

¹[(4) The Commissioner (Appeals) shall not admit any documentary material or evidence which was not produced before the Officer Inland Revenue unless the Commissioner (Appeals) is satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the Officer Inland Revenue.]

34. Appeals to the Appellate Tribunal ²[].— (1) Any person or ³[officer of Inland Revenue] aggrieved by any of the following orders may within sixty days of the receipt of such orders file appeal to the Appellate Tribunal against such orders,—

- (a) an order passed by the ²[Commissioner] (Appeals); and
- (b) an order passed by the Board or the Commissioner Inland Revenue under section 35:

Provided that the Appellate Tribunal shall decide the appeal filed under this sub-section within six months of its filing of appeal.

⁴[***]

⁵[(3) The Appellate Tribunal may admit, hear and dispose of the appeal as per procedure laid down in sections 131 and 132 of the Income Tax Ordinance, 2001 (XLIX of 2001), and rules made thereunder.]

⁶[34A. Reference to High Court.— (1) Within ninety days of the communication of the order of the Appellate Tribunal under sub-section (2A) of section 34, the aggrieved person or the Commissioner may preference application, in the prescribed form along with a statement of the case, to the High Court, stating any question of law arising out of such order.

(2) The statement to the High Court referred to in sub-section (1), shall

¹ New sub-section (4) inserted by Finance Act, 2020.

² Words "and Reference to High Court" omitted 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.

⁴ Sub-section (2) omitted by Finance Act, 2010.

⁵ New sub-section (3) inserted by Finance Act, 2020.

⁶ Section 34A inserted by Finance Act, 2010.

set out the facts, the determination of the Appellate Tribunal and the question of law which arises out of its order.

(3) Where, on an application made under sub-section (1), the High Court is satisfied that a question of law arises out of the order referred to in sub-section (1), it may proceed to hear the case.

(4) A reference to the High Court under this section shall be heard by a Bench of not less than two judges of the High Court and, in respect of the reference, the provisions of section 98 of the Code of Civil Procedure, 1908 (Act V of 1908), shall apply.

(5) The High Court upon hearing a reference under this section shall decide the question of law raised by the reference and pass judgment thereon specifying the grounds on which such judgment is based and the Tribunal's order shall stand modified accordingly. The Court shall send a copy of the Judgment under the seal of the Court to the Appellate Tribunal.

(6) Notwithstanding that a reference has been made to the High Court, the tax shall be payable in accordance with the order of the Appellate Tribunal.

(7) Where recovery of tax has been stayed by the High Court by an order, such order shall cease to have effect on the expiration of a period of six months following the day on which it was made unless the appeal is decided or such order is withdrawn by the High Court earlier.

(8) Section 5 of the Limitation Act, 1908 (IX of 1908), shall apply to an application made to the High Court under sub-section (1).

(9) An application under sub-section (1) by a person other than the Commissioner shall be accompanied by a fee of one hundred rupees.]

35. Powers of Board or ¹[Commissioner] to pass certain orders.— (1) The Board or the ²[Commissioner] within his jurisdiction, may *suo moto* ²[, or otherwise] call for and examine the records of any

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 Comma and words inserted by Finance Act, 2015.

proceedings under this Act for the purpose of satisfying itself or, as the case may be, himself as to the legality or propriety of any decision or order passed by a subordinate officer and may pass such order as it or he may think fit.

(2) No order confiscating goods of greater value or enhancing any fine, or imposing or enhancing any penalty, or requiring payment of any duty not levied or short-levied shall be passed under sub-section (1) unless the person affected thereby has been given an opportunity of showing cause against it and of being heard in person or through a counsel or other person duly authorized by him.

(3) No record of any proceedings relating to any decision or order passed by any ¹[officer of Inland Revenue] shall be called for or examined under subsection (1) after the expiry of two years from the date of such decision or order.

²[Explanation.— For the purpose of sections 35, 45 and 46 and for removal of doubt, it is declared that the powers of the Board, Commissioner or officer of Inland Revenue under these sections are independent of the powers of the Board under section 42B and nothing contained in section 42B restrict the powers of the Board, Commissioner or officer of Inland Revenue under these sections or to conduct audit under these sections.]

36. Power to rectify mistakes in orders.— The Federal Government, the Board or any ³[officer of Inland Revenue] may rectify any mistake which is apparent from the record in any order passed by it or him under any of the provisions of this Act or the rules made there under, on its or his own motion or on an application made by a person affected by the

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 Explanation inserted by Finance Act, 2013. It aims at nullifying judgments of higher courts, see under section 42B.

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.

order within three years of the passing of such order provided that no such rectification which has the effect of enhancing any penalty or fine or requiring the payment of a greater amount of duty shall be made unless the person affected by the proposed rectification has been given an opportunity of being heard.

37. Deposit, pending appeal, of duty demanded or penalty levied.—

(1) Where in any appeal, the decision or order appealed against relates to any duty demanded or penalty imposed under this Act, the person desirous of appealing against such decision or order shall, pending the appeal, deposit the duty demanded or the penalty imposed provided that the Appellate Tribunal or ¹[Commissioner] (Appeals) may in any particular case dispense with such deposit subject to such conditions as it may deem fit to impose so as to safeguard the interest of revenue.

(2) The order for such dispensation under sub-section (1) shall cease to have effect on the expiration of a period of six months following the date on which order for dispensation was passed or until the order of dispensation is withdrawn earlier or the case is finally decided earlier by the Appellate Tribunal or ¹[Commissioner] (Appeals).

(3) Notwithstanding sub-sections (1) and (2), the Appellate Tribunal or ¹[Commissioner] (Appeals) may direct that, pending decision on the appeal, the duty demanded or penalty imposed, along with the default surcharge payable under this Act, be paid by the appellant in suitable installments spread over a period not exceeding six months from the date of such direction:

Provided that where a person has, at the time of filing appeal, deposited fifteen *per cent* of the liability covered under the decision or order appealed against, he shall not be required to separately seek stay against recovery and stay in such a case shall commence from the date of payment of such fifteen per cent amount and shall remain valid till the

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.

expiry of a period of six months or till the decision of the appeal, whichever is earlier unless the case is decided in his favour and the amount so paid is claimed to have become due for refund¹:

Provided further that the Commissioner Inland Revenue or any officer of Inland Revenue subordinate to him shall not issue notice under this section or recovery rules made under the Federal Excise Rules, 2005 for recovery of any tax due from a taxpayer if the said taxpayer has filed an appeal under section 33 in respect of the order under which the tax sought to be recovered has become payable and the appeal has not been decided by the Commissioner (Appeals), subject to the condition that ²[ten] per cent of the said amount of tax due has been paid by the taxpayer.]

³38. **Alternative Dispute Resolution.**— (1) Notwithstanding any other provision of this Act, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to—

- (a) the liability of duty against the aggrieved person, or admissibility of refunds, as the case may be;
- (b) the extent of waiver of default surcharge and penalty; or
- (c) any other specific relief required to resolve the dispute, may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an appellate authority, except where criminal proceedings have been initiated or where interpretation of question of law having effect on identical cases is involved having effect on other cases.

(2) The Board may, after examination of the application of an aggrieved person, appoint a committee, within sixty days of receipt of such application in the Board, comprising, —

- (i) Chief Commissioner Inland Revenue having jurisdiction over the case; and
- (ii) two persons from a panel notified by the Board comprising of chartered accountants, cost and management accountants, advocates, having

¹ Colon & new proviso added by Finance Act, 2017

² Words "ten" substituted by Finance Act, 2018.

³ Section 38 substituted by Finance Act, 2020.

minimum of ten years' experience in the field of taxation and reputable businessmen.

(3) The Board shall communicate the order of appointment of committee to the court of law or the appellate authority where the dispute is pending and the Commissioner.

(4) The Committee appointed under sub-section (2) shall examine the issue and may, if it deemed necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute through consensus, within one hundred and twenty days of its appointment.

(5) The committee may, in case of hardship, stay recovery of tax payable in respect of dispute pending before it for a period not exceeding one hundred and twenty days in aggregate or till the decision of the Committee or its dissolution, whichever is earlier.

(6) The decision of the committee under sub-section (4) shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before the court of law or any appellate authority and has communicated the order of withdrawal to the Commissioner:

Provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the committee upon the aggrieved person, the decision of the committee shall not be binding on the Commissioner.

(7) If the committee fails to decide within the period of one hundred and twenty days under sub-section (4), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending.

(8) The Board shall communicate the order of dissolution to the court of law or the appellate authority and the Commissioner.

(9) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the appellate authority, where the dispute is pending.

(10) The aggrieved person may make the payment of federal excise duty and other taxes as decided by the committee under sub-section (4) and all decisions and orders made or passed shall stand modified to that extent.

(11) The Board may prescribe the amount to be paid as remuneration for the services of the members of the committee, other than the member appointed under clause (i) of sub-section (2).

(12) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.]

39. Exclusion of time taken for copy.— In computing the period of limitation specified for an appeal or application under this Chapter, the day on which the order complained was served, and if the party preferring the appeal or making the application was not furnished with a copy of the order when the notice of the order was served upon him, the time requisite for obtaining a copy of such order shall be excluded.

CHAPTER VI

SUPPLEMENTAL PROVISIONS

40. Power of Board to make rules.— (1) The Board may make rules to carry into effect the purposes of any or all the provisions of this Act including charging fee for processing of returns, claims and other documents and for preparation of copies thereof.

(2) In making rules under this section, the Board may provide that any person committing a breach of any rule shall, without prejudice to any other action that may be taken against him under this Act, be liable to such penalty as may be prescribed under the rules and that any article in respect of which any such breach is committed shall be confiscated or destroyed.

(3) The Board may, in respect of cigarettes, make rules or issue instructions for the purpose of affixing duty stamps and banderoles and any instructions issued in this behalf shall have the force of rules issued under this Act.

41. Bar of suit and limitation of suit and other legal proceedings.— (1) No suit shall be brought in any civil court to set aside or modify any order passed, or any assessment, levy or collection of any duty, under this Act.

(2) No suit prosecution or other legal proceeding shall lie against the Federal Government or against any officer of the Government in respect of any order passed in good faith or any act in good faith done or ordered to be done under this Act.

(3) Notwithstanding anything in any other law for the time being in force, no investigation or inquiry shall be undertaken or initiated by any governmental agency against any officer or official for anything done in his official capacity under this Act, rules, instructions or direction made or issued there under without the prior approval of the Board.

42. Observance of Board's orders, directions and instructions.— All officers and persons employed in the execution of this Act and the rules made there under shall observe and follow the orders, directions and instructions of the Board provided that no such order, direction or instruction shall be given by the Board so as to interfere with the discretion of an officer in deciding the issues or matters brought before him for adjudication under this Act or rules made there under.

42A. Reference to authorities.— Any reference to Collector, Additional Collector, Deputy Collector, Assistant Collector, Superintendent and an officer of federal excise, wherever occurring, in this Act and the rules Notifications, clarifications, general orders or orders made or issued there under, shall be construed as reference to Commissioner Inland Revenue, Additional Commissioner Inland Revenue, Deputy Commissioner Inland Revenue, Assistant Commissioner Inland Revenue, Superintendent Inland Revenue and an officer of inland Revenue, respectively.

42B. Selection for audit by the Board.— (1) The Board may select

¹ Section 42A and 42B 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.

persons or classes of persons for audit of records and documents through computer ballot which may be random or parametric as the Board may deem fit.

¹[(1A) Notwithstanding anything contained in this Act or any other law, for the time being in force, the Board shall keep the parameters confidential.]

(2) Audit of such persons selected under sub-section (1) shall be conducted as per procedure given in section 46 and all the provisions of Act shall apply accordingly.

(3) For the removal of doubt, it is hereby declared that Board shall be deemed always to have had, the power to select any persons or classes of persons for audit.]

²42C. **Reward to Inland Revenue officers and officials.**— (1) In cases involving concealment or evasion of excise duty and other taxes, cash reward shall be sanctioned to the officers and officials of Inland Revenue for their meritorious conduct in such cases and to the informer providing credible information leading to such detection, as may be prescribed by the Board, only after realization of part or whole of the taxes involved in such cases.

(1) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf and specify the apportionment of reward sanctioned under this section for individual performance or to collective welfare of the officers and officials of Inland Revenue.]

³42D. **Reward to whistleblowers.**—(1) The Board may sanction reward to whistleblowers in cases of concealment or evasion of duty, corruption or misconduct providing credible information leading to such detection of evasion of duty.

(2) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf and also specify the apportionment of reward sanctioned under this section for whistleblowers.

¹ New sub-section (1A) inserted by Finance Act, 2020

² Section 42C inserted by Finance Act, 2013.

³ Section 42D added by Finance Act, 2015.

(3) The claim for reward by the whistleblower shall be rejected, if-

- (a) the information provided is of no value;
- (b) the Board already had the information;
- (c) the information was available in public records; or
- (d) no collection of duty is made from the information provided from which the Board can pay the reward.

(4) For the purpose of this section, "whistleblower" means a person who reports concealment or evasion of duty leading to detection or collection of duty, corruption or misconduct, to the competent authority having power to take action against the person or a federal excise authority committing fraud, corruption, misconduct, or involved in concealment or evasion of duty.]

43. **Removal of difficulties and condonation of time limit etc.**—

(1) If any difficulty or situation arises in giving effect to or applying the provisions of this Act or the rules made or notifications issued there under, the Board may, through a general order or otherwise, issue instructions or directions for such actions to be taken by an officer of ¹[Federal Excise] or any other person as it considers necessary or expedient for the purpose of removing the difficulty or tackling such situation and every such officer or person shall be bound to comply with such instructions or directions in such manner as may be specified therein.

(2) Where any time or period has been specified under any of the provisions of this Act or rules made there under within which any application is to be made or any act or thing is to be done, the Board may, in any case or class of cases, permit such application to be made or such act or thing to be done within such time or period as it may consider appropriate provided that the Board may subject to such limitations or conditions as

¹ Words "Inland Revenue" substituted for 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.

may be specified therein, empower any ¹[Commissioner] or other ²[officer of Inland Revenue] to exercise the powers under this subsection in any case or class of cases.

³[Explanation.— For the purpose of this section, the expression "any act or thing is to be done" includes any act or thing to be done by the registered person or by the authorities specified in section 29 of this Act.]

⁴[43A. Issuance of duplicate of ⁵[Federal Excise] documents.— An officer of federal excise not below the rank of Assistant Collector may, on payment of one hundred rupees, issue an attested duplicate of any ⁵[federal excise] document as is available with the department or has been filed under this Act or rules made there under to a relevant registered person applying for the same.]

44. Refund of duty.—(1) No refund of any amount of duty accrued for any reason under this Act or rules made there under shall be allowed unless claimed within one year of its accrual.

(2) In a case where a registered person did not avail adjustment of duty admissible at the relevant time, the ⁶[Commissioner] may allow such person to avail the adjustment at any subsequent time provided that claim

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 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 Explanation inserted by Finance Act, 2011.

⁴ Inserted vide Finance Act, 2008.

⁵ The "Inland Revenue" were substituted for "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

⁶ 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

for such adjustment is made within a period of one year from the date on which it was admissible.

(3) In a case where claim for refund or adjustment has accrued in consequence of any decision or judgment of any Federal Excise Officer, the Tribunal or Court, the period of one year, for the purpose of this section, shall be computed from the date of such decision or judgment.

¹[44A. Delayed refund.— Where a refund due under section 44 is not made within the time specified in this behalf, there shall be paid to the claimant, in addition the amount of refund due to him, a further sum equal to KIBOR per annum of the amount of refund due, from the date following the expiry of the time specified as aforesaid, to the day preceding the day of payment of refund:

Provided that where there is a reason to believe that a person has claimed the refund which is not admissible to him, he shall not be entitled to additional amount unless the investigation of his claim is completed.]

45. Access to records and posting of excise staff, etc.— (1) A person who is required to maintain any record or documents under this Act or any other law shall, as and when required by the ²[officer of Inland Revenue] produce record or documents which are in his possession or control or in the possession or control of his agent and where such record or documents have been kept on electronic data, he shall allow access to such officer to have access and use of any machine on which such data is kept and shall facilitate such officer to retrieve whole or part of such data in such manner and to such extent as may be required by him.

(2) Subject to such conditions and restrictions, as deemed fit to specify, the Board ³[omitted] may, post ³[officer of Inland Revenue] to the premises of registered person or class of such persons to monitor production, removal or sale of goods and the stock position or the maintenance of records ⁴[.]

¹ Inserted vide Finance Act, 2009.

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 Words "or Chief Commissioner" omitted by Finance Act, 2018.

⁴ Full stop inserted and proviso omitted by Finance Act, 2018.

²[omitted]

¹[(3) The Board may, by notification in the official Gazette, for the purpose to monitor production or manufacture of any goods, specify the manner and procedure for appointment and posting of technical staff and installation, operation, maintenance of close circuit T.V system anywhere in the factory premises.]

²45A. **Monitoring or tracking by electronic or other means.**— (1) Subject to such conditions, restriction and procedures as it may deem fit to impose or specify, the Board may, by notification in the official Gazette, specify any registered person or class of registered persons or any goods or class of goods in respect of which monitoring or tracking of production, sales, clearance, stocks or any other related activity may be implemented through electronic or other means as may be prescribed.

(2) From such date, as may be prescribed by the Board, no excisable goods shall be removed or sold by the manufacturer or any other person without affixing tax stamp, banderole, stickers, labels, ³[barcodes,] etc. in any such form, style and manner as may be prescribed by the Board in this behalf.]

⁴[(3) Such tax stamps, banderoles, stickers, labels, barcodes etc., shall be acquired by the registered person referred to in sub-section (2) from a licensee appointed by the Board for the purpose, against price approved by the Board, which shall include the cost of equipment installed by such licensee in the premises of the said registered person.]

⁵45AA. **Licensing of brand name.**— (1) Manufacturers of the specified goods shall be required to obtain brand licence for each brand or stock keeping unit (SKU) in such manner as may be prescribed by the Board.

(2) Any specified brand and SKU found to be sold without obtaining a licence from the Board shall be deemed counterfeit goods and liable to

¹ Inserted vide Finance Act, 2008.

² Section 45A inserted by Finance Act, 2013.

³ Word and comma inserted by Finance Act, 2015.

⁴ Sub-section (3) added by Finance Act, 2015.

⁵ New Section 45AA inserted by Finance Act, 2021.

outright confiscation and destruction in the prescribed manner and such destruction and confiscation shall be without prejudice to any other penal action which may be taken under this Act.]

46. ¹[***] **Audit.**— (1) The ²[officer of Inland Revenue] authorized by the Board ³[or Chief Commissioner] by designation may, once in a year, after giving advance notice in writing, conduct audit of the records and documents of any person registered under this Act.

(2) In case the ⁴[Commissioner] has information or sufficient evidence showing that such registered person is involved in fraud or evasion of duty, he may authorize a Federal Excise Officer, not below the rank of ⁵[Assistant Commissioner], to conduct audit at any time in a year.

⁶[(2A) After completion of the audit under this section or any other provision of law, the officer of Inland Revenue may, after obtaining the registered person's explanation on all the issues raised in the audit shall pass an order under section 14, imposing the amount of duty as per law, charging default surcharge, imposing penalty and recovery of any amount erroneously refunded.]

(3) Notwithstanding the penalties prescribed in section 19, if a registered person wishes to deposit the amount of duty not paid, short paid or

¹ Word "Departmental" omitted by Finance Act, 2015.

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 Words inserted by Finance Act, 2013.

⁴ 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 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.

⁶ Sub-section (2A) inserted by Finance Act, 2010.

the amount of duty evaded along with default surcharge voluntarily, whenever it comes to his notice, before commencement of audit, no penalty shall be recovered from him:

Provided that if a registered person wishes to deposit the amount of duty not paid, short paid or amount of duty evaded along with default surcharge during or after the audit but before the ¹[determination of liability under sub-section (2A)] conclusion of original adjudication proceedings, he may deposit such amount along with twenty five per cent of the amount of penalty prescribed under this Act or the rules made there under and in such case, further proceedings in the case shall abate.

²[(4) The Board may appoint as many special audit panels as may be necessary, comprising two or more members from the following –

- (a) an officer or officers of Inland Revenue;
- (b) a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961);
- (c) a firm of Cost and Management Accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966); or
- (d) any other person as directed by the Board, to conduct audit of a registered person or persons, including audit of refund claims and forensic audit and the scope of such audit shall be determined by the Board or the Commissioner Inland Revenue on a case-to-case basis. In addition, the Board may, where it considers appropriate, also get such audit conducted jointly with similar audits being conducted by provincial administrations of sales tax on services.]

³[(5) Each special audit panel shall be headed by a chairman who shall be an officer of Inland Revenue;

(6) If any one member of the special audit panel, other than the

¹ Substituted for "conclusion of original adjudication proceedings" by Finance Act, 2010 w.e.f. June 5, 2010

² Substituted for sub-section (4) by Finance Act, 2015.

³ Sub-sections (5), (6), (7) and (8) inserted by Finance Act, 2015.

chairman, is absent from conducting an audit, the proceedings of the audit may continue and the audit conducted by the special audit panel shall not be invalid or be called in question merely on the ground of such absence.

(7) The Board may prescribe rules in respect of constitution, procedure and working of special audit panel.

(8) Every member of the special audit panel shall have the powers of officers of Inland Revenue under sections 23 and 45 and sub-sections (1) to (3) of section 46.]

¹[9] The audit of the registered person shall generally be a composite audit covering all duties and taxes to which his business or activity is liable under the laws administered by the Board.

²[***]

³[47. Service of notices and other documents.— (1) Subject to this Act, any notice, order or requisition required to be served on a resident individual other than in a representative capacity for the purposes of this Act shall be treated as properly served on the individual if—

- (a) Personally served on the individual or, in the case of an individual under a legal disability or a non-resident individual, the representative as defined in section 172 of the Income Tax Ordinance, 2001 (XLIX of 2001) of the individual;
- (b) Sent by registered post or courier service to the place specified in clause (b) of sub-section (2) or to the individual's usual or last known address in Pakistan; or
- (c) Served on the individual in the manner prescribed for service of a summons under the Code of Civil Procedure, 1908 (Act V of

¹ Sub-section (5) re-numbered as sub-section (9) by Finance Act, 2015.

² Sub-section (10) omitted by Finance Act, 2020

³ Section 47 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.

1908)]; or

¹(d) Sent electronically through email or to the e-folder maintained for the purpose of e-filing of sales tax-cum-Federal excise returns by the ²[registered person.]

(2) Subject to this Act, any notice, order or requisition required to be served on any person (other than a resident individual to whom sub-section (1) applies) for the purposes of this Act, shall be treated as properly served on the person if—

- (a) Personally served on the representative of the person;
- (b) sent by registered post or courier service to the person's registered office or address for service of notices under this Act, in Pakistan, or where the person does not have such office or address, the notice is sent by registered post to any office or place of business of the [person in Pakistan; or
- (c) Served on the person in the manner prescribed for service of a summons under the Code of Civil Procedure, 1908 (V of 1908) ³[; or
- (d) sent electronically through email or to the e-folder maintained for the purpose of e-filing of sales tax-cum-Federal excise returns by the ¹[registered person.]

