufactured or merchandise to be sold;

¹The word "lessor" substituted by the word "lessor" by the Finance Act, 2014.

²Added by the Finance Act, 2003.

³Inserted by the Finance Act, 2007.

⁴Inserted by the Finance Act, 2002.

⁵The word "stock" substituted by the Finance Act, 2005.

- (b) a contract in respect of stocks and shares is entered into by a dealer or investor therein to guard against loss in the person's holding of stocks and shares through price fluctuations; or
- (c) a contract is entered into by a member of a forward market or stock exchange in the course of any transaction in the nature of jobbing ¹[arbitrage] to guard against any loss which may arise in the ordinary course of the person's business as such member.

¹The word "arbitrate" substituted by the Finance Act, 2005.

Division II
Deductions: General Principles

20. **Deductions in computing income chargeable under the head "Income from Business".**—(1) Subject to the Ordinance, in computing the income of a person chargeable to tax under the head "Income from Business" for a tax year, a deduction shall be allowed for any expenditure incurred by the person in the year which is exclusively for the purposes of business.

(2) Subject to the Ordinance, where animals which have been used for the purposes of the business or profession otherwise than as stock-in-trade and have died or become permanently useless for such purposes, the deduction shall be allowed equal to the difference between the actual cost to the taxpayer of the animals and the amount of any realisation in respect of the carcasses or animals.]

(3) Subject to the Ordinance, where the expenditure referred to in sub-section (1) is incurred in acquiring a depreciable asset or an intangible with a useful life of more than one year or is pre-commencement expenditure, the person must depreciate or amortise the expenditure in accordance with sections 22, 23, 24 and 25.

(4) Subject to the Ordinance, where any expenditure is incurred by an amalgamated company on legal and financial advisory services and other administrative cost relating to planning and implementation of amalgamation, a deduction shall be allowed for such expenditure.]

21. **Deductions not allowed.**— Except as otherwise provided in this Ordinance, no deduction shall be allowed in computing the income of a person under the head "Income from Business" for —

- (a) any cess, rate or tax paid or payable by the person in Pakistan or a foreign country that is levied on the profits or gains of the business or assessed as a percentage or otherwise on the basis of such profits or gains;
- (b) any amount of tax deducted under Division III of Part V of Chapter X from an amount derived by the person;

¹ The words "to the extent the expenditure is incurred in deriving income from business chargeable to tax" substituted by the Finance Act, 2004.

² Inserted by the Finance Act, 2005.

³ Inserted by the Finance Act, 2007.

⁴ Added by the Finance Act, 2005.

(c) any expenditure from which the person is required to deduct or collect tax under Part V of Chapter X or Chapter XI, unless the person has paid or deducted and paid the tax as required by Division IV of Part V of Chapter X.

Provided that disallowance in respect of purchases of raw materials and finished goods under this clause shall not exceed twenty per cent of purchases of raw materials and finished goods.

Provided further that recovery of any amount of tax under sections 161 or 162 shall be considered as tax paid.

(ca) any amount of commission paid or payable in respect of supply of products listed in the Third Schedule of the Sales Tax Act, 1990, where the amount of commission paid or payable exceeds 0.2 percent of gross amount of supplies, insofar as the person to whom commission is paid or payable, as the case may be, is appearing in the return filed under this Ordinance.]

(f) any entertainment expenditure in excess of such limits [or violation of such conditions] as may be prescribed;

(g) any contribution made by the person to a fund that is not a recognized provident fund¹, [approved pension fund], approved superannuation fund or approved gratuity fund;

(h) any contribution made by the person to any provident or other fund established for the benefit of employees of the person, unless the person has made effective arrangements to secure that tax is deducted under section 149 from any payments made by the fund in respect of which the recipient is chargeable to tax under the head "Salary";

(i) any fine or penalty paid or payable by the person for the violation of any law, rule or regulation;

(j) any personal expenditures incurred by the person;

¹ Clause (c) substituted by the Finance Act, 2016. The substituted clause (c) read as follows:

(c) any salary, rent, brokerage or commission, profit or debt, payment to non-resident, payment for services or fee paid by the person from which the person is required to deduct tax under Division III of Part V of Chapter X or section 233 of Chapter XI, [unless] the person has [paid or] deducted and paid the tax as required by Division IV of Part V of Chapter X.

² New clause (ca) inserted by Finance Act, 2019.

³ Inserted by the Finance Act, 2003.

⁴ Inserted by Finance Act, 2014.

⁵ Inserted by the Finance Act, 2005.

- (i) any amount carried to a reserve fund or capitalised in any way;
- (j) any profit on debt, brokerage, commission, salary or other remuneration paid by an association of persons to a member of the association;

¹[]

- ²(l) any expenditure for a transaction, paid or payable under a single account head which, in aggregate, exceeds ³[two hundred and fifty] thousand rupees, made other than by a crossed cheque drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of amount from the business bank account of the taxpayer.

Provided that online transfer of payment from the business account of the payer to the business account of payee as well as payments through credit card shall be treated as transactions through the banking channel, subject to the condition that such transactions are verifiable from the bank statements of the respective payer and the payee:

Provided further that this clause shall not apply in the case of—

- (a) expenditures not exceeding ⁴[twenty-five] thousand rupees;
- (b) expenditures on account of —
- (i) utility bills;
 - (ii) freight charges;
 - (iii) travel fare;
 - (iv) postage; and

¹ Clause (k) omitted by the Finance Act, 2006. The omitted clause (k) read as follows:

"(k) any expenditure paid or payable by an employer on the provision of perquisites and allowances to an employee where the sum of the value of the perquisites computed under section 13 and the amount of the allowances exceeds fifty per cent of the employee's salary for a tax year (excluding the value of the perquisites or amount of the allowances);"

² Clause (l) substituted by the Finance Act, 2006. The substituted clause (l) read as follows:

"(l) any expenditure paid or payable under a single account head which, in aggregate, exceeds fifty thousand rupees made other than by a crossed bank cheque or crossed bank draft, except expenditures not exceeding ten thousand rupees or on account of freight charges, travel fare, postage, utilities or payment of taxes, duties, fee, fines or any other statutory obligation;"

³ Expression substituted through Finance Act, 2020 dated 30th June, 2020

⁴ Expression substituted through Finance Act, 2020 dated 30th June, 2020

- (v) payment of taxes, duties, fee, fines or any other statutory obligation,]
- (m) any salary paid or payable exceeding ¹[twenty-five] thousand rupees per month other than by a crossed cheque or direct transfer of funds to the employee's bank account; ²[]
- (n) except as provided in Division III of this Part, any expenditure paid or payable of a capital nature; ³[]
- ⁴[(o) any expenditure in respect of sales promotion, advertisement and publicity in excess of ⁵[ten] per cent of turnover incurred by pharmaceutical manufacturers ⁶[.]]
- ⁷[(p) any expenditure on account of utility bill in excess of such limits and in violation of such conditions as may be prescribed; and
- (q) any expenditure attributable to sales made to persons required to be registered but not registered under the Sales Tax Act, 1990 by an industrial undertaking computed according to the following formula, namely:-

$$(A/B) \times C$$

Where—

- A is the total amount of deductions claimed under this Part;
- B is the turnover for the tax year; and
- C is the total amount of sales exclusive of sales tax and federal excise duty to persons required to be registered but not registered under the Sales Tax, 1990 where sales equal or exceed rupees one hundred million per person.

Provided that disallowance of expenditure under this clause shall not exceed ten percent of total deductions claimed under this Part:

Provided further that the Board may, by notification in the official Gazette, exempt persons or classes of persons from this

¹The word "fifteen" substituted by the Finance Act, 2020 dated 30th June, 2020.

²The word "and" omitted by the Finance Act, 2016.

³The word "and" omitted by the Finance Act, 2020 dated 30th June, 2020.

⁴Inserted by the Finance Act, 2016

⁵The word "five" substituted by the Finance Act, 2017

⁶ Full stop substituted by semi colon through Finance Act, 2020 dated 30th June, 2020

⁷ New clauses (p) and (q) added through Finance Act, 2020 dated 30th June, 2020

clause subject to such conditions and limitations as may be specified therein:

Provided also that this clause shall come into force with effect from the first day of October, 2020.]

Division III Deductions: Special Provisions

22. Depreciation.— (1) Subject to this section, a person shall be allowed a deduction for the depreciation of the person's depreciable assets used in the person's business in the tax year.

(2) Subject to [sub-section] (3)² [], the depreciation deduction for a tax year shall be computed by applying the rate specified in Part I of the Third Schedule against the written down value of the asset at the beginning of the year³:

Provided that where a depreciable asset is used in the person's business for the first time in a tax year commencing on or after the 1st day of July, 2020, the depreciation deduction shall be reduced by fifty percent.]

(3) Where a depreciable asset is used in a tax year partly in deriving income from business chargeable to tax and partly for another use, the deduction allowed under this section for that year shall be restricted to the fair proportional part of the amount that would be allowed if the asset⁴ [was] wholly used to⁵ [derive] income from business chargeable to tax.

⁶ []

¹ The word "sub-sections" substituted by the Finance Act, 2005.

² The word, brackets and figure "and (4)" omitted by Finance Act, 2004.

³ Full stop substituted by colon and thereafter the new proviso added through Finance Act, 2020 dated 30th June, 2020

⁴ The word "were" substituted by the Finance Act, 2010.

⁵ The word "derived" substituted by the Finance Act, 2003.

⁶ Sub-section (4) omitted by the Finance Act, 2004. The omitted sub-section (4) reads as follows:

"(4) Where a depreciable asset is not used for the whole of the tax year in deriving income from business chargeable to tax, the deduction allowed under this section shall be computed according to the following formula, namely:—

$$A \times B/C$$

where—

A is the amount of depreciation computed under sub-section (2) or (3), as the case may be;

B is the number of months in the tax year the asset is used in deriving income from business chargeable to tax; and

C is the number of months in the tax year."

(5) The written down value of a depreciable asset of a person at the beginning of the tax year shall be —

- (a) where the asset was acquired in the tax year, the cost of the asset to the person as reduced by any initial allowance in respect of the asset under section 23; or
- (b) in any other case, the cost of the asset to the person as reduced by the total depreciation deductions (including any initial allowance under section 23) allowed to the person in respect of the asset in previous tax years.

¹["Explanation.— For the removal of doubt, it is clarified that where any building, furniture, plant or machinery is used for the purposes of business during any tax year for which the income from such business is exempt, depreciation admissible under sub-section (1) shall be treated to have been allowed in respect of the said tax year and after expiration of the exemption period, written down value of such assets shall be determined after reducing total depreciation deductions (including any initial allowance under section 23) in accordance with clauses (a) and (b) of this sub-section."]

(6) Where sub-section (3) applies to a depreciable asset for a tax year, the written down value of the asset shall be computed on the basis that the asset has been solely used to derive income from business chargeable to tax.

(7) The total deductions allowed to a person during the period of ownership of a depreciable asset under this section and section 23 shall not exceed the cost of the asset.

(8) Where, in any tax year, a person disposes of a depreciable asset, no depreciation deduction shall be allowed under this section for that year and —

- (a) if the consideration received exceeds the written down value of the asset at the time of disposal, the excess shall be chargeable to tax in that year under the head "Income from Business"; or
- (b) if the consideration received is less than the written down value of the asset at the time of disposal, the difference shall be allowed as a deduction in computing the person's income chargeable under the head "Income from Business" for that year²:

Provided that where a depreciable asset is used in the person's business for the first time in a tax year commencing on or after the 1st day of July, 2020, depreciation deduction equal to fifty

¹ Inserted by the Finance Act, 2016.

² Full stop substituted by colon and thereafter the new proviso added through Finance Act, 2020 dated 30th June, 2020

percent of the rate specified in Part I of the Third Schedule shall be allowed in the year of disposal.]

(9) Where sub-section (3) applies, the written down value of the asset for the purposes of sub-section (8) shall be increased by the amount that is not allowed as a deduction as a result of the application of sub-section (3).

(10) Where clause (a) of sub-section (13) applies, the ¹[consideration received on disposal] of the passenger transport vehicle for the purposes of sub-section (8) shall be computed according to the following formula —

$$A \times B/C$$

where —

- A is the ²[amount] received on disposal of the vehicle;
 B is the amount referred to in clause (a) of sub-section (13); and
 C is the actual cost of acquiring the vehicle.

(11) Subject to sub-sections (13) and (14), the rules in Part III of Chapter IV shall apply in determining the cost and consideration received in respect of a depreciable asset for the purposes of this section.

³(12) The depreciation deductions allowed to a leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution in respect of assets owned by the leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution and leased to another person shall be deductible only against the lease rental income derived in respect of such assets.]

(13) For the purposes of this section, —

- (a) the cost of a depreciable asset being a passenger transport vehicle not plying for hire shall not exceed ⁴[two]⁵[and half]million rupees;

⁶[]

¹ The words "written down value" substituted by the Finance Act, 2004.

² The word "consideration" substituted by the Finance Act, 2004.

³ Sub-section (12) substituted by the Finance Act, 2002. The substituted sub-section (12) read as follows:

"(12) The depreciation deductions allowed to a leasing company in respect of assets owned by the company and leased to another person shall be deductible only against the lease rental income derived in respect of such assets."

⁴ The word "one" substituted by the Finance Act, 2012.

⁵ Inserted by the Finance Act, 2009.

⁶ Proviso omitted by the Finance Act, 2009. The omitted proviso read as follows:

(b) the cost of immovable property or a structural improvement to immovable property shall not include the cost of the land,

¹[(c) any asset owned by a leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution and leased to another person is treated as used in the leasing company or the investment bank or the modaraba or the scheduled bank or the development finance institution's business; and]

(d) where the consideration received on the disposal of immovable property exceeds the cost of the property, the consideration received shall be treated as the cost of the property.

(14) Where a depreciable asset that has been used by a person in Pakistan is exported or transferred out of Pakistan, the person shall be treated as having disposed of the asset at the time of the export or transfer for a consideration received equal to the cost of the asset.

(15) In this section, —

"depreciable asset" means any tangible movable property, immovable property (other than unimproved land), or structural improvement to immovable property, owned by a person that —

- (a) has a normal useful life exceeding one year,
 (b) is likely to lose value as a result of normal wear and tear, or obsolescence; and
 (c) is used wholly or partly by the person in deriving income from business chargeable to tax,

but shall not include any tangible movable property, immovable property, or structural improvement to immovable property in relation to which a deduction has been allowed under another section of this Ordinance for the entire cost of the property or improvement in the tax year in which the property is acquired or improvement made by the person; and

"structural improvement" in relation to immovable property, includes any building, road, driveway, car park, railway line, pipeline, bridge,

"Provided that the prescribed limit of one million rupees shall not apply to passenger transport vehicles, not plying for hire, acquired on or after the first day of July, 2005."

¹ Clause (c) substituted by the Finance Act, 2002. The substituted clause read as follows:

"(c) an asset owned by a financial institution or leasing company and leased to another person is treated as used in the financial institution or leasing company's business; and".

tunnel, airport runway, canal, dock, wharf, retaining wall, fence, power lines, water or sewerage pipes, drainage, landscaping or dam¹[:]

²[Provided that where a depreciable asset is jointly owned by a taxpayer and an Islamic financial institution licensed by the State Bank of Pakistan or Securities and Exchange Commission of Pakistan, as the case may be, pursuant to an arrangement of *Mushanika* financing or diminishing *Mushanika* financing, the depreciable asset shall be treated to be wholly owned by the taxpayer.³]

23. Initial allowance.—(1) A person who places an eligible depreciable asset into service in Pakistan for the first time in a tax year shall be allowed a deduction (hereinafter referred to as an "initial allowance") computed in accordance with sub-section (2), provided the asset is ³[used by the person for the purposes of his business for the first time or the tax year in which commercial production is commenced, whichever is later].

(2) The amount of the initial allowance of a person shall be computed by applying the rate specified in Part II of the Third Schedule against the cost of the asset.

(3) The rules in section 76 shall apply in determining the cost of an eligible depreciable asset for the purposes of this section.

⁴(4) A deduction allowed under this section to a leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution in respect of assets owned by the leasing company or the investment bank or the modaraba or the scheduled bank or the development finance institution and leased to another person shall be deducted ~~only~~ against the leased rental income derived in respect of such assets.]

(5) In this section, "eligible depreciable asset" means a depreciable asset ⁵[other than —

- (a) any road transport vehicle unless the vehicle is plying for hire;
- (b) any furniture, including fittings;

¹Fullstop substituted by Finance Act, 2017.

²Added by the Finance Act, 2017.

³Substituted for "wholly and exclusively used by the person in deriving income from business chargeable to tax" by Finance Act, 2004 dated June 24, 2004 w.e.f July 1, 2004

⁴Sub-section (4) substituted by the Finance Act, 2002. The substituted sub-section (4) read as follows:
"(4) A deduction allowed under this section to a leasing company in respect of assets owned by the company and leased to another person shall be deductible only against the lease rental income derived in respect of such assets."

⁵The words and comma "that is plant and machinery," omitted by the Finance Act, 2003.

- (c) any plant or machinery¹[that has been used previously in Pakistan]; or
- (d) any plant or machinery in relation to which a deduction has been allowed under another section of this Ordinance for the entire cost of the asset in the tax year in which the asset is acquired.

²[]

³[]

23B. Accelerated depreciation to alternate energy projects.— (1) Any plant, machinery and equipments installed for generation of alternate energy by an industrial undertaking set up anywhere in Pakistan and owned and managed by a company shall be allowed first year allowance in lieu of initial allowance under section 23, at the rate specified in Part II of the Third Schedule against the cost of the eligible depreciation assets put to use after first day of July, 2009.

(2) The provisions of section 23 except sub-sections (1) and (2) thereof, shall *mutatis mutandis* apply.]

24. Intangibles.—(1) A person shall be allowed an amortisation deduction in accordance with this section in a tax year for the cost of the person's intangibles—

- (a) that are wholly or partly used by the person in the tax year in deriving income from business chargeable to tax; and
- (b) that have a normal useful life exceeding one year.

(2) No deduction shall be allowed under this section where a deduction has been allowed under another section of this Ordinance for the entire cost of the intangible in the tax year in which the intangible is acquired.

(3) Subject to sub-section (7), the amortization deduction of a person for a tax year shall be computed according to the following formula, namely:—

¹The words "that is acquired second hand" substituted by the Finance Act, 2003

²Inserted by the Finance Act, 2008.

³Section 23A omitted by the Finance Act, 2021. Earlier this omission was made through Tax Laws (Second Amendment) Ordinance, 2021. The omitted section read as follows:
"23A. First Year Allowance.— (1) Plant, machinery and equipment installed by any industrial undertaking set up in specified rural and under developed areas ³[or engaged in the manufacturing of cellular mobile phones and qualifying for exemption under clause (128N) of Part I of the Second Schedule] and owned and managed by a company shall be allowed first year allowance in lieu of initial allowance under section 23 at the rate specified in Part II of the Third Schedule against the cost of the "eligible depreciable assets" put to use after July 1, 2008.

(2) The provisions of section 23 except sub-sections (1) and (2) thereof, shall *mutatis mutandis* apply.

(3) The Federal Government may notify "specified areas" for the purposes of sub-section (1).]

⁴Inserted by the Finance Act, 2009.

$$\frac{A}{B}$$

where —

- A is the cost of the intangible; and
 B is the normal useful life of the intangible in whole years.

(4) An intangible that does not have an ascertainable useful life shall be treated as if it had a normal useful life of twenty-five years.

(5) Where an intangible is used in a tax year partly in deriving income from business chargeable to tax and partly for another use, the deduction allowed under this section for that year shall be restricted to the fair proportional part of the amount that would be allowed if the intangible were wholly used to derive income from business chargeable to tax.

(6) Where an intangible is not used for the whole of the tax year in deriving income from business chargeable to tax, the deduction allowed under this section shall be computed according to the following formula, namely: —

$$A \times B/C$$

where —

- A is the amount of ²[amortization] computed under sub-section (3) or (5), as the case may be;
 B is the number of days in the tax year the intangible is used in deriving income from business chargeable to tax; and
 C is the number of days in the tax year.

(7) The total deductions allowed to a person under this section in the current tax year and all previous tax years in respect of an intangible shall not exceed the cost of the intangible.

(8) Where, in any tax year, a person disposes of an intangible, no amortisation deduction shall be allowed under this section for that year and —

¹ In sub-section 4 of section 24 is substituted by the Finance Act, 2019, the substituted sub-section read as follow:

- (4) An intangible —
 (a) with a normal useful life of more than ten years; or
 (b) that does not have an ascertainable useful life,

shall be treated as if it had a normal useful life of ten years.

² The word "depreciation" substituted by the Finance Act, 2002

- (a) if the consideration received by the person exceeds the written down value of the intangible at the time of disposal, the excess shall be income of the person chargeable to tax in that year under the head "Income from Business"; or
 (b) if the consideration received is less than the written down value of the intangible at the time of disposal, the difference shall be allowed as a deduction in computing the person's income chargeable under the head "Income from Business" in that year.
- (9) For the purposes of sub-section (8) —
 (a) the written down value of an intangible at the time of disposal shall be the cost of the intangible reduced by the total deductions allowed to the person under this section in respect of the intangible or, where the intangible is not wholly used to derive income chargeable to tax, the amount that would be allowed under this section if the intangible were wholly so used; and
 (b) the consideration received on disposal of an intangible shall be determined in accordance with section 77.
- (10) For the purposes of this section, an intangible that is available for use on a day (including a non-working day) is treated as used on that day.
- (11) In this section, —

"cost" in relation to an intangible, means any expenditure incurred in acquiring or creating the intangible, including any expenditure incurred in improving or renewing the intangible; and

"intangible" means any patent, invention, design or model, secret formula or process, copyright ¹, trade mark, scientific or technical knowledge, computer software, motion picture film, export quotas, franchise, licence, intellectual property), or other like property or right, contractual rights and any expenditure that provides an advantage or benefit for a period of more than one year (other than expenditure incurred to acquire a depreciable asset or unimproved land, ²[but shall not include self-generated goodwill or any adjustment arising on account of accounting treatment in the manner as may be prescribed]

¹ Inserted by the Finance Act, 2003.

² The words Inserted by the Finance Act, 2019.

25. Pre-commencement expenditure.—(1) A person shall be allowed a deduction for any pre-commencement expenditure in accordance with this section.

(2) Pre-commencement expenditure shall be amortized on a straight-line basis at the rate specified in Part III of the Third Schedule.

(3) The total deductions allowed under this section in the current tax year and all previous tax years in respect of an amount of pre-commencement expenditure shall not exceed the amount of the expenditure.

(4) No deduction shall be allowed under this section where a deduction has been allowed under another section of this Ordinance for the entire amount of the pre-commencement expenditure in the tax year in which it is incurred.

(5) In this section, "pre-commencement expenditure" means any expenditure incurred before the commencement of a business wholly and exclusively to derive income chargeable to tax, including the cost of feasibility studies, construction of prototypes, and trial production activities, but shall not include any expenditure which is incurred in acquiring land, or which is depreciated or amortised under section 22 or 24.

26. Scientific research expenditure.— (1) A person shall be allowed a deduction for scientific research expenditure incurred in Pakistan in a tax year wholly and exclusively for the purpose of deriving income from business chargeable to tax.

(2) In this section —

"scientific research" means any ¹[activity] ²[undertaken in Pakistan] in the fields of natural or applied science for the development of human knowledge;

"scientific research expenditure" means any expenditure incurred by a person on scientific research ³[undertaken in Pakistan] for the purposes of developing the person's business, including any contribution to a scientific research institution to undertake scientific research for the purposes of the person's business, other than expenditure incurred —

- (a) in the acquisition of any depreciable asset or intangible;
- (b) in the acquisition of immovable property; or

¹ The word "activities" substituted by the Finance Act, 2002

² Inserted by the Finance Act, 2003.

³ Inserted by the Finance Act, 2003.

(c) for the purpose of ascertaining the existence, location, extent or quality of a natural deposit; and

"scientific research institution" means any institution certified by the ¹[Board] as conducting scientific research in Pakistan.

27. Employee training and facilities.— A person shall be allowed a deduction for any expenditure (other than capital expenditure) incurred in a tax year in respect of—

- (a) any educational institution or hospital in Pakistan established for the benefit of the person's employees and their dependents;
- (b) any institute in Pakistan established for the training of industrial workers recognized, aided, or run by the Federal Government ²[or a Provincial Government] or a ³[Local Government], or
- (c) the training of any person, being a citizen of Pakistan, in connection with a scheme approved by the ⁴[Board] for the purposes of this section.

28. Profit on debt, financial costs and lease payments.— (1) Subject to this Ordinance, a deduction shall be allowed for a tax year for —

- (a) any profit on debt incurred by a person in the tax year to the extent that the proceeds or benefit of the debt have been used by the person ⁵[for the purposes of business];
- (b) any lease rental incurred by a person in the tax year to a scheduled bank, financial institution, an approved modaraba, an approved leasing company or a Special Purpose Vehicle on behalf of the Originator for an asset used by the person ⁶[for the purposes of business] ⁷[:]

¹The words "Central Board of Revenue" substituted by the Finance Act, 2007.

²Inserted by the Finance Act, 2003.

³The words "local authority" substituted by the Finance Act, 2008.

⁴The words "Central Board of Revenue" substituted by the Finance Act, 2007.

⁵ The words "in deriving income chargeable to tax under the head "Income from Business" substituted by the Finance Act, 2004.

⁶ The words "in deriving income chargeable to tax under the head "Income from Business" substituted by the Finance Act, 2004.