(3) Where an association of person is dissolved, any notice, order or requisition required to be served under this Act, on the association may be served on any person who was the principal officer or a member of the association immediately before such dissolution.

(4) Where, business stands discontinued, any notice, order or requisition required to be served under this Act, on the person discontinuing the business may be served on the person personally or any individual who was the person's representative at the time of discontinuance,

¹ The word "or" and clause (d) added by Finance Act, 2017.

² Words substituted by Finance Act, 2020.

³ The word "or" and clause (d) added by Finance Act, 2017.

(5) The validity of any service of a notice under this Act, shall not be called into question after the notice has been complied with in any manner.]

¹[47A. Agreements for the exchange of information ²[for assistance in recovery of duties.]— (1) The Federal Government may enter into bilateral or multilateral agreements with provincial governments or with governments of foreign countries for the exchange of information, including electronic exchange of information, with respect to excise duty imposed under this Act or any other law of Pakistan, or under the corresponding laws of that country and may, by notification in the official Gazette, make such provisions as may be necessary for implementing such agreements.

³[(1A) Notwithstanding anything contained in this Act, the Board shall have power to share data or information including real time data videos, images received under the provisions of this Act with any other Ministry or Division of the Federal Government or Provincial Government, subject to such limitations and conditions as may be specified by the Board.]

(2) The provisions of section 107 of the Income Tax Ordinance, 2001 (XLIX of 2001) shall, *mutatis mutandis*, apply to this section.

⁴[(3) The Federal Government may enter into a bilateral or multilateral convention, and inter-governmental agreement or similar agreement or mechanism for assistance in the recovery of duties.]

⁵[47AB. Real-time access to information and databases.— (1) Notwithstanding anything contained in any law for the time being in force, including but not limited to the National Database and Registration Authority Ordinance, 2000 (Ordinance VIII of 2000) and the Emigration Ordinance, 1979 (Ordinance XVIII of 1979), arrangements shall be made

¹ Sections 47A and 47B added by Finance Act, 2015.

² Words inserted by Finance Act, 2021.

³ New sub-section (1A) inserted by Finance Act, 2021.

⁴ New sub-section (3) inserted by Finance Act, 2021.

⁵ New section 47AB inserted by Finance Act, 2020.

to provide real-time access of information and database to the Board in the prescribed form and manner by—

- (a) the National Database and Registration Authority with respect to information pertaining to National Identity Card (NIC), Pakistan Origin Card, Overseas Identity Card, Alien Registration Card and other particulars contained in the citizen database;
- (b) the Federal Investigation Agency and the Bureau of Emigration and Overseas Employment with respect to details of international travel;
- (c) the Islamabad Capital Territory and provincial and local land record and development authorities with respect to record-of-rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights;
- (d) the Islamabad Capital Territory and provincial excise and taxation departments with respect to information regarding registration of vehicles, transfer of ownership and other associated record;
- (e) all electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer, the units consumed and the amount of bill charged or paid:

Provided that where the connection is shared or is used by a person other than the owner, the name and NIC of the owner and the user shall also be furnished:

Provided further that all electricity suppliers and gas transmission and distribution companies shall make arrangements by the 1st day of January, 2021 for allowing consumers to update the ratio of sharing of a connection or the particulars of users, as the case may be; and

- (f) any other agency, authority, institution or organization notified by the Board.

(2) The Board shall make arrangements for laying the infrastructure for real-time access to information and database under sub-section (1) and aligning it with its own database in the manner as may be prescribed.

(3) Until real-time access to information and database is made available under sub-section (1), such information and data shall be provided periodically in such form and manner as may be prescribed.

(4) Subject to section 47B, all information received under this section shall be used only for tax purposes and kept confidential.]

¹[47B. **Disclosure of information by a public servant.**— (1) Any information acquired under any provision of this Act shall be confidential and no public servant shall disclose any such information, except as provided under section 216 of the Income Tax Ordinance, 2001 (XLIX of 2001).

(2) Notwithstanding anything contained in sub-section (1) and the Freedom of Information Ordinance, 2002 (XCVI of 2002), any information received or supplied in pursuance of bilateral or multilateral agreements with government of foreign countries for exchange of information under section 47A shall be confidential].

²[47C. **Validation.**— ³[(1)] All notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017 shall be deemed to have been validly issued and notified in exercise of those powers.]

³[(2) Notwithstanding any omission, irregularity or deficiency in the establishment of or conferment of powers and functions on the Directorate General (Intelligence and Investigation), Inland Revenue and authorities specified in clause (a) of sub-section (2) of section 29 of this Act, all orders passed, notices issued and actions taken in exercise or

¹ Section 47B substituted through Finance Act, 2016.

² New section 47C inserted through by Finance Act, 2017.

³ Section 47C re-numbered and new sub-section (2) added by Finance Act, 2018.

purported exercise of the powers and functions of the Officers of Inland Revenue under this Act by the Director General (Intelligence and Investigation), Inland Revenue or the authorities specified in clause (a) of sub-section (2) of section 29 of this Act shall be treated to have been validly passed, issued and taken under this Act.]

48. **Repeal.**—(1) Subject to the provisions of sub-section (2), the Central Excises Act, 1944 (I of 1944) shall stand repealed with effect from the date notified under sub-section (3) of section 1.

(2) Unless otherwise directed by the Federal Government, in case of area where the repealed Act was extended through an order by a Governor of the Province or otherwise through an order by any other authority, the application of the repealed Act shall continue to be in force till this Act is made applicable in that area.

¹[49. **Fee and service charges.**— ²[(1)] The ³[Board with the approval of Federal Minister-in-charge] may, by notification in the official Gazette, subject to such conditions, limitations or restrictions as it may deem fit to impose, levy fee and service charges for valuation, in respect of any other service or control mechanism provided by any formation under the control of the Board, including ventures of public-private partnership, at such rates as may be specified in the notification.]

⁴[(2) The Board may authorize and prescribe the manner in which fee and service charges collected under sub-section (1) shall be expended.]

¹ New section 49 inserted through Finance Act, 2019.

² Existing sub-section renumbered as sub-section (1) by Finance Act, 2021.

³ Words "Federal Government" substituted by Tax Laws (Amendment) Act, 2020.

⁴ New sub-section (2) inserted by Finance Act, 2021.

The Sales Tax Act, 1990

¹[Act No. III of 1951 as Amended by Act VII of 1990]

As amended up to 30th June, 2021

An Act to consolidate and amend the law relating to the levy of a tax on the sale ²[, importation, exportation, production, manufacture or consumption] of goods

WHEREAS it is expedient to consolidate and amend the law relating to the levy of a tax on the sale ³[, importation, exportation, Production, manufacture or consumption] of goods;

It is hereby enacted as follows:-

⁴[Chapter-I PRELIMINARY

1. **Short title, extent and commencement.**— (1) This Act may be called the Sales Tax ⁵[...] Act, 1990.

(2) It extends to the whole of Pakistan.

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

⁷[2. **Definitions.**— In this Act, unless there is anything repugnant in the subject or context,—

⁸[(1) "**active taxpayer**" means a registered person who does not fall in any of the following categories, namely:-

¹ For Statements of Objects and Reasons see Gazette of Pakistan, dated the 30th March 1951, Pt. V pp 36 and 37.

² Substituted for the words "or consumption of goods" by the Finance Act, 1960.

³ Substituted for the words "or consumption of goods" by the Finance Act, 1960.

⁴ Chapter I to X substituted for Chapters I to XVI by the Finance Act, 1990.

⁵ Brackets and word "(Amendment)" omitted by the Finance Act, 1991.

⁶ Came into force by Notification No. S.R.O. 1100(I)/90, dated 28-10-1990 w.e.f. 1st November, 1990.

⁷ Section 2 Substituted by the Finance Act, 1996.

⁸ Clauses (1) and (1A) substituted for clause (1) by Finance Act, 2015.

- (a) who is blacklisted or whose registration is suspended ¹[***] in terms of section 21;
- (b) fails to file the return under section 26 by the due date for two consecutive tax periods;
- (c) who fails to file an Income Tax return under section 114 or statement under section 115, of the Income Tax Ordinance, 2001(XLIX of 2001), by the due date; and
- (d) who fails to file ²[quarterly] or an annual withholding tax statement under section 165 of the Income Tax Ordinance, 2001;

(1A) "Appellate Tribunal" means the Appellate Tribunal Inland Revenue established under section 130 of the Income Tax Ordinance, 2001 (XLIX of 2001);]

(2) "appropriate officer" means an ³[officer of Inland Revenue] authorised by the Board by notification in the official Gazette to perform certain functions under this Act;

⁴[(2A) "arrears", in relation to a person, means, on any day, the sales tax due and payable by the person under this Act before that day but which has not yet been paid;]

⁵[(3) "associates (associated persons)" means, —

- (i) subject to sub-clause (ii), where two persons associate and the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person;

¹ The words "or is blocked" omitted by Finance Act, 2020

² The word substituted by Finance Act, 2020

³ Substituted for "Collector of Sales Tax" 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 and this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No XXII of 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

⁴ Clause (2A) substituted by Finance Act, 2008. Earlier it was inserted by Tax Laws (Amendment) Ordinance, 1999. Originally it was inserted by Finance Act, 1991.

⁵ Clause (3) substituted by Finance Act, 2008

- (ii) two persons shall not be associates solely by reason of the fact that one person is an employee of the other or both persons are employees of a third person;
- (iii) without limiting the generality of sub-clause (i) and subject to sub-clause (iv), the following shall be treated as associates, namely: —
- (a) an individual and a relative of the individual;
- (b) members of an association of persons;
- (c) a member of an association of persons and the association, where the member, either alone or together with an associate or associates under another application of this section, controls fifty *per cent* or more of the rights to income or capital of the association;
- (d) a trust and any person who benefits or may benefit under the trust;
- (e) a shareholder in a company and the company, where the shareholder, either alone or together with an associate or associates under another application of this section, controls either directly or through one or more interposed persons—
- (i) fifty *per cent* or more of the voting power in the company;
- (ii) fifty *per cent* or more of the rights to dividends; or
- (iii) fifty *per cent* or more of the rights to capital; and
- (f) two companies, where a person, either alone or together with an associate or associates under another application of this section, controls either directly or through one or more interposed persons —

- (i) fifty per cent or more of the voting power in both companies;
- (ii) fifty per cent or more of the rights to dividends in companies; or
- (iii) fifty per cent or more of the rights to capital in both companies.
- (iv) two persons shall not be associates under sub-clause (a) or (b) of paragraph (iii) where the [Commissioner] is satisfied that neither person may reasonably be expected to act in accordance with the intentions of the other.
- (v) In this clause, "relative" in relation to an individual, means—
- (a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or
- (b) a spouse of the individual or of any person specified in sub-clause (a).]

²[(3A) "association of persons" includes a firm, a Hindu undivided family, any artificial juridical person and anybody of persons formed under a foreign law, but does not include a company;]

³[(3AA) "banking company" means a banking company as defined in the Banking Companies Ordinance, 1962 (LVII of 1962) and includes anybody corporate which transacts the business of banking in Pakistan;]

¹ Substituted for "Collector of Sales Tax" 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 and the amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

² Clause (3A) inserted by Finance Act, 2008.

³ Clause (3A) re-numbered as (3AA) Earlier it was inserted by Finance Act, 2004.

¹[(4) "Board" means the Federal Board of Revenue established under section 3 of the Federal Board of Revenue Act, 2007;]

²[(4A) "Chief Commissioner" means a person appointed as the chief Commissioner Inland Revenue under section 30;]

³[(4AA) "Commissioner (Appeals)" means Commissioner of Inland Revenue (Appeals) appointed under section 30;]

⁴[(5) "Commissioner" means the Commissioner of Inland Revenue appointed under section 30;]

⁵[(5A) "common taxpayer identification number" means the registration number or any other number allocated to a registered person;]

⁶[(5AA) "company" means —

- (a) a company as defined in the Companies Ordinance, 1984 (XLVII of 1984);
- (b) a body corporate formed by or under any law in force in Pakistan;
- (c) a *modaraba*;
- (d) a body incorporated by or under the law of a country outside Pakistan relating to incorporation of companies;
- (e) a trust, a co-operative society or a finance society or any other society established or constituted by or under any law for the time being in force; or

¹ Clause (4) substituted by Finance Act, 2008 Earlier it was substituted by Finance Act, 2007.

² Clause (4A) 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 and the amendment was made.

³ New clause 4AA inserted by Finance Act, 2021.

⁴ Clause (5) 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 and the amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

⁵ Clause (5A) inserted by Finance Act, 2006 Earlier clause (5A) was omitted by Finance Act, 2004 Earlier it was inserted by Tax Laws (Amendments) Ordinance, 1999.

⁶ Clause (5AA) inserted by Finance Act, 2008.

- (f) a foreign association, whether incorporated or not, which the Board has, by general or special order, declared to be a company for the purposes of the Income Tax Ordinance 2001 (XLIX of 2001);

¹[(5AAA)] "computerized system" means any comprehensive information technology system to be used by the Board or any other office as may be notified by the Board, for carrying out the purposes of this Act;]

²[(5AB)] "cottage industry" means a manufacturing concern, which fulfils each of following conditions, namely:—

- (a) does not have an industrial gas or electricity connection;
- (b) is located in a residential area;
- (c) does not have a total labour force of more than ten workers; and
- (d) annual turnover from all supplies does not exceed ³[ten] million rupees;]

⁴[(5AC)] "CREST" means the computerized program for analyzing and cross matching of sales tax returns, also referred to as COMPUTERISED RISK-BASED EVALUATION of SALES TAX;]

(6) "Customs Act" means the Customs Act, 1969 (IV of 1969), and where appropriate all rules and notifications made under that Act;

⁵[(6A)] "defaulter" means a person and, in the case of company or firm, every director, or partner of the company, or as the case may be, of the firm, of which he is a director or partner or a proprietor and includes guarantors or successors, who fail to pay the arrears;]

¹ Clause (5AA) re-numbered as (5AAA) by Finance Act, 2008. Earlier it was inserted by Finance Act, 2006.

² Clause (5AB) substituted by Finance Act, 2019.

³ Word "ten" substituted by Finance Act, 2021.

⁴ CREST SAC inserted by Finance Act, 2013.

⁵ Clause (6A) inserted by Tax Laws (Amendments) Ordinance, 1999.

¹[(6B)] "default surcharge" means the default surcharge levied under section 34;]

(7) "distributor" means a person appointed by a manufacturer, importer or any other person for a specified area to purchase goods from him for further supply and includes a person who in addition to being a distributor is also engaged in supply of goods as a wholesaler or a retailer;

(8) "document" includes any electronic data, computer programmes, computer tapes, computer disks, micro-films or any other medium for the storage of such data;

(9) "due date" in relation to the furnishing of a return ²[under section 26], ³[⁴[...]] ⁵[...] means the ⁶[15th] day of the month following the end of the tax period, or such other date as the ⁷[Board] may, by notification in the official Gazette, specify ⁸[and different dates may be specified for furnishing of different parts or annexures of the return];

⁹[(9A)] "e-intermediary" means a person appointed as e-intermediary under section 52A for filing of electronic returns and such other documents as may be prescribed by the Board from time to time, on behalf of a person registered under section 14;]

¹⁰[(9AA) ***]

(10) "establishment" means an undertaking, firm or company, whether incorporated or not, an association of persons or an individual;

(11) "exempt supply" means a supply which is exempt from tax under section 13;

¹¹[(11A)] "FBR Refund Settlement Company ¹[10a] Limited" means the company with this name as incorporated under the ²[Companies Act,

¹ Clause (6B) substituted by Finance Act, 2008. Earlier it was inserted by Finance Act, 2005.

² The words and figure inserted by Finance Act, 1998.

³ The words and figure inserted by Tax Laws Amendment Ordinance, 2000, dated 24th May, 2000.

⁴ Comma and words etc., sub-section (6) of section 26A omitted by Finance Act, 2004.

⁵ The expression "and section 26AA omitted by Finance Act, 2016.

⁶ Substituted for "20th" by Finance Act, 1998.

⁷ Substituted for "Federal Government" by Finance Act, 2008.

⁸ Expression inserted through Finance Act, 2016.

⁹ Clause (9A) inserted by Finance Act, 2006. Earlier clause (9A) was omitted by Finance Act, 2004. Originally it was inserted by Tax Laws (Amendments) Ordinance, 2001.

¹⁰ Clause (9AA) omitted by Finance Act, 2004. Earlier it was inserted by Sales Tax (Amendment) Ordinance, 2001, dated February 7, 2001.

¹¹ Existing clause re-numbered as clause (11B) and new clause (11A) inserted by Finance Supplementary (Second Amendment) Act, 2019.

2017 (XIX of 2017)), for the purpose of settlement of sales tax and income tax refund claims including payment by way of issuing refund bonds under section 67A¹;

²[(11B) "firm" means the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all;]

(12) "goods" include every kind of movable property other than actionable claims, money, stocks, shares and securities;

⁴[(12A) "green industry" in relation to the entry at serial number 150 of the Table-1 of the Sixth Schedule, means-

- (a) a new industrial undertaking which is-
- (i) setup on land which not previously been utilised for any commercial, industrial or manufacturing activity and is free from constraints imposed by any prior work;
 - (ii) built without demolishing revamping, renovating, upgrading, remodeling or modifying any existing structure, facility or plant;
 - (iii) not formed by the splitting up or reconstitution of an undertaking already in existence or by transfer of machinery, plant or building from an undertaking established in Pakistan prior to commencement of the new business and is not part of an expansion project;
 - (iv) using any process or technology that has not earlier been used in Pakistan and is so approved by the Engineering Development Board; and

¹ The word (Pvt) omitted by Finance Act, 2019

² Words substituted vide Finance Act, 2019

³ Clause (11A) inserted by Finance Act, 2008.

⁴ New clause 12A inserted through Tax Laws (Amendment) Act, 2020 dated 30-3-2020.

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

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

(13) "Importer" means any person who ¹[...] imports any goods into Pakistan;

²[(14) "Input tax", in relation to a registered person, means -

- (a) tax levied under this Act on supply of goods to the person;
- (b) tax levied under this Act on the import of goods by the person;
- (c) in relation to goods or services acquired by the person, tax levied under the Federal Excise Act, 2005 in sales tax mode as a duty of excise on the manufacture or production of the goods, or the rendering or providing of the services; ³[⁴]
- (d) ⁵[.....] ⁶[Provincial Sales Tax levied on services rendered or provided to the person; and]
- (e) levied under the Sales Tax Act, 1990 as adapted in the State of Azad Jammu and Kashmir, on the supply of goods received by the person;]

⁷[(14A) the expression "KIBOR" means Karachi Inter-Bank Offered Rate prevalent on the first day of each quarter of the financial year;]

¹ Word "lawfully" omitted by Finance Act, 2008

² Clause (14) substituted by Finance Act, 2008

³ Word "and" added at the end of clause through Finance Act, 2016

⁴ Word "and" omitted through Tax Laws (Amendment) Ordinance, 2016

⁵ Expression omitted through Finance Act, 2016

⁶ Expression re-inserted through Tax Laws (Amendment) Ordinance, 2016 having effect from 01st day of July, 2016

⁷ Clause (14A) inserted by Finance Act, 2009

¹[(15) "Local Inland Revenue Office" means the office of Superintendent of Inland Revenue or such other office as the Board may, by notification in the official Gazette, specify;]

(16) "manufacture" or "produce" includes –

(a) any process in which an article singly or in combination with other articles, materials, components, is either converted into another distinct article or product or is so changed, transformed or reshaped that it becomes capable of being put to use differently or distinctly and includes any process incidental or ancillary to the completion of a manufactured product;

(b) process of printing, publishing, lithography and engraving; and

(c) process and operations of assembling, mixing, cutting, diluting, bottling, packaging, repacking or preparation of goods in any other manner;

(17) "manufacturer" or "producer" means a person who engages, whether exclusively or not, in the production or manufacture of goods whether or not the raw material of which the goods are produced or manufactured are owned by him; and shall include –

(a) a person who by any process or operation assembles, mixes, cuts, dilutes, bottles, packages, repackages or prepares goods by any other manner;

(b) an assignee or trustee in bankruptcy, liquidator, executor, or curator or any manufacturer or producer and any person who disposes of his assets in any fiduciary capacity; and

¹ Clause (15) 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 and this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

(c) any person, firm or company which owns, holds, claims or uses any patent, proprietary, or other right to goods being manufactured, whether in his or its name, or on his or its behalf, as the case may be, whether or not such person, firm or company sells, distributes, consigns or otherwise disposes of the goods¹[:]

²[Provided that for the purpose of refund under this Act, only such shall be treated as manufacturer-cum-exporter who owns or has his own manufacturing facility to manufacture or produce the goods exported or to be exported;]

³[(18) "Officer of Inland Revenue" means an officer appointed under section 30;]

⁴[(18A) "online market place" includes an electronic interface such as a market place, e-commerce platform, portal or similar means which facilitate sale of goods, including third party sale, in any of the following manner, namely:–

- (a) by controlling the terms and conditions of the sale;
- (b) authorizing the charge to the customers in respect of the payment for the supply; or
- (c) ordering or delivering the goods.]

(19) "open market price" means the consideration in money which that supply or a similar supply would generally fetch in an open market;

⁵[(20) "output tax", in relation to a registered person, means –

- (a) tax levied under this Act on a supply of goods, made by the person;

¹ Substituted for the semi-colon by Finance Ordinance, 2000

² Proviso inserted by Finance Ordinance, 2000

³ Clause (18) 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 and this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

⁴ New clause 18A inserted by Finance Act, 2021.

⁵ Clause (20) substituted by Finance Act, 2008. Earlier it was inserted by Finance Act, 2007.

(b) tax levied under the Federal Excise Act, 2005 in sales tax mode as a duty of excise on the manufacture or production of the goods, or the rendering or providing of the services, by the person;

¹[(c) sales tax levied on the services rendered or provided by the person under Islamabad Capital Territory (Tax on Services) Ordinance, 2001 (XLII of 2001);]

²[(21) "person" means,—

(a) an individual;

(b) a company or association of persons incorporated, formed, organized or established in Pakistan or elsewhere;

(c) the Federal Government;

(d) a Provincial Government;

(e) a local authority in Pakistan; or

(f) a foreign government, a political subdivision of a foreign government, or public international organization;]

(22) "prescribed" means prescribed by rules made under this Act;

³[(22A) "Provincial sales tax" means tax levied under, Provincial laws or laws relating to Islamabad Capital Territory, which are declared by the Federal Government, through notification in the official Gazette to be Provincial Sales Tax for the purpose of input tax;]

(23) "registered office" means the office or other place of business specified by the registered person in the application made by him for

¹ Clause (c) substituted by Finance Act, 2020.

² Clause (21) substituted by Finance Act, 2008.