⁷ Sami colon substituted by colon and thereafter the new proviso added through Finance Act, 2020 dated 30th June, 2020

¹[Provided that for the purpose of determining the deduction on account of lease rentals the cost of a passenger transport vehicle not paying for hire to the extent of principal amount shall not exceed two and a half million rupees;]

- (c) any amount incurred by a person in the tax year to a modaraba or a participation term certificate holder for any funds borrowed and used by the person ²[for the purposes of business];
- (d) any amount incurred by a scheduled bank in the tax year to a person maintaining a profit or loss sharing account or a deposit with the bank as a distribution of profits by the bank in respect of the account or deposit;
- (e) any amount incurred by the House Building Finance Corporation (hereinafter referred to as "the Corporation") constituted under the House Building Finance Corporation Act, 1952 (XVIII of 1952), in the tax year to the State Bank of Pakistan (hereinafter referred to as "the Bank") as the share of the Bank in the profits derived by the Corporation on its investment in property made under a scheme of partnership in profit and loss, where the investment is provided by the Bank under the House Building Finance Corporation (Issue and Redemption of Certificates) Regulations, 1982;
- (f) any amount incurred by the National Development Leasing Corporation Limited (hereinafter referred to as "the Corporation") in the tax year to the State Bank of Pakistan (hereinafter referred to as "the Bank") as the share of the Bank in the profits derived by the Corporation on its leasing operations financed out of a credit line provided by the Bank on a profit and loss sharing basis;
- (g) any amount incurred by the ³[Small and Medium Enterprises Bank (hereinafter referred to as "the SME Bank")] in the tax year to the State Bank of Pakistan (hereinafter referred to as the "Bank") as the share of the Bank in the profits derived by the ⁴[SME Bank] on investments made in small business out of a credit line provided by the Bank on a profit and loss sharing basis;

¹ Proviso added through Finance Act, 2020 dated 30th June, 2020

² The words "in deriving income chargeable to tax under the head "Income from Business" substituted by the Finance Act, 2004.

³ The words "Small Business Finance Corporation (hereinafter referred to as "the Corporation")" substituted by the Finance Act, 2009.

⁴ The word "Corporation" substituted by the Finance Act, 2011.

- (h) any amount incurred by a person in the tax year to a banking company under a scheme of musharika representing the bank's share in the profits of the musharika;
- (i) any amount incurred by a person in the tax year to a certificate holder under a musharika scheme approved by the Securities and Exchange Commission and Religious Board formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) representing the certificate holder's share in the profits of the musharika; or
- (j) the financial cost of the securitization of receivables incurred by an Originator in the tax year from a Special Purpose Vehicle being the difference between the amount received by the Originator and the amount of receivables securitized from a Special Purpose Vehicle.

(2) Notwithstanding any other provision in this Ordinance, where any assets are transferred by an Originator, as a consequence of securitisation¹["or issuance of sukuk"], to a Special Purpose Vehicle, it shall be treated as a financing transaction irrespective of the method of accounting adopted by the Originator.

(3) In this section, —

"approved leasing company" means a leasing company approved by the ²[Board] for the purposes of clause (b) of sub-section (1); and "approved modaraba" means a modaraba approved by the ³[Board] for the purposes of clause (b) of sub-section (1).

29. Bad debts.— (1) A person shall be allowed a deduction for a bad debt in a tax year if the following conditions are satisfied, namely:—

- (a) the amount of the debt was —
- (i) previously included in the person's income from business chargeable to tax; or
- (ii) in respect of money lent by a financial institution in deriving income from business chargeable to tax;

¹ Inserted by the Presidential Order No.F.2(1)/2016-Pub dated 31.08.2016.

² The words "Central Board of Revenue" substituted by the Finance Act, 2007.

³ The words "Central Board of Revenue" substituted by the Finance Act, 2007.

- (b) the debt or part of the debt is written off in the accounts of the person in the tax year, and
- (c) there are reasonable grounds for believing that the debt is irrecoverable.
- (2) The amount of the deduction allowed to a person under this section for a tax year shall not exceed the amount of the debt written off in the accounts of the person in the tax year.
- (3) Where a person has been allowed a deduction in a tax year for a bad debt and in a subsequent tax year the person receives in cash or kind any amount in respect of that debt, the following rules shall apply, namely:—
- (a) where the amount received exceeds the difference between the whole of such bad debt and the amount previously allowed as a deduction under this section, the excess shall be included in the person's income under the head "Income from Business" for the tax year in which it was received; or
- (b) where the amount received is less than the difference between the whole of such bad debt and the amount allowed as a deduction under this section, the shortfall shall be included in the bad debt deduction in computing the person's income under the head "Income from Business" for the tax year in which it was received.

[29A. Provision regarding consumer loans.— (1) A ²[] ³[non-banking finance company or the House Building Finance Corporation] shall be allowed a deduction, not exceeding three per cent of the income for the tax year, arising out of consumer loans for creation of a reserve to off-set bad debts arising out of such loans.

(2) Where bad debt cannot be wholly set off against reserve, any amount of bad debt, exceeding the reserves shall be carried forward for adjustment against the reserve for the following years.]

⁴[Explanation.— In this section, "consumer loan" means a loan of money or its equivalent made by ⁵[] a non-banking finance company or the House Building Finance Corporation to a debtor (consumer)

¹ Inserted by the Finance Act, 2003.

² The words "banking company or" omitted by the Finance Act, 2003.

³ Inserted by the Finance Act, 2004.

⁴ Added by the Finance Act, 2004.

⁵ The words "a banking company or" omitted by the Finance Act, 2009.

and the loan is entered primarily for personal, family or household purposes and includes debts created by the use of a lender credit card or similar arrangement as well as insurance premium financing.]

30. Profit on non-performing debts of a banking company or development finance institution.—(1) A banking company or development finance institution [or Non-Banking Finance Company (NBFC) or modaraba] shall be allowed a deduction for any profit accruing on a non-performing debt of the banking company or institution [or Non-Banking Finance Company (NBFC) or modaraba] where the profit is credited to a suspense account in accordance with the Prudential Regulations for Banks or [Non-banking Finance Company or modaraba] Non-bank Financial Institutions, as the case may be, issued by the State Bank of Pakistan [or the Securities and Exchange Commission of Pakistan].

(2) Any profit deducted under sub-section (1) that is subsequently recovered by the banking company or development finance institution [or Non-Banking Finance Company (NBFC) or modaraba] shall be included in the income of the company or institution [or Non-Banking Finance Company (NBFC) or modaraba] chargeable under the head "Income from Business" for the tax year in which it is recovered.

31. Transfer to participatory reserve.—(1) Subject to this section, a company shall be allowed a deduction for a tax year for any amount transferred by the company in the year to a participatory reserve created under [section 88 of the Companies Act, 2017 (XIX of 2017)] in accordance with an agreement relating to participatory redeemable capital entered into between the company and a banking company as defined in the²[Financial Institutions (Recovery of Finances) Ordinance, 2001 (XLVI of 2001)].

(2) The deduction allowed under subsection (1) for a tax year shall be limited to five per cent of the value of the company's participatory redeemable capital.

(3) No deduction shall be allowed under subsection (1) if the amount of the tax exempted accumulation in the participatory reserve exceeds ten per cent of the amount of the participatory redeemable capital.

¹ Inserted by the Finance Act, 2003.

² Inserted by the Finance Act, 2003.

³ The words "Non-bank Financial Institutions" substituted by the Finance Act, 2003.

⁴ Inserted by the Finance Act, 2003.

⁵ Inserted by the Finance Act, 2003.

⁶ Inserted by the Finance Act, 2003.

⁷ The expression "section 120 of the Companies Ordinance, 1984 (XLVII of 1984)" substituted by the Finance Act, 2021.

⁸ The words "Banking Tribunals Ordinance, 1984" substituted by the words "Financial Institutions (Recovery Of Finances) Ordinance, 2001 (XLVI of 2001) by the Finance Act 2014".

(4) Where any amount accumulated in the participatory reserve of a company has been allowed as a deduction under this section is applied by the company towards any purpose other than payment of share of profit on the participatory redeemable capital or towards any purpose not allowable for deduction or exemption under this Ordinance the amount so applied shall be included in the income from business of the company in the tax year in which it is so applied.



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Division IV Tax Accounting

32. Method of accounting.—¹[(1) Subject to this Ordinance, a person's income chargeable to tax shall be computed in accordance with the method of accounting regularly employed by such person.]

(2) Subject to sub-section (3), a company shall account for income chargeable to tax under the head "Income from Business" on an accrual basis, while other persons may account for such income on a cash or accrual basis.

(3) The ²[Board] may prescribe that any class of persons shall account for income chargeable to tax under the head "Income from Business" on a cash or accrual basis.

(4) A person may apply, in writing, for a change in the person's method of accounting and the Commissioner may, by ³[order] in writing, approve such an application but only if satisfied that the change is necessary to clearly reflect the person's income chargeable to tax under the head "Income from Business".

(5) If a person's method of accounting has changed, the person shall make adjustments to items of income, deduction, or credit, or to any other items affected by the change so that no item is omitted and no item is taken into account more than once.

33. Cash-basis accounting.—A person accounting for income chargeable to tax under the head "Income from Business" on a cash basis shall derive income when it is received and shall incur expenditure when it is paid.

34. Accrual-basis accounting.—(1) A person accounting for income chargeable to tax under the head "Income from Business" on an accrual basis shall derive income when it is due to the person and shall incur expenditure when it is payable by the person.

(2) Subject to this Ordinance, an amount shall be due to a person when the person becomes entitled to receive it even if the time for discharge of the entitlement is postponed or the amount is payable by instalments.

¹ Sub-section (1) substituted by the Finance Act, 2003. The substituted sub-section (1) read as follows:
"(1) A person's income chargeable to tax under the head "Income from Business" shall be computed in accordance with the method of accounting regularly employed by the person."

² The words "Central Board of Revenue" substituted by the Finance Act, 2007.

³ Substituted for the word "notice" by the Finance Act, 2003.

(3) Subject to this Ordinance, an amount shall be payable by a person when all the events that determine liability have occurred and the amount of the liability can be determined with reasonable accuracy¹ []

(5) Where a person has been allowed a deduction for any expenditure incurred in deriving income chargeable to tax under the head "Income from Business" and the person has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be chargeable to tax under the head "Income from Business" in the first tax year following the end of the three years.

(5A) Where a person has been allowed a deduction in respect of a trading liability and such person has derived any benefit in respect of such trading liability, the value of such benefit shall be chargeable to tax under [the] head "Income from Business" for the tax year in which such benefit is received.]

(6) Where an unpaid liability is chargeable to tax as a result of the application of sub-section (5) and the person subsequently pays the liability or a part of the liability, the person shall be allowed a deduction for the amount paid in the tax year in which the payment is made.

35. Stock-in-trade.— (1) For the purposes of determining a person's income chargeable to tax under the head "Income from Business" for a tax year, the cost of stock-in-trade disposed of by the person in the year shall be computed in accordance with the following formula, namely:—

$$(A + B) - C$$

where —

- A is the opening value of the person's stock-in-trade for the year;
B is cost of stock-in-trade acquired by the person in the year; and

¹The comma and words ", but not before economic performance occurs" omitted by the Finance Act, 2004.

²Sub-section (4) omitted by the Finance Act, 2004. The omitted sub-section (4) read as follows:

- (4) For the purposes of sub-section (3), economic performance shall occur -
(a) in the case of the acquisition of services or assets, at the time the services or assets are provided;
(b) in the case of the use of assets, at the time the assets are used; and
(c) in any other case, at the time payment is made in full satisfaction of the liability."

³Inserted by the Finance Act, 2003.

⁴Inserted by the Finance Act, 2005.

- C is the closing value of stock-in-trade for the year.
- (2) The opening value of stock-in-trade of a person for a tax year shall be —
- the closing value of the person's stock-in-trade at the end of the previous year, or
 - where the person commenced to carry on business in the year, the fair market value of any stock-in-trade acquired by the person prior to the commencement of the business.
- (3) The fair market value of stock-in-trade referred to in clause (b) of sub-section (2) shall be determined at the time the stock-in-trade is ventured in the business.
- (4) The closing value of a person's stock-in-trade for a tax year shall be the lower of cost or [net realisable]value of the person's stock-in-trade on hand at the end of the year.
- (5) A person accounting for income chargeable to tax under the head "Income from Business" on a cash basis may compute the person's cost of stock-in-trade on the prime-cost method or absorption-cost method, and a person accounting for such income on an accrual basis shall compute the person's cost of stock-in-trade on the absorption-cost method.
- (6) Where particular items of stock-in-trade are not readily identifiable, a person may account for that stock on the first-in-first-out method or the average-cost method but, once chosen, a stock valuation method may be changed only with the written permission of the Commissioner and in accordance with any conditions that the Commissioner may impose.
- (7) In this section, —

"absorption-cost method" means the generally accepted accounting principle under which the cost of an item of stock-in-trade is the sum of direct material costs, direct labour costs, and factory overhead costs;

"average-cost method" means the generally accepted accounting principle under which the valuation of stock-in-trade is based on a weighted average cost of units on hand;

"direct labour costs" means labour costs directly related to the manufacture or production of stock-in-trade;

¹Substituted for the words "fair market" by the Finance Act, 2002

"direct material costs" means the cost of materials that become an integral part of the stock-in-trade manufactured or produced, or which are consumed in the manufacturing or production process;
 "factory overhead costs" means the total costs of manufacturing or producing stock-in-trade, other than direct labour and direct material costs;

"first-in-first-out method" means the generally accepted accounting principle under which the valuation of stock-in-trade is based on the assumption that stock is sold in the order of its acquisition;

"prime-cost method" means the generally accepted accounting principle under which the cost of stock-in-trade is the sum of direct material costs, direct labour costs, and variable factory overhead costs;

"stock-in-trade" means anything produced, manufactured, purchased, or otherwise acquired for manufacture, sale or exchange, and any materials or supplies to be consumed in the production or manufacturing process, but does not include stocks or shares; and

"variable factory overhead costs" means those factory overhead costs which vary directly with changes in volume of stock-in-trade manufactured or produced.

36. Long-term contracts.— (1) A person accounting for income chargeable to tax under the head "Income from Business" on an accrual basis shall compute such income arising for a tax year under a long-term contract on the basis of the percentage of completion method.

(2) The percentage of completion of a long-term contract in a tax year shall be determined by comparing the total costs allocated to the contract and incurred before the end of the year with the estimated total contract costs as determined at the commencement of the contract.

(3) In this section, —

"long-term contract" means a contract for manufacture, installation, or construction, or, in relation to each, the performance of related services, which is not completed within the tax year in which work under the contract commenced, other than a contract estimated to be completed within six months of the date on which work under the contract commenced; and

"percentage of completion method" means the generally accepted accounting principle under which revenue and expenses arising under a long-term contract are recognised by reference to the stage of completion of the contract, as modified by sub-section (2).

PART V

HEAD OF INCOME: CAPITAL GAINS

37. Capital gains.— (1) Subject to this Ordinance, a gain arising on the disposal of a capital asset by a person in a tax year, other than a gain that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Capital Gains".

¹[(1A) Notwithstanding anything contained in sub-sections (1) and (3) gain ²[under sub-section (3A) ³[] ⁴[]] by a person in a tax year, shall be chargeable to tax in that year under the head Capital Gains at the rates specified in Division VIII of Part I of the First Schedule.]

(2) Subject to sub-sections (3) and (4), the gain arising on the disposal of a capital asset by a person shall be computed in accordance with the following formula, namely:—

A – B

where —

A is the consideration received by the person on disposal of the asset; and

B is the cost of the asset.

(3) Where a capital asset has been held by a person for more than one year, ⁵[other than shares of public companies including the vouchers of Pakistan Telecommunication Corporation, modaraba certificates or any instrument of redeemable capital as defined in the ⁶[Companies Act, 2017 (XIX of 2017)],] the amount of any gain arising on disposal of the asset shall be computed in accordance with the following formula, namely: —

$$A \times \frac{1}{4}$$

where A is the amount of the gain determined under sub-section (2).

¹Inserted by the Finance Act, 2012.

²The words substituted by Finance Act, 2019 read as follow: arising on the disposal of immovable property.

³The words "and 3B" omitted by the Finance Act, 2021.

⁴The words and comma "held for a period upto two years," omitted by the Finance Act, 2014.

⁵Inserted by the Finance Act, 2010.

⁶The expression "Companies Ordinance, 1984 (XLVII of 1984)" substituted by the Finance Act, 2021.

¹[(3A) Notwithstanding anything contained in sub-section (3), the amount of any gain arising on disposal of an immovable property shall be computed in accordance with the formula specified in the Table below, namely:-

TABLE

S.No. (1)	Holding period (2)	Gain (3)
1.	Where the holding period of an immovable property does not exceed one year	A
2.	Where the holding period of an immovable property exceeds one year but does not exceed two years	A x 3/4
3.	Where the holding period of an immovable property exceeds two years but does not exceed three years	A x 1/2
4.	Where the holding period of an immovable property exceeds three years but does not exceed four years	A x 1/4
5.	Where the holding period of an immovable property exceeds four years	0

where A is the amount of gain determined under sub-section (2).]

²[]

¹ The sub-section (3A) substituted through Finance Act, 2020 dated 30th June, 2020 the substituted sub-section read as follows:

(3A) Notwithstanding anything contained in sub-section (3), the amount of any gain arising on disposal of immovable property being an open plot shall be computed in accordance with the formula specified in the Table below, namely:-

TABLE

S.No. (1)	Holding Period (2)	Gain (3)
1.	Where the holding period of open plot does not exceed one year	A
2.	Where the holding period of open plot exceeds one year but does not exceed eight years	A x 3/4
3.	Where the holding period of open plot exceeds eight years	0

where A is the amount of the gain determined under sub-section (2).

² Sub-section (3B) omitted through Finance Act, 2020 dated 30th June, 2020. The omitted clause read as follows: (3B) Notwithstanding anything contained in sub-section (3), the amount of any gain arising on disposal of immovable property being a constructed property shall be computed in accordance with the formula specified in the Table below, namely:-

TABLE

S.No. (1)	Holding Period (2)	Gain (3)
1.	Where the holding period of constructed property does not exceed one year	A
2.	Where the holding period of constructed property exceeds one year but does not exceed four years	A x 3/4
3.	Where the holding period of constructed property exceeds four years	0

where A is the amount of the gain determined under sub-section (2)]

(4) For the purposes of determining component B of the formula in sub-section (2), no amount shall be included in the cost of a capital asset for any expenditure incurred by a person -

- that is or may be deducted under another provision of this Chapter; or
- that is referred to in section 21.

¹[(4A) Where the capital asset becomes the property of the person -

- under a gift ²[from a relative as defined in sub section (5) of section 85], bequest or will;
- by succession, inheritance or devolution;
- a distribution of assets on dissolution of an association of persons; or
- on distribution of assets on liquidation of a company,

the fair market value of the asset, on the date of its transfer or acquisition by the person shall be treated to be the cost of the asset ³]:

Provided that, if the capital asset acquired through gift is disposed of within two years of acquisition and the Commissioner is satisfied that such gift arrangement is a part of tax avoidance scheme, then the provisions of sub-section (3) of section 79 shall apply for the purpose of determining the cost of asset in the hands of recipient of the gift.]

(5) In this section, "capital asset" means property of any kind held by a person, whether or not connected with a business, but does not include -

- any stock-in-trade ⁴[], consumable stores or raw materials held for the purpose of business;]

¹ Inserted by the Finance Act, 2003.

² Inserted by the Finance Act, 2018.

³ Full stop substituted and new proviso added by the Finance Act, 2021.

⁴ The brackets and words "(a) any stock-in-trade," substituted by the Finance Act, 2002

⁵ The brackets and words "(not being stocks and shares)" omitted by the Finance Act, 2010.

- (b) any property with respect to which the person is entitled to a depreciation deduction under section 22 or amortisation deduction under section 24; ⁷[or]

- (d) any movable property ³[excluding capital assets specified in sub-section (5) of section 38] held for personal use by the person or any member of the person's family dependent on the person⁴[.]

⁵[]
37A. Capital gain on disposal of securities.—(1) The capital gain arising on or after the first day of July 2010, from disposal of securities⁷[]⁸, other than a gain that is exempt from tax under this Ordinance], shall be chargeable to tax at the rates specified in Division VII of Part I of the First Schedule:

⁹[]

Provided ¹⁰[] that this section shall not apply to a banking company and an insurance company.

¹¹[(1A) The gain arising on the disposal of a security by a person shall be computed in accordance with the following formula, namely: —

$$A - B$$

¹Inserted by the Finance Act, 2012.

²Clause (c) omitted by the Finance Act, 2012. Omitted clause (c) read as follows:-
 "(c) any immovable property; or"

³The brackets, commas and words "(including wearing apparel, jewellery, or furniture)" substituted by the Finance Act, 2003.

⁴The comma and word "; or" substituted by the Finance Act, 2002

⁵Clause (e) omitted by the Finance Act, 2001. The omitted clause (e) read as follows:
 "(e) any modaraba certificate or any instrument of redeemable capital listed on any stock exchange or shares of a public company."

⁶Added by the Finance Act, 2010.

⁷Omitted by Finance Act, 2015. The omitted words read as follows:-
 "held for a period of less than a year,"

⁸Inserted by the Finance Act, 2012.

⁹The First proviso omitted by Finance Act, 2014. The omitted proviso read as follows:
 "Provided that this section shall not apply if the securities are held for a period of more than a year."

¹⁰The word "further" omitted by Finance Act, 2014

¹¹Inserted by the Finance Act, 2012.

Where —

- (i) 'A' is the consideration received by the person on disposal of the security; and
 (ii) 'B' is the cost of acquisition of the security.]

(2) The holding period of a security, for the purposes of this section, shall be reckoned from the date of acquisition (whether before, on or after the thirtieth day of June, 2010) to the date of disposal of such security falling after the thirtieth day of June, 2010.

(3) For the purposes of this section "security" means share of a public company, voucher of Pakistan Telecommunication Corporation, Modaraba Certificate, an instrument of redeemable capital¹[, debt Securities] ²[, unit of exchange traded fund] and derivative products.

³[(3A) For the purpose of this section, "debt securities" means -

- (a) Corporate Debt Securities such as Term Finance Certificates (TFCs), Sukuk Certificates (Sharia Compliant Bonds), Registered Bonds, Commercial Papers, Participation Term Certificates (PTCs) and all kinds of debt instruments issued by any Pakistani or foreign company or corporation registered in Pakistan; and
 (b) Government Debt Securities such as Treasury Bills (T-bills), Federal Investment Bonds (FIBs), Pakistan Investment Bonds (PIBs), Foreign Currency Bonds, Government Papers, Municipal Bonds, Infrastructure Bonds and all kinds of debt instruments issued by Federal Government, Provincial Governments, Local Authorities and other statutory bodies.]

⁴["Explanation: For removal of doubt it is clarified that derivative products include future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery."]

¹Inserted by the Finance Act, 2014.

²Inserted by the Finance Act, 2021.

³The sub-section (3A) inserted by the Finance Act, 2014.

⁴Inserted by the Finance Act, 2016.

¹[(3B) For the purpose of this section, "shares of a public company" shall be considered as security if such company is a public company at the time of disposal of such shares.]

(4) Gain under this section shall be treated as a separate block of income.

(5) Notwithstanding anything contained in this Ordinance, where a person sustains a loss on disposal of securities in a tax year, the loss shall be set off only against the gain of the person from any other securities chargeable to tax under this section and no loss shall be carried forward to the subsequent tax year ²[:]

³[Provided that so much of the loss sustained on disposal of securities in tax year 2019 and onwards that has not been set off against the gain of the person from disposal of securities chargeable to tax under this section shall be carried forward to the following tax year and set off only against the gain of the person from disposal of securities chargeable to tax under this section, but no such loss shall be carried forward to more than three tax years immediately succeeding the tax year for which the loss was first computed.]

⁴[(6) To carry out purpose of this section, the Board may prescribe rules.]

38. Deduction of losses in computing the amount chargeable under the head "Capital Gains".— (1) Subject to this Ordinance, in computing the amount of a person chargeable to tax under the head "Capital Gains" for a tax year, a deduction shall be allowed for any loss on the disposal of a capital asset by the person in the year.

(2) No loss shall be deducted under this section on the disposal of a capital asset where a gain on the disposal of such asset would not be chargeable to tax.

(3) The loss arising on the disposal of a capital asset by a person shall be computed in accordance with the following formula, namely: —

$$A - B$$

where —

A is the cost of the asset; and

B is the consideration received by the person on disposal of the asset.

¹ New sub-section (3B) inserted through Finance Act, 2020 dated 30th June, 2020

² Full stop substituted by colon through Finance Supplementary (Second Amendment) Act, 2019

³ New Proviso added through Finance Supplementary (Second Amendment) Act, 2019

⁴ Added by the Finance Act, 2021.

(4) The provisions of sub-section (4) of section 37 shall apply in determining component A of the formula in sub-section (3).

(5) No loss shall be recognized under this Ordinance on the disposal of the following capital assets, namely:—

- (a) A painting, sculpture, drawing or other work of art;
- (b) jewellery;
- (c) a rare manuscript, folio or book;
- (d) a postage stamp or first day cover;
- (e) a coin or medallion; or
- (f) an antique.

PART VI

HEAD OF INCOME: INCOME FROM OTHER SOURCES

39. Income from other sources. — (1) Income of every kind received by a person in a tax year, ¹[if it is not included in any other head,] other than income exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Income from Other Sources", including the following namely: —

- (a) ²[Dividend;]
- (b) ³[royalty;]
- (c) profit on debt;
- ⁴[(cc) additional payment on delayed refund under any tax law;]
- (d) ground rent;
- (e) rent from the sub-lease of land or a building;

¹ Inserted by the Finance Act, 2002

² The word "Dividends" substituted by the Finance Act, 2002

³ The word "royalties" substituted by the Finance Act, 2002

⁴ Inserted by the Finance Act, 2012.

- (f) income from the lease of any building together with plant or machinery;
- ¹((fa) income from provision of amenities, utilities or any other service connected with renting of building;]
- (g) any annuity or pension;
- (h) any prize bond, or winnings from a raffle, lottery², prize on winning a quiz, prize offered by companies for promotion of sale] or cross-word puzzle;
- (i) any other amount received as consideration for the provision, use or exploitation of property, including from the grant of a right to explore for, or exploit, natural resources;
- (j) the fair market value of any benefit, whether convertible to money or not, received in connection with the provision, use or exploitation of property; ³[]
- (k) any amount received by a person as consideration for vacating the possession of a building or part thereof, reduced by any amount paid by the person to acquire possession of such building or part thereof; ⁴[]
- ⁵((l) any amount received by a person from Approved Income Payment Plan or Approved Annuity Plan under Voluntary Pension System Rules, 2005⁶; and]
- ⁷((la) subject to sub-section (3), any amount or fair market value of any property received without consideration or received as gift, other than gift received from ⁸[relative as defined in sub-section (5) of section 85].]