³ Clause (22A) inserted by Finance Act, 2008.

registration under this Act or through any subsequent application to the [Commissioner];

(24) "registration number" means the number allocated to the registered person for the purpose of this Act,

²[(25) "registered person" means a person who is registered or is liable to be registered under this Act:

Provided that a person liable to be registered but not registered under this Act ³[...] shall not be entitled to any benefit available to a registered person under any of the provisions of this Act or the rules made thereunder;]

⁴[(26) ***]

(27) "retail price", with reference to the Third Schedule, means the price fixed by the manufacturer ⁵[or importer, in case of imported goods] ⁶[...], inclusive of all ⁷[duties], charges and taxes (other than sales tax ⁸[...]) at which any particular brand or variety of any article 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 ⁹[:].

¹⁰[Provided that the Board may through a general order specify zones or areas for the purpose of determination of highest retail price for any brand or variety of goods.]

(28) "retailer" means a person ¹¹[***] supplying goods to general public for the purpose of consumption ¹²[:].

¹ The word "Collector" was substituted for "Commissioner" by Finance (Amendment) Ordinance, 2010 promulgated as Ordinance No 151 of 2010 dated February 0, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53 and 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 (25) substituted by Finance Ordinance, 2002.

³ Words "shall remain liable to further tax under sub-section (1A) of section 3 and" omitted by Finance Act, 2004.

⁴ Clause (26) omitted by Finance Ordinance, 2002.

⁵ The expression inserted vide Finance Act, 2019.

⁶ Words "or the importer" omitted by Finance Act, 2005. Earlier these were inserted by Finance Act, 2003.

⁷ Words and comma inserted by Finance Act, 2007.

⁸ Words "and octroi" omitted by Finance Act, 1998.

⁹ The "semicolon" has been substituted by "colon" in Finance Act, 2014.

¹⁰ Inserted by Finance Act 2014.

¹¹ Words "not being a manufacturer or producer or an importer" omitted by Finance Act, 2003, after omission the commas become superfluous. Earlier commas and words were inserted by Finance Act, 1998.

¹² Substituted for the semi-colon by Finance Act, 2003.

¹[Provided that any person, who combines the business of import and retail or manufacture or production with retail, shall notify and advertise wholesale prices and retail prices separately, and declare the address of retail outlets ²[***].]

³[(28A) ***]

(29) "return" means any return required to be furnished under Chapter-V of this Act;

⁴[(29A) "sales tax" means --

- (a) the tax, additional tax, or default surcharge levied under this Act;
- (b) a fine, penalty or fee imposed or charged under this Act; and
- (c) any other sum payable under the provisions of this Act or the rules made thereunder;]

⁵[(29AA) "sales tax account" means an account representing the double entry recording of sales tax transactions in the books of account;]

(30) "Schedule" means a Schedule appended to this Act;

(31) "similar supply", in relation to the open market price of goods, means any other supply of goods which closely or substantially ⁶[resembles] the characteristics, quantity, components and materials of the aforementioned goods;

⁷[(31A) "special audit" means an audit conducted under section 32A;]

¹ Proviso inserted by Finance Act, 2003

² The comma, words and figures " , and his total turnover per annum shall be taken into account for the purposes of registration under section 14" omitted by Finance Act, 2015

³ Clause (28A) omitted by Finance Act, 2008. Earlier it was inserted by Finance Act, 1997

⁴ Clause (29A) inserted by Finance Act, 2008

⁵ Clause (29A) renumbered as (29AA) by Finance Act, 2008. Earlier it was inserted by Finance Act, 2006

⁶ Substituted for "resemble" by Finance Act, 2008

⁷ Clause (31A) inserted by Finance Act, 1998

(32) "Special Judge" means the Special Judge appointed under Section ¹[37C of the act until such appointment is made by the Special Judge appointed under section] 185 of the Customs Act.

²[(33) "supply" means a sale or other transfer of the right to dispose of goods as owner, including such sale or transfer under a hire purchase agreement, and also includes --

- (a) putting to private, business or non-business use of goods produced or manufactured in the course of taxable activity for purposes other than those of making a taxable supply;
- (b) auction or disposal of goods to satisfy a debt owed by a person; ³[***]
- (c) possession of taxable goods held immediately before a person ceases to be a registered person ⁴[; and]

⁵[(d) in case of manufacture of goods belonging to another person, the transfer or delivery of such goods to the owner or to a person nominated by him;]

Provided that the ⁶[Board, with the approval of the Federal Minister-in-charge,] may, by notification in the official Gazette, specify such other transactions which shall or shall not constitute supply;]

⁷[(33A) "supply chain" means the series of transactions between buyers and sellers from the stage of first purchase or import to the stage of final supply;]

⁸[(34) "tax", unless the context requires otherwise, means sales tax;]

¹ Words etc. inserted by Finance Act, 2010 w.e.f. June 3, 2010

² Clause (33) substituted by Finance Act, 2008

³ Word "and" omitted by Finance Act, 2015

⁴ Semi-colon and word "and" substituted for colon by Finance Act, 2015. Semi-colon and word "and" substituted for colon by Finance Act, 2015.

⁵ Clause (d) added by Finance Act, 2015

⁶ The words "Federal Government" substituted with the expression vide Finance Act, 2018

⁷ Clause (33A) inserted by Finance Act, 2011

⁸ Clause (34) substituted by Finance Act, 2008

¹[(35) "**taxable activity**", means any economic activity carried on by a person whether or not for profit, and includes --

- (a) an activity carried on in the form of a business, trade or manufacture;
- (b) an activity that involves the supply of goods, the rendering or providing of services, or both to another person;
- (c) a one-off adventure or concern in the nature of a trade; and
- (d) anything done or undertaken during the commencement or termination of the economic activity,

but does not include --

- (a) the activities of an employee providing services in that capacity to an employer;
- (b) an activity carried on by an individual as a private recreational pursuit or hobby; and
- (c) an activity carried on by a person other than an individual which, if carried on by an individual, would fall within sub-clause (b).]

(36) "**tax fraction**" means the amount worked out in accordance with the following formula: --

$$\frac{a}{100 + a}$$

('a' is the rate of tax specified in section 3);

(37) "**tax fraud**" means knowingly, dishonestly or fraudulently and without any lawful excuse (burden of proof of which excuse shall be upon the accused) --

¹ Clause (35) substituted by Finance Act, 2008

- (i) doing of any act or causing to do any act; or
- (ii) omitting to take any action or causing the omission to take any action, ¹[including the making of taxable supplies without getting registration under this Act ²[/; or/.]
- ³[(iii)] falsifying ⁴[or causing falsification ⁵[of]] the sales tax invoices,]

in contravention of duties or obligations imposed under this Act or rules or instructions issued thereunder with the intention of understating the tax liability ⁶[or underpaying the tax liability for two consecutive tax periods] or overstating the entitlement to tax credit or tax refund to cause loss of tax;

⁷[(38) ***]

(39) "**taxable goods**" means all goods other than those which have been exempted under section 13;

(40) "**tax invoice**" means a document required to be issued under section 23;

(41) "**taxable supply**" means a supply of taxable goods made ⁸[...] ⁹[by an importer, manufacturer, wholesaler (including dealer), distributor or retailer] other than a supply of goods which is exempt under section 13 and includes a supply of goods chargeable to tax at the rate of zero per cent under section 4;

¹⁰[(42) ***]

(43) "**tax period**" means a period of one month or such other period as the ¹¹[Board, with the approval of the Federal Minister-in-charge,] may ¹[,] by notification in the official Gazette, specify;

¹ Words etc inserted by Finance Act, 2004

² Substituted for comma by Finance Act, 2005

³ Sub-clause (iii) inserted by Finance Act, 2003

⁴ Words inserted by Finance Act, 2007

⁵ Word "of" inserted by Finance Act, 2021

⁶ Words inserted by Finance Ordinance, 2000

⁷ Clause (38) omitted by Finance Act, 2004

⁸ The words "In Pakistan" omitted by Finance Act, 2003

⁹ The words and commas inserted by Finance Act, 1998

¹⁰ Clause (42) omitted by Finance Act, 1997

¹¹ The words "Federal Government" substituted with the expression vide Finance Act, 2019

¹[(43A) ³["Tier-1 retailer" means a retailer falling in any one or more of the following categories, namely:-]

- (a) a retailer operating as a unit of a national or international chain of stores;
- (b) a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;
- (c) a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees ⁴[twelve] hundred thousand; ⁵[]
- (d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers"; ⁶[]

⁷[(e) a retailer, whose shop measures one thousand square feet in area or more ⁸[or two thousand square feet in area or more in the case of retailer of furniture;] ⁹[***]

¹⁰[(f) a retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan; and]

¹¹[(h) any other person or class of persons as prescribed by the Board.]

¹²[(44) "time of supply", in relation to,—

¹ Substituted for semi-colon by Finance Act, 2008

² Clause (43A) inserted through Finance Act, 2017

³ Expression substituted through Tax Laws (Amendment) Act, 2020, dated 30-3-2020 substituted expression read as under "Tier-1 retailers means"

⁴ Word "six" substituted by "twelve" through Tax Laws (Amendment) Act, 2020, dated 30-3-2020

⁵ The word "and" omitted vide Finance Act, 2019

⁶ The word "and" omitted through Tax Laws (Amendment) Act, 2020, dated 30-3-2020

⁷ Clause (e) inserted vide Finance Act, 2019

⁸ Words inserted by Finance Act, 2021

⁹ Word "and" omitted by Finance Act, 2021

¹⁰ New clause (f) inserted by Finance Act, 2021

¹¹ Existing clause (f) re-numbered as clause (h) by Finance Act, 2021

¹² Clause (44) (44 A) and (44 AA) substituted for clause (44) by Finance Act, 2008

- (a) a supply of goods, other than under hire purchase agreement, means the time at which the goods are delivered or made available to the recipient of the supply" ¹[***];
- (b) a supply of goods under a hire purchase agreement, means the time at which the agreement is entered into; and
- (c) services, means the time at which the services are rendered or provided;

²[Provided that in respect of sub clause (a),(b) or (c), where any part payment is received, —

- (i) for the supply in a tax period, it shall be accounted for in the return for that tax period; and
- (ii) in respect of exempt supply, it shall be accounted for in the return for the tax period during which the exemption is withdrawn from such supply ;]

(44A) "trust" means an obligation annexed to the ownership of property and arising out of the confidence reposed in and accepted by the owner, or declared and accepted by the owner for the benefit of another, or of another and the owner, and includes a unit trust;

(44AA) "unit trust" means any trust under which beneficial interests are divided into units such that the entitlements of the beneficiaries to income or capital are determined by the number of units held;]

³[(45)***]

(46) "value of supply" means:—

- (a) in respect of a taxable supply, the consideration in money including all Federal and Provincial duties ⁴[and taxes, if any, which the supplier receives from the recipient for that supply but excluding the amount of tax:

¹ Words omitted by Finance Act, 2021

² Proviso added by Finance Act, 2013

³ Clause (45) omitted by Finance Act, 2004

⁴ Words inserted by Finance Act, 1999

Provided that –

- (i) in case the consideration for a supply is in kind or is partly in kind and partly in money, the value of the supply shall mean the open market price of the supply excluding the amount of tax; ¹[...]
- (ii) in case the supplier and recipient are associated persons and the supply is made for no consideration or for a consideration which is lower than the open market price, the value of supply shall mean the open market price of the supply excluding the amount of tax; ²[and]
- ³[(iii) in case a taxable supply is made to a consumer from general public on installment basis on a price inclusive of mark up or surcharge rendering it higher than open market price, the value of supply shall mean the open market price of the supply excluding the amount of tax.]
- (b) in case of trade discounts, the discounted price excluding the amount of tax; provided the tax invoice shows the discounted price and the related tax and the discount allowed is in conformity with the normal business practices;
- (c) in case where for any special nature of transaction it is difficult to ascertain the value of a supply, the open market price;
- (d) in case of imported goods ⁴[excluding those as specified in the Third Schedule], the value determined under section 25 ⁵[...] of the Customs Act, including the amount of customs-duties and central excise duty levied thereon; ⁶[...]
- (e) in case where there is sufficient reason to believe that the value of a supply has not been correctly declared in the

¹ Words "and" omitted by Finance Ordinance, 2001

² Word inserted by Finance Ordinance, 2001

³ Sub-clause (iii) inserted by Finance Ordinance, 2001

⁴ The expression inserted vide Finance Act, 2019

⁵ Words etc. "or 25B" omitted by Finance Act, 2004

⁶ The word "and" omitted by Finance Supplementary (Amendment) Act, 1997. Earlier the same amendment was made by Sales Tax (Second Amendment) Ordinance, 1996, dated 2nd November, 1996, and again was made by the Sales Tax (Amendment) Ordinance, 1979

- invoice, the value determined by the Valuation Committee comprising representatives of trade and the ¹[Inland Revenue] constituted by the ²[Commissioner] ³[;] ⁴[.]
- ⁵[(f) in case of manufacture of goods belonging to another person, the actual consideration received by the manufacturer for the value addition carried out in relation to such goods;]
- ⁶[(g) in case of a taxable supply, with reference to retail tax, the price of taxable goods excluding the amount of retail tax, which a supplier will charge at the time of making taxable supply by him, or such other price as the Board may, by a notification in the official Gazette, specify.]
- ⁷[(h) in case of supply of electricity by an independent power producer ⁸[or WAPDA], the amount received on account of energy purchase price only; and the amount received on account of capacity purchase price, energy purchase price premium, excess bonus, supplemental charges etc. shall not be included in the value of supply; ⁹[***]]
- (i) in case of supply of electric power and gas by a distribution company, the total amount billed including price of electricity and natural gas, as the case may be, charges, rents, commissions and all duties and taxes local, provincial and federal but excluding the amount of late payment surcharge and the amount of sales tax; ¹[and]

¹ Substituted for "Sales Tax Department" 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 9, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53 and 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 9, 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53 and 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 Word etc. ", and" substituted for "colon" by Finance Supplementary (Amendment) Act, 1997. Earlier it was substituted by Sales Tax (Second Amendment) Ordinance, 1996, dated 2nd November, 1996, and again was made by the Sales Tax (Amendment) Ordinance, 1979

⁴ The word "and" omitted vide Finance Act, 2019

⁵ Sub-clause (f) substituted by Finance Act, 2019. Earlier it was substituted by Sales Tax (Second Amendment) Ordinance, 1996, dated 2nd November, 1996, and again was made by the Sales Tax (Amendment) Ordinance, 1997

⁶ Sub-clause (g) inserted by Finance Act, 1997

⁷ Clauses (h) and (i) added by Finance Act, 2019

⁸ The words inserted by Finance Act, 2020, shall be deemed to have been inserted with effect from 1st July, 2019.

⁹ The word "and" omitted by Finance Act, 2020, the word "and" and "new clause j" inserted by Finance Act, 2020.

¹(j) in case of registered person who is engaged in purchasing used vehicles from general public on which sales tax had already been paid at the time of import or manufacturing, and which are, later on, sold in the open market after making certain value addition, value of supply will be the difference between sale and purchase price of the said vehicle on the basis of the valuation method prescribed by the Board.]

¹[Provided] that, where the Board deems it necessary it may, by notification in the official Gazette, fix the value of any imported goods or taxable supplies or class of supplies and for that purpose fix different values for different classes or description of same type of imported goods or supplies:

Provided further that where the value at which import or supply is made is higher than the value fixed by the Board, the value of goods shall, unless otherwise directed by the Board, be the value at which the import or supply is made;]

²[(46A) "whistleblower" means whistleblower as defined in section 72D of the Sales Tax Act, 1990;]

(47) "wholesaler" ³[includes a dealer and] means any person who carries on, whether regularly or otherwise, the business of buying and selling goods by wholesale or of supplying or distributing goods, directly or indirectly, by wholesale for cash or deferred payment or for commission or other valuable consideration or stores such goods belonging to others as an agent for the purpose of sale; and includes ⁴[a person supplying taxable goods to ⁵[a person ⁶[who deducts income tax at source under the Income Tax Ordinance, 2001 (XLIX of 2001)]] ⁷[...]; and

(48) "zero-rated supply" means a taxable supply which is charged to tax at the rate of zero per cent under section 4.]

¹ Proviso substituted by Finance Act, 2006

² Clause (46A) added by Finance Act, 2015

³ Words inserted by Finance Act, 1997

⁴ The words, brackets and figures inserted by Finance Act, 1998

⁵ Substituted for "person deducting advance tax under sub-section (4) of section 50 of the Income Tax, 1979 (XXXI of 1979)" by Finance Act, 2004

⁶ Substituted for "whose income is not liable to tax under the Income Tax Ordinance, 2001 (XLIX of 2001) but has deducted income tax at source under section 153 of the said Ordinance" by Finance Act, 2006

⁷ Comma and words " , and a person who in addition to making retail supplies is engaged in wholesale business" omitted by Finance Act, 2008

Chapter-II

SCOPE AND PAYMENT OF TAX

3. Scope of tax.— (1) Subject to the provisions of this Act, there shall be charged, levied and paid a tax known as sales tax at the rate of ¹[seventeen] per cent of the value of—

- (a) taxable supplies made ²[...] by a registered person in the course or furtherance of any ³[taxable activity] carried on by him; and
- (b) goods imported into Pakistan, ⁴[irrespective of their final destination in territories of Pakistan].

⁵[(1A) Subject to the provision of sub section (6) of section 8 or any notification issued thereunder, where taxable supplies are made to a person who has not obtained registration number, there shall be charged, levied and paid a further tax at the rate of ⁶[three] percent of the value In addition to the rate specified in sub sections (1), (1B), (2), (5), ⁷[(6) and section 4] provided that the Federal Govt. may, by notification in the official Gazette, specify the taxable supplies in respect of which the further tax shall not be charged, levied and paid.]

⁸[(1B) On the goods specified in the Tenth Schedule, in lieu of levying and collecting tax under sub-section (1), the tax shall be levied and collected, in the mode and manner specified therein—

- (a) on the production capacity of plants, machinery, undertaking, establishments or installation producing ⁹[or] manufacturing such goods; or

¹ Substituted for seventeen vide Finance Act, 2013

² Words " in Pakistan" omitted by Finance Act, 2003

³ Words substituted by Finance Act, 1996

⁴ Words inserted through Finance Act, 2017

⁵ Sub section (1A) inserted by Finance Act, 2013

⁶ For the word "two" the word "three" inserted by Finance Act, 2018

⁷ The expression inserted through Finance Act, 2017

⁸ Clause (1B) substituted vide Finance Act, 2019

⁹ Word substituted by Finance Act, 2021

- (b) on fixed basis, from any person who is in a position to collect such tax due to the nature of the business,

and different rates may be so prescribed for different regions or areas.]

¹[(2) Notwithstanding the provisions of sub-section (1): -

- (a) taxable supplies ²[and import of goods] specified in the Third Schedule shall be charged to tax at the rate of ¹[seventeen] per cent of the retail price ³[or in case such supplies ⁴[or imports] are also specified in the Eighth Schedule, at the rates specified therein and the retail price thereof,] along with the amount of sales tax shall be legibly, prominently and indelibly printed or embossed by the manufacturer ⁵[, or the importer, in case of imported goods,] on each article, packet, container, package, cover or label, as the case may be; ⁶[:]⁷[]

⁸[Provided that the Federal Government, may, by notification in the official Gazette, exclude any taxable supply ⁹[or import] from the said Schedule or include any taxable supply ¹⁰[or import] therein; ¹¹[...]

- (aa) ¹²[goods specified in the Eighth schedule shall be charged to tax at such rates and subject to such conditions and limitations as specified therein; and]

- ¹³[(b) the ¹⁴[Federal Government] may, subject to such conditions and restrictions as it may impose, by notification in the official Gazette, declare that in respect of any taxable goods,

¹ Sub-section (2) substituted by Finance Act, 2001

² The expression inserted through Finance Act, 2019

³ The expression inserted through Finance Act, 2017

⁴ The words "or imports" inserted vide Finance Act, 2019

⁵ The expression inserted through Finance Act, 2019

⁶ Substituted for ", and" by Finance Act, 2007

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

⁸ Proviso inserted by Finance Act, 2007

⁹ The words "or imports" inserted through Finance Act, 2019

¹⁰ The words "or imports" inserted through Finance Act, 2019

¹¹ Word "and" omitted by Finance Bill, 2014

¹² Inserted by Finance Act, 2014

¹³ Clause (b) substituted by Finance Act, 2015

¹⁴ Words "Federal Government" substituted by Finance Act, 2018

the tax shall be charged, collected and paid in such manner and at such higher or lower rate or rates as may be specified in the said notification.]

- (3) The liability to pay the tax shall be,-

- (a) in the case of supply of goods¹[...], of the person making the supply, and
- (b) in the case of goods imported into Pakistan, of the person importing the goods.

²[(3A) Notwithstanding anything contained in clause (a) of sub-section (3), the ³[Board, with the approval of the Federal Minister-in-charge,] may, by a notification in the official Gazette, specify the goods in respect of which the liability to pay tax shall be of the person receiving the supply.]

⁴[(3B) Notwithstanding anything contained in sub section (1) and (3), sales tax on the import and supply of the goods specified in the Ninth Schedule to this Act shall be charged, collected and paid at the rates, in the manner, at the time, and subject to the procedure and conditions as specified therein or as may be prescribed, and the liability to charge, collect and pay the tax shall be on the persons specified therein.]

⁵[(4) ***]

⁶[(5) The ⁷[Federal Government] may, in addition to the tax levied under sub-section (1) ⁸[...], ⁹[...] sub-section (2) and sub-section (4), levy and collect ¹⁰["tax at such extra rate or amount"] not exceeding ¹¹[seventeen] per cent of the value of such goods or class of goods and on

¹ Words "in Pakistan" omitted by Finance Act, 2001

² Sub-section 3A inserted by Finance Act, 1998

³ The expression inserted through Finance Act, 2019

⁴ Inserted by Finance Act 2014

⁵ Sub-section (4) omitted by Finance Act, 2008

⁶ Sub-section (5) inserted by Finance Act, 1999

⁷ Words "Federal Government" substituted by Finance Act, 2018

⁸ Word mc "and (1 A)" omitted by finance Act, 2004

⁹ Word mc "clause (C) of" omitted by Finance Ordinance, 2002

¹⁰ Words substituted by Finance Act, 2013

¹¹ Rate substituted by Finance Act, 2011

such persons or class of persons, in such mode, manner and at time, and subject to such conditions and limitations as it may, by rules, prescribe.]

¹[(6) The Federal Government or ²[the Board] may, in lieu of the tax under sub-section (1), by notification in the official Gazette, levy and collect such amount of tax as it may deem fit on any supplies or class of supplies or on any goods or class of goods and may also specify the mode, manner or time of payment of such amount of tax.

³[(7) The tax shall be withheld ¹¹[***] at the rate as specified in the Eleventh Schedule, by any person or class of persons ⁴[being purchaser of goods or services] as withholding agent for the purpose of depositing the same, in such manner and subject to such conditions or restrictions as the Board may prescribe in this behalf through a notification in the official Gazette.]

⁵[(8) Notwithstanding anything contained in any law or notification made thereunder ⁶[, but subject to the provisions of clause (b) of sub-section (2)] in case of supply of natural gas to CNG stations, the Gas Transmission and Distribution Company shall charge sales tax from the CNG stations at the rate of seventeen per cent of the value of supply to the CNG consumers, as notified by the Board from time to time, but excluding the amount of tax, as provided in clause (46) of section 2.