¹ Inserted by the Finance Act, 2003.

² Inserted by the Finance Act, 2003.

³ The word "and" omitted by the Finance Act, 2014.

⁴ The word "and" omitted by the Finance Act, 2019.

⁵ Added by the Finance Act, 2005.

⁶ The "full stop" substituted by word ",and" by the Finance Act, 2019.

⁷ New clause (la) inserted by the Finance Act, 2019.

⁸ The expression "grandparents, parents, spouse, brother, sister, son or a daughter" substituted by the Finance Act, 2021.

¹{[]}

(2) Where a person receives an amount referred to in clause (k) of sub-section (1), the amount shall be chargeable to tax under the head "Income from Other Sources" in the tax year in which it was received and the following nine tax years in equal proportion.

(3) Subject to sub-section (4), any amount received as a loan, advance, deposit ³[for issuance of shares] or gift by a person in "[a tax year]from another person (not being a banking company or financial institution) otherwise than by a crossed cheque drawn on a bank or through a banking channel from a person holding a National Tax Number ⁵[] shall be treated as income chargeable to tax under the head "Income from Other Sources" for the tax year in which it was received.

(4) Sub-section (3) shall not apply to an advance payment for the sale of goods or supply of services.

⁶((4A) Where —

- (a) any profit on debt derived from investment in National Savings Deposit Certificates including Defence Savings Certificate paid to a person in arrears or the amount received includes profit chargeable to tax in the tax year or years preceding the tax year in which it is received; and
- (b) as a result the person is chargeable at higher rate of tax than would have been applicable if the profit had been paid to the person in the tax year to which it relates,

the person may, by notice in writing to the Commissioner, elect for the profit to be taxed at the rate of tax that would have been applicable if the profit had been paid to the person in the tax year to which it relates.]

⁷((4B) An election under sub-section (4A) shall be made by the due date for furnishing the person's return of income for the tax year in which the amount was

¹ Clause (m) added by the Finance Act, 2014.

² Clause (m) omitted by the Finance Act, 2018, the omitted clause(m) reads as follows.-
"(m) income arising to the shareholder of a company, from the issuance of bonus shares"

³ Inserted by the Finance Act, 2003.

⁴ The words "an income year" substituted by the Finance Act, 2002

⁵ The word "Card" omitted by the Finance Act, 2006.

⁶ Inserted by the Finance Act, 2003.

⁷ Inserted by the Finance Act, 2003.

received or by such later date as the Commissioner may allow by an order in writing.]

(5) This section shall not apply to any income received by a person in a tax year that is chargeable to tax under any other head of income or subject to tax under section 1⁵[5, 5AA, 6, 7 or 7B].

2[]

40. Deductions in computing income chargeable under the head "Income from Other Sources".—(1) Subject to this Ordinance, in computing the income of a person chargeable to tax under the head "Income from Other Sources" for a tax year, a deduction shall be allowed for any expenditure paid by the person in that year to the extent to which the expenditure is paid in deriving income chargeable to tax under that head, other than expenditure of a capital nature.

(2) A person receiving any profit on debt chargeable to tax under the head "Income from Other Sources" shall be allowed a deduction for any Zakat paid by the person 3[] under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), at the time the profit is paid to the person.

(3) A person receiving income referred to in clause 4[] (f) of sub-section (1) of section 39 chargeable to tax under the head "Income from Other Sources" shall be allowed —

- (a) a deduction for the depreciation of any plant, machinery or building used to derive that income in accordance with section 22; and
- (b) an initial allowance for any plant or machinery used to derive that income in accordance with section 23.

(4) No deduction shall be allowed to a person under this section to the extent that the expenditure is deductible in computing the income of the person under another head of income.

(5) The provisions of section 21 shall apply in determining the deductions allowed to a person under this section in the same manner as they apply in determining the deductions allowed in computing the income of the person chargeable to tax under the head "Income from Business".

5[(6) Expenditure is of a capital nature if it has a normal useful life of more than one year.]

¹ The expression "5, 6 or 7" substituted by the Finance Act, 2021.

² Sub-section (6) omitted by the Finance Act, 2002. The omitted sub-section (6) read as follows:
"(6) Expenditure is of a capital nature if it has a normal useful life of more than one year."

³ The words "on the profit" omitted by the Finance Act, 2003.

⁴ The brackets, letter and word "(e) or" omitted by the Finance Act, 2003.

⁵ Added by the Finance Act, 2002.

PART VII EXEMPTIONS AND TAX CONCESSIONS

41. Agricultural income.— (1) Agricultural income derived by a person shall be exempt from tax under this Ordinance.

(2) In this section, "agricultural income" means, —

- (a) any rent or revenue derived by a person from land which is situated in Pakistan and is used for agricultural purposes;
- (b) any income derived by a person from land situated in Pakistan from —
 - (i) agriculture;
 - (ii) the performance by a cultivator or receiver of rent-in-kind of any process ordinarily employed by such person to render the produce raised or received by the person fit to be taken to market; or
 - (iii) the sale by a cultivator or receiver of rent-in-kind of the produce raised or received by such person, in respect of which no process has been performed other than a process of the nature described in sub-clause (ii); or
- (c) any income derived by a person from —
 - (i) any building owned and occupied by the receiver of the rent or revenue of any land described in clause (a) or (b);
 - (ii) any building occupied by the cultivator, or the receiver of rent-in-kind, of any land in respect of which, or the produce of which, any operation specified in sub-clauses (ii) or (iii) of clause (b) is carried on,

but only where the building is on, or in the immediate vicinity of the land and is a building which the receiver of the rent or revenue, or the cultivator, or the receiver of the rent-in-kind by reason of the person's connection with the land, requires as a dwelling-house, a store-house, or other out-building.

42. Diplomatic and United Nations exemptions. — (1) The income of an individual entitled to privileges under the Diplomatic and Consular Privileges Act, 1972 (IX of 1972) shall be exempt from tax under this Ordinance to the extent provided for in that Act.

(2) The income of an individual entitled to privileges under the United Nations (Privileges and Immunities) Act, 1948 (XX of 1948), shall be exempt from tax under this Ordinance to the extent provided for in that Act.

(3) Any pension received by a person, being a citizen of Pakistan, by virtue of the person's former employment in the United Nations or its specialised agencies (including the International Court of Justice) provided the person's salary from such employment was exempt under this Ordinance.

43. Foreign government officials.— Any salary received by an employee of a foreign government as remuneration for services rendered to such government shall be exempt from tax under this Ordinance provided —

- (a) the employee is a citizen of the foreign country and not a citizen of Pakistan;
- (b) the services performed by the employee are of a character similar to those performed by employees of the Federal Government in foreign countries; ¹[and]
- (c) the foreign government grants a similar exemption to employees of the Federal Government performing similar services in such foreign country².[.]

³[]

44. Exemptions under international agreements.— (1) Any Pakistan-source income which Pakistan is not permitted to tax under a tax treaty shall be exempt from tax under this Ordinance.

(2) Any salary received by an individual (not being a citizen of Pakistan) shall be exempt from tax under this Ordinance to the extent provided for in an Aid Agreement between the Federal Government and a foreign government or public international organization, where —

¹ Added by the Finance Act, 2002

² The comma and word "and" substituted by the Finance Act, 2002

³ Clause (d) omitted by the Finance Act, 2002. The omitted clause (d) read as under:
 "(d) the income is subject to tax in that foreign country."

- (a) the individual is either '[not a resident] individual or a resident individual solely by reason of the performance of services under the Aid Agreement,
- (b) if the Aid Agreement is with a foreign country, the individual is a citizen of that country, and
- (c) the salary is paid by the foreign government or public international organisation out of funds or grants released as aid to Pakistan in pursuance of such Agreement.

(3) Any income received by a person (not being a citizen of Pakistan) engaged as a contractor, consultant, or expert on a project in Pakistan shall be exempt from tax under this Ordinance to the extent provided for in a bilateral or multilateral technical assistance agreement between the Federal Government and a foreign government or public international organisation, where —

- (a) the project is financed out of grant funds in accordance with the agreement;
- (b) the person is either a non-resident person or a resident person solely by reason of the performance of services under the agreement, and
- (c) the income is paid out of the funds of the grant in pursuance of the agreement.

45. President's honours.— (1) Any allowance attached to any Honour, Award, or Medal awarded to a person by the President of Pakistan shall be exempt from tax under this Ordinance.

(2) Any monetary award granted to a person by the President of Pakistan shall be exempt from tax under this Ordinance.

46. Profit on debt.— Any profit received by a non-resident person on a security issued by a resident person shall be exempt from tax under this Ordinance where—

- (a) the persons are not associates;
- (b) the security was widely issued by the resident person outside Pakistan for the purposes of raising a loan outside Pakistan for use in a business carried on by the person in Pakistan;

¹ The words "a non-resident" substituted by the Finance Act, 2003.

- (c) the profit was paid outside Pakistan; and
 (d) the security is approved by the ¹[Board] for the purposes of this section.

47. Scholarships.— Any scholarship granted to a person to meet the cost of the person's education shall be exempt from tax under this Ordinance, other than where the scholarship is paid directly or indirectly by an associate.

48. Support payments under an agreement to live apart.—²[Any income received by a spouse as support payment under an agreement to live apart] shall be exempt from tax under this Ordinance.

49. Federal ³[Government], Provincial Government, and ⁴[Local Government] income.— (1) The income of the Federal Government shall be exempt from tax under this Ordinance.

(2) The income of a Provincial Government or a ⁵[Local Government] in Pakistan shall be exempt from tax under this Ordinance, other than income chargeable under the head "Income from Business" derived by a Provincial Government or ⁶[Local Government] from a business carried on outside its jurisdictional area.

⁷(3) Subject to sub-section (2), any payment received by the Federal Government, a Provincial Government or a ⁸[Local Government] shall not be liable to any collection or deduction of advance tax.]

⁹(4) Exemption under this section shall not be available in the case of corporation, company, a regulatory authority, a development authority, other body or institution established by or under a Federal law or a Provincial law or an existing law or a corporation, company, a regulatory authority, a development authority or other body or institution set up, owned and controlled, either directly or indirectly, by the Federal Government or a Provincial Government, regardless of the ultimate

¹The words "Central Board of Revenue" substituted by the Finance Act, 2007.

²The words "Any support payment received by a spouse under an agreement to live apart" substituted by the Finance Act, 2002.

³The word "and" substituted by the Finance Act, 2009.

⁴The words "local authority" substituted by the Finance Act, 2008.

⁵The words "local authority" substituted by the Finance Act, 2008.

⁶The words "local authority" substituted by the Finance Act, 2008.

⁷Added by the Finance Act, 2006.

⁸The words "local authority" substituted by the Finance Act, 2008.

⁹Added by the Finance Act, 2007.

destination of such income as laid down in Article 165A of the Constitution of the Islamic Republic of Pakistan¹.]

²[Provided that the income from sale of spectrum licenses ³[and renewal thereof] by Pakistan Telecommunication Authority on behalf of the Federal Government after the first day of March 2014 shall be treated as income of the Federal Government and not of the Pakistan Telecommunication Authority.]

50. Foreign-source income of short-term resident individuals.— (1) Subject to sub-section (2), the foreign-source income of an individual ⁴[] —

- (a) who is a resident individual solely by reason of the individual's employment; and
 (b) who is present in Pakistan for a period or periods not exceeding three years,

shall be exempt from tax under this Ordinance.

(2) This section shall not apply to —

- (a) any income derived from a business of the person established in Pakistan; or
 (b) any foreign-source income brought into or received in Pakistan by the person.

51. Foreign-source income of returning expatriates.—⁵[(1)] Any foreign-source income derived by a citizen of Pakistan in a tax year who was not a resident individual in any of the four tax years preceding the tax year in which the individual became a resident shall be exempt from tax under this Ordinance in the tax year in which the individual became a resident individual and in the following tax year.

⁶[(2) Where a citizen of Pakistan leaves Pakistan during a tax year and remains abroad during that tax year, any income chargeable under the head "Salary" earned by him outside Pakistan during that year shall be exempt from tax under this Ordinance.]

¹Full stop substituted by a colon by the Finance Act, 2014.

²Added by the Finance Act, 2014.

³The words "and renewal thereof" inserted through Finance Supplementary (Second Amendment) Act, 2019

⁴The brackets and words "(other than a citizen of Pakistan)" omitted by the Finance Act, 2003.

⁵Section 51 numbered as sub-section (1) of section 51 by the Finance Act, 2003.

⁶Added by the Finance Act, 2003.

7]

53. Exemptions and tax concessions in the Second Schedule.—(1) The income of classes of income, or persons or classes of persons specified in the Second Schedule shall be —

- (a) exempt from tax under this Ordinance, subject to any conditions and to the extent specified therein;
- (b) subject to tax under this Ordinance at such rates, which are less than the rates specified in the First Schedule, as are specified therein;
- (c) allowed a reduction in tax liability under this Ordinance, subject to any conditions and to the extent specified therein; or
- (d) exempted from the operation of any provision of this Ordinance, subject to any conditions and to the extent specified therein.

7]

(2) The 7] 4] 9] [Board with the approval of the Federal Minister-in-charge may, from time to time, pursuant to the approval of the Economic Coordination Committee of the Cabinet] whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests in

¹ Section 52 omitted by the Finance Act, 2002. The omitted section 52 read as follows:

52. Non-resident shipping and airline enterprises.—(1) Subject to sub-section (2), any income of a non-resident person, for the time being approved by the Federal Government for the purpose of this section, from the operation of ships and aircraft in international traffic shall be exempt from tax under this Ordinance, other than income from ships and aircraft operated principally to transport passengers, livestock, mail, or goods exclusively between places in Pakistan.

(2) Sub-section (1) shall not apply to a non-resident person where the person's country of residence does not allow a similar exemption to a resident of Pakistan."

² Sub-section (1A) omitted by the Finance Act, 2012. The omitted sub-section (1A) read as follows:—

"(1A) Where any income which is exempt from tax under any provision of the Second Schedule, such income, as may be specified in the said Schedule and subject to such conditions as may be specified therein, shall be included in the total income, however the tax shall not be payable in respect of such income."

³ The expression "Federal Government" substituted by Finance Act, 2017.

⁴ Inserted by the Finance Act, 2015.

⁵ The expression "Board with the approval of Federal Minister-in-charge may, from time to time pursuant to the approval of the Economic Coordination Committee of Cabinet," substituted by the Finance Act, 2018.

⁶ The words "Federal Government may" substituted by the Finance Act, 2021.

situations arising out of abnormal fluctuation in international commodity prices. [] implementation of bilateral and multilateral agreements [] or granting an exemption from any tax imposed under this Ordinance including a reduction in the rate of tax imposed under this Ordinance or a reduction in tax liability under this Ordinance or an exemption from the operation of any provision of this Ordinance to any international financial institution or foreign Government owned financial institution operating under an agreement, memorandum of understanding or any other arrangement with the Government of Pakistan]], by notification in the official Gazette, make such amendment in the Second Schedule by —

- (a) adding any clause or condition therein;
- (b) omitting any clause or condition therein; or
- (c) making any change in any clause or condition therein,

as the Government may think fit, and all such amendments shall have effect in respect of any tax year beginning on any date before or after the commencement of the financial year in which the notification is issued.

(3) The Federal Government shall place before the National Assembly all amendments made by it to the Second Schedule in a financial year.

⁴ [(4) Any notification issued under sub-section (2) after the commencement of the Finance Act, 2015, shall, if not earlier rescinded, stand rescinded on the expiry of the financial year in which it was issued⁵[.]

⁶ [Provided that all such notifications, except those earlier rescinded, shall be deemed to have been in force with effect from the first day of July, 2016 and shall continue to be in force till the thirtieth day of June, 2018, if not earlier rescinded:

Provided further that all notifications issued on or after the first day of July, 2016 and placed before the National Assembly as required under sub-section (3) shall continue to remain in force till the thirtieth day of June, 2018, if not earlier rescinded by the Federal Government or the National Assembly.]

54. Exemptions and tax provisions in other laws.—No provision in any other law providing for —

¹ The words "removal of anomalies in taxes, development of backward areas" omitted by Finance Act, 2019.

² Inserted by the Finance Act, 2016.

³ Inserted by the Finance Act, 2016.

⁴ Inserted by the Finance Act, 2015.

⁵ Full stop substituted by the Finance Act, 2017.

⁶ Added by the Finance Act, 2017.

- (a) an exemption from any tax imposed under this Ordinance;
- (b) a reduction in the rate of tax imposed under this Ordinance;
- (c) a reduction in tax liability of any person under this Ordinance; or
- (d) an exemption from the operation of any provision of this Ordinance,

shall have legal effect unless also provided for in this Ordinance ¹[.]

[]

55. Limitation of exemption.— (1) Where any income is exempt from tax under this Ordinance, the exemption shall be, in the absence of a specific provision to the contrary contained in this Ordinance, limited to the original recipient of that income and shall not extend to any person receiving any payment wholly or in part out of that income.

[]

¹ The colon substituted by the Finance Act, 2008.

² Proviso omitted by the Finance Act, 2008. The omitted proviso read as follows:

"Provided that any exemption from income tax or a reduction in the rate of tax or a reduction in tax liability of any person or an exemption from the operation of any provision of this Ordinance provided in any other law and in force on the commencement of this Ordinance shall continue to be available unless withdrawn."

³ Sub-section (2) omitted by the Finance Act, 2003. Omitted sub-section (2) read as follows: -

"(2) Where a person's income from business is exempt from tax under this Ordinance as a result of a tax concession, any loss sustained in the period of the exemption shall not be set off against the person's income chargeable to tax after the exemption expires."

PART VIII LOSSES

56. Set off of losses.— (1) Subject to sections 58 and 59, where a person sustains a loss for any tax year under any head of income specified in section 11, the person shall be entitled to have the amount of the loss set off against the person's income, if any, chargeable to tax under any other head of income ¹[except income under the head salary ²[]] for the year.

(2) Except as provided in this Part, where a person sustains a loss under a head of income for a tax year that cannot be set off under sub-section (1), the person shall not be permitted to carry the loss forward to the next tax year.

(3) Where, ³[in a tax year,] a person sustains a loss under the head "Income from Business" and a loss under another head of income, the loss under the head "Income from Business" shall be set off last.

⁴[56A. Set off of losses of companies operating hotels.— Subject to sections 56 and 57, where a ⁵[public company as defined in the Companies Act, 2017 and] registered in Pakistan ⁶[, Gilgit-Baltistan] or Azad Jammu and Kashmir (AJ&K), operating hotels in Pakistan ⁷[, Gilgit-Baltistan] or AJ&K, sustains a loss in Pakistan ⁸[, Gilgit-Baltistan] or AJ&K for any tax year under the head "income from business" shall be entitled to have the amount of the loss set off against the company's income in Pakistan ⁹[, Gilgit-Baltistan] or AJ&K, as the case may be, from the tax year 2007 ¹⁰[onward].

57. Carry forward of business losses.— (1) Where a person sustains a loss for a tax year under the head "Income from Business" (other than a loss to which ¹¹[sub-section (4) or] section 58 applies) and the loss cannot be wholly set off under section 56, so much of the loss that has not been set off shall be carried forward

¹ Inserted by the Finance Act, 2013.

² The words "or income from property" omitted by the Finance Act, 2021.

³ Inserted by the Finance Act, 2002.

⁴ Inserted by the Finance Act, 2007.

⁵ The word "company" substituted by the Finance Act, 2019.

⁶ After word "Pakistan" the expression ", Gilgit-Baltistan" inserted by the Finance Act, 2019.

⁷ After word "Pakistan" the expression ", Gilgit-Baltistan" inserted by the Finance Act, 2019.

⁸ After word "Pakistan" the expression ", Gilgit-Baltistan" inserted by the Finance Act, 2019.

⁹ After word "Pakistan" the expression ", Gilgit-Baltistan" inserted by the Finance Act, 2019.

¹⁰ The word "onward" substituted by the word "onward" by the Finance Act, 2014.

¹¹ Inserted by the Finance Act, 2018.

to the following tax year and set off against the person's income chargeable under the head "Income from Business" for that year.

(2) If a loss sustained by a person for a tax year under the head "Income from Business" is not wholly set off under sub-section (1), then the amount of the loss not set off shall be carried forward to the following tax year and applied as specified in sub-section (1) in that year, and so on, but no loss can be carried forward to more than six tax years immediately succeeding the tax year for which the loss was first computed.

¹[(2A) Where a loss, referred to in sub-section (2), relating to any assessment year commencing on or after 1st day of July, 1995, and ending on the 30th day of June 2001, is sustained by a banking company wholly owned by the Federal Government as on first day of June, 2002, which is approved by the State Bank of Pakistan for the purpose of this sub-section, the said loss shall be carried forward for a period of ten years.]

²[(2B) Where a loss, referred to in sub-section (2), relating to a tax year commencing on or after the first day of July, 2020 is sustained by a resident company engaged in the hotel business in Pakistan, the said loss shall be carried forward for a period of eight years.]

(3) Where a person has a loss carried forward under this section for more than one tax year, the loss of the earliest tax year shall be set off first.

³[(4) The loss attributable to deductions allowed under sections 22, 23, ⁴[23B and 24 that has not been set off against income, the loss not set off shall be set off against fifty percent of the person's balance income chargeable under the head "income from business" after setting off loss under sub-section (1), in the following tax year and so on until completely set off:

Provided that such loss shall be set off against hundred percent of the said balance income if the taxable income for the year is less than ten million Rupees."]

¹ inserted by the Finance Act, 2002.

² New sub-section (2B) inserted through Finance Act, 2020 dated 30th June, 2020

³ Sub Section (4) substituted by the finance Act 2018, the substituted subsection (4) is read as follows

⁴ [(4) Where the loss referred to in sub-section (1) includes deductions allowed under sections 22, ⁵[23A, 23B] and 24 that have not been set off against income, the amount not set off shall be added to the deductions allowed under those sections in the following tax year, and so on until completely set off.

⁶ The expression "23A" omitted by the Finance Act, 2021. Earlier this omission was made through Tax Laws (Second Amendment) Ordinance, 2021.

(5) In determining whether a person's deductions under sections 22, 23, ¹[²[23B] and 24 have been set off against income, the deductions allowed under those sections shall be taken into account last.

³57A. Set off of business loss consequent to amalgamation.—⁴[(1) The assessed loss (excluding capital loss) for the tax year, other than brought forward and capital loss, of the amalgamating company or companies shall be set off against business profits and gains of the amalgamated company, and vice versa, in the year of amalgamation and where the loss is not adjusted against the profits and gains for the tax year the unadjusted loss shall be carried forward for adjustment upto a period of six tax years succeeding the year of amalgamation.]

(2) The provisions of sub-section (4) and (5) of section 57 shall, *mutatis mutandis*, apply for the purposes of allowing unabsorbed depreciation of amalgamating company or companies in the assessment of amalgamated company ⁵[and vice versa]⁶].

⁷[Provided that the losses referred to in sub-section (1) and unabsorbed depreciation referred to in sub-section (2) shall be allowed set off subject to the condition that the amalgamated company continues the business of the amalgamating company for a minimum period of five years from the date of amalgamation.]

⁸[(2A). In case of amalgamation of Banking Company or Non-banking Finance Company, modarabas or insurance company, the accumulated loss under the head "Income from Business" (not being speculation business losses) of an amalgamating company or companies shall be set off or carried forward against the business profits and gains of the amalgamated company and vice versa, up to a period of six tax years immediately succeeding the tax year in which the loss was first computed in the case of amalgamated company or amalgamating company or companies:

¹ Inserted by the Finance Act, 2009.

² The expression "23A" omitted by the Finance Act, 2021. Earlier this omission was made through Tax Laws (Second Amendment) Ordinance, 2021.

³ Added by the Finance Act, 2002.

⁴ Sub-section (1) substituted by the Finance Act, 2007. The substituted sub-section (1) read as follows:
"(1) The accumulated loss under the head "Income from Business" (not being a loss to which section 58 applies) of an amalgamating company or companies shall be set off or carried forward against the business profits and gains of the amalgamated company and vice versa, up to a period of six tax years immediately succeeding the tax year in which the loss was first computed in the case of amalgamated company or amalgamating company or companies."

⁵ Inserted by the Finance Act, 2005.

⁶ Full stop substituted by the Finance Act, 2005.

⁷ Inserted by the Finance Act, 2005.

⁸ Inserted by the Finance Act, 2008.

Provided that the provisions of this sub-section shall in the case of Banking companies be applicable from July 1, 2007.]

(3) Where any of the conditions as laid down by the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan [or any court], as the case may be, in the scheme of amalgamation, are not fulfilled, the set off of loss or allowance for depreciation made in any tax year of the amalgamated company [or the amalgamating company or companies] shall be deemed to be the income of that amalgamated company [or the amalgamating company or companies, as the case may be.] for the year in which such default is discovered by the Commissioner or taxation officer, and all the provisions of this Ordinance shall apply accordingly.]

58. Carry forward of speculation business losses.—(1) Where a person sustains a loss for a tax year in respect of a speculation business carried on by the person (hereinafter referred to as a "speculation loss"), the loss shall be set off only against the income of the person from any other speculation business of the person chargeable to tax for that year.

(2) If a speculation loss sustained by a person for a tax year is not wholly set off under sub-section (1), then the amount of the loss not set off shall be carried forward to the following tax year and applied against the income of any speculation business of the person in that year and applied as specified in sub-section (1) in that year, and so on, but no speculation loss shall be carried forward to more than six tax years immediately succeeding the tax year for which the loss was first computed.

(3) Where a person has a loss carried forward under this section for more than one tax year, the loss of the earliest tax year shall be set off first.