⁷[(9) Notwithstanding anything contained in subsection (1), tax shall be charged from retailers ⁸[, other than those falling in Tier-1,] through their monthly electricity bills, at the rate of five percent where the monthly bill amount does not exceed rupees twenty thousand and at the rate of seven and half per cent where the monthly bill amount exceeds the aforesaid amount, ⁹[and the electricity supplier shall deposit the amount so collected directly without adjusting against his input tax]:

¹ Sub-section (6) inserted by Finance Ordinance 2001

² Substituted for "Central Board of Revenue" by Finance Act, 2007

³ Sub-section (7) substituted by Finance Act, 2019

⁴ The words omitted and the expression inserted by Finance Act, 2020.

⁵ Sub-section 8 inserted by Finance Act, 2014

⁶ Comma and words inserted by Finance Act, 2015

⁷ Sub-section 9 inserted by Finance Act, 2014

⁸ Comma and words inserted by Finance Act, 2019

⁹ The expression substituted for the words "subject to the exclusions, procedure, restrictions and limitations as prescribed in Chapter II of the Sales Tax Special Procedure Rules, 2007" through Finance Act, 2019.

Provided that the tax under this sub-section shall be in addition to the tax payable on supply of electricity under sub section (1), (1A) and (5)¹[:]

²[Provided further that the Commissioner of Inland Revenue having jurisdiction shall issue order to the electricity supplier regarding exclusion of a person who is either a Tier-1 retailer, or not a retailer.]

³[(9A) Notwithstanding anything contained in this Act, Tier-1 retailers shall pay sales tax at the rate as applicable to the goods sold under relevant provisions of this Act or a notification issued there under:

⁴[****]

Provided further that from such date, and in such mode and manner, as prescribed by the Board, all Tier-1 retailers shall integrate their retail outlets with Board's computerized system for real-time reporting of sales.]

⁵[(9AA) In respect of goods, specified in the Thirteenth 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 Thirteenth 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 tax shall be discharged accordingly.]

⁶[3A. ***]

⁷[3AA. ***]

⁸[3AAA. ***]

⁹[3B. Collection of excess sales tax etc.— (1) Any person who has collected or collects any tax or charge, whether under misapprehension of any provision of this Act or otherwise, which was not payable as tax or

¹ For the full stop a "colon" is substituted through Finance Act, 2019

² The second proviso added vide Finance Act, 2019

³ Sub-section (9A) substituted through Finance Act, 2019

⁴ First proviso omitted by Finance Act, 2021

⁵ New sub-section inserted by Finance Act, 2021

⁶ Section (3A) omitted by Finance Act, 2004

⁷ Section (3AA) omitted by Finance Act, 2008

⁸ Section (3AAA) omitted by Finance Act, 2002

⁹ Old section (3A) renumbered as (3B) by Finance Act, 1996.

charge or which is in excess of the tax or charge actually payable and the incidence of which has been passed on to the consumer, shall pay the amount of tax or charge so collected to the Federal Government.

¹[(2) Notwithstanding anything contained in any law or judgement of a court, including the Supreme court and a High court, any amount payable to the Federal Government under sub-section (1) shall be deemed to be an arrear of tax or charge payable under this Act and shall be recoverable accordingly and any claim for refund in respect of such amount shall neither be admissible to the registered person nor payable to any court of law or to any person under direction of the court.]

(3) The burden of proof that the incidence of tax or charge referred to in sub-section (1) has been or has not been passed to the consumer shall be on the person collecting the tax or charge.]

4. **Zero rating.**— Notwithstanding the provisions of section 3 ²[except those of sub-section (1A)], ³[...] the following goods shall be charged to tax at the rate of zero per cent:--

- [(a) goods exported, or the goods specified in the Fifth Schedule;]
- (b) supply of stores and provisions for consumption aboard a conveyance proceeding to a destination outside Pakistan as specified in section 24 of the Customs Act, 1969 (IV of 1969);
- ⁴[(c) such other goods, as the Federal Government may specify by notification in the official Gazette, 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:"]; and]
- ⁵[(d) omitted.]

¹ Sub-section (2) substituted by Finance Act, 2014

² The expression inserted through Finance Act, 2017

³ Words "a supply of" omitted by Finance Act, 2004

⁴ Clause (c) substituted through Finance Act, 2019

⁵ Clause (d) omitted by Finance Act, 2019

5. **Change in the rate of tax.**— If there is a change in the rate of tax-

- (a) a taxable supply made ¹[***] by a registered person shall be charged to tax at such rate as is in force at the time of supply;
- (b) imported goods shall be charged to "tax at such rate as" is in force,-
 - (i) in case the goods are entered for home consumption, on the date on a ⁹[goods declaration] is presented under section 79 of the Customs Act, 1969 (IV of 1969);
 - (ii) in case the goods are cleared from warehouse, on the date on which a ²[goods declaration] for clearance of such goods is presented under section 104 of the Customs Act, 1969 (IV of 1969);

Provided that where a ⁹[goods declaration] is presented in advance of the arrival of the conveyance by which the goods are imported, the tax shall be charged as is in force on the date on which the manifest of the conveyance is delivered;

Provided further that if the tax is not paid within seven days of the ³[goods declaration] ⁴[under section 104 of the Customs Act,] the tax shall be charged at the rate as is in force on the date on which tax is actually paid.

6. **Time and manner of payment.** — (1) The tax in respect of goods imported into Pakistan shall be charged and paid in the same manner and at the same time as if it were a duty of customs payable under the Customs Act, 1969 ⁵[and the provisions of the said Act ⁶[including section 31A thereof], shall, so far as they relate to collection, payment and enforcement ⁷[including recovery] of tax under this Act on such goods where no specific provision exists in this Act, apply,].

¹ Words "in Pakistan" omitted by Finance Act, 2001

² Substituted for "bill of entry" by Finance Act, 2005

³ Substituted for "bill of entry" by Finance Act, 2005

⁴ Words, figure and comma inserted by the Finance Act, 1996

⁵ The Words inserted in place of "IV of 1969" by Finance Act, 1996

⁶ The words inserted by Finance Act, 1998

⁷ Words "including recovery" inserted by Finance Act, 2015

¹[(1A) Notwithstanding anything contained in any other law for the time being in force, including but not limited to the Protection of Economic Reforms Act, 1992 (XII of 1992), and notwithstanding any decision or judgment of any forum, authority or court whether passed, before or after the promulgation of the Finance Act, 1998 (III of 1998), the provisions of section 31-A of the Customs Act, 1969 (IV of 1969), referred to in sub-section (1) shall be incorporated in and shall be deemed to have always been so incorporated in this Act and no person shall be entitled to any exemption from or adjustment of or refund of tax on account of the absence of such a provision in this Act, or in consequence of any decision or judgment of any forum, authority or court passed on that ground or on the basis of the doctrine of *promissory estoppel* or on account of any promise or commitment made or understanding given whether in writing or otherwise, by any government department or authority.]

(2) The tax in respect of taxable supplies made ²[***] during a tax period shall be paid by the registered person ³[by the date as prescribed in this respect] ⁴[:]

⁵[Provided that the Board may, by a notification in the Official Gazette, direct that the tax in respect of all or such classes of supplies (other than zero-rated supplies) of all or such taxable goods, as may be specified in the aforesaid notification, shall be charged, collected and paid in any other way, mode, manner or at time as may be specified therein.]

⁶[(3) The tax due on taxable supplies ⁷[***] shall be paid by any of the following modes, namely:-

(i) through deposit in a bank designated by the Board; and

¹ Sub Section (1A) inserted by Sales Tax (amendment) Ordinance, 2002 dated June 07, 2002 and shall be deemed to have always been so inserted

² Words "in Pakistan" omitted by Finance Act, 2013

³ Words substituted through Finance Act, 2016

⁴ Substituted for full stop by Finance Act, 1997

⁵ Proviso inserted by Finance Act, 1997

⁶ Sub Section III substituted by Finance Act, 1996

⁷ Words "made in Pakistan" omitted by Finance Act, 2001

(ii) through such other mode and manner as may be specified by the Board.]

¹[4. ***]

7. **Determination of tax liability.** - (1) ²[Subject to the provisions of ³[section 8 and] 8B, for] the purpose of determining his tax liability in respect of taxable supplies made during a tax period, a registered person shall ⁴[, subject to the provisions of section 73,] be entitled to deduct input tax ⁵[paid ⁶/or payable ⁷/during the tax period for the purpose of taxable supplies made, or to be made, by him] from the output tax ⁸[excluding the amount of further tax under sub-section (1A) of section 3.] ⁹[] that is due from him in respect of that tax period and to make such other adjustments as are specified in Section 9 ¹⁰[:]

¹¹[Provided that where a registered person did not deduct input tax within the relevant period, he may claim such tax in the return for any of the six succeeding tax periods.]

(2) A registered person shall not be entitled to deduct input tax from output tax unless,-

(i) in case of a claim for input tax in respect of a taxable supply made ¹²[***], he holds a tax invoice ¹³[in his name and bearing his registration number] in respect of such supply ¹⁴[, or in case of supply of electricity or gas, a bill bearing his registration number and the address where the connection is installed] ¹⁵[:]

¹ Sub Section 4 omitted by Finance Act, 1996

² Substituted for the word "for" by Finance Act, 2007

³ The word "section" substituted by the words and figure "section 8 and" in Finance Act 2014

⁴ Comma and word etc, inserted by Finance Ordinance, 2001

⁵ Words inserted by Finance Act, 1996

⁶ Words inserted by Finance Act, 2004

⁷ Words inserted by Finance Act, 1998

⁸ Inserted by Finance Act 2014

⁹ Words etc "excluding the amount of tax" omitted by Finance Act, 2004

¹⁰ Substituted for the full stop by Finance Act, 2003

¹¹ Proviso substituted by Finance Act, 2008

¹² Words "in Pakistan" omitted by Finance Act, 2001

¹³ Words inserted by Finance Act, 2003

¹⁴ The expression substituted through Finance Act, 2019

¹⁵ A Colon substituted the semi colon & Proviso added through Finance Act, 2016

Provided that from the date to be notified by the Board in this respect, in addition to above, if the supplier has not declared such supply in his return or he has not paid amount of tax due as indicated in his return.

(iii) In case of goods imported into Pakistan, he holds bill of entry or goods declaration in his name and showing his sales tax registration number, duly cleared by the customs under section 78², section 81³ or section 104 of the Customs Act, 1996 (IV of 1969).⁴

(iii) In case of goods purchased in auction, he holds a treasury challan, ⁵in his name and bearing his registration number, showing payment of sales tax.⁶

(iv) ***

(5) Notwithstanding anything in sub-sections (1) and (2), ⁷[Board, with the approval of the Federal Minister-in-charge,] may, by a special order, subject to such conditions, limitations or restrictions as may be specified therein allow a registered person to deduct input tax paid by him from the output tax determined or to be determined as due from him under this Act.]

(4) Notwithstanding anything contained in this Act or rules made there under, the ⁸[Federal Government] may, by notification in the official Gazette, subject to such conditions, limitations or restrictions as may be specified therein, allow a registered person or class of persons to deduct such amount of input tax from the output tax as may be specified in the said notification.]

¹ Clause (ii) substituted by Finance Act, 2001.
² Expression "section 47" inserted by Finance Act, 2011.
³ Clause (ii) substituted by Finance (Amendment) Act, 2001.
⁴ Clause and minor amendments by Finance Act, 2004.
⁵ Clause (ii) inserted by Finance Act, 1997.
⁶ Sub-section (1) inserted by Finance (Amendment) Act, 2002.
⁷ The expression substituted by Finance Act, 2019.
⁸ Sub-section (4) inserted by Finance Act, 2007.
⁹ Words "Federal Government" substituted by Finance Act, 2018.

(1) Notwithstanding anything contained in this Act or the rules made thereunder, the Board, by notification in the official Gazette, may impose restrictions on wastage of material on which input tax has been claimed in respect of the goods or class of goods.]

7A. Levy and collection of tax on specified goods on value addition. - [(1) Notwithstanding anything contained in this Act or the rules made there under, the ¹[Federal Government] may specify, by notification in the official Gazette, that sales tax chargeable on the supply of goods of such description or class shall, with such limitations or restrictions as may be prescribed, be levied and collected on the difference between the value of supply for which the goods are acquired and the value of supply for which the goods, either in the same state or on further manufacture, are supplied.]

(2) Notwithstanding anything contained in this Act or the rules made thereunder, in respect of the goods or class of goods specified in the Twelfth Schedule, the minimum value addition tax, against the value added by the registered person, shall be payable, at the rate and by the registered persons or class of registered persons, specified therein, subject to the conditions, limitations, restrictions and procedure specified therein.

Provided that the Federal Government may, through a notification published in the official Gazette, amend any provision of the said Twelfth Schedule.]

8. Tax credit not allowed. - (1) Notwithstanding anything contained in this Act, a registered person shall not be entitled to reclaim or deduct input tax paid on -

(a) the goods ²[or services] used or to be used for any purpose other ³[***] for taxable supplies made or to be made by him;]

¹ New sub-section inserted by Finance Act, 2020.
² Section 7A, inserted by Finance Act, 2003.
³ Amended by Finance Act, 2004.
⁴ Sub-section (1) substituted by Finance Act, 2019.
⁵ Section (1) substituted by Finance Act, 1996.
⁶ Clause (a) substituted by Sales Tax (Amendment) Ordinance, 2001 issued February 23, 2001.
⁷ Words inserted by Finance Act, 2008.
⁸ Words "for the manufacture or production of manufactured goods or" inserted by Finance Act, 2005.

- (b) any other goods or services which the ¹[Federal Government] may, by a notification in the official Gazette, specify²;³[***]
- ⁴[(c)] ⁵[***] the goods under ⁶[sub-section] (5) of section 3 ⁷[:]
- ⁸[(ca)] the goods ⁹[or services] in respect of which sales tax has not been deposited in the Government treasury by the respective supplier;]
- ¹⁰[(caa)] purchases, in respect of which a discrepancy is indicated by CREST or input tax of which is not verifiable in the supply chain;]
- ¹¹[(d)] fake invoices; ¹²[***]
- (c) purchases made by such registered person, in case he fails to furnish the information required by the Board through a notification issued under sub-section (5) of section 26 [;]
- ¹³[(f)] goods and services not related to the taxable supplies made by the registered person.]
- ¹⁴[(g)] goods and services acquired for personal or non-business consumption;]
- ¹⁵[(h)] goods used in, or permanently attached to, immoveable property, such as building and construction materials, paints, electrical and sanitary fittings, pipes, wires and cables, but excluding ¹⁶[pre-fabricated buildings and] such goods

¹ Words "Federal Government" substituted by Finance Act, 2018
² Substituted for full stop by Finance Act, 1999
³ Word "and" omitted by Finance Act, 2004
⁴ Clause (c) inserted by Finance Act, 1999
⁵ Word "on" omitted by Finance Act, 2004
⁶ Substituted for subsection (1A) and Finance Act, 2004
⁷ Substituted for the full stop by Finance Act, 2004
⁸ Clause (ca) inserted by Finance Act, 2006
⁹ Words inserted by Finance Act, 2008
¹⁰ Clause (caa) inserted by Finance Act, 2013
¹¹ Clause (d) inserted by Finance Act, 2004
¹² The word "and" omitted by Finance Act 2014
¹³ Inserted by Finance Act, 2014
¹⁴ Inserted by Finance Act, 2014
¹⁵ Inserted by Finance Act, 2014
¹⁶ Words inserted by Finance Act, 2015

- acquired for sale or re-sale or for direct use in the production or manufacture of taxable goods; ¹[***]]
- ²[(i)] vehicles falling in Chapter 87 of the First Schedule to the Customs Act, 1969 (IV of 1969), parts of such vehicles, electrical and gas appliances, furniture furnishings, office equipment (excluding electronic cash registers), but excluding such goods acquired for sale or re-sale ³[:]
- ⁴[(j)] services in respect of which input tax adjustment is barred under the respective provincial sales tax law;
- (k) import or purchase of agricultural machinery or equipment subject to sales tax at the rate of 7% under Eighth Schedule to this Act;
- (l) from the date to be notified by the Board, such goods and services which, at the time of filing of return by the buyer, have not been declared by the supplier in his return ⁵[or he has not paid amount of tax due as indicated in his return; and
- ⁶[(m)] the input goods ⁷[or services] attributable to supplies made to un-registered person, on pro-rata basis, for which sale invoices do not bear the NIC number or NTN as the case may be, of the recipient as stipulated in section 23.]

(2) If a registered person deals in taxable and non-taxable supplies, he can reclaim only such proportion of the input tax as is attributable to taxable supplies in such manner as may be specified by the Board.

(3) No person other than a registered person shall make any deduction or reclaim input tax in respect of taxable supplies made or to be made by him.

¹ Word "and" omitted by Finance Act, 2015
² Inserted by Finance Act, 2014
³ Semi-colon substituted for full stop by Finance Act, 2015
⁴ Clauses (j), (k) and (l) added by the Finance Act, 2015
⁵ Expression added through Finance Act, 2016
⁶ Clause (m) substituted through Finance Act, 2019
⁷ The words inserted by Finance Act, 2020.

¹[(4) ***]

²[(5) Notwithstanding anything contained in any other law for the time being in force or any decision of any Court, for the purposes of this section, no input tax credit shall be allowed to the persons who paid fixed tax under any provisions of this Act as it existed at any time prior to the first day of December, 1998.]

³[(6) Notwithstanding anything contained in any other law for the time being in force or any provision of this Act, ⁴[Board, with the approval of the Federal Minister-in-charge,] may, by notification in the official Gazette, specify any goods or class of goods which a registered person cannot supply to any person who is not registered ⁵[***] under this Act.]

⁶[(7) ***]

⁷[8A. **Joint and several liability of registered persons in supply chain where tax unpaid.**— Where a registered person receiving a taxable supply from another registered person is in the knowledge or has reasonable grounds to suspect that some or all of the tax payable in respect of that supply or any previous or subsequent supply of the goods supplied would go unpaid ⁸[, of which the burden to prove shall be on the department] such person as well as the person making the taxable supply shall be jointly and severally liable for payment of such unpaid amount of tax ⁹[:]])

¹⁰[Provided that the Board may by notification in the official gazette, exempt any transaction or transactions from the provisions of this section.]

¹ Sub-section (4) omitted by Finance Act, 1999

² Sub-section (5) inserted by Finance Act, 1999

³ Sub-section (6) inserted by Sales Tax (Amendment) Ordinance, 2001 dated February 7, 2001.

⁴ The expression substituted by Finance Act, 2019

⁵ Words "or entitled" omitted by Finance Act, 2004

⁶ Sub-section (7) omitted by Finance Act, 2004. Earlier it was inserted by Sales Tax (Amendment) Ordinance, 2001, dated February 7, 2001

⁷ Section 8A inserted by Finance Act, 2006

⁸ Expression added by Finance Act, 2015

⁹ Substituted for full stop by Finance Act, 2007

¹⁰ Proviso inserted by Finance Act, 2007

¹[8B. **Adjustable input tax.**— (1) Notwithstanding anything contained in this Act, in relation to a tax period, a registered person ²[other than public limited companies listed on Pakistan Stock Exchange] shall not be allowed to adjust input tax in excess of ninety per cent of the output tax for that tax period:

³[Provided that the restriction on the adjustment of input tax in excess of ninety per cent of the output tax, shall not apply in case of fixed assets or Capital goods:]

Provided further that the Board may by notification in the official Gazette, exclude any person or class of persons from the purview of sub-section (1).

(2) A registered person, subject to sub-section (1), may be allowed adjustment ⁴[or refund] of input tax not allowed under sub-section (1) subject to the following conditions, namely:—

- (i) in the case of registered persons, whose accounts are subject to audit under the Companies Ordinance, 1984, upon furnishing a statement along with annual audited accounts, duly certified by the auditors, showing value additions less than the limit prescribed under sub-section (1) above; or
- (ii) in case of other registered persons, subject to the conditions and restrictions as may be specified by the Board by notification in the official Gazette.

(3) The adjustment or refund of input tax mentioned in sub-sections (2), if any, shall be made on yearly basis in the second month following the end of the financial year of the registered person.

(4) Notwithstanding anything contained in sub-sections (1) and (2), the Board may, by notification in the official Gazette, prescribe any other limit of input tax adjustment for any person or class of persons.

¹ Section 8B inserted by Finance Act, 2007

² Words inserted by Finance Act, 2021

³ Proviso substituted by Finance Act, 2011

⁴ Words inserted by Finance Act, 2009

¹[(4A) Notwithstanding anything contained in sub-sections (1), (2) and (3), input tax allowed in case of locally manufactured electric vehicles subject to reduced rate of tax under the Eighth Schedule shall be limited to the extent of amount of output tax and no refund or carry forward of excess input tax shall be allowed.]

(5) Any auditor found guilty of misconduct in furnishing the certificate mentioned in sub-section (2) shall be referred to the Council for disciplinary action under section 20D of Chartered Accountants, Ordinance, 1961 (X of 1961).]

²[(6) In case a Tier-1 retailer does not integrate his retail outlet in the manner as prescribed under sub-section (9A) of section 3, during a tax period or part thereof, the adjustable input tax for whole of that tax period shall be reduced by ³[60%.]

9. **Debit and credit note.** – Where a registered person has issued a tax invoice in respect of a supply made by him and as a result of cancellation of supply or return of goods or a change in the nature of supply or change in the value of the supply or some such event the amount shown in the tax invoice or the return needs to be modified, the registered person may, subject to such conditions and limitations as the Board may impose, issue a debit or credit note and make corresponding adjustment against output tax in the return.

⁴[10. **Refund of input tax.**– (1) If the input tax paid by a registered person on taxable purchases made during a tax period exceeds the output tax on account of zero rated local supplies or export made during that tax period, the excess amount of input tax shall be refunded to the registered person not later than forty-five days of filing of refund claim in such manner and subject to such conditions as the Board may, by notification in the official Gazette specify:

¹ New sub-section (4A) inserted by Finance Act, 2020.

² New sub-section (b) inserted through Finance Act, 2019.

³ Expression substituted by Finance Act, 2021.

⁴ Section 10 substituted by Finance Act, 2007. Earlier it was also substituted by Finance Act, 1998 and Finance Act, 1996.

¹[Provided that in case of excess input tax against supplies other than zero-rated or exports, such excess input tax may be carried forward to the next tax period, along with the input tax as is not adjustable in terms of sub-section (1) of section 8B, and shall be treated as input tax for that period and the Board may, subject to such conditions and restrictions as it may impose, by notification in the official Gazette, prescribe the procedure for refund of such excess input tax.]

Provided further that the Board may, from such date and subject to such conditions and restrictions as it may impose, by notification in the official Gazette, direct that refund of input tax against exports shall be paid ²[at the fixed rates and in the manner as] notified in the such notification.

(2) If a registered person is liable to pay any tax, default surcharge or penalty payable under any law administered by the Board, the refund of input tax shall be made after adjustment of unpaid outstanding amount of tax or, as the case may, default surcharge and penalty.

(3) Where there is reason to believe that a person has claimed input tax credit or refund which was not admissible to him, the proceedings against him shall be completed within sixty days. For the purposes of enquiry or audit or investigation regarding admissibility of the refund claim, the period of sixty days may be extended up to one hundred and twenty days by an officer not below the rank of an Additional ³[Commissioner Inland Revenue] and the Board may, for reasons to be recorded in writing, extend the aforesaid period which shall in no case exceed nine months.]

¹[11. **Assessment of Tax & Recovery of Tax not levied or short levied or erroneously refunded]** .– (1) Where a person who is required to file a tax return fails to file the return for a tax period by the due date or pays an amount which, for some miscalculation is less than the amount of tax actually payable, an officer of Inland Revenue shall, after a notice to

¹ Proviso substituted by Finance Act, 2008.

² The expression substituted through Finance Act, 2019.

³ Substituted for "Collector of Sales Tax" 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 and this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

show cause to such person, make an order for assessment of tax, including imposition of penalty and default surcharge in accordance with sections 33 and 34:

Provided that where a person required to file a tax return files the return after the due date and pays the amount of tax payable in accordance with the tax return along with default surcharge and penalty, the notice to show cause and the order of assessment shall abate.

(2) Where a person has not paid the tax due on supplies made by him or has made short payment or has claimed input tax credit or refund which is not admissible under this Act for reasons other than those specified in sub-section (1), an officer of Inland Revenue shall after a notice to show cause to such person, make an order for assessment of tax actually payable by that person or determine the amount of tax credit or tax refund which he has unlawfully claimed and shall impose a penalty and charge default surcharge in accordance with sections 33 and 34.

(3) Where by reason of some collusion or deliberate Act any tax or charge has not been levied or made or has been short levied or has been erroneously refunded, the person liable to pay any amount of tax or charge or the amount of fund erroneously made shall be served with the notice requiring him to show cause for payment of the amount specified in the notice.

(4) Where, by reason of any inadvertence, error or misconception any tax or charge has not been levied or made or has been short-levied or has been erroneously refunded, the person liable to the amount of tax or charge or the amount of refund erroneously made shall be served with a notice requiring him to show cause for payment of the amount specified in the notice;

Provided that, where a tax or charge has not been levied under this sub section the amount of tax shall be recovered as tax fraction of the value of supply.

¹ Section 11 substituted by the Finance Act, 2012. Earlier it was substituted by Finance Act, 1996.

¹[(4A) Where any person, required to withhold sales tax under the provisions of this Act or the rules made thereunder, fails to withhold the tax or withholds the same but fails to deposit the same in the prescribed manner, an officer of Inland Revenue shall after a notice to such person to show cause, determine the amount in default].

(5) No order under this section shall be made by an officer of Inland Revenue unless a notice to show cause is given within five years, of the ²[end of the financial year in which the relevant date falls], to the person in default specifying the grounds on which it is intended to proceed against him and the officer of Sales Tax shall take into consideration the representation made by such person and provide him with an opportunity of being heard:

Provided that 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 ninety 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 sixty days shall be excluded from the computation of the period specified in the first proviso.

(6) Notwithstanding anything in sub-section (1), where a registered person fails to file a return, an officer of Inland Revenue, not below the rank of Assistant Commissioner, shall subject to such conditions as specified by the Federal Board of Revenue, determine the minimum tax liability of the registered person.

(7) For the purpose of this section, the expression "relevant date" means—

(a) the time of payment of tax or charge as provided under section 6; and

¹ New sub-section 4A added through Finance Act, 2019
² Words substituted by Finance Act, 2021

- (b) in a case where tax or charge has been erroneously refunded, the date of its refund.]

¹[11A. Short paid amounts recoverable without notice.— Notwithstanding any of the provisions of this Act, where a registered person pays the amount of tax less than the tax due as indicated in his return, the short paid amount of tax 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 giving him a show cause notice and without prejudice to any other action prescribed under section 48 of this Act or the rules made thereunder.

Provided that no penalty under section 33 of this Act shall be imposed unless a show cause notice is given to such person.]

²[11B. 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-VIII by the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court an order of assessment of tax is to be issued to any registered person, 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-VIII 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 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

¹ Section 11A substituted by Finance Act, 2006. Earlier it was inserted by Finance Ordinance, 2002.
² New section 11B added by Finance Act, 2018.

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.]

¹[11C. Power of tax authorities to modify orders, etc.— (1) Where a question of law has been decided by a High Court or the Appellate Tribunal in the case of a registered person, on or after first day of July, 1990, 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.]

²[12. ***]

³[13. Exemption.— (1) Notwithstanding the provisions of section 3, supply of goods or import of goods specified in the Sixth Schedule shall, subject to such conditions as may be specified by the ⁴[Federal Government], be exempt from tax under this Act ⁵[.]

¹ New section 11C inserted by Finance Act, 2020

² Section 12 omitted by Finance Act, 1996

³ Section 13 substituted by Finance Act, 1996

⁴ Substituted for "Board" by Sales Tax (Amendment) Ordinance, 1999, dated 13th August, 1999

⁵ Substituted for colon by Tax Laws Amendment Ordinance, 2000, full Stop was substituted for colon by sales tax (Amendment) Ordinance, 1999, dated 13th August, 1999

1[***]

(2) Notwithstanding the provisions of sub-section (1) –

²[(a) 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 any supplies made or imports, of any goods or class of goods from the whole or any part of the tax chargeable under this Act, subject to the conditions and limitations specified therein;]

³[(b) ***]

(3) The exemption from tax chargeable under sub-section (2) may be allowed from any previous date specified in the notification issued under clause (a) ⁴[***].]

⁵[(4) ***]

⁶[(5) ***]

⁷[(6) The ⁸[Board] shall place before the National Assembly all notifications issued under this section in a financial year.

(7) 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 ⁹[:

Provided that all such notifications, except those earlier rescinded, shall be deemed to have been in force with effect from the 1st July, 2016

¹ Provisions omitted by Tax Laws Amendment Ordinance, 2000, dated 24th May, 2000 Earlier it was omitted by sales Tax (Amendment) Act, 1999 dated 30-03-1999

² Clause (a) substituted through Finance Act, 2019

³ Clause (b) omitted by Finance Act, 2015

⁴ Expression "or as the case may be, order made under clause (b) of that sub-section" omitted by Finance Act, 2015

⁵ Sub-section (4) omitted by Finance Act, 2006

⁶ Sub-section (5) omitted by Sales Tax (Amendment) Ordinance, 2000

⁷ Sub-section (6) and sub-section (7) added by Finance Act, 2015

⁸ Substituted for the words "Federal Government" through Finance Act, 2017

⁹ For the full stop a colon inserted and thereafter new provisions added through Finance Act, 2017

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 (6) shall continue to be in force till thirtieth day of June, 2018, if not earlier rescinded by the Federal Government or the National Assembly.]

Chapter-III

REGISTRATION

¹[14. **Registration.**— (1) Every person engaged in making taxable supplies in Pakistan, including zero-rated supplies, in the course or furtherance of any taxable activity carried on by him, falling in any of the following categories, if not already registered, is required to be registered under this Act, namely:—

- (a) a manufacturer who is not running a cottage industry;
- (b) a retailer who is liable to pay sales tax under the Act or rules made thereunder, excluding such retailer required to pay sales tax through his electricity bill under sub-section (9) of section 3;
- (c) an importer;
- (d) an exporter who intends to obtain sales tax refund against his zero-rated supplies;
- (e) a wholesaler, dealer or distributor; and
- (f) a person who is required, under any other Federal law or Provincial law, to be registered for the purpose of any duty or tax collected or paid as if it were a levy of sales tax to be collected under the Act.

(2) Persons not engaged in making of taxable supplies in Pakistan, if required to be registered for making imports or exports, or under any provisions of the Act, or any other Federal law, may apply for registration.

(3) The registration under this Act shall be regulated in such manner as the Board may, by notification in the official Gazette, prescribe.]

¹Section 14 substituted by Finance Act, 2015.

¹[15. ***]

²[16. ***]

³[17. ***]

18. ***

19. ***

20. ***]

⁴[21. **De-registration, blacklisting and suspension of registration.**— (1) The Board or any officer, authorized in this behalf, may subject to the rules, de-register a registered person or such class of registered persons not required to be registered under this Act.

(2) Notwithstanding anything contained in this Act, in cases where the ⁵[Commissioner] is satisfied that a registered person is found to have issued fake invoices ⁶[...] or has ⁷[otherwise] committed tax fraud, he may blacklist such person or suspend his registration in accordance with such procedure as the Board may by notification in the official Gazette, prescribe.]

⁸[(3) During the period of suspension of registration, the invoices issued by such person shall not be entertained for the purposes of sales Tax refund or input tax credit, and once such person is black listed, the refund or input tax credit claimed against the invoices issued by him, whether prior or after such black listing, shall ⁹[...] be rejected through a self-speaking appealable order and after affording an opportunity of being heard to such person.]

¹Section 15 omitted by the Finance Act, 2014

²Section 16 omitted by Finance Act, 2003

³Sections 17 to 20 omitted by Finance Act, 2004

⁴Section 21 substituted by Finance Act, 2004

⁵Substituted "for collector" by Finance Act, 2010

⁶Comma and words "evaded tax" omitted by Finance Act, 2005

⁷Word inserted by Finance Act, 2005

⁸Sub Section (3) inserted by Finance Act, 2011

⁹Words and figure omitted by Finance Act, 2013

¹(4) Notwithstanding anything contained in this Act, where the Board, the concerned Commissioner or any officer authorized by the Board in this behalf has reasons to believe that a registered person is engaged in issuing fake or flying invoices, claiming fraudulent input tax or refunds, does not physically exist or conduct actual business, or is committing any other fraudulent activity, the Board, concerned Commissioner or such Officer may after recording reasons in writing, block the refunds or input tax adjustments of such person and direct the concerned Commissioner having jurisdiction for further investigation and appropriate legal action.]

²[21A. Active taxpayers list.-The Board shall have the power to maintain active taxpayers list in the manner as may be prescribed by rules and such rules may provide for the restrictions and limitations to be imposed on a person who ceases to be an active taxpayer.]

Chapter-IV

BOOK KEEPING AND INVOICING REQUIREMENTS

³[22. Records.- (1) A registered person making taxable supplies shall maintain and keep at his business premises or registered office in English or Urdu language the following records of goods purchased ⁴[, imported] and supplied (including zero-rated and exempt supplies) made by him or by his agent acting on his behalf in such form and manner as would permit ready ascertainment of his tax liability during a tax period -

- (a) records of supplies made shall indicate the description, quantity and value of goods, name and address of the person to whom supplies were made and the amount of the tax charged;
- (b) records of goods purchased shall show the description, quantity and value of goods, name, address and registration

¹ Sub-section (4) inserted by Finance Act, 2013

² Section 21A inserted by Finance Act, 2015

³ Section 22 substituted by Finance Act, 1996

⁴ The comma and words inserted by Finance Act, 2005

number of the supplier and the amount of the tax on purchases;

¹[(c) records of goods imported shall show the description, quantity and value of goods and the amount of tax paid on imports;]

²[(d)] records of zero-rated and exempt supplies;

³[(da) double entry sales tax accounts;]

⁴[(e)] invoices, credit notes, debit notes, bank statements, ⁵[banking instruments in terms of section 73,] inventory records, ⁶[utility bills, salary and labour bills, ⁷[cash book,] rental agreements, sale purchase agreements and lease agreements]; ⁸[...]

⁹[(ca) Record relating to Gate passes, inward or outward and transport receipts.]

¹⁰[(eb) Electronic version of records mentioned in clauses (a) to (ca) of this sub-section.]

¹¹[(f)] such other records as may be specified by the Board:

¹²[Provided that the persons paying ¹³[...] retail tax shall keep such record as may be specified by the Board.]

¹⁴[(1A) Notwithstanding anything in any other law for the time being in force, the Board may require, by notification in the official Gazette, a registered person or class of registered persons to declare and use only as many number of business bank accounts as may be specified by the Board in such notification to make or receive payments on account

¹ Clause (c) inserted by Finance Act, 2005

² Existing clause (c) re-lettered as clause (d) by Finance Act, 2005

³ Clause (da) inserted by Finance Act, 2006

⁴ Existing clause (d) re-lettered as clause (e) by Finance Act, 2005

⁵ The words, comma and figure inserted by Finance Act, 2004

⁶ The commas and words inserted by Finance Act, 1999

⁷ Expression inserted by Finance Act, 2021

⁸ The word "and" omitted by Finance Act, 2013

⁹ Clause (ca) inserted by Finance Act, 2013

¹⁰ New clause (eb) inserted by Finance Act, 2021

¹¹ Existing clause (e) re-lettered as clause (f) by Finance Act, 2005

¹² Proviso substituted by the Finance Act, 1997

¹³ The words "turnover tax or" omitted by Finance Act, 2005

¹⁴ Sub-section (1A) inserted by Finance Act, 2007

of purchase and sale transactions for the purpose of this Act or rules made thereunder and to make payment of due tax from such accounts only.]

(2) The Board may, by notification in the official Gazette, specify for any class of taxable persons or any other person registered under this Act to keep such other records for the purposes of this Act.

¹[(2A) The Board may, by notification in the Official Gazette, specify for any class of taxable persons registered under this Act to use such electronic fiscal cash registers as are approved by the Board in the manner as may be prescribed.]

²[(3) The Board may, by notification in the official gazette, prescribe the procedure or software for electronically maintenance of records, filing of sales tax returns or refunds and for any other matter or approve any software for electronic maintenance of records and filing of returns or refunds by a person or class of such persons.]]

³[(4) The registered persons, whose accounts are subject to audit under the Companies Ordinance, 1984 (XLVII of 1984), shall be required to submit a copy of the annual audited accounts, along with a certificate by the auditors certifying the payment of due tax by the registered person.]

23. Tax Invoices.— (1) A registered person making a taxable supply shall issue a serially numbered tax invoice at the time of supply of goods containing the following particulars⁴[, in Urdu or English language,] namely:—

(a) name, address and registration number of the supplier;

⁵(b) name, address and registration, number of the recipient and NIC or NTN of the unregistered person, as the case may be, excluding supplies made by a retailer where the transaction value inclusive of sales tax amount does not exceed rupees

¹ Sub-section (2A) inserted by Finance Act, 1999

² Sub Section (3) substituted by Finance Act, 2003

³ Sub Section (4) inserted by Finance Act, 2007

⁴ The expression added through Finance Act, 2019

⁵ Clause (b) substituted by Finance Act, 2019

¹[one hundred] thousand, if sale is being made to an ordinary consumer.

Explanation.— For the purpose of this clause, ordinary consumer means a person who is buying the goods for his own consumption and not for the purpose of re-sale or processing:

Provided that the condition of NIC or NTN shall be effective from 1st August, 2019;]

(c) date of issue of invoice;

(d) description ²[including count, denier and construction in case of textile yarn and fabric,] and quantity of goods;

(e) value exclusive of tax;

(f) amount of sales tax; and

³[(f) ***]

(g) value inclusive of tax:

Provided that the Board may, by notification in the official Gazette, specify such modified invoices ⁴[...] for different persons or classes of persons;

Provided further that not more than one tax invoice shall be issued for a taxable supply⁵[:]

⁶[Provided also that if it is subsequently proved that CNIC provided by the purchaser was not correct, liability of tax or penalty shall not arise against the seller, in case of sale made in good faith.]

¹ The words substituted by Finance Act, 2020

² The expression added through Finance Act, 2019

³ Clause (f) omitted by Finance Act, 2004

⁴ Comma and words "including replacement invoice," omitted by Finance Act, 1997

⁵ Substituted for the full stop through Finance Act, 2019

⁶ Third proviso added through Finance Act, 2019

¹[(2) No person other than a registered person or a person paying ²[... ³[...]]⁴[retail tax] shall issue an invoice under this section.

⁵[(3) A registered person making a taxable supply may, subject to such conditions, restrictions and limitations as the Board may, by notification in the official Gazette, specify, issue invoices to another registered person electronically and to the Board as well as to the ⁶[Commissioner], as may be specified.]

⁷[(4) The Board may, by notification in the Official Gazette, prescribe the manner and procedure for regulating the issuance and authentication of tax invoices.]

¹ Sub Section (2) inserted by Finance Act, 1996
² Words "turnover tax or" omitted by Finance Act, 2004
³ Words "or retailer tax" added by Finance Act, 1997
⁴ Words inserted by Finance Act, 1997
⁵ Sub section (3) inserted by Finance Act, 2005
⁶ Substituted for "Collector" by Finance Act, 2010
⁷ Sub Section (4) inserted by Finance Act, 2007

¹[24. Retention of record and documents for ²[Six] years.— A person, who is required to maintain any record or documents under this Act, shall retain the record and documents for a period of ⁷[Six] years after the end of the tax period to which such record or documents relate ³[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].]

⁴[25. Access to record, documents, etc.— ⁵[(1) A person who is required to maintain any record or documents under this Act ⁶[or any other law] shall, as and when required by ⁵[Commissioner], produce record or documents which are in his possession or control or in the possession or control of his agent; and where such record or documents have been kept on electronic data, he shall allow access to [the officer of Inland Revenue authorized by the Commissioner] and use of any machine on which such data is kept.]

⁷[(2) The officer of Inland Revenue authorized by the Commissioner, on the basis of the record, obtained under sub-section (1), may, once in a year, conduct audit:

⁸[(2A) For the purpose of sub-section (2) of section 25, the Commissioner may conduct audit proceedings electronically through video links, or any other facility as prescribed by the Board.]

Provided that in case the Commissioner has information or sufficient evidence showing that such registered person is involved in tax fraud or evasion of tax, he may authorize an officer of Inland Revenue, not below the rank of Assistant Commissioner, to conduct an inquiry or investigation under section 38:

¹ Section (24) substituted by Finance Act, 1996
² Substituted for "Five" by Finance Act, 2010
³ Words and Commas inserted by Finance Act, 2010
⁴ Section (25) substituted by Finance Act, 1995
⁵ Numbered by Finance Act, 2003
⁶ Words inserted by Finance Act, 1999
⁷ Substituted for "Such Officer of Sales tax" by Finance Act, 2010
⁸ New sub-section (2A) inserted by Finance Act, 2020.

Provided further that nothing in this sub-section, shall bar the officer of Inland Revenue from conducting audit of the records of the registered person if the same were earlier audited by the office of the Auditor-General of Pakistan¹[.]

²[omitted]

³[(3)] After completion of Audit under this section or any other provision of this Act, the officer of Inland Revenue may, after obtaining the registered person's explanation on all the issues raised in the audit shall pass an order under section 11 ⁴[***].]

⁵[(4) ***]

⁶[(4A) ***]

⁷[(5)] Notwithstanding the penalties prescribed in section 33, if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with ⁸[default surcharge] voluntarily, whenever it comes to his notice, before receipt of notice of audit, no penalty shall be recovered from him:

Provided if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with [default surcharge] during the audit, or at any time before issuance of show cause notice ⁹[...] he may deposit the evaded amount of tax, ²[default surcharge] under section 34, and twenty five per cent of the penalty payable under section 33:

Provided further that if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with ¹⁰[default surcharge] after issuance of show cause notice, he shall deposit the evaded amount of tax, ²[default surcharge] under section 34, and full amount of

¹ Substituted for the colon through Finance Act, 2019

² Third proviso omitted by Finance Act, 2019

³ Sub Section 3 substituted by Finance Act, 2010

⁴ Words "figures and comma" or section 36, as the case may be" omitted by Finance Act, 2015

⁵ Sub Section 4 omitted by Finance Act, 2010

⁶ Sub Section (4A) expired

⁷ Sub Section (5) inserted By Finance Act, 2003

⁸ Substituted for "Additional Tax" by Finance Act, 2005

⁹ Words in lieu of Audit report omitted by Finance Act, 2010

¹⁰ Substituted for the words "additional tax" by Finance Act, 2005

the penalty payable under section 33 and thereafter, the show cause notice, shall stand abated.]

¹[Explanation.— For the purpose of sections 25, 38, 38A, 38B and 45A and for removal of doubt, it is declared that the powers of the Board, Commissioner or officer of Inland Revenue under these sections are independent of the powers of the Board under section 72B and nothing contained in section 72B restricts the powers of the Board, Commissioner or Officer of Inland revenue to have access to premises, stocks, accounts, records, etc. under these sections or to conduct audit under these sections.]

²[25A. Drawing of samples.— Where an authorized officer of ³[Inland Revenue] considers it necessary to take a sample of any goods or raw materials, for the purpose of determining their liability to sales tax or for the purpose of establishing their value or for any other reason, he may remove a minimum quantity of goods or raw materials sufficient to enable a proper examination or analysis to be made. At the time of taking the sample the person in possession of the goods shall be informed and given the opportunity to sign the representative samples, so drawn, and take a corresponding sample for his record. Any sample taken under this section shall be taken against a proper receipt a copy each of which shall be kept in the record by the registered person and the ⁴[Large Taxpayers Unit or Regional Tax Office, as the case may be].]

⁵[25AA. Transactions between Associates.— ⁶[(1)] The Commissioner or an office of Inland Revenue may, in respect of any transaction between persons who are associates, determine the transfer price of taxable supplies between the persons as is necessary to reflect the fair market value of supplies in an arm's length transaction.]

⁶[(2)] The Board may, by notification in official gazette, prescribe rules for carrying out the purpose of sub-section (1).]

¹ Explanation added by Finance Act, 2013

² Section 25A inserted by Finance Act, 1999

³ Substituted for "Sales Tax" 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 9, 2010, published in the Gazette of Pakistan Extra Ordinary Part I at pages 23 to 53 and this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXI of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

⁴ Substituted for "Collectorate" 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 9, 2010, published in the Gazette of Pakistan Extra Ordinary Part I at pages 23 to 53 and this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXI of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

⁵ Section (25AA) 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 9, 2010, published in the Gazette of Pakistan Extra Ordinary Part I at pages 23 to 53 and this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXI of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

⁶ Existing sub-section renumbered as sub-section (1) and new sub-section (2) inserted by Finance Act, 2021

Chapter-V
RETURNS

¹[26. ²[***] Return.— (1) Every registered person ³[...] shall furnish not later than the due date a true ⁴[, complete] and correct return in the prescribed form to a designated bank ⁵[or any other office] specified by the Board, indicating the purchases and the supplies made during a tax period, the tax due and paid and such other information, as may be prescribed ⁶[:]

⁷[Provided that the Board may, by notification in the official Gazette, require any person or class of persons to submit return on quarterly basis:

Provided further that the Board may, by notification in the official Gazette, require any person or class of persons to submit such return as may be prescribed annually in addition to the monthly return or quarterly return:

Provided also that the return filed electronically on the web or any magnetic media or any other computer readable media as may be specified by the Board shall also be deemed to be a return for the purpose of sub-section (1) and the Board may, by notification in the official Gazette, make rules for determining eligibility of the data of such returns and e-intermediaries who will digitize the data of such returns and transmit the same electronically under their digital signatures.]

⁸[...]

(2) ⁹[...] omitted

¹ Section 26 substituted by Finance Act, 1996

² Word "monthly" omitted by Finance Act, 2006

³ Words "making taxable supplies" omitted by Finance Act, 1999

⁴ Comma and word inserted by Finance Act, 2020.