59. Carry forward of capital losses.—(1) Where a person sustains a loss for a tax year under the head "Capital Gains" (hereinafter referred to as a "capital loss"), the loss shall not be set off against the person's income, if any, chargeable under any other head of income for the year, but shall be carried forward to the next tax year and set off against the capital gain, if any, chargeable under the head "Capital Gains" for that year.

(2) If a capital loss sustained by a person for a tax year under the head "Capital Gains" is not wholly set off under sub-section (1), then the amount of the loss not set off shall be carried forward to the following tax year, and so on, but no loss shall be carried forward to more than six tax years immediately succeeding the tax year for which the loss was first computed.

¹ Inserted by the Finance Act, 2005.

² Inserted by the Finance Act, 2005.

³ Inserted by the Finance Act, 2005.

(3) Where a person has a loss carried forward under this section for more than one tax year, the loss of the earliest tax year shall be set off first.

[59A. Limitations on set off and carry forward of losses.—

[]

[]

(3) In case of association of persons [any loss] shall be set off or carried forward and set off only against the income of the association.

(4) Nothing contained in section 56, 57, 58 or 59 shall entitle —

- (a) any member of an association of persons [] to set off any loss sustained by such association of persons, as the case may be, or have it carried forward and set off, against his income; or
- (b) any person who has succeeded, in such capacity, any other person carrying on any business or profession, otherwise than by inheritance, to carry forward and set off against his income, any loss sustained by such other person.

⁶(5) Subject to sub-section (4) of section 57, sub-section (12) of section 22 and sub-section (6), where in computing the taxable income for any tax year, full effect cannot be given to the loss relating to deductions under section 22, 23, 24 or 25 owing to there being no profits or gains chargeable for that year or such profits or gains as mentioned in sub-section (4) of section 57, being less than the said loss, the loss or

¹ Added by the Finance Act, 2003.

² Sub-section (1) omitted by the Finance Act, 2012. The omitted sub-section (1) read as follows:
"(1) In case of an association of persons to which sub-section (3) of section 92 applies, any loss which cannot be set off against any other income of the association of persons in accordance with section 56, shall be dealt with as provided under sub-section (2) of section 93.

³ Sub-section (2) omitted by the Finance Act, 2012. The omitted sub-section (2) read as follows:
"(2) Nothing contained in section 57, section 58 or section 59 shall entitle an association of persons, to which sub-section (3) of section 92 applies to have its loss carried forward and set off thereunder.

⁴ The words, figures, commas and brackets " , to which sub-section (3) of section 92 does not apply, any loss for such association" substituted by the Finance Act, 2012.

⁵ The words, figures, commas and brackets " to which sub-section (3) of section 92 does not apply," omitted by the Finance Act, 2012.

⁶ Sub-section (5) substituted by the finance Act 2018, the substituted sub-section (5) is read as follows
"(5) Where in computing the taxable income for any tax year, full effect cannot be given to a deduction mentioned in section 22, 23, 24 or 25 owing to there being no profits or gains chargeable for that year or such profits or gains being less than the deduction, then, subject to sub-section (12) of section 22, and sub-section (6), the deduction or part of the deduction to which effect has not been given, as the case may be, shall be added to the amount of such deduction for the following year and be treated to be part of that deduction, or if there is no such deduction for that year, be treated to be the deduction for that year and so on for succeeding years."

part of the loss, as the case may be, shall be set off against fifty per cent of the person's income chargeable under the head "income from business" for the following year or if there is no "income from business" for that year, be set off against fifty per cent of the person's income chargeable under the head "income from business" for the next following year and soon for succeeding years.]

(6) Where, under sub-section (5), deduction is also to be carried forward, effect shall first be given to the provisions of section 56 and sub-section (2) of section 58.

(7) Notwithstanding anything contained in this Ordinance, no loss which has not been assessed or determined in pursuance of an order made under section 59, 59A, 62, 63 or 65 of the repealed Ordinance or an order made or treated as made under section 120, 121 or 122 shall be carried forward and set off under section 57, sub-section (2) of section 58 or section 59.]

[59AA. Group taxation.— (1) Holding companies and subsidiary companies of 100% owned group may opt to be taxed as one fiscal unit. In such cases, besides consolidated group accounts as required under the ²[Companies Act, 2017 (XIX of 2017)], computation of income and tax payable shall be made for tax purposes.

(2) The companies in the group shall give irrevocable option for taxation under this section as one fiscal unit.

(3) The group taxation shall be restricted to companies locally incorporated under the ³[Companies Act, 2017 (XIX of 2017)].

(4) The relief under group taxation would not be available to losses prior to the formation of the group.

(5) The option of group taxation shall be available to those group companies which comply with such corporate governance requirements ⁴[and group designation rules or regulations] as may be specified by the Securities and Exchange Commission of Pakistan from time to time and are designated as companies entitled to avail group taxation.

(6) Group taxation may be regulated through rules as may be made by the ⁵[Board].

¹ Inserted by the Finance Act, 2007.

² The expression "Companies Ordinance, 1984 (XLVII of 1984)" substituted by the Finance Act, 2021.

³ The expression "Companies Ordinance, 1984 (XLVII of 1984)" substituted by the Finance Act, 2021.

⁴ Inserted by the Finance Act, 2013.

⁵ The words "Central Board of Revenue" substituted by the word "Board" by the Finance Act, 2014.

[59B. Group relief.— (1) Subject to sub-section (2), any company, being a subsidiary ²[or] a holding company, may surrender its assessed loss ³[as computed in sub-section (1A)] (excluding capital loss) for the tax year (other than brought forward losses and capital losses), in favour of its holding company or its subsidiary or between another subsidiary of the holding company.

Provided that where one of the company in the group is a public company listed on a registered stock exchange in Pakistan, the holding company shall directly hold fifty-five per cent or more of the share capital of the subsidiary company. Where none of the companies in the group is a listed company, the holding company shall hold directly seventy-five per cent or more of the share capital of the subsidiary company.

⁴[(1A) The loss to be surrendered under sub-section (1) shall be allowed as per following formula, namely:-

where— $(A/100) \times B$

A is the percentage share capital held by the holding company of its subsidiary company; and

B is the assessed loss of the subsidiary company.]

¹Section 59B substituted by the Finance Act, 2007. The substituted section 59B read as follows:

***59B. Group Relief.—** (1) Subject to sub-section (2), any company, being a subsidiary of a public company listed on a registered stock exchange in Pakistan, owning and managing an industrial undertaking or an undertaking engaged in providing services, may surrender its assessed loss for the tax year other than brought forward losses, in favour of its holding company provided such holding company owns or acquires seventy-five per cent or more of the share capital of the subsidiary company.

(2) The loss surrendered by the subsidiary company may be claimed by the holding company for set off against its income under the head "income from Business" in the tax year and the following two tax years subject to the following conditions, namely:-

- there is continued ownership of share capital of the subsidiary company to the extent of seventy-five per cent or more for five years; and
- the subsidiary company continues the same business during the said period of five years.

(3) The subsidiary company shall not be allowed to surrender its assessed losses for set off against income of the holding company for more than three tax years.

(4) Where the losses surrendered by a subsidiary company are not adjusted against income of the holding company in the said three tax years, the subsidiary company shall carry forward the unadjusted losses in accordance with the provision of section 57.

(5) If there has been any disposal of shares by the holding company during the aforesaid period of five years to bring the ownership of the holding company to less than seventy-five per cent, the holding company shall, in the year of disposal, offer the amount of profit on which taxes have not been paid due to set off of losses surrendered by the subsidiary company.

² The word "of" substituted by the Finance Act, 2021.

³ Inserted by the Finance Act, 2016.

⁴ Inserted by the Finance Act, 2016.

(2) The loss surrendered by the subsidiary company may be claimed by the holding company to a subsidiary company to set off against its income under the head "Income from Business" in the tax year and the following two tax years subject to the following conditions, namely:—

- (a) there is continued ownership for five years, of share capital of the subsidiary company to the extent of fifty-five per cent in the case of a listed company, or seventy-five per cent or more, in the case of other companies;
- (b) a company within the group engaged in the business of trading shall not be entitled to avail group relief;
- (c) holding company being a private limited company with seventy-five per cent of ownership of share capital gets itself listed within three years from the year in which loss is claimed;
- (d) the group companies are locally incorporated companies under the [Companies Act, 2017 (XIX of 2017)];
- (e) the loss surrendered and loss claimed under this section shall have approval of the Board of Directors of the respective companies;
- (f) the subsidiary company continues the same business during the said period of three years;
- (g) all the companies in the group shall comply with such corporate governance requirements [and group designation rules or regulations] as may be specified by the Securities and Exchange Commission of Pakistan from time to time, and are designated as companies entitled to avail group relief; and
- (h) any other condition as may be prescribed.

(3) The subsidiary company shall not be allowed to surrender its assessed losses for set off against income of the holding company for more than three tax years.

(4) Where the losses surrendered by a subsidiary company are not adjusted against income of the holding company in the said three tax years, the subsidiary company shall carry forward the unadjusted losses in accordance with section 57.

¹ The expression 'Companies Ordinance, 1964 (XLVI of 1964)' substituted by the Finance Act, 2021

² Inserted by the Finance Act, 2012.

(5) If there has been any disposal of shares by the holding company during the aforesaid period of five years to bring the ownership of the holding company to less than fifty-five per cent or seventy-five per cent, as the case may be, the holding company shall, in the year of disposal, offer the amount of profit on such shares which taxes have not been paid due to set off of losses surrendered by the subsidiary company.

(6) Loss claiming company shall, with the approval of the Board of Directors, transfer cash to the loss surrendering company equal to the amount of tax payable on the profits to be set off against the acquired loss at the applicable rate. The transfer of cash would not be taken as a taxable event in the case of either of the two companies.

(7) The transfer of shares between companies and the share holders, in one direction, would not be taken as a taxable event provided the transfer is to acquire share capital for formation of the group and approval of the Securities and Exchange Commission of Pakistan or State Bank of Pakistan, as the case may be, has been obtained in this effect. Sale and purchase from third party would be taken as taxable event.]

PART IX DEDUCTIBLE ALLOWANCES

60. Zakat.— (1) A person shall be entitled to a deductible allowance for the amount of any Zakat paid by the person in a tax year under the Zakat and Usury Ordinance, 1980 (XVIII of 1980).

(2) Sub-section (1) does not apply to any Zakat taken into account under sub-section (2) of section 40.

(3) Any allowance or part of an allowance under this section for a tax year that is not able to be deducted under section 9 for the year shall not be refunded, carried forward to a subsequent tax year, or carried back to a preceding tax year.

[60A. Workers' Welfare Fund.— A person shall be entitled to a deductible allowance for the amount of any Workers' Welfare Fund paid by the person in tax year under Workers' Welfare Fund Ordinance, 1971 (XXXVI of 1971) or under any law relating to the Workers' Welfare Fund enacted by Provinces after the eighteenth Constitutional amendment Act, 2010.

Provided that this section shall not apply in respect of any amount of Workers' Welfare Fund paid to the Provinces by a trans-provincial establishment.]

¹ Added by the Finance Act, 2003.

² Added by the Finance Act, 2021.

¹[60B. Workers' Participation Fund.— A person shall be entitled to a deductible allowance for the amount of any Workers' Participation Fund paid by the person in a tax year in accordance with the provisions of the Companies Profit (Workers' Participation) Act, 1968 (XII of 1968)²[or under any law relating to the Workers' Participation Fund enacted by Provinces after the eighteenth Constitutional amendment Act, 2010:

Provided that this section shall not apply in respect of any amount of Workers' Profit Participation Fund paid to the province by a trans-provincial establishment.]

³[60C. Deductible allowance for profit on debt.— (1) Every individual shall be entitled to a deductible allowance for the amount of any profit or share in rent and share in appreciation for value of house paid by the individual in a tax year on a loan by a scheduled bank or non-banking finance institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government, Provincial Government or a statutory body or a public company listed on a registered stock exchange in Pakistan where the individual utilizes the loan for the construction of a new house or the acquisition of a house.

(2) The amount of an individual's deductible allowance allowed under sub-section (1) for a tax year shall not exceed fifty percent of taxable income or ⁴["two" million rupees, whichever is lower.

(3) Any allowance or part of an allowance under this section for a tax year that is not able to be deducted for the year shall not be carried forward to a subsequent tax year.]

⁵[60D. Deductible allowance for education expenses.— (1) Every individual shall be entitled to a deductible allowance in respect of tuition fee paid by the individual in a tax year provided that the taxable income of the individual is less than one ⁶[and a half]million rupees.

(2) The amount of an individual's deductible allowance allowed under sub-section (1) for a tax year shall not exceed the lesser of —

¹ Added by the Finance Act, 2004.

² Added by the Finance Act, 2021.

³ Section 64A is re-numbered by the Finance Act 2017.

⁴ The word "one" substituted by the Finance Act, 2016.

⁵ Section 64AB is re-numbered by the Finance Act, 2017.

⁶ Inserted by the Finance Act, 2017.

- (a) five per cent of the total tuition fee paid by the individual referred to in sub-section (1) in the year;
 - (b) twenty-five per cent of the person's taxable income for the year; and
 - (c) an amount computed by multiplying sixty thousand with number of children of the individual.
- (3) Any allowance or part of an allowance under this section for a tax year that is not able to be deducted for the year shall not be carried forward to a subsequent tax year.
- (4) Allowance under this section shall be allowed against the tax liability of either of the parents making payment of the fee on furnishing national tax number (NTN) or name of the educational institution.
- (5) Allowance under this section shall not be taken into account for computation of tax deduction under section 149.]

PART X TAX CREDITS

61. Charitable donations.—¹[(1) A person shall be entitled to a tax credit in respect of any sum paid, or any property given by the person in the tax year as a donation ²[, voluntary contribution or subscription] to —

- (a) any board of education or any university in Pakistan established by, or under, a Federal or a Provincial law;
- (b) any educational institution, hospital or relief fund established or run in Pakistan by Federal Government or a Provincial Government or a³[Local Government]; or
- (c) any non-profit organization ⁴[or any person eligible for tax credit under section 100C of this Ordinance; or

¹ Sub-section (1) substituted by the Finance Act, 2003. The substituted sub-section (1) read as follows:

"(1) A person shall be entitled to a tax credit for a tax year in respect of any amount paid, or property given by the person in the tax year as a donation to a non-profit organization."

² Inserted by the Finance Act, 2021. Earlier this insertion was made through Tax Laws (Second Amendment) Ordinance, 2021.

³ The words "local authority" substituted by the Finance Act, 2008.

⁴ Inserted by the Finance Act, 2021. Earlier this insertion was made through Tax Laws (Second Amendment) Ordinance, 2021.

(d) entities, organizations and funds mentioned in the Thirteenth Schedule to this Ordinance.]

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:—

$$(A/B) \times C$$

where —

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;

B is the person's taxable income for the tax year; and

C is the lesser of —

(a) the total amount of the person's donations referred to in sub-section (1) in the year, including the fair market value of any property given; or

(b) where the person is —

(i) an individual or association of persons, thirty per cent of the taxable income of the person for the year; or

(ii) a company, ¹[twenty] per cent of the taxable income of the person for the year ²].

Provided that where any sum is paid or any property is given to an associate by a donor, clause (b) of component C shall be, in the case of—

(i) an individual or association of persons, fifteen percent of the taxable income of the person for the year; or

(ii) a company, ten percent of the taxable income of the person for the year.]

(3) For the purposes of clause (a) of component C of the formula in sub-section (2), the fair market value of any property given shall be determined at the time it is given.

¹The word "fifteen" substituted by the Finance Act, 2009.

² Full stop substituted by colon and thereafter new proviso added through Finance Act, 2020 dated 30th June, 2020

(4) A cash amount paid by a person as a donation shall be taken into account under clause (a) of component C ¹[of] sub-section (2) only if it was paid by a crossed cheque drawn on a bank.

²[(5) The ³[Board] may make rules regulating the procedure of the grant of approval under sub-clause (c) of clause (36) of section 2 and any other matter connected with, or incidental to, the operation of this section.]

⁴62. Tax credit for investment in shares and insurance. — (1) A resident person other than a company shall be entitled to a tax credit for a tax year either—

(i) in respect of the cost of acquiring in the year new shares offered to the public by a public company listed on a stock exchange in Pakistan, provided the resident person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan; ⁵[]

⁶[(ia) in respect of cost of acquiring in the tax year, sukuks offered to the public by a public company listed and traded on stock exchange in Pakistan, provided the resident person is the original allottee of the sukuks; ⁷[]]

¹ Inserted by the Finance Act, 2002.

² Added by the Finance Act, 2003.

³ The words "Central Board of Revenue" substituted by the Finance Act, 2007.

⁴ Section 62 substituted by the Finance Act, 2011. The substituted section 62 read as follows:

"62. Investment in shares.—(1) A person [other than a company] shall be entitled to a tax credit for a tax year in respect of the cost of acquiring in the year new shares offered to the public by a public company listed on a stock exchange in Pakistan where the person [other than a company] is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan.

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:—

$$(A/B) \times C$$

where —

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;

B is the person's taxable income for the tax year; and

C is the lesser of —

(a) the total cost of acquiring the shares referred to in sub-section (1) in the year;

(b) ten per cent of the person's ⁴[taxable] income for the year; or

(c) ⁴[three hundred] thousand rupees.

(3) Where —

(a) a person has ⁴[been allowed] a tax credit under sub-section (1) in a tax year in respect of the purchase of a share; and

(b) the person has made a disposal of the share within twelve months of the date of acquisition,

the amount of tax payable by the person for the tax year in which the shares were disposed of shall be increased by the amount of the credit allowed."

⁵ The word "or" omitted by Finance Act, 2017.

⁶ Inserted by the Finance Act, 2017

⁷ The word "or" omitted by the Finance Act, 2021.

¹(b) in respect of cost of acquiring in the tax year, unit of exchange traded fund offered to public and traded on stock exchange in Pakistan; or

(ii) in respect of any life insurance premium paid on a policy to a life insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided the resident person is deriving income chargeable to tax under the head "salary" or "income from business";²

³Provided that where tax credit has been allowed under this clause and subsequently the insurance policy is surrendered within two years of its acquisition, the tax credit allowed shall be deemed to have been wrongly allowed and the Commissioner, notwithstanding anything contained in this Ordinance, shall recompute the tax payable by the taxpayer for the relevant tax years and the provisions of this Ordinance, shall, so far as may, apply accordingly.]

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: —

$$(A/B) \times C$$

where—

- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;
- B is the person's taxable income for the tax year; and
- C is the lesser of —
- (a) the total cost of acquiring the shares,⁴[or sukuks], or the total contribution or premium paid by the person referred to in sub-section (1) in the year;

¹ Inserted by the Finance Act, 2021.

² Fullstop substituted by Finance Act 2017.

³ Added by the Finance Act, 2017

⁴ Inserted by the Finance Act, 2017

(b) ¹[twenty] per cent of the person's taxable income for the year; or

(c) ²[] ³[] ⁴[two] million rupees.

(3) Where —

(a) a person has been allowed a tax credit under sub-section (1) in a tax year in respect of the purchase of a share, and

(b) the person has made a disposal of the share within ⁵[twenty-four] months of the date of acquisition, the amount of tax payable by the person for the tax year in which the shares were disposed of shall be increased by the amount of the credit allowed.]

⁶[62A. Tax credit for investment in health insurance.— (1) A resident person ⁷[] other than a company shall be entitled to a tax credit for a tax year in respect of any health insurance premium or contribution paid to any insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided the resident person ⁸[] is deriving income chargeable to tax under the head "salary" or "income from business".

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: —

$$(A/B) \times C$$

where—

- A is the amount of tax assessed to the person for the tax year before allowance of tax credit under this section;
- B is the person's taxable income for the tax year; and
- C is the lesser of —

¹ The word "fifteen" substituted by the Finance Act, 2012.

² The words "five hundred thousand rupees" substituted by the Finance Act, 2012.

³ Inserted by the Finance Act, 2015.

⁴ The word "one and a half" substituted by the Finance Act, 2018.

⁵ The word "thirty-six" substituted by the Finance Act, 2012.

⁶ Inserted by the Finance Act, 2016.

⁷ The words "being a filer" omitted by the Finance Act, 2019

⁸ The words "being a filer" omitted by the Finance Act, 2019

- (a) the total contribution or premium paid by the person referred to in sub-section (1) in the year;
- (b) five per cent of the person's taxable income for the year; and
- (c) one hundred [and fifty] thousand rupees.]

63. Contribution to an Approved Pension Fund.— (1) An eligible person as defined in sub-section (19A) of section 2 deriving income chargeable to tax under the head "Salary" or the head "Income from Business" shall be entitled to a tax credit for a tax year in respect of any contribution or premium paid in the year by the person in approved pension fund under the Voluntary Pension System Rules, 2005.

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: —

$$(A/B) \times C$$

Where -

¹ Inserted by the Finance Act, 2017.

² Section 63 substituted by the Finance Act, 2005. The original section 63 read as follows:

63. Retirement annuity scheme. — (1) Subject to sub-section (3), a resident individual deriving income chargeable to tax under the head "Salary" or the head "Income from Business" shall be entitled to a tax credit for a tax year in respect of any contribution or premium paid in the year by the person under a contract of annuity scheme approved by Securities and Exchange Commission of Pakistan of an insurance company duly registered under the Insurance Ordinance, 2000 (XXXIX of 2000), having its main object the provision to the person of an annuity in old age.

(2) The amount of a resident individual's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: =

$$(A/B) \times C$$

where -

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;

B is the person's taxable income for the tax year; and

C is the lesser of -

- (a) the total contribution or premium referred to in sub-section (1) paid by the individual in the year;
- (b) ten per cent of the person's taxable income for the tax year; or
- (c) two hundred thousand rupees.

(3) A person shall not be entitled to a tax credit under sub-section (1) in respect of a contract of annuity which provides -

- (a) for the payment during the life of the person of any amount besides an annuity;
- (b) for the annuity payable to the person to commence before the person attains the age of sixty years;
- (c) that the annuity is capable, in whole or part, of surrender, commutation, or assignment; or for payment of the annuity outside Pakistan."

- A is the amount of tax assessed to the person for the tax year, before allowance of any tax credit under this Part.
- B is the person's taxable income for the tax year; and
- C is the lesser of -

(i) the total contribution or premium referred to in sub-section (1) paid by the person in the year; or

(ii) twenty per cent of the [eligible] person's taxable income for the relevant tax year; Provided that [an eligible person] joining the pension fund at the age of forty-one years or above, during the first ten years [starting from July 1, 2006] shall be allowed additional contribution of 2% per annum for each year of age exceeding forty years. Provided further that the total contribution allowed to such person shall not exceed 50% of the total taxable income of the preceding year [{}]

[{}] Provided also that the additional contribution of two percent per annum for each year of age exceeding forty years shall be allowed upto the 30th June, 2019 subject to the condition that the total contribution allowed to such person shall not exceed thirty percent of the total taxable income of the preceding year.]

[]

[{}(3) The transfer by the members of approved employment pension or annuity scheme or approved occupational saving scheme of their existing balance to their individual pension accounts maintained with one or more pension fund managers shall not qualify for tax credit under this section.]

[]

¹ Inserted by the Finance Act, 2006.

² The words "a person" substituted by the Finance Act, 2006.

³ The words, figure and commas "of the notification of the Voluntary Pension System Rules, 2005," substituted by the Finance Act, 2006.

⁴ The semi-colon and the word "or" substituted by the Finance Act, 2011.

⁵ Full stop substituted by the Finance Act, 2016.

⁶ Inserted by the Finance Act, 2016.

⁷ Clause (iii) omitted by the Finance Act, 2011. The omitted clause (iii) read as follows: "(iii) five hundred thousand rupees."

⁸ Added by the Finance Act, 2006.

⁹ Section 64 omitted by the Finance Act, 2015. Omitted section read as follows:-

1 []

2 []

3 []

***64B. Tax credit for employment generation by manufacturers.**—(1) Where a taxpayer being a company formed for establishing and operating a new manufacturing unit sets up a new manufacturing unit between the 1st day of July, 2015 and the 30th day of June, 2018, (both days inclusive) it shall be given a tax credit for a period of ten years.

(2) The tax credit under sub-section (1) for a tax year shall be equal to two percent of the tax payable for every fifty employees registered with The Employees Old Age Benefits Institution or the Employees Social Security Institutions of Provincial Governments during the tax year, subject to a maximum of ten percent of the tax payable.

(3) Tax credit under this section shall be admissible where—

- (a) the company is incorporated and manufacturing unit is setup between the first day of July, 2015 and the 30th day of June, 2018, both days inclusive;

***64. Profit on debt.**—(1) A person shall be entitled to a tax credit for a tax year in respect of any profit or share in rent and share in appreciation for value of house paid by the person in the year on a loan by a scheduled bank or non-banking finance institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government or a statutory body or a public company listed on a registered stock exchange in Pakistan where the person utilizes the loan for the construction of a new house or the acquisition of a house.

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:—

$$(A/B) \times C$$

where —

- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;
 B is the person's taxable income for the tax year; and
 C is the lesser of —
- (a) the total profit referred to in sub-section (1) paid by the person in the year;
 (b) fifty per cent of the person's taxable income for the year; or
 (c) seven hundred and fifty thousand rupees.

(3) A person is not entitled to tax credit under this section for any profit deductible under section 17.

¹ Inserted by the Finance Act, 2016.

² Section 64A is re-numbered as section 60C by Finance Act, 2017

³ Section 64AB is re-numbered as section 60D by Finance Act, 2017

⁴ Inserted by the Finance Act, 2015.

⁵ The figure "2018" substituted by the Finance Act, 2016.

⁶ The word "one" substituted by the Finance Act, 2016.

- (b) employs more than fifty employees in a tax year registered with The Employees Old Age Benefits Institution and the Employees Social Security Institutions of Provincial Governments;
- (c) manufacturing unit is managed by a company formed for operating the said manufacturing unit and registered under the Companies Act, 2017 (XIX of 2017) and having its registered office in Pakistan; and
- (d) the manufacturing unit is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan at any time before the 1st July 2015.

(4) Where any credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner that any of the conditions specified in this section were not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.

(5) For the purposes of this section, a manufacturing unit shall be treated to have been setup on the date on which the manufacturing unit is ready to go into production, whether trial production or commercial production.]

2 []

3 []

¹ The expression "Companies Ordinance, 1984 (XLVII of 1984)" substituted by the Finance Act, 2021.

² New sub-section 64C inserted by the Finance Act, 2019.

³ Section 64C omitted by the Finance Act, 2021. Earlier this omission was made through Tax Laws (Second Amendment) Ordinance, 2021. The omitted section read as follows
***64C. Tax credit for persons employing fresh graduates.**— (1) A person employing freshly qualified graduates from a university or institution recognized by Higher Education Commission shall be entitled to a tax credit in respect of the amount of annual salary paid to the freshly qualified graduates for a tax year in which such graduates are employed.

(2) The amount of tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:—

$$(A/B) \times C$$

where—

- A is the amount of tax assessed to the person for the tax year before allowance of tax credit under this section,
 B is the person's taxable income for the tax year; and

64D. Tax credit for point of sale machine.—(1) Any person who is required to integrate with Board's computerized system for real time reporting of sale or receipt, shall be entitled to tax credit in respect of the amount invested in purchase of point of sale machine.

(2) The amount of tax credit allowed under sub-section (1) for a tax year in which point of sale machine is installed, integrated and configured with the Board's computerized system shall be lesser of—

- (a) amount actually invested in purchase of point of sale machine; or
- (b) rupees one hundred and fifty thousand per machine.

(3) For the purpose of this section, the term point of sale machine means a machine meant for processing and recording the sale transactions for goods or services, either in cash or through credit and debit cards or online payments in an internet enabled environment.]

65. Miscellaneous provisions relating to tax credits.— (1) Where the person entitled to a tax credit under ¹[this]Part is a member of an association of persons to which sub-section (1) of section 92 applies, the following shall apply—

- (a) component A of the formula in sub-section (2) of section 61, sub-section (2) of section 62, sub-section (2) of section 63 and sub-section (2) of section 64 shall be the amount of tax that would be assessed to the individual if any amount derived in the year that is exempt from tax under sub-section (1) of section 92 were chargeable to tax; and
- (b) component B of the formula in sub-section (2) of section 61, sub-section (2) of section 62, sub-section (2) of section 63 and sub-section (2) of section 64 shall be the taxable income of the individual for the year if any amount derived in the year that is exempt from tax under sub-section (1) of section 92 were chargeable to tax.

C is the lesser of —

- (a) the annual salary paid to the freshly qualified graduates referred to in sub-section (1) in the year, and
- (b) five percent of the person's taxable income for the year;

(3) The tax credit shall be allowed for salary paid to the number of freshly qualified graduates not exceeding fifteen percent of the total employees of the company in the tax year.

(4) In this section, "freshly qualified graduate" means a person who has graduated after the first day of July, 2017 from any institute of university recognized by the Higher Education Commission."

¹ Inserted by the Finance Act, 2021.

² Inserted by the Finance Act, 2002.

(2) Any tax credit allowed under this Part shall be applied in accordance with sub-section (3) of section 4.

(3) Subject to sub-section (4), any tax credit or part of a tax credit allowed to a person under this Part for a tax year that is not able to be credited under sub-section (3) of section 4 for the year shall not be refunded, carried forward to a subsequent tax year, or carried back to a preceding tax year.

(4) Where the person to whom sub-section (3) applies is a member of an association of persons to which sub-section (1) of section 92 applies, the amount of any excess credit under sub-section (3) for a tax year may be claimed as a tax credit by the association for that year.

(5) Sub-section (4) applies only where the member and the association agree in writing for the sub-section to apply and such agreement in writing must be furnished with the association's return of income for that year.

¹[(6) Where the person is entitled to a tax credit under section 65B, 65D or 65E, provisions of clause (d) of sub-section (2) of section 169 and clause (d) of sub-section (1) of section 113 shall not apply.]

²[]

65B. Tax credit for investment.— (1) Where a taxpayer being a company invests any amount in the purchase of plant and machinery, for the purposes of ⁴[extension, expansion,] balancing, modernization and replacement of the plant and machinery, already installed therein, in an industrial undertaking set up in Pakistan and owned by it, credit equal to ten per cent of the amount so invested shall be allowed against the tax payable ⁵[, including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance,] by it in the manner hereinafter provided ⁶[:]

¹ Inserted by the Finance Act, 2015.

² Section 65A omitted by the Finance Act, 2017. Omitted section reads as follows:

¹65A. Tax credit to a person registered under the Sales Tax Act, 1990. — (1) Every manufacturer, registered under the Sales Tax Act, 1990, shall be entitled to a tax credit of ²["three"] per cent of tax payable for a tax year, if ninety per cent of his sales are to the person who is registered under the aforesaid Act during the said tax year.

(2) For claiming of the credit, the person shall provide complete details of the persons to whom the sales were made.

(3) No credit will be allowed to a person whose income is covered under final tax or minimum tax.

(4) Carry forward of any amount where full credit may not be allowed against the tax liability for the tax year, shall not be allowed.

³ Added by the Finance Act, 2010.

⁴ Inserted by the Finance Act, 2012.

⁵ The comma and words inserted by Finance Act, 2012.

⁶ "Full stop" substituted by "colon" by the Finance Act, 2019.

[Provided that for the tax year 2019 the rate of credit shall be equal to five percent of the amount so invested:

Provided further that the provisions of sub-section (5) relating to carry forward of the credit to be deducted from tax payable, to the following tax years, as specified in the said sub-section, shall continue to apply after tax year 2019; and]

(2) The provisions of sub-section (1) shall apply if the plant and machinery is purchased and installed at any time between the first day of July, 2010, and the 30th day of June, [] [2019].

(3) The amount of credit admissible under this section shall be deducted from the tax payable by the taxpayer in respect of the tax year in which the plant or machinery in the purchase of which the amount referred to in sub-section (1) is invested and installed.

(4) The provisions of this section shall *mutatis mutandis* apply to a company setup in Pakistan before the first day of July, 2011, which makes investment, through hundred per cent new equity, during first day of July, 2011 and 30th day of June, 2016, for the purposes of balancing, modernization and replacement of the plant and machinery already installed in an industrial undertaking owned by the company. However, credit equal to twenty per cent of the amount so invested shall be allowed against the tax payable, including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance. The credit shall be allowed in the year in which the plant and machinery in the purchase of which the investment as aforesaid is made, is installed therein.

*Explanation.— For the purpose of this section the term "new equity" shall, have the same meaning as defined in sub-section (7) of section 65E.]

(5) Where no tax is payable by the taxpayer in respect of the tax year in which such plant or machinery is installed, or where the tax payable is less than

¹New provisos added by the Finance Act, 2019

²The figure "2015" substituted by Finance Act, 2015.

³ The figure "2016" substituted by the Finance Act, 2016.

⁴The figure "2021" substituted by Finance Act, 2019.

⁵Sub-section (4) substituted by the Finance Act, 2012. The substituted sub-section (4) read as follows:

"(4) Where no tax is payable by the taxpayer in respect of the tax year in which such plant or machinery is installed, or where the tax payable is less than the amount of credit, the amount of the credit or so much of it as is in excess thereof, as the case may be, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year, and so on, but no such amount shall be carried forward for more than two tax years, however, the deduction made under sub-section (2) and this sub-section shall not exceed in aggregate the limit specified in sub-section (1)."

⁶Sub-section (5) substituted by the Finance Act, 2012. The substituted sub-section (5) read as follows.

the amount of credit as aforesaid, the amount of the credit or so much of it as is in excess thereof, as the case may be, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year and so on, but no such amount shall be carried forward for more than two tax years in the case of investment referred to in sub-section (1) and for more than five tax years in respect of investment referred to in sub-section (4), however, the deduction made under this section shall not exceed in aggregate the limit specified in sub-section (1) or sub-section (4), as the case may be]

[(6) Where any credit is allowed under this section and subsequently it is discovered by the Commissioner Inland Revenue that any one or more of the conditions specified in this section was, or were, not fulfilled, as the case may be, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner, notwithstanding anything contained in this Ordinance, shall re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.]

²[]

³[]

⁴[]

⁵[]

"(5) Where any credit is allowed under this section and subsequently it is discovered by the Commissioner Inland Revenue that any one or more of the conditions specified in this section was, or were, not fulfilled, as the case may be, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly."

¹Added by the Finance Act, 2012.

²Added by the Finance Act, 2010.

³ Section 65C omitted by the Finance Act, 2021. Earlier this omission was made through Tax Laws (Second Amendment) Ordinance, 2021. The omitted section read as follows:

65C. Tax credit for enlistment. —(1) Where a taxpayer being a company opts for enlistment in any registered stock exchange in Pakistan [on or before the 30th day of June, 2022] a tax credit equal to [twenty] percent of the tax payable shall be allowed for the tax year in which the said company is enlisted [and for the following [three tax years]

[Provided that the tax credit for the last two years shall be ten per cent of the tax payable.]

⁴Added by the Finance Act, 2011.

⁵ Section 65D omitted by the Finance Act, 2021. The omitted section read as follows:

"65D. Tax credit for newly established industrial undertakings. — (1) Where a taxpayer being a company formed for establishing and operating a new industrial undertaking [including corporate dairy farming] sets up a new industrial undertaking [including a corporate dairy farm], it shall be given a tax credit equal to [an amount as computed in sub-section (1A)] of the tax payable [including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance] on the taxable income arising from such industrial undertaking for a period of five years beginning from the date of setting up or commencement of commercial production, whichever is later.

70B. Tax credit for industrial undertakings established before the first day of July, 2011.—(1) Where a taxpayer being a company, setup in Pakistan before the first day of July, 2011 invests any amount with [at least seventy per cent] new equity raised through issuance of new shares in the purchase and installation of plant and machinery for an industrial undertaking, including corporate duty levied for the purposes of—

(a) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:—

$$A \times (B/C)$$

- where—
- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year;
 - B is the equity raised through issuance of new shares for cash consideration; and
 - C is the total amount invested in setting up the new industrial undertaking.

(2) Tax credit under this section shall be admissible where—

- (a) the company is incorporated and industrial undertaking is setup between the first day of July, 2011 and 30th day of June, [2011];
- (b) the industrial undertaking is managed by a company formed for operating the said industrial undertaking and registered under the Companies Ordinance, 1984 (XLV of 1984) and having its registered office in Pakistan;
- (c) the industrial undertaking is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an industrial undertaking established in Pakistan at any time before 1st July 2011; and
- (d) the industrial undertaking is set up with [at least seventy per cent] equity¹ raised through issuance of new shares for cash consideration.

Provided that short term loans and finances obtained from banking companies or non-banking financial institutions for the purposes of meeting working capital requirements shall not disqualify the taxpayer from claiming tax credit under this section.

(3) Where any credit is allowed under this section and subsequently it is discovered, on the

basis of documents or otherwise, by the Commissioner Inland Revenue that [the business has been discontinued in the subsequent five years after the credit has been allowed or] any of the [conditions] specified in this section, [were] not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.]

(4) For the purposes of this section and sections 65B and 65E, an industrial undertaking shall be treated to have been setup on the date on which the industrial undertaking is ready to go into production, whether that production is commercial production.]

¹Added by the Finance Act, 2011.

²Sub-section (1) substituted by the Finance Act, 2012. The substituted sub-section (1) read as follows:

(1) Where a taxpayer being a company invests any amount, with hundred per cent equity investment, in the purchase and installation of plant and machinery for the purposes of balancing, modernisation, replacement, or for expansion of the plant and machinery already installed in an industrial undertaking setup in Pakistan before the first day of July 2011, a tax credit shall be allowed against the tax payable in the manner provided hereinafter, in the same proportion, which exists between the total investment and such equity investment made by the industrial undertaking.

³The words "hundred per cent" substituted by the Finance Act, 2016.

- (i) expansion of the plant and machinery already installed therein; or
- (ii) undertaking a new project.

a tax credit shall be allowed against the tax payable in the manner provided in sub-section (2) and sub-section (3), as the case may be, for a period of five years beginning from the date of setting up or commencement of commercial production from the new plant or expansion project, whichever is later.]

(2) Where a taxpayer maintains separate accounts of an expansion project or a new project, as the case may be, the taxpayer shall be allowed a tax credit equal to one [an amount as computed in sub-section (1A)] of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, attributable to such expansion project or new project.]

(3) In all other cases, the credit under [sub-section (1A)] shall be such proportion of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, as is the proportion between the new equity and the total equity including new equity.]

(3A) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:—

$$A \times (B/C)$$

where—

- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year;
- B is the equity raised through issuance of new shares for cash consideration; and

¹Sub-section (2) substituted by the Finance Act, 2012. The substituted sub-section (1) read as follows:

(2) The provisions of sub-section (1) shall apply if the plant and machinery is purchased and installed at any time between the first day of July, 2011, and the 30th day of June, 2016.

²The words "hundred per cent" substituted by the Finance Act, 2016.

³Sub-section (3) substituted by the Finance Act, 2012. The substituted sub-section (1) read as follows:

(1) The amount of credit admissible under this section shall be deducted from the tax payable by the taxpayer in respect of the tax year in which the plant or machinery referred in sub-section (1) is purchased and installed and for the subsequent four years.

⁴The words "this section" substituted by the Finance Act, 2016.

⁵Inserted by the Finance Act, 2016.

C is the total amount invested in the purchase and installation of plant and machinery for the industrial undertaking.]

¶(4) The provisions of sub-section (1) shall apply if the plant and machinery is installed at any time between the first day of July, 2011 and the 30th day of June, ¶[2021].]

¶(5) The amount of credit admissible under this section shall be deducted from the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, by the taxpayer⁵["], for a period of five years beginning from the date of setting up or commencement of commercial production from the new plant or expansion project, whichever is later.]"

¶(6) Where any credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner Inland Revenue that ¶[the business has been discontinued in the subsequent five years after the credit has been allowed or] any of the condition specified in this section was not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall apply accordingly.

¶(7) For the purposes of this section, 'new equity' means equity raised through fresh issue of shares against cash by the company and shall not include loans obtained from shareholders or directors:

Provided that short term loans and finances obtained from banking companies or non-banking financial institutions for the purposes of meeting working capital requirements shall not disqualify the taxpayer from claiming tax credit under this section.]

¹Sub-section (4) substituted by the Finance Act, 2012. The substituted sub-section (1) read as follows:

"(4) Where no tax is payable by the taxpayer in respect of the tax year in which such plant or machinery is installed, or where the tax payable is less than the amount of tax credit, the amount of such credit or so much of it as is in excess thereof, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year:

Provided that no such amount shall be carried forward for more than four tax years:

Provided further that deduction made under sub-section (1) and under this sub-section shall not exceed in aggregate the limit of the tax credit specified in sub-section (1)."

² The figure "2016" substituted by the Finance Act, 2016.

³The figure "2019" substituted by Finance Act, 2018.

⁴Inserted by the Finance Act, 2012.

⁵ The words "in respect of the tax year in which the plant or machinery referred to in sub-section (1) is installed and for the subsequent four years" substituted by Finance Act, 2015.

⁶Sub-section (5) renumbered by the Finance Act, 2012.

⁷ Inserted by the Finance Act, 2016.

⁸Added by the Finance Act, 2012.

¶[65F. Tax credit for certain persons.— (1) Following persons or incomes shall be allowed a tax credit equal to one hundred per cent of the tax payable under any provisions of this Ordinance including minimum, alternate corporate tax and final taxes for the period, to the extent, upon fulfillment of conditions and subject to limitations detailed as under:-

- persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects;
- a startup as defined in clause (62A) of section 2 for the tax year in which the startup is certified by the Pakistan Software Export Board and the next following two tax years; and
- Income from exports of computer software or IT services or IT enabled services as defined in clause (30AD) and (30AE) of section 2 upto the period ending on the 30th day of June, 2025.

Provided that eighty percent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels.

(2) The tax credit under sub-section (1) shall be available subject to fulfillment of the following conditions, where applicable, namely:-

- return has been filed;
- withholding tax statements for the relevant tax year have been filed in respect of those provisions of the Ordinance, where the person is a withholding agent; and
- sales tax returns for the tax periods corresponding to relevant tax year have been filed if the person is required to file Sales Tax Return under any of the Federal or Provincial sales tax laws.

¶[65G. Tax credit for specified industrial undertakings.— (1) When making certain eligible capital investments as specified in sub-section (2), the eligible taxpayers defined in sub-section (3) shall be allowed to take an investment tax credit of twenty five percent of the eligible investment amount, against tax payable under the provisions of this Ordinance including minimum and final taxes. The tax credit not fully adjusted during the year of investment shall be carried forward to the subsequent tax year subject to the condition that it may be carried forward for a period not exceeding two years.

¹ Sections 65F and 65G inserted by the Finance Act, 2021. Earlier this insertion was made through Tax Laws (Second Amendment) Ordinance, 2021.

(2) For the purposes of this section, the eligible investment means investment made in purchase and installation of new machinery, buildings, equipment, hardware and software, except self-created software and used capital goods.

(3) For the purpose of this section, eligible person means —

(a) green field industrial undertaking as defined in clause (27A) of section 2 engaged in —

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

(ii) ship building

Provided that the person incorporated between the 30th day of June, 2019 and the 30th day of June, 2024 and the person is not formed by the splitting up or reconstitution of an undertaking already in existence or by transfer of machinery, plant or building from an undertaking established in Pakistan prior to commencement of the new business and is not part of an expansion project, and

(b) industrial undertaking set up by the 30th day of June 2023 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, for a period of five years beginning from the date such industrial undertaking is set up.]

PART IV COLLECTION AND RECOVERY OF TAX

137. Due date for payment of tax.— (1) The tax payable by a taxpayer on the taxable income of the taxpayer ¹[including the tax payable under ²{ } ³{section 113 or} 113A] for a tax year shall be due on the due date for furnishing the taxpayer's return of income for that year.

⁴{(2) Where any tax is payable under an assessment order or an amended assessment order or any other order issued by the Commissioner under this Ordinance, a notice shall be served upon the taxpayer in the prescribed form specifying the amount payable and thereupon the sum so specified shall be paid within ⁵{ [thirty] } days from the date of service of the notice ⁶{ [] }.

⁷{Provided that the due date for payment of tax payable under sub-section (7) of section 147 shall be the date specified in sub-section (5) or sub-section (5A) or first proviso to sub-section (5B) of section 147.}

⁸{ [] }

⁹{ [] }

¹ Inserted by the Finance Act, 2003. Earlier this was inserted by S.R.O. 633(I)/2002, dated 14.09.2002 which stands rescinded by SRO 608(I)/2003, dated 24.05.2003 with effect from 01.07.2003.

² The words and figure "section 113 or" omitted by the Finance Act, 2008.

³ Inserted by the Finance Act, 2004.

⁴ Inserted by the Finance Act, 2009.

⁵ Substituted by the Finance Act, 2003. The substituted sub-section (2) read as follows:

"(2) Where an assessment order or amended assessment order is issued by the Commissioner, the tax payable under the order shall be payable within fifteen days from the date of the assessment order is issued."

⁶ The word "thirty" substituted by the Finance Act, 2008.

⁷ The word "fifteen" substituted by the Finance Act, 2015.

⁸ Full stop substituted by the Finance Act, 2018.

⁹ Colon substituted by the Finance Act, 2017.

¹⁰ Added by the Finance Act, 2018.

¹¹ Added by the Finance Act, 2010.

¹² Proviso omitted by the Finance Act, 2017. The omitted provision read as follows:

"Provided that the tax payable as a result of provisional assessment order under section 122C, as specified in the notice under sub-section (2) shall be payable immediately after a period of forty-five days from the date of service of the notice"

¹³ Added by the Finance Act, 2012.

¹⁴ Proviso omitted by the Finance Act, 2017. The omitted provision read as follows:

"Provided further that the taxpayer may pay the tax payable prior to expiry of the period of forty-five days specified in the first proviso."

(3) Nothing in sub-section (2) ¹[or (4)] shall affect the operation of sub-section (1).

(4) Upon written application by a taxpayer, the Commissioner may, where good cause is shown, grant the taxpayer an extension of time for payment of tax due ²[under sub-section (2)] or allow the taxpayer to pay ³[such tax] in instalments of equal or varying amounts as the Commissioner may determine having regard to the circumstances of the case.

(5) Where a taxpayer is permitted to pay tax by instalments and the taxpayer defaults in payment of any instalments, the whole balance of the tax outstanding shall become immediately payable.

(6) The grant of an extension of time to pay tax due or the grant of permission to pay tax due by instalments shall not preclude the liability for ⁴[default surcharge] arising under section 205 from the due date of the tax under sub-section ⁵[(2)].

¶]

¶138. Recovery of tax out of property and through arrest of taxpayer.— (1) For the purpose of recovering any tax due by a taxpayer, the Commissioner may serve upon the taxpayer a notice in the prescribed form requiring him to pay the said amount within such time as may be specified in the notice.

(2) If the amount referred to in the notice issued under sub-section (1) is not paid within the time specified therein or within the further time, if any, allowed

¹Inserted by the Finance Act, 2003. Earlier this was inserted by S.R.O. 633(I)/2002, dated 14.09.2002 which stands rescinded by SRO 608(I)/2003, dated 24.06.2003 with effect from 01.07.2003.

²Inserted by the Finance Act, 2003.

³The words "any tax due" substituted by the Finance Act, 2003.

⁴The word s "additional tax" substituted by the Finance Act, 2010.

⁵The brackets and figure "(1)" substituted by the Finance Act, 2003.

⁶Sub-section (7) omitted by the Finance Act, 2002. The omitted sub-section (7) read as under:

"(7) A taxpayer dissatisfied with a decision under sub-section (4) may challenge the decision only under Part III of this Chapter."

⁷Section 138 substituted by Finance Act, 2002. The substituted section 138 read as follows:

"138. Tax as a debt due to the Federal Government.— (1) Any tax due under this Ordinance by a taxpayer shall be a debt due to the Federal Government and shall be payable in the manner and at the place prescribed.

(2) Any tax that has not been paid by the due date may be sued for and recovered in any court of competent jurisdiction by the Commissioner acting in the Commissioner's official name.

(3) In any suit under sub-section (2), the production of a certificate signed by the Commissioner stating the name and address of the taxpayer and the amount of tax due shall be conclusive evidence of the amount of tax due by such taxpayer."

by the Commissioner, the Commissioner may proceed to recover from the taxpayer the said amount by one or more of the following modes, namely —

- (a) attachment and sale of any movable or immovable property of the taxpayer;
- (b) appointment of a receiver for the management of the movable or immovable property of the taxpayer; ¹[]
- (c) arrest of the taxpayer and his detention in prison for a period not exceeding six months ²[; and
- (d) as specified under clauses (a), (ca) and (d) of sub-section (1) of section 48 of the Sales Tax Act, 1990.]

(3) For the purposes of recovery of tax under sub-section (2), the Commissioner shall have the same powers as a Civil Court has under the Code of Civil Procedure, 1908 (Act V of 1908), for the purposes of the recovery of any amount due under a decree.

(4) The ³[Board] may make rules regulating the procedure for the recovery of tax under this section and any other matter connected with, or incidental to, the operation of this section.]

¶138A. Recovery of tax by District Officer (Revenue).— (1) The Commissioner may forward to the District Officer (Revenue) of the district in which the taxpayer resides or carries on business or in which any property belonging to the taxpayer is situated, a certificate specifying the amount of any tax due from the taxpayer, and, on receipt of such certificate, the District Officer (Revenue) shall proceed to recover from the taxpayer the amount so specified as, it were an arrear of land revenue.

(2) Without prejudice to any other power of the District Officer (Revenue) in this behalf, he shall have the same powers as a Civil Court has under the Code of Civil Procedure, 1908 (Act V of 1908), for the purpose of the recovery of the amount due under a decree.]

¶138B. Estate in bankruptcy.—(1) If a taxpayer is declared bankrupt, the tax liability under this Ordinance shall pass on to the estate in bankruptcy.

¹The word "and" omitted through Finance Act, 2020 dated 30th June, 2020

²Full stop substituted by "semi colon" and the word "and" thereafter new clause (d) added through Finance Act, 2020 dated 30th June, 2020

³The words "Central Board of Revenue" substituted by the Finance Act, 2007.

⁴Inserted by the Finance Act, 2002.

⁵Added by the Finance Act, 2010.

(2) If tax liability is incurred by an estate in bankruptcy, the tax shall be deemed to be a current expenditure in the operations of the estate in bankruptcy and shall be paid before the claims preferred by other creditors are settled.]

139. Collection of tax in the case of private companies and associations of persons.—(1) Notwithstanding anything in the [Companies Act, 2017 (XIX of 2017)], where any tax payable by a private company (including a private company that has been wound up or gone into liquidation) in respect of any tax year cannot be recovered from the company, every person who was, at any time in that tax year —

- (a) a director of the company, other than an employed director, or
- (b) a shareholder in the company owning not less than ten per cent of the paid-up capital of the company,

shall be jointly and severally liable for payment of the tax due by the company.

(2) Any director who pays tax under sub-section (1) shall be entitled to recover the tax paid from the company or a share of the tax from any other director.

(3) A shareholder who pays tax under sub-section (1) shall be entitled to recover the tax paid from the company or from any other shareholder to whom clause (b) of sub-section (1) applies in proportion to the shares owned by that other shareholder.

(4) Notwithstanding anything in any law, where any tax payable by a member of an association of persons in respect of the member's share of the income of the association in respect of any tax year cannot be recovered from the member, the association shall be liable for the tax due by the member.

²(5) Notwithstanding anything contained in any other law, for the time being in force, where any tax payable by an association of persons in respect of any tax year cannot be recovered from the association of persons, every person who was, at any time in that year, a member of the association of persons, shall be jointly and severally liable for payment of the tax due by the association of persons.

(6) Any member who pays tax under sub-section (5) shall be entitled to recover the tax paid from the association of persons or a share of the tax from any other member.]