⁵ Words inserted by Finance Act, 2006

⁶ In the proposed amendment "a full stop is substituted for a colon" while colon is already appearing

⁷ Proviso inserted by Finance Act, 2006

⁸ Proviso omitted by Finance Act, 2006

⁹ Sub-section (2) omitted through Finance Act, 2016

¹[(3) A registered person may, subject to approval of the ²[Commissioner Inland Revenue] having jurisdiction, file a revised return within ³[one hundred and twenty] days of the filing of return under sub-section (1) or, as the case may be, sub-section (2), ⁴[or under clause (a) or clause (b) of section 27], to correct any omission or wrong declaration made therein⁵[:]

⁶[Provided that the approval under this sub-section shall not be required if revised return is filed within sixty days of filing of return and either the tax payable therein 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.]

⁷[(4) Notwithstanding the penalties prescribed in section 33, if a registered person wishes to file revised return voluntarily along with deposit of the amount of tax short paid or amount of tax evaded along with ⁸[default surcharge], whenever it comes to his notice, before receipt of notice of audit, no penalty shall be recovered from him:

Provided that in case the registered person wishes to deposit the amount of tax as pointed out by the officer of ⁹[Inland Revenue] during the audit, or at any time before issuance of the show cause notice ¹⁰[...], he may deposit the evaded amount of tax, [default surcharge] under section (34), and twenty five percent of the penalty payable under section 33 along with the levied return:

Provided further that in case the registered person wishes to deposit the amount after issuance of show cause notice, he shall deposit the evaded amount of sales tax ¹¹[...], ¹²[default surcharge] under section 34, and full amount of leviable penalty under section 33 along with the revised return and thereafter, the show cause notice, shall stand abated.]

¹ Sub-section (3) substituted by Finance Act, 2006

² Substituted for collector of Sales tax by Finance Act, 2010

³ Substituted for "ninety" by Finance Act, 2008

⁴ Words inserted by Finance Act, 2011

⁵ Substituted for the full stop through Finance Act, 2019

⁶ New proviso added through Finance Act, 2019

⁷ Subsection (4) inserted by Finance Act, 2003

⁸ Substituted for "Additional Tax" by Finance Act, 2005

⁹ Substituted for "Sales tax" by Finance Act, 2010

¹⁰ Words "in lieu of the audit report" omitted by Finance Act, 2010

¹¹ Words "in lieu of the audit report" omitted by Finance Act, 2004

¹² Words "etc along with the amount of further tax as per provision of sub-section (1A) of section 3, if applicable omitted by Finance Act, 2004

¹³ Substituted for words "additional tax" by Finance Act, 2005

¹[(5) The Board may, by notification in the official Gazette, require any person or class of persons, for any goods of such description or class, to furnish such summary or details or particulars pertaining to the imports, purchases and supplies during any tax period or periods, in such format as may be specified.]

²[26A. ***]

³[26AB. Extension of time for furnishing returns. (1) A registered person required to furnish a return under section 26 may apply, in writing, to the Commissioner for an extension of time to furnish the return.

(2) An application under sub-section (1) shall be made by the due date for furnishing the return in terms of section 2(9) for the period to which the application relates.

(3) Where an application has been made under sub-section (1) and the Commissioner is satisfied that the applicant is unable to furnish the return to which the application relates by the due date because of—

- (a) absence from Pakistan;
- (b) sickness or other misadventure; or
- (c) any other reasonable cause,

the Commissioner may, by order in writing, grant the applicant an extension of time for furnishing the return.

(4) An extension of time under sub-section (3) shall not exceed fifteen days from the due date for furnishing the return, unless there are exceptional circumstances justifying a longer extension of time:

Provided that where the Commissioner has not granted extension for furnishing the return under sub-sections (3) or (4), the Chief Commissioner may on an application made by the registered person for

¹ Sub-section (5) inserted by Finance Act, 2004

² Section 26A omitted by Finance Act, 2004

³ New section 26AB inserted by Finance Act, 2021

extension or further extension, as the case may be, grant extension or further extension for a period not exceeding fifteen days, unless there are exceptional circumstances justifying a longer extension of time.

(5) An extension or further extension of time granted under sub-sections (3) or (4), as the case may be, shall not, for the purpose of charge of default surcharge under section 34, change the due date for payment of sales tax under section 6.]

¹[26AA. ***]

²[27. Special Returns.— In addition to the return specified under section 26 —

(a) a person registered ³[⁴] under this Act] shall furnish special return within such date and in such form indicating information such as quantity manufactured or produced, purchases made, goods supplied or payment of arrears made, etc, for such period as the Board may, by a notification in official gazette, specify; and

(b) the ⁵[commissioner] may require any person whether, registered or not, to furnish a return (whether on his own behalf or as an agent or trustee) in a prescribed form and such person shall furnish the return not later than the date specified in this regard.]

⁶[28. Final Return.— If a person applies for de-registration in terms of section 21, he shall before such de-registration, furnish a final return to the ⁷[commissioner] in the specified form in such manner and at such time as directed by the ⁸[commissioner]].

29. Return deemed to have been made.— A return purporting to be made on behalf of a person ⁹[by his duly appointed representative]

¹ Section 26AA omitted by Finance Act, 2008

² Section 27 substituted by the Finance Ordinance, 2000

³ Substituted for words and figure "under section 14" by sales tax (Amendment) Ordinance, 2000, dated September 05, 2000

⁴ Words "or enrolled" omitted by Finance Act, 2004

⁵ Substituted for "Collector" by Finance Act, 2010

⁶ Section 28 substituted by Finance Act, 1996

⁷ Substituted for "Collector" by Finance Act, 2010

⁸ Substituted for "Collector" by Finance Act, 2010

⁹ Words inserted by Finance Act, 1996

by such person or

[(C5) The Board may, by notification to any person or class of persons, for any purpose to furnish such summary or details or particulars and supplies during any time which may be specified.]

§26A. ***

§26A.B. Extension of person required to furnish to the Commissioner for

(2) An application date for furnishing which the applicant

(3) Where the Commissioner of Inland Revenue; return to the Commissioner of Inland Revenue;

Taxation Officer Inland Revenue; an Assistant commissioner of Inland Revenue;

[(fa) Assistant Director Audit Inland Revenue;]

(g) an Inland Revenue Officer;

(h) a Superintendent Inland Revenue;

(i) an Inland Revenue Auditor Officer [...];

* Any reference to the "Sales Tax Officer" shall be construed as reference to an "Officer of Inland Revenue" by virtue of section 72 of the Sales Tax Act, 1996.
§ Section 26 substituted by Finance Act, 2016 w.e.f. June 1, 2016. The said amendment was made by Finance (Amendment) Ordinance, 2016, promulgated as Ordinance No. 98 of 2016. Published in the Gazette of Pakistan Extraordinary Part I on page 21 to 23 and this amendment was made Finance (Amendment) Ordinance, 2016, promulgated as Ordinance No. 232 of 2016, dated October 28, 2016, published in the Gazette of Pakistan Extraordinary Part I on Page 22 to 24. Earlier it was substituted by Finance Act, 1996.
† Clause (iii) inserted through Finance Act, 2017.
‡ Clause (iv) inserted through Finance Act, 2017.
§ Clause (v) inserted through Finance Act, 2017.
¶ Clause (vi) inserted through Finance Act, 2017.

[(ia) an inspector Inland Revenue; and]

(j) an officer of Inland Revenue with any other designation.

(2) The Chief Commissioner Inland Revenue and Commissioner Inland Revenue (Appeals) shall be sub-ordinate to the Board and Commissioner Inland Revenue shall be sub-ordinate to the Chief Commissioner Inland Revenue.

[(2A) 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.

[(2B) 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.]

(3) Additional Commissioner Inland Revenue, Deputy Commissioners Inland Revenue †, District Taxation Officer Inland Revenue, Assistant Commissioner Inland Revenue †, Assistant Director Audit Inland Revenue, Superintendent Inland Revenue, Inland Revenue Audit Officer, Inland Revenue Officer †, Inspector Inland Revenue, and officer of Inland Revenue with any other designation shall be sub-ordinate 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 sub ordinate, may direct.

(4) Deputy Commissioner Inland Revenue †, District Taxation Officer Inland Revenue, Assistant Commissioner Inland Revenue †, Assistant Director Audit Inland Revenue, Superintendent Inland Revenue, Inland Revenue Audit Officer, Inland revenue Officer, †[Inspector Inland Revenue Officer] an officer of Inland Revenue with any other designation shall be sub-ordinate to the Additional Commissioner Inland Revenue.]

* Clause "(ia)" inserted by Finance Act, 2017.
† Sub-sections (2A) & (2B) inserted through Finance Act, 2017.
‡ Expressions inserted through Finance Act, 2017.
§ Clause and words inserted by Finance Act, 2017.
¶ Expressions inserted through Finance Act, 2017.
* Clause and words inserted by Finance Act, 2016.

shall, for all purposes, be deemed to have been made by such person or under his authority unless proved to the contrary.

Chapter-VI

APPOINTMENT OF ¹[OFFICERS OF SALES TAX] & THEIR POWERS

²[30. Appointment of Authorities.— (1) For the purposes of this Act, the Board may, appoint in relation to any area, person or class of persons, any person to be —

- (a) a chief commissioner of Inland Revenue;
- (b) a commissioner of Inland Revenue ;
- (c) a commissioner of Inland Revenue (Appeals);
- (d) an Additional commissioner of Inland Revenue ;
- (e) a Deputy commissioner of Inland Revenue;
- ³[(ea) District Taxation Officer Inland Revenue;]
- (f) an Assistant commissioner of Inland Revenue;
- ⁴[(fa) Assistant Director Audit Inland Revenue;]
- (g) an Inland Revenue Officer;
- (h) a Superintendent Inland Revenue;
- (i) an Inland Revenue Auditor Officer ⁵[...];

¹ Any reference to the "Sales Tax Officer" shall be construed as reference to an "Officer of Inland Revenue" by virtue of section 72 of the Sales Tax Act, 1990.

² Section 30 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. 111 of 2010, Published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53 and 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. Earlier it was substituted by Finance Act, 1990.

³ Clause (ea) inserted through Finance Act, 2017.

⁴ Clause (fa) inserted through Finance Act, 2017.

⁵ Word "and" omitted by Finance Act, 2011.

¹[(ia) an inspector Inland Revenue; and]

(j) an officer of Inland Revenue with any other designation.

(2) The Chief Commissioner Inland Revenue and Commissioner Inland Revenue (Appeals) shall be sub-ordinate to the Board and Commissioner Inland Revenue shall be sub-ordinate to the Chief Commissioner Inland Revenue.

²[(2A) 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.

⁵(2B) 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.]

(3) Additional Commissioner Inland Revenue, Deputy Commissioners Inland Revenue ³[, District Taxation Officer Inland Revenue], Assistant Commissioner Inland Revenue ⁶[, Assistant Director Audit Inland Revenue], Superintendent Inland Revenue, Inland Revenue Audit Officer, Inland Revenue Officer ⁴[, Inspector Inland Revenue], and officer of Inland Revenue with any other designation shall be sub-ordinate 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 sub ordinate, may direct.

(4) Deputy Commissioner Inland Revenue ⁵[, District Taxation Officer Inland Revenue], Assistant Commissioner Inland Revenue ¹[, Assistant Director Audit Inland Revenue], Superintendent Inland Revenue, Inland Revenue Audit Officer, Inland revenue Officer, ⁶[Inspector Inland Revenue Officer] an officer of Inland Revenue with any other designation shall be sub-ordinate to the Additional Commissioner Inland Revenue.]

¹ Clause "(ia)" inserted by Finance Act, 2011.

² Sub-sections (2A) & (2B) inserted through Finance Act, 2017.

³ Expressions inserted through Finance Act, 2017.

⁴ Comma and words inserted by Finance Act, 2011.

⁵ Expression inserted through Finance Act, 2017.

⁶ Comma and words inserted by Finance Act, 2011.

¹[30A. Directorate General (Intelligence and Investigation), Inland Revenue.—(1) The Directorate General (Intelligence and Investigation) Inland Revenue shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board may, by notification in the official Gazette, ²[appoint].

(2) The Board may, by notification in the official Gazette,—

- (a) specify the functions and jurisdiction of the Directorate General and its officers; and
- (b) confer the powers of authorities specified in section 30 upon the Directorate General and its officers.]

³[30B. Directorate General ⁴[...] Internal Audit.— The Directorate General ²[...] Internal Audit shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

⁵[30C. Directorate General of Training and Research.—The Directorate General of Training and Research shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

⁶[30D. Directorate General of Valuation ⁷[...]—The Directorate General of Valuation ⁵[...] shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

¹ Section 30A substituted by Finance Act, 2018

² Substituted for the word "post" through Finance Act, 2019

³ Section 30B inserted by Finance Act, 2005

⁴ Words "of inspection and" omitted by Finance Act, 2007

⁵ Section 30C inserted by Finance Act, 2005

⁶ Section 30D inserted by Finance Act, 2005

⁷ Words "and Post Clearance Audit" omitted by Finance Act, 2007

¹[30DD. Directorate of Post Clearance Audit.— The Directorate of Post Clearance Audit shall consist of a Director and as many Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.]

²[30DDD. Directorate General of Input Output Co-efficient Organization.— The Directorate General of Input Output Coefficient Organization (IOCO)-Inland Revenue shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.]

³[30E. Powers and Functions of Directorate, etc.— The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorates General as specified in the preceding sections and their officers by notification in the official Gazette.]

31. Powers.— An officer of ⁴[Inland Revenue] appointed under section 30 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 conferred or imposed upon any officer subordinate to him:

Provided that, notwithstanding anything contained in this Act or the rules, the Board may, by general or special order, impose such limitations or conditions on the exercise of such powers and discharge of such duties as it deems fit.

⁵[32. Delegation of powers.— ⁶{(1) The Board or the Chief Commissioner, with the approval of the Board, may, by an order and subject to such limitations or conditions as may be specified therein, empower by name or designation —

¹ Section 30DD inserted by Finance Act, 2007

² New section 30DDD added through Finance Act, 2016

³ Section 30E inserted by Finance Act, 2005

⁴ Substituted for "sales tax" 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 and 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 Section 32 substituted by Finance Act, 1998

⁶ Sub Section (1) substituted by Finance Act, 2010 w.e.f. June 5, 2010. Earlier clause (a) to (d) substituted by Finance (2) omitted by the Finance Act,

2010

- [(a) any Additional Commissioner Inland Revenue or Deputy Commissioner Inland Revenue to exercise any of the powers of a Commissioner Inland Revenue under this Act; and
- (b) any Deputy Commissioner Inland Revenue or Assistant Commissioner Inland Revenue to exercise any of the powers of an Additional Commissioner Inland Revenue under this Act;
- (c) any Assistant Commissioner Inland Revenue to exercise any of the powers of a Deputy Commissioner Inland Revenue under this Act; and
- (d) any other officer of Inland Revenue to exercise any of the powers of an Assistant Commissioner Inland Revenue under this Act.]

¹[(2) ***]

(3) The officer to whom any powers are delegated under this section shall not further delegate such powers.]

²[32A. ³Audit by Special Audit Panels].— ⁴[(1) The Board may appoint as many special audit panels as may be necessary, comprising two or more members from the following, —

- (a) an officer or officers of Inland Revenue;
- (b) a firm of chartered accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961);
- (c) a firm of cost and management accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966); or
- (d) any other person as directed by the Board,

¹ Sub Section (2) omitted by the Finance Act, 2010.

² Section 32A inserted by Finance Act, 1998.

³ Substituted for the words "Special Audit by Chartered Accountants or Cost Accountants" by Finance Act, 2015.

⁴ Substituted for sub-section (1) by Finance Act, 2015.

to conduct audit of a registered person or persons, including audit of refund claims and forensic audit and the scope of such audit shall be determined by the Board or the Commissioner Inland Revenue on a case-to-case basis. In addition, the Board may, where it considers appropriate, also get such audit conducted jointly with similar audits being conducted by provincial administrations of sales tax on services.]

(2) Notwithstanding that records of a registered person have been audited by an officer appointed under section 30, the Board or a ¹[Commissioner] may direct ²[special audit panel] appointed under sub-section (1) to audit the records of any registered person.

(3) ³[Every member of special audit panel] appointed under sub-section (1), shall have the powers of an officer of ⁴[Inland Revenue] under sections 25, 37 and 38.

⁵[(4) Each special audit panel shall be headed by a chairman who shall be an officer of Inland Revenue.

(5) If any one member of the special audit panel, other than the chairman, is absent from conducting an audit, the proceedings of the audit may continue and the audit conducted by the special audit panel shall not be invalid or be called in question merely on the ground of such absence.

(6) The Board may prescribe rules in respect of constitution, procedure and working of special audit panel.]

⁶[32AA. ***]

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 and 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 the words "an auditor" by Finance Act, 2015.

³ Substituted for the words "An Auditor" by Finance Act, 2015.

⁴ Substituted for "sales tax" by Finance Act, 2010 w.e.f. June 5, 2010. The same 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 and 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 Sub-sections (4), (5) and (6) inserted by Finance Act, 2015.

⁶ Section 32 AA omitted by Finance Act, 2008, earlier it was inserted by Tax Laws Amendment Ordinance, 2000, dated may 24, 2000.

Chapter-VII

OFFENCES AND PENALTIES

33. Offences and penalties.— [] Whoever commits any offence described in column (1) of the Table below shall, in addition to and not in derogation of any punishment to which he may be liable under any other law, be liable to the penalty mentioned against that offence in column (2) thereof. —

TABLE

Offences (1)	Penalties (2)	Section of the Act to which offence has reference (3)
1 Where any person fails to furnish a return within the due date.	Such person shall pay a penalty of [ten] thousand rupees. Provided that in case a person files a return within [ten] days of the due date, he shall pay a penalty of [two] hundred rupees for each day of default.	26
2 Any person who fails to issue an invoice when required under this Act.	Such person shall pay a penalty of five thousand rupees or three per cent of the amount of the tax involved, whichever is higher.	23
3 Any person who unauthorizedly issues an invoice in which an amount of tax is specified.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher.	3, 7 and 23
4 Any person who fails to notify the changes of material nature in the particulars of registration of taxable activity.	Such person shall pay a penalty of five thousand rupees.	14

¹ Section 33 substituted by Finance Act, 2010.

² Bracketed and figure "one" substituted by Finance Act, 2010.

³ Substituted for the word "five" by Finance Act, 2010.

⁴ Substituted for the word "Officer" by Finance Act, 2010.

⁵ Substituted for the word "one" by Finance Act, 2010.

Offences (1)	Penalties (2)	Section of the Act to which offence has reference (3)
5 Any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Act or rules or orders made there under.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher. Provided that, if the amount of tax or any part thereof is paid within [ten] days from the due date, the defaulter shall pay a penalty of five hundred rupees for each day of default. Provided further that no penalty shall be imposed when any miscalculation is made for the first time during a year. Provided further that if the amount of tax due is not paid even after the expiry of a period of sixty days of issuance of the notice for such payments by an officer of [Inland Revenue, not below the rank of Assistant Commissioner Inland Revenue], the defaulter shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to amount equal to the amount of tax involved, or with both.	1, 6, 7 and 26
6 Any person who repeats erroneous calculation in the return during a year whereby amount of tax less than the actual tax due is paid.	Such person shall pay a penalty of five thousand rupees or three per cent of the amount of the tax involved, whichever is higher.	7 and 26
7 Any person who is required to apply for	Such person shall pay a penalty of ten thousand rupees or five per cent	14

¹ Substituted for the word "three" by Finance Act, 2010.

² Substituted for "Sales tax", not below the rank of Assistant Collector of sales tax" by Finance Act, 2010.

Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)
registration under this Act fails to make an application for registration before making taxable supplies.	of the amount of tax involved, whichever is higher: Provided that such person who is required to get himself registered under this Act, fails to get registered within sixty days of the commencement of taxable activity, he shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the amount of tax involved, or with both.	
8. Any person who fails to maintain records required under this Act or the rules made there under.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher.	22 and 24
9. Where a registered person who, without any reasonable cause, in non compliance with the provisions of section 25, --	such person shall pay a penalty of five thousand rupees; such person shall pay a penalty of ten thousand rupees; and	25
(a) fails to produce the record on receipt of first notice; (b) fails to produce the record on receipt of second notice; and (c) fails to produce the record on receipt of third notice.	such person shall pay a penalty of fifty thousand rupees.	
10. Any person who fails to furnish the information	Such person shall pay a penalty of ten thousand rupees.	26

Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)
required by the Board through a notification issued under sub-section (5) of section 26.		
11. Any person who, -- (a) submits a false or forged document to any [officer of [Inland revenue]; or (b) destroys, alters, mutilates or falsifies the records including a sales tax invoice; or (c) Knowingly or fraudulently makes false statement, false declaration, false representation, false personification, gives any false information or issues or uses a document which is forged or false.	Such person shall pay a penalty of twenty five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the amount of tax involved, or with both.	2(37) and General
12. Any person who denies or obstructs the access of an authorized officer to the business premises, registered office or to any other place where records are kept, or otherwise refuses access to the stocks, accounts or records or fails to present the same when	Such person shall pay a penalty of twenty five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years, or with fine which may extend to an amount equal to the loss of tax involved, or with both.	25, 38 [38A and 40B]

¹ Any reference to "officer of Sales Tax" shall be construed as reference to an "officer of Inland Revenue" by virtue of Section 72A of the Sales Tax Act, 1990.

² Substituted for the words "Sales Tax" by the Finance Act, 2010

Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)
required under section 25, 38 ¹ [38A or 40B].		
13. Any person who commits, causes to commit or attempts to commit the tax fraud, or abets or connives in commissioning of tax fraud.	Such person shall pay a penalty of twenty five thousand rupees or one hundred <i>per cent</i> of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years, or with fine which may extend to an amount equal to the loss of tax involved, or with both.	2(37)
14. Where any person violates any embargo placed on removal of goods in connection with recovery of tax.	Such person shall pay a penalty of twenty five thousand rupees or ten <i>per cent</i> of the amount of the tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to one year, or with fine which may extend to amount equal to the amount of tax involved, or with both.	48
15. Any person who obstructs the authorized officer in the performance of his official duties.	Such person shall pay a penalty of twenty five thousand rupees or one hundred <i>per cent</i> of the amount of tax involved, whichever is higher.	31 and General
16. Any person who fails to make payment in the manner prescribed under section 73 of this Act.	Such person shall pay a penalty of five thousand rupees or three <i>per cent</i> of the amount of tax involved, whichever is higher.	73
17. Any person who fails to fulfil any of the conditions, limitations or restrictions prescribed in a	Such person shall pay a penalty of five thousand rupees or three <i>per cent</i> of the amount of tax involved, whichever is higher.	71 and General

² Substituted for "or 38A" by Finance Act, 2009¹ Substituted for "or 38A" by Finance Act, 2009

Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)
Notification issued under any of the provisions of this Act.		
18. Where any officer of ¹ [Inland Revenue] authorized to act under this Act, acts or omits or attempts to act or omit in a manner causing loss to the sales tax revenue or otherwise abets or connives in any such act.	Such officer of ² [Inland Revenue] shall be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to amount equal to the amount of tax involved, or with both.	General
19. Any person who contravenes any of the provision of this Act ³ [or the rules made thereunder] for which no penalty has, specifically, been provided in this section.	Such person shall pay a penalty of five thousand rupees or three <i>per cent</i> of the amount of tax involved, whichever is higher.]	General.]
⁴ [20. ***]		
⁵ [21. Where any person repeats an offence for which a penalty is provided under this Act	Such person shall pay twice the amount of penalty provided under the Act for the said offence	General.
22. Any person who,- (a) knowingly and without lawful authority gains access to or attempts to gain access to the	Such person shall pay a penalty of twenty-five thousand rupees or one hundred <i>per cent</i> of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by the Special Judge, to imprisonment for a term which may extend to one year, or with fine	50A.]