¹ The expression "Companies Ordinance, 1984 (XLVII of 1984)" substituted by the Finance Act, 2021.

² New sub-sections (5) and (6) inserted through Finance Act, 2019.

¹[(7)] The provisions of this Ordinance shall apply to any amount due under this section as if it were tax due under an assessment order.

140. Recovery of tax from persons holding money on behalf of a taxpayer.—

(1) For the purpose of recovering any tax due by a taxpayer, the Commissioner may, by notice, in writing, require any person —

- (a) owing or who may owe money to the taxpayer, or
- (b) holding or who may hold money for, or on account of the taxpayer,
- (c) holding or who may hold money on account of some other person for payment to the taxpayer, or
- (d) having authority of some other person to pay money to the taxpayer,

to pay to the Commissioner so much of the money as set out in the notice by the date set out in the notice²].

³[Provided that the Commissioner shall not issue notice under this sub-section for recovery of any tax due from a taxpayer if the said taxpayer has filed an appeal under section 127 in respect of the order under which the tax sought to be recovered has become payable and the appeal has not been decided by the Commissioner (Appeals), subject to the condition that "[ten] per cent of the said amount of tax due has been paid by the taxpayer."]

(2) Subject to sub-section (3), the amount set out in a notice under sub-section (1) —

- (a) where the amount of the money is equal to or less than the amount of tax due by the taxpayer, shall not exceed the amount of the money; or
- (b) in any other case, shall be so much of the money as is sufficient to pay the amount of tax due by the taxpayer.

(3) Where a person is liable to make a series of payments (such as salary) to a taxpayer, a notice under sub-section (1) may specify an amount to be paid out of each payment until the amount of tax due by the taxpayer has been paid.

(4) The date for payment specified in a notice under sub-section (1) shall not be a date before the money becomes payable to the taxpayer or held on the taxpayer's behalf.

¹ Sub-section (5) re-numbered as sub-section (7) through Finance Act, 2019.

² Full-stop substituted by the Finance Act, 2016.

³ Added by the Finance Act, 2016.

⁴ The expression "twenty-five" substituted by the Finance Act, 2018.

(5) The provisions of sections 160, 161, 162 and 163, so far as may be, shall apply to an amount due under this section as if the amount were required to be deducted from a payment under Division III of Part V of this Chapter.

(6) Any person who has paid any amount in compliance with a notice under sub-section (1) shall be treated as having paid such amount under the authority of the taxpayer and the receipt of the Commissioner constitutes a good and sufficient discharge of the liability of such person to the taxpayer to the extent of the amount referred to in such receipt.

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{]

(10) In this section, "person" includes any Court, Tribunal or any other authority.

141. Liquidators.— (1) Every person (hereinafter referred to as a "liquidator") who is —

- (a) a liquidator of a company;
- (b) a receiver appointed by a Court or appointed out of Court;
- (c) a trustee for a bankrupt; or
- (d) a mortgagee in possession,

shall, within fourteen days of being appointed or taking possession of an asset in Pakistan, whichever occurs first, give written notice thereof to the Commissioner.

(2) The Commissioner shall, within three months of being notified under sub-section (1), notify the liquidator in writing of the amount which appears to the Commissioner to be sufficient to provide for any tax which is or will become payable by the person whose assets are in the possession of the liquidator.

¹ Sub-section (7) omitted by the Finance Act, 2003. The omitted sub-section (7) read as follows:

"(7) Where an amount has been paid under sub-section (1), the taxpayer shall be allowed a tax credit for the amount (unless the amount paid represents a final tax on the taxpayer's income) in computing the tax due by the taxpayer on the taxpayer's taxable income for the tax year in which the amount was paid."

² Sub-section (8) omitted by the Finance Act, 2003. The omitted sub-section (8) read as follows:

"(8) The tax credit allowed under this section shall be applied in accordance with sub-section (3) of section 4."

³ Sub-section (9) omitted by the Finance Act, 2003. The omitted sub-section (9) read as follows:

"(9) A tax credit or part of a tax credit allowed under this section for a tax year that is not able to be credited under sub-section (3) of section 4 for the year must be refunded to the taxpayer in accordance with section 170."

(3) A liquidator shall not, without leave of the Commissioner, part with any asset held as liquidator until the liquidator has been notified under sub-section (2).

(4) A liquidator —

- (a) shall set aside, out of the proceeds of sale of any asset by the liquidator, the amount notified by the Commissioner under sub-section (2), or such lesser amount as is subsequently agreed to by the Commissioner,
- (b) shall be liable to the extent of the amount set aside for the tax of the person who owned the asset; and
- (c) may pay any debt that has priority over the tax referred to in this section notwithstanding any provision of this section.

(5) A liquidator shall be personally liable to the extent of any amount required to be set aside under sub-section (4) for the tax referred to in sub-section (2) if, and to the extent that, the liquidator fails to comply with the requirements of this section.

(6) Where the proceeds of sale of any asset are less than the amount notified by the Commissioner under sub-section (2), the application of sub-sections (4) and (5) shall be limited to the proceeds of sale.

(7) This section shall have effect notwithstanding anything contained in any other law for the time being in force.

(8) The provisions of this Ordinance shall apply to any amount due under this section as if it were tax due under an assessment order.

142. Recovery of tax due by non-resident member of an association of persons.— (1) The tax due by a non-resident member of an association of persons in respect of the member's share of the profits of the association shall be assessable in the name of the association or of any resident member of the association and may be recovered out of the assets of the association or from the resident member personally.

(2) A person making a payment under this section shall be treated as acting under the authority of the non-resident member and is hereby indemnified in respect of the payment against all proceedings, civil or criminal, and all processes, judicial or extra-judicial, notwithstanding any provisions to the contrary in any written law, contract or agreement.

(3) The provisions of this Ordinance shall apply to any amount due under this section as if it were tax due under an assessment order.

143. Non-resident ship owner or charterer.— (1) Before the departure of a ship owned or chartered by a non-resident person from any port in Pakistan, the

master of the ship shall furnish to the Commissioner a return showing the gross amount specified in sub-section (1) of section 7 in respect of the ship.

(2) Where the master of a ship has furnished a return under sub-section (1), the Commissioner shall [after calling for such particulars, accounts or documents as he may require.] determine the amount of tax due under section 7 in respect of the ship and, as soon as possible, notify the master, in writing, of the amount payable.

(3) The master of a ship shall be liable for the tax notified under sub-section (2) and the provisions of this Ordinance shall apply to such tax as if it were tax due under an assessment order.

(4) Where the Commissioner is satisfied that the master of a ship or non-resident owner or charterer of the ship is unable to furnish the return required under sub-section (1) before the departure of the ship from a port in Pakistan, the Commissioner may allow the return to be furnished within thirty days of departure of the ship provided the non-resident owner or charterer has made satisfactory arrangements for the payment of the tax due under section 7 in respect of the ship.

(5) The Collector of Customs or other authorised officer shall not grant a port clearance for a ship owned or chartered by a non-resident person until the Collector or officer is satisfied that any tax due under section 7 in respect of the ship has been paid or that arrangements for its payment have been made to the satisfaction of the Commissioner.

(6) This section shall not relieve the non-resident owner or charterer of the ship from liability to pay any tax due under this section that is not paid by the master of the ship.

144. Non-resident aircraft owner or charterer. — (1) A non-resident owner or charterer of an aircraft ²[] liable for tax under section 7, or an agent authorised by the non-resident person for this purpose, shall furnish to the Commissioner, within forty-five days from the last day of each quarter of the financial year, a return, in respect of the quarter, showing the gross amount specified in sub-section (1) of section 7 of the non-resident person for the quarter.

(2) Where a return has been furnished under sub-section (1), the Commissioner shall ³[after calling for such particulars, accounts or documents as he may require.] determine the amount of tax due under section 7 by the non-resident person for the quarter and notify the non-resident person, in writing, of the amount payable.

¹ Inserted by the Finance Act, 2002.

² The words "shall be" omitted by the Finance Act, 2003.

³ Inserted by the Finance Act, 2002.

(3) The non-resident person shall be liable to pay the tax notified under sub-section (2) within the time specified in the notice and the provisions of this Ordinance shall apply to such tax as if it were tax due under an assessment order.

(4) Where the tax referred to in sub-section (3) is not paid within three months of service of the notice, the Commissioner may issue to the authority by whom clearance may be granted to the aircraft operated by the non-resident person a certificate specifying the name of the non-resident person and the amount of tax due.

(5) The authority to whom a certificate is issued under sub-section (4) shall refuse clearance from any airport in Pakistan to any aircraft owned or chartered by the non-resident until the tax due has been paid.

145. Assessment of persons about to leave Pakistan.— (1) Where any person is likely to leave Pakistan during the currency of tax year or shortly after its expiry with no intention of returning to Pakistan, he shall give to the Commissioner a notice to that effect not less than fifteen days before the probable date of his departure (hereinafter in this section referred to as the 'said date').

(2) The notice under sub-section (1) shall be accompanied by a return or returns of taxable income in respect of the period commencing from the end of the latest tax year for which an assessment has been or, where no such assessment has been made, a return has been made, as the case may be, and ending on the said date, or where no such assessment or return has been made, the tax year or tax years comprising the period ending on the said date; and the period commencing from the end of the latest tax year to the said date shall, for the purposes of this section, be deemed to be a tax year (distinct and separate from any other tax year) in which the said date falls.

(3) Notwithstanding anything contained in sub-sections (1) and (2), the Commissioner may serve a notice on any person who, in his opinion, is likely to leave Pakistan during the current tax year or shortly after its expiry and has no intention of returning to Pakistan, to furnish within such time as may be specified in such notice, a

¹Section 145 substituted by the Finance Act, 2003. The substituted section 145 read as follows.

***145. Collection of tax from persons leaving Pakistan permanently.**— (1) Where the Commissioner has reasonable grounds to believe that a person may leave Pakistan permanently without paying tax due under this Ordinance, the Commissioner may issue a certificate containing particulars of the tax due to the Commissioner of Immigration and request the Commissioner of Immigration to prevent that person from leaving Pakistan until that person -

- (a) makes payment of tax in full, or
- (b) makes an arrangement satisfactory to the Commissioner for payment of the tax due.

(2) A copy of a certificate issued under sub-section (1) shall be served on the person named in the certificate if it is practicable to do so.

(3) Payment of the tax specified in the certificate to a customs or immigration officer or the production of a certificate signed by the Commissioner stating that the tax has been paid or satisfactory arrangements for payment have been made shall be sufficient authority for allowing the person to leave Pakistan.*

return or returns of taxable income for the tax year or tax years for which the taxpayer is required to furnish such return or returns under sub-section (2).

(4) The taxable income shall be charged to tax at the rates applicable to the relevant tax year and all the provisions of this Ordinance shall, so far as may be, apply accordingly.]

[(5) Notwithstanding anything contained in any other law, for the time being in force, where on the basis of information received from any offshore jurisdiction, the Commissioner has reason to believe that such person who is likely to leave Pakistan may be involved in offshore tax evasion or such person is about to dispose of any such asset, the Commissioner may freeze any domestic asset of the person including any asset beneficially owned by the person for a period of one hundred and twenty days or till the finalization of proceeding including but not limited to recovery proceedings under this Ordinance whichever is earlier.]

146. Recovery of tax from persons assessed in Azad Jammu and Kashmir¹ and Gilgit-Baltistan.]— (1) Where any person assessed to tax for any tax year under the law relating to income tax in the Azad Jammu and Kashmir² [or Gilgit-Baltistan] has failed to pay the tax and the income tax authorities of the Azad Jammu and Kashmir³ [or Gilgit-Baltistan] cannot recover the tax because —

- (a) the person's residence is in Pakistan; or
- (b) the person has no movable or immovable property in the Azad Jammu and Kashmir⁴ [or Gilgit-Baltistan],

the Deputy Commissioner in the Azad Jammu and Kashmir⁵ [or Gilgit-Baltistan] may forward a certificate of recovery to the Commissioner and, on receipt of such certificate, the Commissioner shall recover the tax referred to in the certificate in accordance with this Part.

(2) A certificate of recovery under sub-section (1) shall be in the prescribed form specifying —

- (a) the place of residence of the person in Pakistan;

¹New sub-section (5) added through Finance Act, 2019.

²Inserted by the Finance Act, 2017.

³Inserted by the Finance Act 2017.

⁴Inserted by the Finance Act 2017.

⁵Inserted by the Finance Act 2017.

⁶Inserted by the Finance Act 2017.

- (b) the description and location of movable or immovable property of the person in Pakistan, and

- (c) the amount of tax payable by the person.

[146A. Initiation, validity, etc., of recovery proceedings.— (1) Any proceedings for the recovery of tax under this Part may be initiated at any time.

(2) The Commissioner may, at any time, amend the certificate issued under section 138A, or recall such certificate and issue fresh certificate, as he thinks fit.

(3) It shall not be open to a taxpayer to question before the District Officer (Revenue) the validity or correctness of any certificate issued under section 138A, or any such certificate as amended, or any fresh certificate issued, under sub-section (2).

(4) The several modes of recovery provided in this Part shall be deemed to be neither mutually exclusive nor affect in any way any other law for the time being in force relating to the recovery of debts due to the Government and the Commissioner may have recourse to any such mode of recovery notwithstanding that the tax due is being recovered from a taxpayer by any other mode.]

[146B. Tax arrears settlement incentives scheme.— (1) Subject to provisions of this Ordinance, the Board may make scheme in respect of recovery of tax arrears or withholding taxes and waiver of² [default surcharge] or penalty levied thereon.

(2) The Board may make rules under section 237 for implementation of such scheme.]

[146C. Assistance in the recovery and collection of taxes.— The provisions of sections 138, 138A, 138B, 139, 140, 141, 142, 143, 144, 145, 146, 146A, and 146B shall mutatis mutandis apply in respect of assistance in collection and recovery of taxes in pursuance of a request from a foreign jurisdiction under a tax treaty, a multilateral convention, an intergovernmental agreement or similar arrangement or mechanism.]

¹ Inserted by the Finance Act, 2002.

² Inserted by the Finance Act, 2008.

³ The word "additional tax" substituted by the Finance Act, 2010. The substituted provision has been made effective from 05.06.2010 by sub-clause (77) of clause 8 of the Finance Act, 2010. Earlier the substitution was made through Finance (Amendment) Ordinance, 2009 which was re-promulgated as Finance (Amendment) Ordinance, 2010 and remained effective till 05.06.2010.

⁴ Section 146C inserted by the Finance Act, 2021.

The Federal Excise Act, 2005

As amended up to 30th June, 2021

CHAPTER I PRELIMINARY

1. **Short title, extent and commencement.**—(1) This Act may be called the Federal Excise Act, 2005,
2. It extends to the whole of Pakistan
3. It shall come into force on 1st day of July, 2005.
2. **Definitions.**—In this Act, unless there is anything repugnant in the subject or context,—

(1) "adjudicating authority" means any authority competent to pass any order or decision under this Act or the rules made there under, but does not include the Board or Appellate Tribunal;

(2) "adjustment" means deduction of amount of duty paid on goods used in the manufacture or production of other goods from the amount of duty payable on such other goods in the prescribed manner;

¹[(3) "Appellate Tribunal" means the Appellate Tribunal Inland Revenue established under section 130 of the Income Tax Ordinance, 2001 (XLIX of 2001);]

²[(4) "Board" means the Federal Board of Revenue established under the Central Board of Revenue Act, 1924 (IV of 1924) and on the commencement of the Federal Board of Revenue Act, 2007, the Federal Board of Revenue established under section 3 thereof;]

¹ Clause (3) Substituted by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

² Substituted vide Finance Act, 2007

¹[(4A) "Chief Commissioner" means a person appointed as the Chief Commissioner Inland Revenue under section 29;]

²[(5) "Commissioner" means a person appointed as a Commissioner Inland Revenue under section 29;]

(6) "conveyance" means any means of transport used for carrying goods or passengers such as vessel, aircraft, vehicle or animal etc.;

(7) "default surcharge" means surcharge levied under section 8;

(8) "distributor" means a person appointed by a manufacturer in or for a specified area to purchase goods from him for sale to a wholesale dealer in that area;

³[(8a) "due date", in relation to furnishing a return under section 4, means the 15th day of the month following the end of the month, or such other date as the ⁴[Board] may, by notification in the official Gazette, specify ⁵[and different dates may be specified for furnishing of different parts or annexures of the return].

⁶[(8b) "dutiable goods" means all excisable goods specified in the First Schedule except those which are exempt under section 16 of the Act;

(8c) "dutiable supply" means a supply of dutiable goods made by a manufacturer other than a supply of goods which is exempt under section 16 of the Act;

¹ Clause (4A) Substituted by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

² Clause (5) Substituted by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

³ Inserted vide Finance Act, 2006

⁴ Substituted for the words "Federal Government" by Finance Act, 2017

⁵ Expression for full stop at end substituted through Finance Act, 2016.

⁶ Inserted vide Finance Act, 2007.

- (8d) "dutiabale services" means all excisable services specified in the First Schedule except those which are exempt under section 16 of the Act;
- (9) "duty" means any sum payable under the provisions of this Act or the rules made there under and includes the default surcharge and the duty chargeable at the rate of zero percent;
- ¹(9a) "duty due" means duty in respect of supplies made or services provided or rendered during a month and shall be paid at the time of filing of return;
- (10) "establishment" includes an undertaking, firm or company, whether incorporated or not, an association of persons and an individual;
- (11) "factory" means any premises, including the precincts thereof, wherein or in any part of which goods are manufactured, or wherein or in any part of which any manufacturing process connected with the production of the goods is being carried on or is ordinarily carried on;
- ²[³(12)] "Officer of Inland Revenue" means any person appointed by the Board as officer of Inland Revenue under section 29 or any person (including an officer of the Provincial Government) entrusted by the Board with any of the powers of an officer of Inland Revenue under this Act or rules made there under;]
- ⁴(12a) "franchise" means an authority given by a franchiser under which the franchisee is contractually or otherwise granted any right to produce, manufacture, sell or trade in or do any other

¹ Inserted vide Finance Act, 2008.

² Clause (12) Substituted by Finance Act, 2010 w.e.f. June 5, 2010. The Finance Ordinance states clause 12 to be substituted by "(12A)", however (12a) is already present in the Finance Ordinance. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

³ Clause (12A) re-numbered as (12) by Finance Act, 2012.

⁴ Clause (12a) inserted by Finance Act, 2008.

- business activity in respect of goods or to provide service or to undertake any process identified with franchiser against a fee or consideration including royalty or technical fee, whether or not a trade mark, service mark, trade name, logo, brand name or any such representation or symbol, as the case may be, is involved;"
- (13) "goods" means goods leviable to excise duty under this Act or as specified in the First Schedule and includes goods manufactured or produced in non-tariff area and brought for use or consumption to tariff area;
- (14) "goods insurance" includes fire, marine, theft, accident and other such miscellaneous insurance;
- (15) "import" and "export" mean respectively bringing into, and taking out of Pakistan by sea, land or air and shall be deemed to have always been so defined;
- ¹(15a) "KIBOR" means Karachi Inter Bank Offered Rate prevalent on first day of each quarter of the financial year;"
- (16) "manufacture" includes,—
- any process incidental or ancillary to the completion of a manufactured product;
 - any process of re-manufacture, remaking, reconditioning or repair and the processes of packing or repacking such product, and, in relation to tobacco, includes the preparation of cigarettes, cigars, cheroots, biris, cigarette and pipe or hookah tobacco, chewing tobacco or ²[snuff, or preparation of unmanufactured tobacco by drying, cutting and thrashing of raw tobacco,] and the word "manufacturer" shall be construed accordingly and shall include,—

¹ Inserted vide Finance Act, 2009.

² Substituted for "snuff," by Finance Act, 2011.

- (i) any person who employs hired labour in the production or manufacture of goods; or
- (ii) any person who engages in the production or manufacture of goods on his own account if such goods are intended for sale; and
- (c) any person who, whether or not he carries out any process of manufacture himself or through his employees or any other person, gets any process of manufacture carried out on his behalf by any person who is not in his employment:

Provided that any person so dealing in goods shall be deemed to have manufactured for all purposes of this Act, such goods in which he deals in any capacity whatever;

- [(16a) "non-fund banking services" includes all non-interest based services provided or rendered by the banking companies or non-banking financial institutions against a consideration in the form of a fee or commission or charges;"]
- (17) "non-tariff area" means Azad Jammu and Kashmir, Northern Areas and such other territories or areas to which this Act does not apply;
- (18) "person" includes a company, an association, a body of individuals, whether incorporated or not, a public or local authority, a Provincial Government or the Federal Government;
- (19) "prescribed" means prescribed under this Act or by rules made there under;
- ¹[(19a) "property developers or promoters" means persons engaged in development of purchased or leased land for conversion into residential or commercial plots or construction of residential or commercial units for sale;]

¹ Inserted vide Finance Act, 2008.

- (20) "registered person" means a person who is registered or is required to be registered under this Act provided that a person who is not registered but is required to be registered shall not be entitled to any benefit or privilege under this Act or rules made there under, unless he is registered and such benefit and privilege, unless allowed by Board, shall be confined to period of registration;
- (21) "sale" and "purchase" with their grammatical variations and cognate expressions, mean any transfer of the possession of goods or rendering and providing of services by one person to another in the ordinary course of trade or business for cash or deferred payment or other consideration;
- ¹[(21a) "sales tax mode" means the manner of collection and payment under the Sales Tax Act, 1990, and rules made there under, of the duties of excise chargeable under this Act specified to be collected and paid as if such duties were tax chargeable under section 3 of the said Act and all the provisions of that Act and rules, notifications, orders and instructions made or issued there under shall, *mutatis mutandis*, apply to the excise duty so chargeable;]
- (22) "Schedule" means the schedule appended to this Act;
- (23) "services" means services, facilities and utilities leviable to excise duty under this Act or as specified in the First Schedule read with Chapter 98 of the Pakistan Customs Tariff, including the services, facilities and utilities originating from Pakistan or its tariff area or terminating in Pakistan or its tariff area;
- ²[(23a) "supply" includes sale, lease or other disposition of goods and shall include such transaction as the ³[Board, with the approval of the Federal Minister-in-charge,] may notify in the official Gazette from time to time;]

¹ Inserted vide Finance Act, 2007.

² Inserted vide Finance Act, 2007.

³ The words "Federal Government" substituted by Finance Act, 2019.

- (24) "tariff area" means area other than the non-tariff area;
- ¹[(24A) "un-manufactured tobacco" means tobacco useable for manufacture of cigarettes as manufactured by Green Leaf Threshing Units after processing and conversion of tobacco green leaf;]
- ²[(24B) "whistleblower" means whistleblower as defined in section 42D of the Federal Excise Act, 1990;]
- (25) "wholesale dealer" means a person who buys or sells goods wholesale for the purpose of trade or manufacture, and includes a broker or commission agent who, in addition to making contracts for the sale or purchase of goods for others, stocks such goods belonging to others as an agent for the purpose of sale; and
- (26) "zero-rated" means duty of Federal excise levied and charged at the rate of zero per cent under section 5 of this act.

CHAPTER II

LEVY, COLLECTION AND PAYMENT OF DUTY

3. Duties specified in the First Schedule to be levied.—(1)

Subject to the provisions of this Act and rules made there under, there shall

be levied and collected in such manner as may be prescribed duties of excise on,—

¹ New clause 24A inserted by by Finance Supplementary (Amendment) Act, 2018
² Earlier clause 24A re-numbered as clause 24B by Finance Supplementary (Amendment) Act, 2018

- (a) goods produced or manufactured in Pakistan;
- (b) goods imported into Pakistan ¹[, irrespective of their final destination in territories of Pakistan];
- (c) such goods as the ²[Federal Government] may, by notification in the official Gazette, specify, as are produced or manufactured in the non-tariff areas and are brought to the tariff areas for sale or consumption therein; and
- ³[(d) services provided in Pakistan including the services originated outside but rendered in Pakistan;

at the rate of ⁴[fifteen] per cent *ad valorem* except the goods and services specified in the First Schedule, which shall be charged to Federal excise duty as, and at the rates, set-forth therein.

(2) Duty in respect of goods imported into Pakistan shall be levied and collected in the same manner and at the same time as if it were a duty of customs payable under the Customs Act, 1969 (IV of 1969), and the provisions of the said Act including section 31A thereof shall apply.

(3) The Board may, by notification in the official Gazette, in lieu of levying and collecting under sub-section (1) duties of excise on goods and services, as the case may be, levy and collect duties,—

- (a) on the production capacity of plants, machinery, undertakings, establishments or installations producing or manufacturing such goods; or
- (b) on fixed basis, as it may deem fit, on any goods or class of goods or on any services or class of services, payable by any

¹ The expression inserted by Finance Act, 2017.
² Words "Federal Government" substituted by Finance Act, 2018.
³ Inserted vide Finance Act, 2008.
⁴ Substituted "fifty" vide Finance Act, 2006.

establishment or undertaking producing or manufacturing such goods or providing or rendering such services.

¹[(3A) Subject to the provision of sub-section (3) of section 6 or any notification issued there under, where excisable goods and services are supplied to a person who has not obtained registration number, the Federal Government may, by notification in the official Gazette, charge, levy and collect, on the excisable goods and services specified in that notification, a further duty at the rate of two percent of the value in addition to the rate specified in sub-sections (1), (3), (4) and (5) of this section.]

(4) Without prejudice to other provisions of this Act, the ²[Federal Government] may levy and collect duty on any class or classes of goods or services by notification in the official Gazette at such higher or lower rate or rates as may be specified in such notification.

³[(5) The liability to pay duty shall be—

- (a) in case of goods produced or manufactured in Pakistan, of the person manufacturing or producing such goods;
- (b) in case of goods imported into Pakistan, of the person importing such goods;
- (c) in case of services provided or rendered in Pakistan, of the person providing or rendering such service ⁴[, provided where services are rendered by the person out of Pakistan, the recipient of such service in Pakistan shall be liable to pay duty]; and
- (d) in case of goods produced or manufactured in non-tariff areas and brought to tariff areas for sale or consumption therein, of the person bringing or causing to bring such goods to tariff areas.]

¹ Sub-section (3A) inserted by Finance Act, 2013.

² Words "Federal Government" substituted by Finance Act, 2018.

³ Sub-section (5) inserted by Finance Act, 2013.

⁴ Words etc. inserted by Finance Act, 2008.

¹[(5A) In respect of goods, specified in the Fourth Schedule, the minimum production for a month shall be determined on the basis of a single or more inputs as consumed in the production process as per criterion specified in the Fourth Schedule and if minimum production so determined exceeds the actual supplies for the month, such minimum production shall be treated as quantity supplied during the month and the liability to pay duty shall be discharged accordingly.]

Explanation.— Subject to sub-section (1), for the purpose of this section, "goods" means the goods specified in CHAPTERS 1 TO 97 and "services" means the services specified in CHAPTER 98 of the First Schedule to the Customs Act, 1969 (IV of 1969).

²[]

4. Filing of return and payment of duty etc.—³[(1) ⁴/For every month, a registered person/ shall furnish not later than the due date a true and correct return in such manner and form as may be prescribed by the Board by notification in the official Gazette.]

⁵[(2) Duty due for the dutiable supplies made or services rendered during a month shall be deposited by the registered person in the designated branch of the bank ⁶[by the date as prescribed in this respect]:

Provided that the Board may, by notification in the official Gazette, prescribe any other manner of depositing the duty.]

⁷[...omitted].

⁸(4) A registered person may, subject to approval of the ⁹[Commissioner

¹ New sub-section (5A) inserted through Finance Act, 2019.

² Section 3A omitted by Finance Act, 2011 providing that in case of imports, this shall be deemed to have been made on June 20, 2011. Earlier it was inserted by Finance Act, 2007.

³ Sub-section (1) substituted by Finance Act, 2006.

⁴ Substituted vide Finance Act, 2007.

⁵ Substituted vide Finance Act, 2007.

⁶ Expression substituted through Finance Act, 2016.

⁷ Sub-section (3) omitted through Finance Act, 2016.

⁸ Substituted vide Finance Act, 2006.

⁹ Substituted for "Collector of Federal Excise" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as

Inland Revenue] of Federal Excise having jurisdiction, file a revised return within ¹[one hundred and twenty] days of the filing of return under sub-section (1), to correct any omission or wrong declaration made therein ²[:]

²[Provided that the approval under this sub-section shall not be required if revised return is filed within sixty days of filing of the original return and either the duty payable as per the revised return is more than the amount paid or the refund claimed therein is less than the amount as claimed, under the return sought to be revised.]

(5) The Board may, by notification in the official Gazette, require any person or class of persons for any goods or class of goods to furnish such summary or details of particulars pertaining to imports, purchases, utilization, consumption, production, sales or disposal of such goods during any month or months in such format and manner as may be specified and provisions of this subsection may be invoked *mutatis mutandis* in respect of services.

(6) The Board may by an order, specify the manner and procedure for filing of return for the purpose of this Act or rules made there under and for payment of duty by electronic means. The Board may specify the manner and procedure for the submission, receipt and transmission of any information for the purpose of this Act or rules made there under by electronic means.

(7) Every amount of duty due from any person on any other account shall also be deposited on the prescribed ³[return] in the bank branch designated and in the same manner as aforesaid.

⁴[(8) The Board may, by rules made under this Act, prescribe a composite return.]

5. Zero rate of duty and drawback of duty etc.—(1) Notwithstanding the provisions of section 3, the goods exported out of Pakistan or such goods as may be, by a notification in the official Gazette, specified by the Federal Government shall be charged to duty at the rate of

Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

¹ Amended vide Finance Act, 2008

² For full stop a colon substituted and thereafter proviso inserted by Finance Act, 2021

³ Substituted for "challan" by Finance Act, 2007.

⁴ Added vide Finance Act, 2008.

zero per cent and adjustment of duty in terms of section 6 shall be admissible on such goods.

(2) The Board may, by notification in the official Gazette, grant drawback of duty paid on any goods used in the manufacture of any goods manufactured in and exported out of Pakistan, or shipped as provisions or stores for consumption on board a ship or aircraft proceeding to a destination outside Pakistan, at such rate or rates and subject to such conditions and limitations as may be specified in the notification.

¹[(3) Notwithstanding anything in sub-sections (1) and (2), the Board may, by notification in the official Gazette, prohibit the payment of drawback, refund or adjustment of duty upon the exportation of goods or any specified goods or class of goods to any specified foreign port or territory.]

6. Adjustment of duties of excise.—(1) For the purpose of determining net liability of duty in respect of any goods, the duty already paid on goods specified in the First Schedule and used directly as input goods for the manufacture or production of such goods shall be deducted from the amount of duty calculated on such goods.

(2) Adjustment of duty of excise under sub-section (1) shall be admissible only if a person registered under this Act holds a valid proof to the effect that he has paid the price of goods purchased by him including the amount of duty and received the price of goods sold by him including the amount of duty through banking channels including online payment whether through credit card or otherwise.

²[(2A) From the date to be notified by the Board, adjustment of duty of excise under sub-section (1) shall be admissible only if the supplier of input goods and services has declared such supply in his return and he has paid amount of tax due as indicated in his return].

³[(2AB) Notwithstanding anything contained in this Act or the rules made thereunder, the Board may, by notification in the official Gazette, may impose restrictions on wastage of

¹ Added vide Finance Act, 2007.

² New sub-section added through Finance Act, 2016.

³ New sub-section inserted by Finance Act, 2020.

material on which input tax has been claimed in respect of the goods or class of goods.]

(3) Notwithstanding the provisions of sub-section (1), the Board may, by a notification in the official Gazette, disallow or restrict whole or part of the amount of or otherwise regulate the adjustment of duty in respect of any goods or class of goods.

7. Application of the provisions of the Sales Tax Act, 1990.—

¹[(1)] In case of goods specified in the Second Schedule or such services as may be specified by the Board through a notification in the official Gazette ²[the duty shall be payable in sales tax mode, whereby].—

- (a) a registered person manufacturing or producing such goods or providing or rendering such services shall be entitled to deduct input tax paid during the tax period from the amount of duty of excise due from him on such goods or services in respect of that tax period;
- (b) a registered person shall be entitled to deduct the amount of duty of excise paid or payable by him on such goods or services as are acquired by him during a tax period from the output tax due from him in respect of that tax period;
- (c) a registered person supplying such goods or providing or rendering such services shall be entitled to deduct duty of excise paid or payable on such goods or services as are acquired by him during the tax period from the amount of duty of excise due from him on such goods manufactured or produced or services as are provided or rendered by him during that period; and
- (d) a person shall be entitled to deduct duty of excise paid or payable, on such goods or services as are acquired by him during a month, from the amount of duty of excise due from him on such goods manufactured or produced or services as are provided or rendered by him, during that month. Such services as are provided or rendered by him, during that month.

¹ Section 7 renumbered as sub-section (1) by Finance Act, 2008.

² Words and commas inserted by Finance Act, 2007.

¹[(2) The ²[Board, with the approval of the Federal Minister-in-charge,] may, by notification in the official Gazette, declare that any of the provisions of the Sales Tax Act, 1990, relating to the levy of and exemption from sales tax, registration, book keeping and invoicing requirements, returns, offences and penalties, appeals and recovery of arrears shall, with such modifications and alterations as it may consider necessary or desirable to adapt them to the circumstances, be applicable in regard to like matters in respect of the duty leviable under this Act.]

Explanation.—For the purposes of this section, the expressions “input tax”, “output tax” and “tax period” shall have the same meanings as are assigned to them in the Sales Tax Act, 1990 ³[].

⁴[8. **Default surcharge.**—If a person does not pay the duty due or any part thereof within the prescribed time or receives a refund of duty or drawback or makes an adjustment which is not admissible to him, he shall, in addition to the duty due, pay default surcharge at the rate of ⁵[twelve] per cent” ⁶[per annum]] of the duty due, refund of duty or drawback.

Explanation.—For the purpose of this section,—

(a) the period of default shall be reckoned from the date following the due date on which the duty was payable to the preceding day on which the duty is actually paid; and (b) in case of inadmissible adjustment or refund of duty or drawback, the period of default shall be reckoned from the date of such adjustment or as the case may be, refund of duty or drawback is received.]

9. Liability for payment of duty in the case of private companies or business enterprises or in case of sale of business ownership.—(1) Notwithstanding anything contained in any other law for the time being in force, where any private company or business enterprise is closed or discontinued or otherwise ceases to exist and any amount of duty chargeable on the company or business enterprise, whether before, or in the course of, or after its liquidation cannot be recovered from the company or business enterprise, every person who was a owner of, or partner in, or

¹ Inserted vide Finance Act, 2008

² The words “Federal Government” substituted through Finance Act, 2019

³ Omitted vide Finance Act, 2007

⁴ Inserted vide Finance Act, 2008

⁵ Words “twelve” substituted by Finance Act, 2018

⁶ Words inserted by Finance Act, 2011

director of, the company or business enterprise shall, jointly and severally with such persons, be liable for the payment of such duty.

(2) In the case of sale or transfer of ownership of a business or part thereof involving any charge of duty to another person as an ongoing concern, the chargeable duty shall be paid by the person to whom such sale is made or ownership is transferred provided that if any amount of duty payable by such person remains unpaid, such unpaid amount of duty shall be the first charge on the assets of the business and shall be payable by the transferee of business:

Provided that no business enterprise or a part thereof shall be sold or transferred unless the outstanding duty is paid and a no objection certificate in this behalf from the ¹[Commissioner] concerned is obtained.

(3) In case of termination of a business or part thereof involving any outstanding charge of duty, a person terminating such business or part thereof shall be required to account for and pay the outstanding charge of duty as if no such termination has taken place.

10. Applicable value and rate of duty.— The value and the rate of duty applicable to any goods or services shall be the value, retail price, tariff value and the rate of duty in force,—

- (a) in the case of goods, on the date on which the goods are ²[supplies] for export or for home consumption;
- (b) in the case of services, on the date on which the services are provided or rendered; and
- (c) in the case of goods produced or manufactured outside the areas to which this Act has been applied and brought to such areas for sale or consumption therein, the date on which the goods are brought to those areas

11. Collection of excess duty etc.— Every person who for any reason whatever has collected or collects any duty, which is not payable as duty or which is in excess of the duty actually payable and the incidence of which has been passed on to the consumer, shall pay the amount so collected to the Federal Government and all the provisions of this Act or rules made there under shall apply for the recovery of such amount and

¹ Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010.

² Substituted for "cleared" by Finance Act, 2007.

claim for refund of any such amount paid or recovered shall not be admissible on any ground whatever.

12. Determination of value for the purposes of duty.— ¹(1) Where any goods are liable to duty under this Act at a rate dependent on their value, duty shall be assessed and paid on the basis of value as determined in accordance with sub-section (46) of section 2 of the Sales Tax Act, 1990, excluding the amount of duty payable thereon.]

(2) Where any services are liable to duty under this Act at a rate dependent on the charges therefore, the duty shall be paid on total amount of charges for the services including the ancillary facilities or utilities, if any, irrespective whether such services have been rendered or provided on payment of charge or free of charge or on any confessional basis.

(3) Where any goods are chargeable to duty at the import stage, duty will be assessed and paid on the value determined in accordance with section 25 of the Customs Act, 1969 (IV of 1969), including customs duties payable thereon.

(4) Where any goods are chargeable to a duty on the basis of retail price, duty thereon shall be paid on the retail price fixed by the manufacturer, inclusive of all ²[duties,] charges and taxes, other than sales tax levied and collected under section 3 of the Sales Tax Act, 1990, at which any particular brand or variety of such goods should be sold to the general body of consumers or, if more than one such price is so fixed for the same brand or variety, the highest of such price and such retail price shall, unless otherwise directed by the Board, be legibly, prominently and indelibly indicated on each good, packet, container, package, cover or label of such goods:

Provided that where so and as specified by the Board, any goods or class of goods liable to duty on local production as percentage of retail price, the provisions of this sub-section shall mutatis mutandis apply in case such goods are imported from abroad ³[:]

⁴[Provided further that the Board may through a general order specify zones or areas only for the purpose of determination of highest

¹ Substituted vide Finance Act, 2008

² Words and comma inserted by Finance Act, 2007

³ Colon substituted vide Finance Act, 2014

⁴ Proviso inserted vide Finance Act, 2014

retail price for any brand or variety of goods.]

(5) The Board may fix the minimum price of any goods or class of goods, for the purpose of levying and collecting of duty and duty on such goods shall be paid accordingly.

¹[Provided that, where the price at which the goods or class of goods are sold, is higher than the price fixed by the Board, the duty shall, unless otherwise directed by the Board, be levied and collected at such higher price.]

13. Registration.—(1) Any person engaged in the production or manufacture of goods or providing or rendering services liable to duty of excise under this Act shall, unless otherwise specified, be required to obtain registration in the prescribed manner regardless of his annual turnover or volume of sales of such goods or services.

(2) Where a person who is already registered under the Sales Tax Act, 1990, shall not be required to take separate registration for excise purpose and his sales tax registration shall be deemed to be a registration for the purpose of this Act:

Provided that provisions of the Sales Tax Act, 1990, including those relating to exemption threshold shall not apply where a person obtains or is liable to obtain registration for the purposes of this Act but does not have or is not liable to registration under the Sales Tax Act, 1990.

14. Recovery of unpaid duty or of erroneously refunded duty or arrears of duty, etc.—(1) Where any person has not levied or paid any duty or has short levied or short paid such duty or where any amount of duty has been refunded erroneously, such person shall be serviced with notice requiring him to show cause for payment of such duty provided that such notice shall be issued within ²[five] years from the relevant date.

(2) The ³[officer of Inland Revenue], empowered in this behalf, shall after considering the objections of the person served with a notice to

¹ Added vide Finance Act, 2006.

² Substituted for three by Finance Act, 2011.

³ Substituted for "Federal Excise Officer" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

show cause under sub-section (1), determine the amount of duty payable by him and such person shall pay the amount so determined along with default surcharge and penalty as specified by such officer under the provisions of this Act ¹[:]

²[Provided that an order under this section shall be made within one hundred and twenty days of issuance of show cause notice or within such extended period as the Commissioner may, for reasons to be recorded in writing, fix, provided that such extended period shall in no case exceed sixty days:]

Provided further that any period during which the proceedings are adjourned on account of a stay order or Alternative Dispute Resolution proceedings or the time taken through adjournment by the petitioner not exceeding thirty days shall be excluded from the computation of the periods specified in the first proviso.]

(2) Where any amount of duty levied and penalty imposed or any other amount payable under this Act is due from any person, such amount or sum shall be recovered in such manner as is prescribed under this Act or rules made there under.

(3) Notwithstanding anything contained under any other law for the time being in force, where any business or activity involving liability to charge, levy and pay duty under this Act is sold, discontinued or liquidated, the amount of unpaid or recoverable duty shall be the first charge on the assets of the business.

Explanation.—For the purpose of this section, ³[refund includes drawback of duty and] the expression "relevant date" means the date on which the payment of duty was due under sub-section (3) and in case where any amount of duty has been erroneously refunded, the date of its refund.

⁴[(4) The provision of sub-section (2) shall mutatis mutandis apply regarding assistance in collection and recovery of duties in pursuance of a request from a foreign jurisdiction under a tax treaty, a multilateral convention, and inter-governmental agreement or similar agreement or

¹ Substituted for full stop by Finance Act, 2011.

² Proviso inserted by Finance Act, 2011.

³ Added vide Finance Act, 2008.

⁴ New sub-section (4) inserted by Finance Act, 2021.

mechanism as the case may be.]

¹[14A. Short paid amounts recoverable.—Notwithstanding the provisions of this Act or the rules made there under, here a registered person pays the amount of duty less than the duty due as indicated in his return, the short paid amount of duty along with default surcharge shall be recovered from such person by stopping removal of any goods from his business premises and through attachment of his business bank accounts without prejudice to any other action under this Act or the rules made there under:

Provided that no penalty under this Act or rules made there under shall be imposed unless a show cause notice is given to such person.]

²[14B. Assessment giving effect to an order.— (1) Except where sub-section (2) applies, where, in consequence of, or to give effect to, any finding or direction in any order made under Chapter-V by the Commissioner (Appeals), Appellate Tribunal, High Court, or Supreme Court, the Commissioner or an officer of Inland Revenue empowered in this behalf, shall issue the order within one year from the end of the financial year in which the order of the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court, as the case may be, was served on the Commissioner or Officer of Inland Revenue.

(2) Where, by an order made under Chapter V by the Appellate Tribunal, High Court, or Supreme Court, an order of assessment is remanded wholly or partly, and the Commissioner or Commissioner (Appeals) or the Officer of Inland Revenue, as the case may be, is directed to pass a new order of assessment, the Commissioner or Commissioner (Appeals) or Officer of Inland Revenue, as the case may be, shall pass the new order within one year from the end of the financial year in which the Commissioner or Commissioner (Appeals) or Officer of Inland Revenue, as the case may be, is served with the order:

Provided that limitation under this sub-section shall not apply if an appeal or reference has been preferred against the order passed by Appellate Tribunal or a High Court.]

³[14C. Power of tax authorities to modify orders, etc.— (1)

¹ Inserted by Finance Act, 2007.

² New section 14B inserted by Finance Act, 2018.

³ New section 14C inserted by Finance Act, 2020.

Where a question of law has been decided by a High Court or the Appellate Tribunal in the case of a registered person, on or after first day of July 2005, the Commissioner or an officer of Inland Revenue may, notwithstanding that he has preferred an appeal against the decision of the High Court or made an application for reference against the order of the Appellate Tribunal, as the case may be, follow the said decision in the case of the said taxpayer in so far as it applies to said question of law arising in any assessment pending before the Commissioner or an officer of Inland Revenue, until the decision of the High Court or of the Appellate Tribunal is reversed or modified.

(2) In case the decision of High Court or the Appellate Tribunal, referred to in sub-section (1), is reversed or modified, the Commissioner or an officer of Inland Revenue may, notwithstanding the expiry of period of limitation prescribed for making any assessment or order, within a period of one year from the date of receipt of decision, modify the assessment or order in which the said decision was applied so that it conforms to the final decision.]

15. Application of the Customs Act, 1969 (IV of 1969) to Federal excise duties.—The Federal Government may, by notification in the official Gazette, declare that any or all of the provisions of the Customs Act, 1969 (IV of 1969), shall, with such modifications and alterations it may specify, consider necessary or desirable to adapt them to the circumstances, be applicable in regard to like matters in respect of the duties levied by sections 3 and 8.

16. Exemptions.—(1) All goods imported, produced or manufactured in Pakistan and services provided or rendered except such goods and services as are specified in the First Schedule shall be exempt from whole of excise duties ¹[levied under section 3]:

Provided that goods and services specified in the Third Schedule shall be exempt from duty subject to such conditions and restrictions, if any, specified therein and no adjustment in terms of section 6 shall be admissible in respect of goods exempt from duty of excise whether conditionally or otherwise.

¹ Added vide Finance Act, 2007.

¹[(2) The Federal Government may, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations and implementation of bilateral and multilateral agreements, by notification in the official Gazette, exempt subject to such conditions as may be specified therein, any goods or class of goods or any services or class of services from the whole or any part of the duty leviable under this Act.]

²[(3) ***]

(4) Notwithstanding the provisions of ³[sub-section (2)], the Federal Government or the Board may, by a notification in the official Gazette, for reasons to be recorded, exempt any person or class of persons from payment of the whole or part of the default surcharge imposed under section 8 ⁴[and penalties] subject to the such conditions or limitations as may be specified in such notification.

⁵[(5) The ⁶[Board] shall place before the National Assembly all notifications issued under this section in a financial year.

(6) Any notification issued under sub-section (2) after 1st July, 2015, shall, if not earlier rescinded, stand rescinded on the expiry of the financial year in which it was issued ⁷[:

Provided that all such notifications, except those earlier rescinded, shall be deemed to have been in force with effect from the 1st July, 2016 and shall continue to be in force till the 30th June, 2018, if not earlier rescinded:

Provided further that all notifications issued on or after the first day of July, 2016 and placed before the National Assembly as required under sub-section (5) shall continue to be in force till thirtieth day of June, 2018, if not earlier rescinded by the Federal Government or the National Assembly.]

¹ Sub-section (2) substituted by Finance Act, 2019.

² Sub-section (3) omitted by Finance Act, 2015

³ Substituted for the words, figures and brackets "sub-sections (2) and (3)" by Finance Act, 2015

⁴ Inserted vide Finance Act, 2007.

⁵ Sub-sections (5) and (6) inserted by Finance Act, 2015

⁶ Substituted for the words "Federal Government" by Finance Act, 2017

⁷ Provisos added by Finance Act, 2017

17. Records.—(1) Every person registered for the purposes of this Act shall maintain and keep for a period of ¹[six] years ²[or till such further period the final decision in any proceedings including proceedings for assessment, appeal, revision, reference, petition and any, proceedings before an Alternative Dispute Resolution Committee is finalized] at his business premises or registered office in English or Urdu language the following records of excisable goods purchased, manufactured and cleared (including those cleared without payment of excise duty) by him or by his agent acting on his behalf in such form and manner as would permit ready ascertainment of his liability of duty, namely:—

- (a) records of clearances and sales made indicating the description, quantity and value of goods, name and address of the person to whom sales were made and the amount of the duty charged;
 - (b) records of goods purchased showing the description, quantity and value of goods, name, address and registration number of the supplier and the amount of the duty, if any, on purchases;
 - (c) records of goods cleared and sold without payment of duty;
 - (d) records of invoices, bills, accounts, agreements, contracts, orders and other allied business matters;
- ³[(da) record relating to gate passes, inward or outward, and transport receipts;]
- (e) records of production, stocks and inventory;

¹ Substituted for "Five" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

² Words and commas inserted by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

³ Clause (da) inserted by Finance Act, 2013

- (f) records of imports and exports; and
- (g) such other records as may be specified by the Board.

(2) For any person or class of persons registered under this Act, or for any goods or class of goods the Board may specify or prescribe,—

- (a) to keep any other records for the purposes of this Act;
- (b) to use such electronic fiscal cash registers as may be approved by the Board; and
- (c) the procedure or software for electronic maintenance of records and filing of statements, documents or information by any person or class of persons.

(3) Provisions of sub-sections (1) and (2) shall apply *mutatis mutandis* on services provided or rendered by a person registered under this Act.

18. Invoices.—(1) A person registered under this Act shall issue for each transaction a serially numbered invoice at the time of clearance or sale of goods, including goods chargeable to duty at the rate of zero per cent, or providing or rendering services containing the following particulars, namely:—

- i. name, address and registration number of the seller;
- ii. name, address and registration number of the buyer;
- iii. date of issue of the invoice;
- iv. description and quantity of goods or as the case may be, description of services;
- v. value exclusive of excise duty;
- vi. amount of excise duty; and
- vii. value inclusive of excise duty.

(2) Notwithstanding sub-section (1), where a registered person is also engaged in making supplies taxable under the Sales Tax Act, 1990, such person shall not be required to issue a separate invoice for excise purposes and the amount of excise duty and other related information may in such cases be mentioned on the invoice issued for sales tax purposes.

(3) The Board may, by notification in the official Gazette, specify such modified invoices for different persons or classes of persons as it may deem necessary.

(4) The Board may, by notification in the official Gazette, specify goods in respect of which a copy of the invoice shall be carried or accompanied with the conveyance during their transportation or movement in such manner and subject to such conditions as may be specified in this behalf either in such notification or otherwise.

¹[(5) The Board may, by notification in the official Gazette, specify the goods or services in respect of which sales invoice shall be issued electronically and prescribe the manner and procedure therein.]

CHAPTER III

OFFENCES AND PENALTIES

19. Offences, penalties, fines and allied matters.—(1) Any person who fails to file or files an incorrect return within the period specified in sub-section (1) of section 4 or fails to make payment or makes short payment of duty on any account, shall pay a penalty of ²[five thousand rupees in case of non-filing of return and ten thousand rupees or five per cent of the duty involved whichever is higher in case of short payment of duty due] in addition to the amount due from him and without prejudice to other liabilities which may be determined against him or action which may be taken against him under this Act and rules made there under;

³[Provided that where a person files the return within fifteen days after the due date he shall pay a penalty of one hundred rupees for each day of default⁴; and]

¹ Added vide Finance Act, 2006

² Substituted vide Finance Act, 2008

³ Added vide Finance Act, 2008

(2) Any person who,—

- (a) makes, orally or in writing, or signs any declaration, certificate or other document required by this Act or rules made there under or by any Federal Excise officer to do so, which is untrue or incorrect in any particular or which is incomplete by omitting any material particular there from;
- (b) counterfeits or falsifies, or uses, when counterfeited or falsified, any document which is or may be required under this Act or rules made there under or any document used in the transaction of any business or matter relevant to this Act or rules made there under; ¹[omitted]
- (c) fails or refuses to give or produce to the ²[officer of Inland Revenue] any information or document required to be given or produced under this Act or rules made there under; ³[and]

⁴[(d) a person who sells cigarettes in retail at a price lower than the retail price plus the amount of sales tax as printed thereon,]

shall be guilty of an offence and for every such offence shall be liable to fine which may extend to twenty thousand rupees and in case of offence under clause (b), the fine may extend to one hundred thousand rupees and he shall be punishable with imprisonment for a term which may extend to five years or with both.

(3) Any person who,—

¹ The word "and" omitted by Finance Act, 2019.

² Substituted for "Federal Excise Officer" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

³ The word "and" inserted by Finance Act, 2019.

⁴ New clause (d) inserted through Finance Act, 2019.