¹ Words "Sales Tax" substituted for Inland Revenue by Finance (Amended) Ordinance, 2010² Substituted for "Sales Tax" by Finance Act, 2010³ Words added through Finance Act, 2010⁴ Serial No. 20 omitted by Finance Act, 2008⁵ Serial No. 21 and 22 inserted by Finance Act, 2000

Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)
(b) computerized system; or unauthorizedly uses or discloses or publishes or otherwise disseminates information obtained from the computerized system; or	which may extend to an amount equal to the loss of tax involved, or with both.	
(c) falsifies any record or information stored in the computerized system; or		
(d) knowingly or dishonestly damages or impairs the computerized system; or		
(e) knowingly or dishonestly damages or impairs any duplicate tape or disc or other medium on which any information obtained from the computerized system is kept or stored; or		

Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)
(f) unauthorizedly uses unique user identifier of any other registered user to authenticate a transmission of information to the computerized system; or (g) fails to comply with or contravenes any of the conditions prescribed for security of unique user identifier.		
¹ [23. Any person who manufactures, possesses, transports, distributes, stores or sells cigarette packs with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes	(i) Such cigarette stock shall be liable to outright confiscation and destruction. Any person committing the offence shall pay a penalty of twenty-five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to three years, or with additional fine which may extend to an amount equal to the loss of tax involved, or with both. (ii) In case of transport of cigarettes with counterfeited tax stamps, banderoles, stickers, labels or barcodes, or without tax stamps, banderoles, stickers, labels or barcodes, permanent seizure of the vehicle used for transportation of	40C(2)

¹ S No. 23 and entries relating thereto in columns (1), (2) and (3) inserted through Finance Act, 2017

Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)
	non-conforming or counterfeit cigarette packs; and (iii) In case of repeat sale of cigarettes without or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the premises used for such sale be sealed for a period not exceeding fifteen days.	
24. Any person, who is integrated for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or barcode or bears duplicate invoice number or counterfeit barcode, or any person who abets commissioning of such offence.	Such person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to two years, or with additional fine which may extend to two million rupees, or with both. Any person who abets commissioning of such offence, shall be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to one year, or with additional fine which may extend to two hundred thousand rupees, or with both.	sub-section (9A) of section 3 and section 40C
25. Any person, who is required to integrate	Such person shall be liable to pay a penalty up to one million rupees,	sub-section (9A) of section 3 and section

¹ New serial numbers "24", "25", "26" and "27" inserted through Tax Laws (Amendment) Act, 2020, dated 30-3-2020.

Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)
his business for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under law.	and if continues to commit the same offence after a period of ¹ [two] months after imposition of penalty as aforesaid, his business premises shall be sealed ² [till such time he integrates his business in the manner as stipulated under sub-section (9A) of section 3 or section 40C, as the case may be.]	40C
26. Any person, being a manufacturer or importer of an item which is subject to tax on the basis of retail price, who fails to print the retail price in the manner as stipulated under the Act.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of the total retail price of such goods.	sub-section (27) of section 2 and clause (a) of sub-section (2) of section 3.
27. Any person, being owner of the goods, which are brought to Pakistan in violation of section 40D.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine	section 40D ² ;

¹ The word substituted by Finance Act, 2020

² The word substituted by Finance Act, 2020

Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)
	which shall not be less than twenty percent of value, or retail price in case of items falling in Third Schedule, of such goods.	
¹ [28. Any person who is required to share information under section 56AB, fails to do so in the manner as required under the law	Such person shall pay a penalty of twenty five thousand rupees for first default and fifty thousand rupees for each subsequent default	56AB]

²[33A. **Proceedings against authority and persons.**—(1) Subject to section 51, the Board shall prescribe rules for initiating criminal proceedings against any authority mentioned in sections 30 to 30DDD, including any officer or official subordinate to the aforesaid authority, who wilfully 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.]

³[34. **Default Surcharge.**— (1) Notwithstanding the provisions of section 11, if a registered person does not pay the tax due or any part thereof, whether wilfully or otherwise, in time or in the manner specified under this Act, rules or notifications issued thereunder or claims a tax

¹ New serial number 28 added by Finance Act, 2020.

² New section 33A added by Finance Act, 2019.

³ Section 34 substituted by Finance Act, 2005. Earlier it was also substituted by Finance Act, 1996.

credit, refund or makes an adjustment which is not admissible to him, or incorrectly applies the rate of zero *per cent* to supplies made by him, he shall, in addition to the tax due, pay default surcharge at the rate mentioned below:—

(a) ¹[...] the person liable to pay any amount of tax or charge or the amount of refund erroneously made, shall pay default surcharge at the rate of ²[twelve per cent per annum], of the amount of tax due or the amount of refund erroneously made; ³[and]

⁴[(b) ***]

(c) in case, the default is on account of tax fraud, the person who has committed tax fraud shall pay default surcharge at the rate of two *per cent* per month, of the amount of tax evaded or the amount of refund fraudulently claimed, till such time the entire liability including the amount of default surcharge is paid.

(2) For the purpose of calculation of default surcharge, —

(a) in the case of inadmissible input tax credit or refund, the period of default shall be reckoned from the date of adjustment of such credit or, as the case may be, refund is received; and

(b) in the case of non-payment of tax or part thereof, the period of default shall be reckoned from the 16th day of a month (following the due date of the tax period to which the default relates) to the day preceding the date on which the tax due is actually paid.

Explanation.— For the purpose of this section tax due does not include the amount of penalty.

¹ Words and comma "for the first six months of default," omitted by Finance Act, 2008

² Words twelve substituted by Finance Act, 2019

³ Word inserted by Finance Act, 2008

⁴ Clause (b) omitted by Finance Act, 2008

¹[34A. Exemption from penalty and ²[default surcharge].-- The Federal Government may, by a notification in the official Gazette, or the ³[Board] by a special order published in Gazette for reasons to be recorded in writing, exempt any person or class of persons from payment of the whole or part of the penalty and ⁴[default surcharge] imposed under sections 33 and 34 subject to such conditions and limitations as may be specified in such notification or, as the case may be, special order.]

⁵[35. ***]

⁶[35A. ***]

⁷[36. ***]

37. Power to summon persons to give evidence and produce documents in inquiries under the Act:-- (1) Any officer of ⁸[Inland Revenue] shall have powers to summon any person whose attendance he considers necessary either to tender evidence or to produce documents or any other thing in any inquiry which such officer is making for any of the purposes of this Act.

(2) Any person summoned under sub-section (1) shall be bound to attend either in person or by an authorised agent, as the officer of ⁴[Inland Revenue] may direct;

Provided that a person who is exempted from personal appearance in a court under section 132 and 133 of the Code of Civil Procedure (Act V of 1908), shall not be required to appear in person.

¹ Section 34A substituted by Finance Ordinance 2001. Earlier it was inserted by Sales Tax (Amendment) Act, 1999 which comes into force from the first day of December, 1998. Earlier the same was amendment was made by Sales Tax (Second Amendment) Ordinance, 1988, dated 01-12-1998.

² Substituted for "additional tax" by Finance Act, 2005.

³ Substituted for "Central Board of Revenue" by Finance Act, 2007.

⁴ Substituted for "additional tax" by Finance Act, 2005.

⁵ Section 35 omitted by Finance Act, 1996.

⁶ Section 35A omitted by Finance Act, 1996. Earlier it was inserted by Finance Act, 1992.

⁷ Section 36 omitted by Finance Act, 2012. Earlier it was substituted by Finance Act, 1996. Before this it was substituted by the Finance Act, 1994.

⁸ Substituted for "sales tax" 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 and 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) Any inquiry before an officer of ¹[Inland Revenue] shall be deemed to be a judicial proceeding within the meaning of section 193 and ²[228] of the Pakistan Penal Code (Act XLV of 1860).

³[37A. Power to arrest and prosecute.-- (1) An officer of ⁴[Inland Revenue] not below the rank of an Assistant Commissioner of Inland Revenue or any other officer of equal rank authorised by the ⁵[Board] in this behalf, who on the basis of material evidence has reason to believe that any person has committed a tax fraud ⁶[or any offence warranting prosecution under this Act] ⁷[...], ⁸[may cause arrest of such person.]

(2) All arrests made under this Act shall be carried out in accordance with the relevant provisions of the Code of Criminal Procedure, 1898 (Act V of 1898).

⁹[(3) ***]

(4) Notwithstanding anything contained in sub-section (1) to subsection (3) or any other provision of this Act, where any person has committed a tax fraud ¹⁰[or any offence warranting prosecution under this Act], the ¹¹[Commissioner] may, either before or after the institution of any proceedings for recovery of tax, compound the offence if such person pays the amount of tax due along with such ¹²[default surcharge] and penalty as is determined under the provisions of this Act.

(5) Where the person suspected of tax fraud ¹³[or any offence warranting prosecution under this Act] is a company, every director or

¹ Substituted for "sales tax" 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 and 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 the figure "228" by Finance Act, 1994.

³ Section 37A substituted by Finance Act, 1996.

⁴ Substituted for "sales tax", not below the rank of an Assistant Collector of Sales tax 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 Official Gazette of Pakistan Extraordinary part I at pages 23 to 53.

⁵ Substituted for "Central Board of Revenue" by Finance Act, 2007.

⁶ Words inserted by Finance Act, 2007.

⁷ Words "in respect of a supply or supplies made by him" omitted by Finance Act, 2007.

⁸ Substituted for the words "may arrest such person" by Finance Act, 2003.

⁹ Sub-section (3) omitted by Finance Act, 2005.

¹⁰ Words inserted by Finance Act, 2007.

¹¹ 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 Extra Ordinary Part I at pages 23 to 53 and 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.

¹² Substituted for "additional tax" by Finance Act, 2005.

¹³ Words inserted by Finance Act, 2007.

officer of that company whom the authorised officer has reason to believe is personally responsible for actions of the company contributing the tax fraud ¹[or any offence warranting prosecution under this Act] shall be liable to arrest; provided that any arrest under this sub-section shall not absolve the company from the liabilities of payment of tax, ²[default surcharge] and penalty imposed under this Act.]

³[37B. Procedure to be followed on arrest of a person.— (1) When ⁴[an officer of Inland Revenue] authorized in this behalf arrests a person under Section 37A, he shall immediately intimate the fact of the arrest of that person to the Special Judge who may direct such Officer to produce that person at considers such time and place and on such date as the Special Judge considers expedient and such Officer shall act accordingly.

(2) Notwithstanding anything contained in the sub-section (1), any person arrested under this 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, excluding the time necessary for the journey from the place of arrest to the Court of the Special Judge or, as the case may be, of such Magistrate.

(3) When any person is produced under sub-section (2) before the Special Judge, he may, on the request of such person, after perusing the record, if any and after giving the prosecution an opportunity of being heard, admit him to bail on his executing a bond, with or without sureties, or refuse to admit him to bail and direct his detention at such place as he deems fit:

Provided that nothing herein contained shall preclude the Special Judge from cancelling the bail of any such person at a subsequent stage if, for any reason, he considers such cancellation necessary, but before passing such order he shall afford such person an opportunity of being heard, unless for reasons to be recorded he considered that the affording of such opportunity shall defeat the purposes of this Act.

¹ Words inserted by Finance Act, 2007.

² Substituted for "additional tax" by Finance Act, 2003.

³ Section 37B inserted by Finance Act, 1992.

⁴ Substituted for the words "the Sales Tax Officer" through Finance Act, 2019.

(4) When such person is produced under sub-section (2) before a Judicial Magistrate, such Magistrate may, after authorising his detention in such custody at such place and for such period as he considers necessary or proper for facilitating his earliest production before the Special Judge, direct his production before the Special Judge on a date and time to be fixed by him or direct such person to be forthwith taken to, and produced before, the Special Judge and he shall be so taken.

(5) Nothing in sub-section (3) or sub-section (4) shall preclude the Special Judge or the Judicial Magistrate from remanding any such person to the custody of ¹[an officer of Inland Revenue] holding inquiry against that person if such officer makes a request in writing to that effect, and the Special Judge or the Judicial Magistrate, after perusing the record, if any, and hearing such person, is of the opinion that for the completion of inquiry or investigation it is necessary to make such order:

Provided that in no case the period of such custody shall exceed fourteen days.

(6) When any person is arrested under this Act, ²[an officer of Inland Revenue] shall record the fact of arrest and other relevant particulars in the register specified in sub-section (10) and shall immediately proceed to inquire into the charge against such person and if he completes the inquiry within twenty-four hours of his arrest, excluding the time necessary for journey as aforesaid, he may, after producing such person before the Special Judge or the nearest Judicial Magistrate, make a request for his further detention in his custody.

(7) While holding an inquiry under sub-section (6), ³[an officer of Inland Revenue] shall exercise the same powers as are exercisable by an officer in charge of a police station under the Code of Criminal Procedure, 1898 (Act V of 1898), but such officer shall exercise such powers subject to the foregoing provisions of this section while holding an inquiry under this Act.

¹ Substituted for the words "the Sales Tax Officer" through Finance Act, 2019.

² Substituted for the words "the Sales Tax Officer" through Finance Act, 2019.

³ Substituted for the words "the Sales Tax Officer" through Finance Act, 2019.

(8) If ¹[an officer of Inland Revenue], after holding an inquiry as aforesaid, is of the opinion that there is no sufficient evidence or reasonable ground for suspicion against such person, he shall release him on his executing a bond, with or without sureties, and shall direct such person to appear, as and when required, before the Special Judge, and make a report to the Special Judge for the discharge of such person and shall make a full report of the case to his immediate superior.

(9) The Special Judge to whom a report has been made under sub-section. (8) may, after the perusal of record of the inquiry, and hearing the prosecution, agree with such report and discharge the accused or, if he is of the opinion that there is sufficient ground for proceedings against such person, proceed with his trial and direct the prosecution to produce evidence.

(10) ²[An officer of Inland Revenue] empowered to hold inquiry under this section shall maintain a register to be called "Register of Arrests and Detentions" in the prescribed form in which he shall enter the name and other particulars of every person arrested under this Act, together with the time and date of arrest, the details of the information received, the details of things, goods or documents, recovered from his custody, the name of the witnesses and the explanation, if any, given by him and the manner in which the inquiry has been conducted from day to day; and, such register or authenticated copies of its aforesaid entries shall be produced before the Special Judge, whenever such Officer is so directed by him.

(11) After completing the inquiry, ³[an officer of Inland Revenue] shall, as early as possible, submit to Special Judge a complaint in the same form and manner in which the officer incharge of a police station submits a report, before a court.

(12) Magistrate of the first class may record any statement or confession during inquiry under this Act, in accordance with the provisions of Section 164 of the Code of Criminal Procedure, 1898 (Act V of 1898).

¹ Substituted for the words "the Sales Tax Officer" through Finance Act, 2019.

² Substituted for the words "the Sales Tax Officer" through Finance Act, 2019.

³ Substituted for the words "the Sales Tax Officer" through Finance Act, 2019.

(13) Without prejudice to the foregoing provisions of this section, 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 ²[Board] to exercise the powers and perform the functions of ³[an officer of Inland Revenue] under this section, subject to such conditions, if any, that it may deem fit to impose.]

⁴[37C. Special Judges.— (1) The Federal Government may by notification in the official Gazette, appoint as many Special Judges as it considers necessary and, where it appoints more than one Special Judge, it shall specify in the notification the headquarter of each Special Judge and the territorial limits within which he shall exercise jurisdiction under this Act.

(2) No person shall be appointed as a Special Judge unless he is or has been a Sessions Judge.]

⁵[37D. Cognizance of Offences by Special Judges.— (1) Notwithstanding anything contained in this Act or any other law for the time being in force, a Special Judge may, within the limits of his jurisdiction, take cognizance of any offence punishable under this Act:

- (a) Upon a report in writing made by an officer of Inland Revenue or by any other officer especially authorized in this behalf by the Federal Government; or
- (b) Upon receiving a complaint or information of facts constituting such offence made or communicated by any person; or
- (c) Upon his own knowledge acquired during any proceeding before him under this act or under any other law for the time being in force.

¹ The expression substituted for the words "Federal Government" through Finance Act, 2019.

² Substituted for "Central Board of Revenue" by Finance Act, 2007.

³ Substituted for the words "the Sales Tax Officer" through Finance Act, 2019.

⁴ Section 37C inserted by Finance Act, 2010 earlier a different section 37C was omitted by Finance Act, 2005 which was inserted by Finance Act, 1999.

⁵ Section 37D to 37I inserted by Finance Act, 2013.

(2) Upon the receipt of report under clause (a) of sub-section (1), the Special Judge shall proceed with trial of the accused.

(3) Upon the receipt of a complaint or information under clause (b), or acquired in the manner referred to in clause (c) of sub-section (1), the Special Judge may, before issuing a summons or warrant for appearance of the person complained against, hold a preliminary inquiry for the purpose of ascertaining the truth or falsehood of the complaint, or direct any magistrate or any officer of Inland Revenue or any police officer to hold such inquiry and submit a report, and such Magistrate or officer shall conduct such inquiry and make report accordingly.

(4) If, after conducting such inquiry or after considering the report of such Magistrate or officer, the Special Judge is of the opinion that—

- (a) there is no sufficient ground for proceeding, he may dismiss the complaint, or
- (b) there is sufficient ground for proceeding, he may proceed against the person complained against in accordance with law.

(5) A special Judge or a Magistrate or an officer holding inquiry under sub-section (3) may hold such inquiry, as early as possible, in accordance with the provision of section 202 of the Code of Criminal Procedure, 1898 (Act V of 1898).

37E. Special Judge, etc. to have exclusive jurisdiction.—Notwithstanding anything contained in this Act or in any other law for the time being in force,—

- (a) no court other than the Special Judge having jurisdiction, shall try an offence punishable under this Act;
- (b) no other court or officer, except in the manner and to the extent specifically provided for in this Act, shall exercise any power, or perform any function under this Act;

(c) no court, other than the High Court, shall entertain, hear or decide any application, petition or appeal under chapters XXXI and XXXII of the Code of Criminal Procedure, 1898 (Act V of 1898), against or in respect of any order or direction made under this Act; and

(d) no court, other than the Special Judge or the High Court, shall entertain any application or petition or pass any order or give any direction under chapters XXXVII, XXXIX, XLIV or XLV of the aforesaid Code.]

37F. Provisions of Code of Criminal Procedure, 1898, to apply.—(1) The provision of the Code of Criminal procedure, 1898 (Act V of 1898), so far as they are not inconsistent with the provisions of this Act, shall apply to the proceedings of the court of a Special Judge and such court shall be deemed to be a court of Sessions for the purpose of the said Code and the provisions of Chapter XXIIA of the foresaid Code, so far as applicable and with the necessary modifications, shall apply to the trial of cases by the Special Judge under this Act.

(2) For the purposes of sub-section (1), the Code of Criminal Procedure, 1898 (Act V of 1898), shall have effect as if an offence punishable under this Act were one of the offences referred to in sub-section (1) of section 337 of the said Code.

37G. Transfer of cases.—(1) Where more than one Special Judge are appointed within the territorial jurisdiction of a High Court, the High Court, and where not more than one Special Judge is so appointed, the Federal Government, may by order in writing direct the transfer, at any stage of the trial, of any case from the court of one Special Judge to the Court of another Special Judge for disposal, whenever it appears to the High Court or, as the case may be, the Federal Government, that such transfer may promote the ends of justice or tend to the general convenience of the parties or witnesses.

(2) In respect of a case transferred to a Special Judge under sub-section (1), such Special Judge shall not by reason of the said transfer, be bound to recall and rehear any witness whose evidence has been recorded in the case before the transfer and may act upon the evidence already

may be produced before the court which tried the case before the transfer.]

37H. Place of Sittings.— A Special Judge shall ordinarily hold sittings at his headquarters but, keeping in view the general convenience of the parties or the witnesses, he may hold sittings at any other place.

37I. Appeal to the High Court.— (1) Any person, including the Federal Government, the Board, the Commissioner or Director of Intelligence and Investigation or any other officer authorized in this behalf by the Board, aggrieved by any order passed or decision made by a Special Judge under this Act or under the Code of Criminal Procedure, 1898 (Act V of 1898), may, subject to the provisions of Chapters XXXI and XXXII of the said Code, within Sixty days from the date of the order or decision, prefer an appeal to the High Court.

(2) Except as otherwise provided in sub-section (1), the provisions of the Limitation Act, 1908 (IX of 1908), shall apply to an appeal preferred under sub-section (1).]

¹[38. **Authorised officers to have access to premises, stocks, accounts and records** — (1) Any officer authorised in this behalf by the Board ²[or the Commissioner ³[***]] shall have free access ⁴[including real-time electronic access] to business or manufacturing premises, registered office or any other place where any stocks, business records or documents required under this Act are kept or maintained belonging to any registered person or a person liable for registration or whose business activities are covered under this Act or who may be required for any inquiry or investigation in any tax fraud committed by him or his agent or any other person; and such officer may, at any time, inspect the goods, stocks, records, data, documents, correspondence, accounts and statements, utility bills, bank statements, information regarding nature and sources of funds or assets with which his business is financed, and any other records or documents, including those which are required under any of the Federal, Provincial or local laws maintained in any form or mode

¹ Section 38 Substituted by Finance Act, 1996

² Words inserted by Finance Act, 2010 w e f June 5, 2010.

³ The words "or the Collector" were omitted by Finance Act, 2009

⁴ Words inserted by Finance Act, 2020.

and may take into his custody such records, statements, diskettes, documents or any part thereof, in original or copies thereof in such form as the authorised officer may deem fit against a signed receipt.

(2) The registered person, his agent or any other person specified in sub-section (1) shall be bound to answer any question or furnish such information or explanation as may be asked by the authorised officer.

(3) The department of direct and indirect taxes or any other Government department, local bodies, autonomous bodies, corporations or such other institutions shall supply requisite information and render necessary assistance to the authorised officer in the course of inquiry or investigation under this section.]

¹[(4) For the purpose of sub-section (1), the Board may make rules relating to electronic real-time access for audit or a survey of persons liable to tax.]

²[38A. **Power to call for information.**— The ³[Commissioner] may, by notice in writing, require any person, including a banking company, to furnish such information or such statement in connection with any investigation or inquiry in cases of tax fraud, as may be specified in such notice ⁴[:]]

⁵[Provided that the ⁶[Commissioner] may require any regulatory authority to provide information concerning the licenses and authorizations issued by it.]