- (a) illegally removes, stores, keeps, or withdraws or in any way assists or is concerned in the illegal removal or withdrawal of any goods in the manner other than the manner prescribed under this Act or rules made there under;
- (b) is in any way concerned in conveying, removing, depositing or dealing with any goods with intent to defraud the Government of any duty of excise due thereon, or to violate any of the provisions of this Act or rules made there under;
- (c) is in any way concerned in any fraudulent evasion or attempt at fraudulent evasion of any duty of excise;
- (d) claims, takes or avails adjustment of duty not admissible under this Act or the rules made there under; and
- (e) is in any way concerned in the manufacture of any dutiable goods in contravention of the provisions of this Act or rules made there under;

shall be guilty of an offence and for each such offence, shall be liable to fine which may extend to fifty thousand rupees or five times of the duty involved, whichever is higher and to punishment with imprisonment which may extend to five years or both.

(4) Any person who, without the approval of the ¹[Commissioner], directly or otherwise destroys, damages, erases or otherwise manipulates data stored in or used in connection with a computer or otherwise uses a computer, the purpose or effect of which is to reduce, avoid or evade any liability to duty of excise which would otherwise have been imposed by this Act, or to defeat any provisions of this Act or rules made there under shall be guilty of an offence and shall be liable to fine which may extend to seventy five thousand rupees or ten times of the duty involved, whichever is higher and to punishment with imprisonment which may extend to five years or both.

¹ Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

(5) If any person obtains, attempts to obtain or abets in obtaining, or does anything whereby there might be obtained by another person, any amount by way of refund or drawback of any duty in respect of any goods¹ [or services] not lawfully payable or allowable in respect thereof or which is greater than the amount so payable or allowable, he shall be guilty of an offence and shall be liable to fine which may extend to one hundred thousand rupees or five times of duty involved, whichever is higher and to punishment with imprisonment which may extend to five years or both.

(6) Any person who obstructs any² [officer of Inland Revenue] or other public servant or any person acting in his aid or assistance, or duly employed for the prevention of offences under this Act or rules made there under in the execution of his duty or in the due seizing of any goods liable to seizure under this Act or rules made there under, shall be guilty of an offence and for each such offence, shall be liable to fine which may extend to fifty thousand rupees or five times of duty involved, whichever is higher and to punishment which may extend to three years or both.

(7) Where an offence under this Act or rules made there under has been committed by a company, firm, or other body of persons, any person who at the time of the commission of the offence was a director, manager, or other similar officer or a partner of the company, firm, or other body of persons or was purporting to act in that capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he exercised all such diligence to prevent the commission of the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.

(8) Unless otherwise legally proved, where any person is liable under this Act to any penalty or punishment for any act, omission, neglect or default, he shall be liable to the same punishment, penalty or forfeiture for every such act, omission, neglect or default of any agent or employee.

¹ Words inserted by Finance Act, 2008.

² Substituted for "Federal Excise Officer" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

(9) Where any goods are chargeable to duty on the basis of retail price under this Act and the retail price is not indicated on the goods¹ [and in case of cigarettes, retail price, health warning and name of the manufacturer is not mentioned] in the manner specified therein or in the rules made there under, the duty shall be charged at the rate of 500 per cent *ad valorem* in case of cigarettes, and 40 per cent *ad valorem* in case of goods other than cigarettes:

Provided that in cases where a registered person does not intend to print retail price for any genuine reasons, he may voluntarily pay duty on the said higher rates as applicable to him and declare his duty payments in the return accordingly and other provisions of this section shall not apply in such cases.

(10)² [Where any person is engaged in the manufacture or production of cigarettes³ [or un-manufactured tobacco] in the manner contrary to this Act or the rules made thereunder or otherwise evades duty of excise on cigarettes⁴ [or un-manufactured tobacco] or is engaged in the manufacture or production of counterfeited cigarettes or tax stamps, banderoles, stickers, labels or barcodes, or is engaged in the manufacturing or production of cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the machinery, equipments, instruments or devices used in such manufacture or production shall, after outright confiscation, be destroyed in such manner as may be approved by the Commissioner and such person shall not be entitled to any claim on any ground whatsoever, or be otherwise not entitled to any compensation in respect of such machinery or equipments, instruments or devices and such confiscation or destruction shall be without prejudice to any other penal action which may be taken under the law against the person or in respect of the cigarettes¹ [or un-manufactured tobacco], tax stamps, stickers, labels, barcodes or vehicles involved in or otherwise linked or connected with the case.]

(11) Any goods in respect of which any of the provisions of this Act or rules made or notifications issued there under has been contravened shall be liable to confiscation along with the conveyance, if any, in which such goods are laden or have been or being carried and all confiscations in

¹ Added vide Finance Act, 2009.

² Sub-section (10) substituted by Finance Act, 2017.

³ Words inserted by Finance Supplementary (Amendment) Act, 2018.

⁴ Words inserted by Finance Supplementary (Amendment) Act, 2018.

this regard shall vest with the Federal Government.

(12) Any person who attempts to commit any offence punishable under this Act, or abets the commission of the offence, shall be liable to the punishment provided for the offence.

(13) ¹[Any person who contravenes any provision of this Act or rules made thereunder for which no penalty has specifically been provided in this section shall be liable to pay a penalty of five thousand rupees or three percent of the amount of duty involved, whichever is higher].

²[19A. Proceedings against authority and persons.—(1) Subject to section 41, the Board shall prescribe rules for initiating criminal proceedings against any authority mentioned in section 29, including any officer or official subordinate to the aforesaid authority, who willfully and deliberately commits or omits an act which results in undue benefit or advantage to the authority or the officer or official or to any other person.

(2) Where proceedings under sub-section (1) have been initiated against the authority or officer or official, the Board shall simultaneously intimate the relevant Government agency to initiate criminal proceedings against the person referred to in sub-section (1).

(3) The proceedings under this section shall be without prejudice to any other liability that the authority or officer or official or the person may incur under any other law for the time being in force.]

20. Appointment of Special Judges for trial of offences.—(1) The Federal Government may, by notification in the official Gazette, appoint as many Special Judges as it may consider necessary, and, where it appoints more than one Special Judge, shall specify in the notification the territorial limits within which each one of them shall exercise jurisdiction.

(2) A Special Judge shall be a person who is or has been or is qualified to be a Sessions Judge.

¹ New sub-section (13) inserted through Finance Act, 2016.

² New section 19A inserted through Finance Act, 2019.

21. Trial of offences by Special Judge.—(1) On the appointment of a Special Judge for any area, an offence punishable under this Act shall be tried exclusively by the Special Judge and all cases pending in any other court in such area immediately before such appointment shall stand transferred to such Special Judge.

(2) The provisions of the Code of Criminal Procedure, 1898 (Act V of 1898), except those of Chapter XXXVIII of that Code, shall apply to the proceedings of the court of a Special Judge and, for the purposes of the said provisions, the court of a Special Judge shall be deemed to be a Court of Session trying cases, and a person conducting prosecution before the court of a Special Judge shall be deemed to be a Public Prosecutor.

(3) For the purposes of sub-section (2), the Code of Criminal Procedure, 1898 (Act V of 1898), shall have effect as if an offence punishable under this Act were one of the offences referred to in sub-section (1) of section 337 of the Code.

(4) A Special Judge shall take cognizance of, and have jurisdiction to try an offence tribal under sub-section (1) only upon a complaint in writing made by such ¹[officer of Inland Revenue] as may be authorized by the Board in this behalf, by a general or special order in writing.

(5) The provisions of Chapter XX of the Code of Criminal Procedure, 1898 (Act V of 1898), shall apply to trial of cases under this Act in so far as they are not inconsistent with the provisions of this Act.

(6) The Federal Government may, by order in writing, direct the transfer, at any stage of the trial, of any case from the court of one Special Judge to the court of another Special Judge for disposal, whenever it appears to the Federal Government that such transfer will promote the ends of justice or tend to the general convenience of parties or witnesses.

¹ Substituted for "Federal Excise Officer" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

(7) In respect of a case transferred to a Special Judge by virtue of sub-section (1) or under sub-section (6), such Judge shall not, by reason of the said transfer, be bound to recall and rehear any witness who has given evidence in the case before the transfer and may act on the evidence already recorded by or produced before the court which tried the case before the transfer.

¹[21A. Appeal against the order of Special Judge.— An appeal against the order of a special Judge in respect of the trial of offence shall lie to the respective High Court of the Province within thirty days of the passing of the order and it shall be heard as an appeal under the Code of Criminal Procedure 1898 (Act V of 1898) by a single judge of High Court.]

22. Power to arrest and prosecute.— (1) Any ²[officer of Inland Revenue] authorized by the Board in this behalf who has reason to believe that any person has committed an offence under this Act may arrest such person after obtaining permission in writing from the ³[Commissioner] concerned:

Provided that the ¹[officer of Inland Revenue] shall immediately intimate the fact of the arrest of a person to the Special Judge who may direct such Officer to produce that person at such time and place and on such date as the Special Judge considers expedient and such Officer shall act accordingly.

(2) Notwithstanding anything contained in proviso to sub-section (1), any person arrested under this Act shall be produced before the Special Judge or, if there is no Special Judge within a reasonable distance, to the nearest Judicial Magistrate, within twenty-four hours of such arrest,

¹ Section 21A inserted by Finance Act, 2010 w.e.f. June 5, 2010.

² Substituted for "Federal Excise Officer" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

³ Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

excluding the time necessary for the journey from the place of arrest to the Court of the Special Judge or, as the case may be, of such Magistrate.

(3) When any person is produced under sub-section (2) before the Special Judge, he may, on the request of such person, after perusing the record, if any, and after giving the prosecution an opportunity of being heard, admit him to bail on his executing a bond, with or without sureties, or refuse to admit him to bail and direct his detention at such place as he deems fit:

Provided that nothing herein contained shall preclude the Special Judge from canceling the bail of any such person at a subsequent stage if, for any reason, he considers such cancellation necessary, but before passing such order he shall afford such person an opportunity of being heard, unless for reasons to be recorded he considers that the affording of such opportunity shall defeat the purposes of this Act.

(4) When such person is produced under sub-section (2) before a Judicial Magistrate, such Magistrate may, after authorizing his detention in such custody, at such place and for such period as he considers necessary or proper for facilitating his earliest production before the Special Judge, direct his production before the Special Judge on a date and time to be fixed by him or direct such person to be forthwith taken to, and produced before, the Special Judge and he shall be so taken.

(5) Nothing in sub-section (3) or sub-section (4) shall preclude the Special Judge or the Magistrate from remanding any such person to the custody of the ¹[officer of Inland Revenue] holding inquiry against that person if such Officer makes a request in writing, to that effect and the Special Judge or the Judicial Magistrate, after perusing the record, if any, and hearing such person, is of the opinion that for the completion of inquiry or investigation it is necessary to make such an order, provided that in no case the period of such custody shall exceed fourteen days.

(6) When any person is arrested under this Act, the ¹[officer of Inland Revenue] shall record the fact of arrest and other relevant particulars in the register mentioned in sub-section (10) and shall immediately proceed to inquire into the charge against such person and if he completes the inquiry within twenty-four hours of his arrest, excluding the time necessary

for journey as aforesaid, he may, after producing such person before the Special Judge or the nearest Judicial Magistrate make a request for his further detention in his custody.

(7) While holding an inquiry under sub-section (6), the ¹[officer of Inland Revenue] shall exercise the same powers as are exercisable by an officer in charge of a police-station under the Code of Criminal Procedure, 1898 (Act V of 1898), but such Officer shall exercise such powers subject to the foregoing provisions of this section while holding an inquiry under this Act.

(8) If a ¹[officer of Inland Revenue], after holding an inquiry, is of the opinion that there is no sufficient evidence or reasonable grounds to proceed against a person he shall make a report to this effect to the ²[Commissioner] and with his approval may release him on his executing a bond with or without sureties and shall direct such person to appear, as and when required, before the Special Judge and may make a report to the Special Judge for the discharge of such person and shall make a full report of the case of his immediate superior.

(9) The Special Judge to whom a report has been made under subsection (8) may, after the perusal of record of the inquiry and hearing the prosecution, agree with such report and discharge the accused or, if he is of the opinion that there is sufficient ground for proceeding against such person, proceed with his trial and direct the prosecution to produce evidence.

(10) The ³[officer of Inland Revenue] empowered to hold inquiry

¹ Substituted for "Federal Excise Officer" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

² Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

³ Substituted for "Federal Excise Officer" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This

under this section shall maintain a register to be called "Register of Arrests and Detention" in the prescribed form in which he shall enter the name and other particulars of every person arrested under this Act, together with the time and date of arrest, the details of the information received, the details of the things, goods or documents, recovered from his custody, the name of the witnesses and the explanation, if any, given by him and the manner in which the inquiry has been conducted from day to day, and such register or authenticated copies of its aforesaid entries shall be produced before the Special Judge whenever such Officer is so directed by him.

(11) After completing the inquiry, the ¹[officer of Inland Revenue] shall, as early as possible, submit to the Special Judge a complaint in the same form and manner, in which the officer in charge of a police-station submits a report before a court.

(12) Any Magistrate of the first class may record any statement or confession during inquiry under this Act, in accordance with the provisions of section 164 of the Code of Criminal Procedure, 1898 (Act V of 1898).

(13) Without prejudice to the foregoing provisions of this section, the ¹[Board, with the approval of the Federal Minister-in-charge,] may, by notification in the official Gazette, authorize any other officer working under the Board to exercise the powers and perform the functions of a ¹[officer of Inland Revenue] under this section, subject to such conditions, if any, that it may deem fit to impose.

(14) Notwithstanding any provision of this Act, where any person has committed an offence liable to penalty or punishment under this Act, the ²[Commissioner] may, either before or after the initiation of any proceedings for the recovery of duty or prosecution of such person, compound the

Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

¹ The words "Federal Government" substituted through Finance Act, 2019

² Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

offence if he pays the amount of duty along with such default surcharge and penalty as is determined under the provisions of this Act.

23. Power to summon persons to give evidence and produce documents in inquiries.— (1) Any ¹[officer of Inland Revenue] duly empowered by the Board in this behalf shall have power to summon any person whose attendance he considers necessary either to give evidence or to produce a document or any other thing or information in any inquiry which such officer is making for any of the purposes of this Act.

(2) All persons so summoned shall be bound to attend, either in person or by an authorized agent, as such Officer may direct, and all persons so summoned shall be bound to state the truth upon any subject respecting which they are examined or make statements and to produce such documents and other things as may be required:

Provided that the exemptions under sections 132 and 133 of the Code of Civil Procedure (V of 1908) shall be applicable to requisitions for attendance under this section.

(3) Every such inquiry as aforesaid shall be deemed to be a "judicial proceeding" within the meaning of section 193 and section 228 of the Pakistan Penal Code (XLV of 1860).

24. Officers required to assist ¹[officer of Inland Revenue].— All officers of Police and Customs, sales tax, the civil armed forces and all officers of Government engaged in the collection of land-revenue, and all village officers shall assist the ¹[officer of Inland Revenue] in the execution of this Act as and when required by such Officers.

¹ Substituted for "Federal Excise Officer" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

CHAPTER IV

SEARCHES, ARRESTS AND SEIZURES

25. Searches and arrests how to be made.— All searches or arrests made under this Act or any rules made there under and all arrests made under this Act shall be carried out in accordance with the relevant provisions of the Code of Criminal Procedure, 1898 (V of 1898).

26. Power to seize.— ¹[(1) The counterfeited cigarettes or beverages which have been manufactured or produced unlawfully and other dutiable goods on which duty of excise has not been paid in the manner as required under this Act and the rules made thereunder, shall be liable to seizure along with the conveyance, which has been used for the movement, carriage or transportation of such goods.]

(2) For the purpose of this section, 'conveyance' shall include all of its fixtures, fittings and accessories etc.]

27. Confiscation ²[of goods subject to federal excise duty].— (1) The cigarettes ¹[or beverages] seized for the reasons of counterfeiting shall be liable to outright confiscation and shall be destroyed in the manner prescribed in sub-section (10) of section 19.

(2) In case of ³[dutiable goods] seized on account of evasion of duty, the owner shall be given an option to pay penalties and fines as provided under section 19 and meet other obligations as provided under other relevant provisions of the Act and rules made there under, for release of such ³[dutiable goods] in lieu of confiscation provided that if such release is not claimed or availed, no reduction or abatement in respect of amounts of duty, penalties and fine shall be admissible in case such ³[dutiable goods] are auctioned.

(3) In case confiscated cigarettes ¹[, un-manufactured tobacco] are rendered unfit for human consumption or become otherwise unfit for sale, the ⁴[Commissioner] may allow destruction of such cigarettes ¹[, un-

¹ Sub-section (1) substituted by Finance Act, 2020.

² Marginal note expression substituted by Finance Act, 2020.

³ Expression substituted by Finance Act, 2020.

⁴ Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by

manufactured tobacco] in such manner as he may deem appropriate.

28. Power to release seized conveyance.— (1) Where any conveyance is seized which is liable to confiscation, the adjudicating authority may, subject to such conditions as may be prescribed, order its release pending adjudication of the case and on furnishing a guarantee by the owner of the seized conveyance, from a scheduled bank valid for at least one year equal to the value of such conveyance.

(2) In respect of cases pending before the Special Judge, release of conveyance under sub-section (1) shall not be allowed without prior permission of the Special Judge.

Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

CHAPTER V

POWERS, ADJUDICATION AND APPEALS

29. Appointment of Federal excise officers and delegation of powers.—¹(1) For the purposes of this Act and rules made there under, the Board may, by notification in the official Gazette, appoint, in relation to any area or jurisdiction specified in the notification, any person to be —

- (a) Chief Commissioner Inland Revenue;
- (b) Commissioner Inland Revenue;
- (c) Commissioner Inland Revenue (Appeals);
- (d) Additional Commissioner Inland Revenue;
- (e) Deputy Commissioner Inland Revenue;
- ²[(ea) District Taxation Officer Inland Revenue];
- (f) Assistant Commissioner Inland Revenue;
- ²[(fa) Assistant Director Audit Inland Revenue];
- (g) Inland Revenue Officer;
- (h) Superintendent Inland Revenue;
- (i) Inspector Inland Revenue;
- (j) Inland revenue Audit Officer; and
- (k) Officer of Inland Revenue with any other designation.]

³[(1A) The Chief Commissioner Inland Revenue and Commissioner Inland Revenue (Appeals) shall be subordinate to the Board and Commissioner Inland Revenue shall be subordinate to the Chief Commissioner Inland Revenue.

¹ Sub-section (1) substituted by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

² Clauses (ea) & (fa) added by Finance Act, 2017

³ Section (1A), (1B) and (1C) inserted by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

¹[(1AA) The Chief Commissioners Inland Revenue shall perform their functions in respect of such persons or classes of persons or such areas as the Board may direct.

⁴(1AB) The Commissioners Inland Revenue shall perform their functions in respect of such persons or classes of persons or such areas as the Chief Commissioner, to whom they are sub-ordinate, may direct.]

(1B) Additional Commissioner Inland Revenue, Deputy Commissioner Inland Revenue ²[, District Taxation Officer Inland Revenue], Assistant Commissioners Inland Revenue ³[, Assistant Director Audit Inland Revenue], Inspector Inland Revenue and Officers of Inland Revenue with any other designation shall be subordinate to the Commissioner Inland Revenue and shall perform their functions in respect of such persons or classes of persons or such areas as the Commissioners, to whom they are subordinate, may direct.

(1C) Deputy Commissioners Inland Revenue ¹[, District Taxation Officer Inland Revenue], Assistant Commissioners Inland Revenue ¹[, Assistant Director Audit Inland Revenue], Inland Revenue Officers, Superintendents Inland Revenue, Inland Revenue Audit Officers, Inspectors Inland Revenue, and Officers of Inland Revenue with any other designation shall be subordinate to the Additional Commissioner Inland Revenue.]

(2) Notwithstanding the other designations of the officers of Federal Excise used in this Act or the rules made there under:

- (a) the Directorate General (Intelligence & Investigation) ⁴[Inland Revenue] shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and other officers with any other designation as the Board may appoint by notification in the official Gazette;

⁵[(aa) The Board may, by notification in the official Gazette,—

¹ Sub-sections (1AA) & (1AB) added by Finance Act, 2017
² The expression inserted by Finance Act, 2017
³ The expressions inserted by Finance Act, 2017
⁴ Substituted vide Finance Act, 2007.
⁵ New clause "aa" added by Finance Act, 2018.

- (i) specify the functions and jurisdiction of the Directorate General and its officers; and
- (ii) confer the powers of authorities specified in ¹[sub-section (1) of section 29] upon the Directorate General and its officers];
- (b) the Directorate General ²[] Internal Audit shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and other officers with any other designation as the Board may appoint by notification in the official Gazette; and
- (c) the Directorate General of Training & Research shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and other officers with any other designation as the Board may appoint by notification in the official Gazette.
- (3) The Board may, by notification in the official Gazette and subject to such limitations or conditions as may be specified therein, empower by name or designation,—
- (a) any ³[Additional Commissioner Inland Revenue] or ⁴[Deputy Commissioner Inland Revenue] to exercise any of the powers of a ⁵[Commissioner Inland Revenue];

¹ Words substituted by Finance Supplementary (Second Amendment) Act, 2019

² Omitted vide Finance Act, 2007.

³ Substituted for "Additional Collector" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

⁴ Substituted for "Deputy Collector" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

⁵ Substituted for "Collector of Federal Excise" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53.

- (b) any ⁴[Deputy Commissioner Inland Revenue] or ¹[Assistant Commissioner Inland Revenue] to exercise any of the powers of an ²[Additional Commissioner Inland Revenue];
- (c) any ³[Assistant Commissioner Inland Revenue] to exercise any of the powers of a ⁴[Deputy Commissioner Inland Revenue]; and
- (d) any other ⁵[officer of Inland Revenue] to exercise any of the powers of a ⁶[Commissioner Inland Revenue], ¹[Additional

This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

¹ Substituted for "Assistant Collector of Federal Excise" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

² Substituted for "Additional Collector" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

³ Substituted for "Assistant Collector of Federal Excise" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

⁴ Substituted for "Deputy Collector" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

⁵ Substituted for "Officer of Inland Revenue" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

⁶ Substituted for "Collector of Federal Excise" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it.

Commissioner Inland Revenue], ³[Deputy Commissioner Inland Revenue] or ²[Assistant Commissioner Inland Revenue];

under this Act and the rules made there under.

¹[4 ***]

(5) The officer to whom any powers of any senior officer are delegated under this section shall not further delegate such powers.

30. Use of powers of subordinate officer.— (1) An officer appointed under this Act shall exercise such powers and discharge such duties as are conferred or imposed on him under this Act and he shall also be competent to exercise all powers and discharge all duties or functions conferred or imposed upon any officer subordinate to him.

(2) Notwithstanding anything contained in this Act or the rules made there under, the Board may, by general or special order, impose such limitations or conditions on the exercise of such powers and discharge of such duties by any ²[officer of Inland Revenue] as it deems fit.

³[31***]

32. Option to pay fine in lieu of confiscation of conveyance.— Wherever confiscation is adjudged under this Act or the rules made there under, the officer adjudging it may give the owner of the conveyance an option to pay in lieu of confiscation such fine as the officer thinks fit.

33. Appeals to ¹[Commissioner] (Appeals).— ²[(1)] Any person

Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

¹ Sub-section (4) omitted by Finance Act, 2010 w.e.f. June 5, 2010.

² Substituted for "Federal Excise Officer" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

³ Section (31) omitted by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

other than Federal Excise officer aggrieved by any decision or order passed under this Act or the rules made there under by a ¹[officer of Inland Revenue up to the rank of ²[Additional Commissioner Inland Revenue], other than a decision or order or notice given or action taken for recovery of the arrears of duty under this Act or rules made there under may within thirty days of receipt of such decision or order prefer appeal there from to the ³[Commissioner] (Appeals).

⁴[(1A) where in a particular case, the Commissioner (Appeals) is of the opinion that the recovery of tax levied under this Act, shall cause undue hardship to the taxpayer, he, after affording opportunity of being heard to the Commissioner or officer of Inland Revenue against whose order appeal has been made, may stay the recovery of such tax for a period not exceeding thirty days in aggregate.]

⁵[(1B) An appeal under sub-section (1) shall—

- (a) be in the prescribed form;
- (b) be verified in the prescribed manner;
- (c) state precisely the grounds upon which the appeal is made;
- (d) be accompanied by the prescribed fee specified in sub-section (1C); and
- (e) be filed with the Commissioner (Appeals) within the time set out in sub-section (1).

(1C) The prescribed fee shall be—

- (a) in the case of an appeal against an assessment—
 - (i) where the appellant is a company, five

¹ Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

² Numbered vide Finance Act, 2006.

³ Substituted for "Additional Collector" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

⁴ Sub-section (1A) inserted vide Finance Act, 2013.

⁵ New sub-sections (1B) and (1C) inserted by Finance Act, 2020.

thousand rupees; or

(ii) where the appellant is not a company, two thousand and five hundred rupees; and

(b) in any other case—

(i) where appellant is a company, five thousand rupees; or

(ii) where the appellant is not a company, one thousand rupees.]

¹[(2) The ²[Commissioner] (Appeals) may, after giving both parties to the appeal an opportunity of being heard, pass such order as he thinks fit, confirming, varying, altering, setting aside or annulling the decision or order appealed against ³[;]

⁴[Provided that such order shall be passed not later than [one hundred and twenty] days from the date of filing of appeal or within such extended period, not exceeding ⁵[sixty] days, as the ²[Commissioner] (Appeals) may, for reasons to be recorded in writing, extend.]

⁶[Provided further that any period during which the proceedings are adjourned on account of stay order or Alternative Dispute Resolution proceedings or the time taken through adjournment by the petitioner not exceeding thirty days shall be excluded for the computation of these period.]

(3) In deciding an appeal, the ²[Commissioner] (Appeals) may make such further inquiry as may be necessary provided that he shall not remand the case for *de novo* consideration.]

¹ Added vide Finance Act, 2006.

² Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010. The same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53. This Ordinance was presented in the Parliament but lapsed on 5 June 2010 as Parliament did not approve it. Originally this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

³ Full stop substituted vide Finance Act, 2007.

⁴ Inserted vide Finance Act, 2007.

⁵ Substituted vide Finance Act, 2009.

⁶ Added vide Finance Act, 2009.