⁷[38B. **Obligation to produce documents and provide information.**— (1) Notwithstanding anything contained in this Act or any other law for the time being in force, any person required to maintain the record under the Act, on demand by an officer, not below the rank of ⁸[an

¹ New sub-section (4) inserted by Finance Act, 2020

² Section 38A inserted by Finance Act, 2004

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. XXII of 2009, dated October 24, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

⁴ Substituted for full stop by Finance Act, 2007

⁵ Proviso inserted by Finance Act, 2007

⁶ Substituted for "Collector" by Finance Act, 2010 w e f June 5, 2010

⁷ Section 38B inserted by Finance Act, 2006

⁸ Substituted for "a Deputy" by Finance Act, 2011

Assistant] [Commissioner Inland Revenue], by notice in writing, as and when specified in the notice, shall,—

- (a) produce for examination, such documents or records which the officer of ²[Inland Revenue] considers necessary or relevant to the audit, inquiry or investigation under the Act;
- (b) allow the officer of ³[Inland Revenue] to take extracts from or copies of such documents or records; and
- (c) appear before the officer of ⁴[Inland Revenue] and answer any question put to him concerning the documents and records relating to the audit or inquiry or investigation referred to in clause (a) above.

(2) An officer of ⁵[Inland Revenue] conducting an audit, inquiry or, as the case may be, an investigation under the Act, may require in writing any person, department, company or organization to furnish such information as is held by that person, department, company or organization, which, in the opinion of the officer of ⁶[Inland Revenue], is relevant to such audit, inquiry or investigation.

(3) The Board may require, in writing, any person, department, company or organization, as the case may be, to provide any information or data held by that person, department, company or organization, which, in the opinion of the Board, is required for purposes of formulation of policy or administering the Customs, Sales Tax, Federal Excise or Income Tax.

(4) Every person, department, company or organization shall furnish the information requisitioned by the Board or the officer of Sales Tax under sub-section (2) or (3), within the time specified in the notice issued by the Board or, as the case may be, the officer of ⁷[Inland Revenue].]

¹ Substituted for "Collector of Sales Tax" by Finance Act, 2010 w.e.f. June 5, 2010

² Substituted for "Sales Tax" 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 Extra Ordinary Part I at pages 21 to 53 and this amendment was made through Finance (Amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, dated October 28, 2009 and published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

³ Substituted for "Sales Tax" by Finance Act, 2010 w.e.f. June 5, 2010

⁴ Substituted for "Sales Tax" by Finance Act, 2010 w.e.f. June 5, 2010

⁵ Substituted for "Sales Tax" by Finance Act, 2010 w.e.f. June 5, 2010

⁶ Substituted for "Sales Tax" by Finance Act, 2010 w.e.f. June 5, 2010

⁷ Substituted for "Sales Tax" by Finance Act, 2010 w.e.f. June 5, 2010

¹[39. ***]

²[40. Searches under warrant.— (1) Where any officer of ³[Inland Revenue] has reason to believe that any documents or things which in his opinion, may be useful for, or relevant to, any proceedings under this Act are kept in any place, he may after obtaining a warrant from the magistrate, enter that place and cause a search to be made at any time.

(2) The search made ⁴[in his presence] under sub-section (1) shall be carried out in accordance with the relevant provisions of the Code of Criminal Procedure, 1898 (V of 1898).]

⁵[40A. ***]

⁶[40B. Posting of ⁶[Inland Revenue] Officer.— Subject to such conditions and restrictions, as deemed fit to impose, the ⁷[Board], ⁸[omitted..] may post Officer of ⁶[Inland Revenue] to the premises of registered person or class of such persons to monitor production, sale of taxable goods and the stock position ⁹[.] ¹⁰[omitted..]

¹¹[40C. Monitoring or Tracking by Electronic or other means.— (1) Subject to such conditions, restrictions, and procedures, as it may being fit to impose or specified, the Board may, by notification in the official Gazette, specify any registered person or class of registered persons or any good or class of goods in respect of which monitoring or tracking of production, sales, clearances, stocks or any other related activity may be implemented through electronic or other means as may be prescribed

(2) From such date as may be prescribed by the Board, no taxable goods shall be removed or sold by the manufacturer or any other person

¹ Section 39 omitted by Finance Act, 1996

² Section 40 substituted by Finance Act, 2004

³ Substituted for "Sales Tax" by Finance Act, 2010 w.e.f. June 5, 2010

⁴ The word and comma, inserted by the Finance Act, 2005

⁵ Section 40A omitted by Finance Act, 2000

⁶ Section 40B inserted by Finance Act, 2003

⁷ Substituted for "Central Board of revenue" by Finance Act, 2007

⁸ Words "or Chief Commissioner" omitted by Finance Act, 2018

⁹ Colon omitted and full stop inserted by Finance Act, 2018

¹⁰ Provision and explanation omitted by Finance Act, 2018

¹¹ Section 40C inserted by Finance Act, 2013

without affixing tax stamp, bandrole stickers, labels, ¹[barcodes,] etc. in any such form, style and manner as may be prescribed by the Board in this behalf.]

²[3] Such tax stamps, banderols, stickers, labels, barcodes etc., shall be acquired by the registered person referred to in sub-section (2) from a licensee appointed by the Board for the purpose, against price approved by the Board, which shall include the cost of equipment installed by such licensee in the premises of the said registered person.]

³[40D. Provisions relating to goods supplied from tax-exempt areas.—(1) The conveyance carrying goods supplied from the tax exempt areas, shall be accompanied by such documents in respect of the goods carried as may be prescribed under rules.

(2) The Regional Tax Office having jurisdiction may establish check-posts on the routes originating from tax-exempt areas for the purpose of examining the goods carried and the documents related thereto, An officer not below the rank of Inspector, Inland Revenue, as authorized by the Commissioner, Inland Revenue, and assigned to such check-posts, may stop vehicle on such routes as coming from tax-exempt areas and examine documents for ascertaining their validity and conformity to the goods carried.

(3) In the absence of the prescribed documents or any discrepancy in such documents, the goods so carried shall be seized along with the vehicle carrying the goods by the officer as aforesaid under proper acknowledgment.

(4) The notices to the owner of the goods and the vehicle to show cause against imposition of penalty shall be issued within fifteen days of the seizure as aforesaid.

(5) For the purposes of this section, the expression "tax-exempt areas" means Azad Jammu and Kashmir, Gilgit-Baltistan, ⁴[Border

¹ Words and symbols inserted by Finance Act, 2015

² Sub-section (3) added by Finance Act, 2015

³ New Section "40D" inserted through Tax Laws (Amendment) Act, 2015, S.M.S No. 1-2015

⁴ Expression inserted by Finance Act, 2015

Sustenance Markets and] Tribal Areas as defined in Article 246 of the Constitution of the Islamic Republic of Pakistan and such other areas as may be prescribed.";

¹[40E. Licensing of brand name.— (1) Manufacturers of the specified goods shall be required to obtain brand licence for each brand or stock keeping unit (SKU) in such manner as may be prescribed by the Board.

(2) Any specified brand and SKU found to be sold without obtaining a licence from the Board shall be deemed counterfeit goods and liable to outright confiscation and destruction in the prescribed manner and such destruction and confiscation shall be without prejudice to any other penal action which may be taken under this Act.]

²[41. ***

42. ***]

Chapter-VIII

³[APPEALS]

⁴[43. ***

44. ***]

⁵[45. ***]

⁶[45A. Power of the Board ⁷[and ¹[Commissioner]] to call for records.— (1) The Board may, of its own motion ²[, or otherwise] call for

¹ Then section 45A inserted by Finance Act, 2015

² Sections 41 and 42 inserted by Finance Act, 1996

³ Section 43 inserted by Finance Act, 1996

⁴ Sections 41 and 42 inserted by Finance Act, 1996

⁵ Section 45 inserted by Finance Act, 2015

⁶ Section 45A inserted by Finance Act, 1996

⁷ Substituted by "and Collector (Subordinate)" by Finance Act, 2015. Earlier these were substituted for "and Collector" by Finance Act, 1996

1996

and examine the record of any departmental proceedings under this Act or the rules made there under for the purpose of satisfying itself as to the legality or propriety of any decision or order passed therein by an Officer of³[Inland Revenue], it may pass such order as it may think fit:

Provided that no order imposing or enhancing any penalty or fine requiring payment of a greater amount of [Sales Tax] than the originally levied shall be passed unless the person affected by such order has been given an opportunity of showing cause and of being heard.

(2) No proceeding under⁴[this section] shall be initiated in a case where an appeal under Section⁵[45B] or Section 46 is pending.

(3) No order shall be made under this Section after the expiry of⁶[five] years from the date of original decision or order of the sub-ordinate officer referred to in sub-section (1).

⁷[(4) The⁸[Commissioner] may, *suo moto*, call for and examine the record of any proceeding under this Act or the rules made thereunder for the purpose of satisfying himself as to the legality or propriety of any decision or order passed by an officer of⁹[Inland Revenue] subordinate to him, and pass such order as he may deem fit.]]

¹⁰[45B. Appeals.—¹¹[(1) Any person, other than the Sales Tax Department, aggrieved by any decision or order passed under sections 10, 11, 25, 36, or 66, by an officer of Inland Revenue may, within thirty days of the date of receipt of such decision or order, prefer appeal to the Commissioner Inland Revenue (Appeals):

³Substituted for "Collector" by Finance Act, 2010 w.e.f. June 05, 2010, the same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, published in the Gazette of Pakistan Extraordinary Part I at pages 23 to 53 and 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

⁴Words inserted by Finance Act, 2015

⁵Substituted for "Sales Tax" by Finance Act, 2010 w.e.f. June 5, 2010

⁶Substituted for "sub-section (1)" by Finance Act, 2008

⁷Substituted for the figure "45" by Finance Ordinance, 2002

⁸Substituted for "three" by Finance Ordinance, 2000

⁹Sub-section (4) substituted by Finance Act, 2005

¹⁰Substituted for the word "Collector" by Finance Act, 2010

¹¹Substituted for the words "Sales Tax" by Finance Act, 2010

¹²Section 45B inserted by Finance Ordinance, 2002

¹³Sub-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 9, 2010, published in the official Gazette of Pakistan Extraordinary Part I at pages 23 to 53 and 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

Provided that an appeal preferred after the expiry of thirty days may be admitted by the Commissioner Inland Revenue (Appeals) if he is satisfied that the appellant has sufficient cause for not preferring the appeal within the specified period¹ [.]

⁹[****]

²[(1A) 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 (1B); and
- (e) be lodged with the Commissioner (Appeals) within the time set out in sub-section (1).

[(1B) The prescribed fee shall be—

- (a) in the case of an appeal against an assessment—
 - (i) where the appellant is a company, five thousand rupees; or
 - (ii) where the appellant is not a company, two thousand and five hundred rupees; 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.]

³[(1C) Where in a particular case, the Commissioner (Appeals) is of the opinion 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 orders appeal

¹ For the colon a full stop substituted and second proviso omitted by Finance Act, 2020

² New sub-sections (1A and 1B) inserted by Finance Act, 2020

³ Existing sub-section (1A) re-numbered as (1C) by Finance Act, 2020

⁴ Inserted through Finance Act, 2013

has been made, may stay the recovery of such tax for a period not exceeding thirty days in aggregate.]

(2) The ¹[Commissioner Inland Revenue] (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 ²[:]

³[Provided that such order shall be passed not later than ⁴[one hundred and twenty] days from the date of filing of appeal or within such extended period as the ⁵[Commissioner] (Appeals) may, for reasons to be recorded in writing fix:

Provided further that such extended period shall, in no case, exceed ⁶[sixty] days ⁷[:]

⁸[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 aforesaid periods.]

(3) In deciding an appeal, the ¹[Commissioner of Inland Revenue] (Appeals) may make such further inquiry as may be necessary provided that he shall not remand the case for *de novo* consideration.

⁹[(4) ***]

¹⁰[(5) The Commissioner (Appeals) shall not admit any documentary material or evidence which was not produced before the

¹ Substituted for "Collector of Sales Tax" 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, the same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the official Gazette of Pakistan Extraordinary Part I at pages 23 to 33 and 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 Colon inserted through Finance Act, 2005.

³ Two provisos inserted by Finance Act, 2003.

⁴ Substituted for "ninety" by Finance Act, 2003.

⁵ Substituted for "Collector" by Finance Act, 2010 w.e.f. June 05, 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.

⁶ Substituted for "one hundred and twenty" by Finance Act, 2009, earlier it was substituted for "ninety" by Finance Act, 2008.

⁷ Substituted for full stop by Finance Act, 2009.

⁸ Proviso inserted by Finance Act, 2009.

⁹ Sub-section (4) omitted by Finance Act, 2006.

¹⁰ New sub-section (5) inserted by Finance Act, 2020.

Officer Inland Revenue unless the Commissioner (Appeals) is satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the Officer Inland Revenue.]

46. Appeals to Appellate Tribunal.— ¹[(1) Any person including an officer of ²[Inland Revenue] (not below the rank of an ³[Additional Commissioner], aggrieved by any order passed by—

- (a) the ⁴[Commissioner Inland Revenue] (Appeals) under section 45B,
- (b) the ⁵[Commissioner Inland Revenue] through adjudication or under any of the provisions of this Act or rules made thereunder,
- (c) the Board under section 45A, may, within sixty days of the receipt of such decision or order, prefer appeal to the Appellate Tribunal.]

⁶[(2) The Appellate Tribunal may admit, hear and dispose of the appeal as per procedure laid down in sections ⁷[131 and 132 of the Income tax Ordinance, 2001 (XLIX of 2001, and rules made thereunder.]

⁸[(2A) All appeals and proceedings under this Act pending before the customs, Excise and Sales Tax Appellate Tribunal Constituted under section 194 of the customs Act 1969 (IV of 1969) shall stand transferred to the Appellate Tribunal constituted under section 130 of the Income Tax Ordinance 2001 (XLIX of 2001) with effect from 28th Day of October, 2009.]

⁹[(3) ***]

¹ Sub Section (1) substituted by Finance Act, 2008. Earlier it was substituted by the Finance ordinance 2002.

² Substituted for "Sales Tax" by Finance Act, 2010 w.e.f. June 05, 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.

³ Substituted for "Sales Tax" by Finance Act, 2010 w.e.f. June 05, 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.

⁴ Substituted for "Collector of Sales Tax" by Finance Act, 2010 w.e.f. June 5, 2010.

⁵ Substituted for "Collector of Sales Tax" by Finance Act, 2010 w.e.f. June 5, 2010.

⁶ Sub-Section (2) substituted by Finance Act, 2009.

⁷ Substituted for "194A, 194B and 194C of the customs Act, 1969 (IV of 1969)" by Finance Act, 2010.

⁸ Sub Section (2A) inserted by Finance Act w.e.f. June 5, 2010.

⁹ Sub-sections (3), (4), (5), (6), (7), (8) and (9) omitted by Finance Act, 2009.

(4) ***

(5) ***

(6) ***

(7) ***

(8) ***

(9) ***]



Info

Hub HRMS SIS SE

¹[47. Reference to the High Court.—(1) Within ninety days of the communication of the order of the Appellate Tribunal under sub-section (²[2]) of section 46, the aggrieved person or any officer of ³[Inland Revenue] not below the rank of an ⁴[an Additional [Commissioner], authorized by the ⁵[Commissioner] may prefer an application in the prescribed form along with a statement of the case to the High Court, stating any question of law arising out of such order.

(2) The statement to the High Court referred to in sub-section (1), shall set out the facts, the determination of the Appellate Tribunal and the question of law, which arises out of its order.

(3) Where, on an application made under sub-section (1), the High Court is satisfied that a question of law arises out of the order referred to in sub-section (1), may proceed to hear the case.

(4) A reference to the High Court under this section shall be heard by a bench of not less than two judges of the High Court and, in respect of the reference, the provisions of section 98 of the Code of Civil Procedure, 1908 (Act V of 1908) shall apply, so far as may be, notwithstanding anything contained in any other law for the time being in force.

¹ Section 47 substituted by Finance Act, 2003. Earlier it was substituted by Finance Act, 1997.

² Substituted for "5" by Finance Act, 2010 w.e.f. June 05, 2010.

³ Substituted for "Sales Tax" by Finance Act, 2010 w.e.f. June 5, 2010.

⁴ Substituted for "Deputy Collector" by Finance Act, 2006.

⁵ Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010.

(5) The High Court upon hearing a reference under this section shall decide the question of law raised by the reference and deliver judgment thereon specifying the grounds on which such judgment is based and the order of the Tribunal shall stand modified accordingly. The Court shall send a copy of the judgment under the seal of the Court to the Appellate Tribunal.

(6) The cost of any reference to the High Court shall be in the discretion of the Court.

(7) Notwithstanding that a reference has been made to the High Court, the tax shall be payable in accordance with the order of the Appellate Tribunal:

Provided that, if the amount of tax is reduced as a result of the judgment in the reference by the High Court, and amount of tax found refundable by the High Court, the High Court may on application ¹[by an Additional ²[Commissioner] authorized] by the ²[Commissioner] within thirty days of the receipt of the judgment of the High Court that he intends to seek leave to appeal to the Supreme Court, make an order authorizing the Collector to postpone the refund until the disposal of the appeal by the Supreme Court.

(8) Where recovery of tax has been stayed by the High Court by an order, such order shall cease to have effect on the expiration of a period of six months following the day on which it is made unless the reference is decided, or such order is withdrawn, by the High Court earlier.

(9) Section 5 of the Limitation Act, 1908 (IX of 1908), shall apply to an application made to the High Court under sub-section (1).

(10) An application under sub-section (1) by a person other than the ¹[Additional ²[Commissioner] authorized by the] ²[Commissioner] shall be accompanied by a fee of one hundred rupees.]

¹ Words inserted by Finance Act, 2006.

² Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010.

- (4) ***
 (5) ***
 (6) ***
 (7) ***
 (8) ***
 (9) ***]



¹47. Reference to the High Court.—(1) Within ninety days of the communication of the order of the Appellate Tribunal under sub-section (²[2]) of section 46, the aggrieved person or any officer of ³[Inland Revenue] not below the rank of an ⁴[an Additional [Commissioner], authorized by the ⁵[Commissioner] may prefer an application in the prescribed form along with a statement of the case to the High Court, stating any question of law arising out of such order.

(2) The statement to the High Court referred to in sub-section (1), shall set out the facts, the determination of the Appellate Tribunal and the question of law, which arises out of its order.

(3) Where, on an application made under sub-section (1), the High Court is satisfied that a question of law arises out of the order referred to in sub-section (1), may proceed to hear the case.

(4) A reference to the High Court under this section shall be heard by a bench of not less than two judges of the High Court and, in respect of the reference, the provisions of section 98 of the Code of Civil Procedure, 1908 (Act V of 1908) shall apply, so far as may be, notwithstanding anything contained in any other law for the time being in force.

¹ Section 47 substituted by Finance Act, 2005. Earlier it was substituted by Finance Act, 1997.

² Substituted for "5" by Finance Act, 2010 w.e.f. June 5, 2010.

³ Substituted for "Sales Tax" by Finance Act, 2010 w.e.f. June 5, 2010.

⁴ Substituted for "Deputy Collector" by Finance Act, 2006.

⁵ Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010.

(5) The High Court upon hearing a reference under this section shall decide the question of law raised by the reference and deliver judgment thereon specifying the grounds on which such judgment is based and the order of the Tribunal shall stand modified accordingly. The Court shall send a copy of the judgment under the seal of the Court to the Appellate Tribunal.

(6) The cost of any reference to the High Court shall be in the discretion of the Court.

(7) Notwithstanding that a reference has been made to the High Court, the tax shall be payable in accordance with the order of the Appellate Tribunal:

Provided that, if the amount of tax is reduced as a result of the judgment in the reference by the High Court, and amount of tax found refundable by the High Court, the High Court may on application ¹[by an Additional ²[Commissioner] authorized] by the ²[Commissioner] within thirty days of the receipt of the judgment of the High Court that he intends to seek leave to appeal to the Supreme Court, make an order authorizing the Collector to postpone the refund until the disposal of the appeal by the Supreme Court.

(8) Where recovery of tax has been stayed by the High Court by an order, such order shall cease to have effect on the expiration of a period of six months following the day on which it is made unless the reference is decided, or such order is withdrawn, by the High Court earlier.

(9) Section 5 of the Limitation Act, 1908 (IX of 1908), shall apply to an application made to the High Court under sub-section (1).

(10) An application under sub-section (1) by a person other than the ¹[Additional ²[Commissioner] authorized by the] ²[Commissioner] shall be accompanied by a fee of one hundred rupees.]

¹ Words inserted by Finance Act, 2006.

² Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010.

¹[(11) Notwithstanding anything contained in any provision of this Act, where any reference or appeal was filed with the approval of ²[Commissioner] by the officer of lower rank than the ²[Commissioner], and the reference or appeal is pending before an appellate forum or the Court, such reference or appeal shall always be deemed to have been so filed by the ²[Commissioner].

³[47A. Alternative dispute resolution.— (1) Notwithstanding any other provision of this Act, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to—

- (a) the liability of tax against the aggrieved person, or admissibility of refunds, as the case may be;
- (b) the extent of waiver of default surcharge and penalty; or
- (c) any other specific relief required to resolve the dispute, may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated or where interpretation of question of law having effect on identical cases is involved having effect on other cases.

(2) The Board may, after examination of the application of an aggrieved person, appoint a committee, within sixty days of receipt of such application in the Board, comprising, —

- (a) Chief Commissioner Inland Revenue having jurisdiction over the case; and
- (b) two persons from a panel notified by the Board comprising of chartered accountants, cost and management accountants, advocates, having minimum of ten years' experience in the field of taxation and reputable businessmen.

(3) The Board shall communicate the order of appointment of committee to the court of law or the appellate authority where the dispute is pending and the Commissioner.

¹ Sub section (11) inserted by Finance Act, 2006

² Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010

³ Section 47A substituted by Finance Act, 2020.

(4) The Committee appointed under sub-section (2) shall examine the issue and may, if it deemed necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute through consensus, within one hundred and twenty days of its appointment.

(5) The Committee may, in case of hardship, stay recovery of tax payable in respect of dispute pending before it for a period not exceeding one hundred and twenty days in aggregate or till the decision of the Committee or its dissolution, whichever is earlier.

(6) The decision of the committee under sub-section (4) shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before any appellate authority or the court of law and has communicated the order of withdrawal to the Commissioner.

Provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the committee upon the aggrieved person, the decision of the committee shall not be binding on the Commissioner.

(7) If the Committee fails to decide within the period of one hundred and twenty days under sub-section (4), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending.

(8) The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.

(9) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the appellate authority, where the dispute is pending.

(10) The aggrieved person may make the payment of sales tax and other taxes as decided by the committee under sub-section (4) and all decisions and orders made or passed shall stand modified to that extent.

(11) The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (i) of sub-section (2).

(12) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.]

Chapter-IX

RECOVERY OF ARREARS

48. Recovery of arrears of tax.--(1) ¹[Subject to sub-section (1A), where] any amount of tax ²[...] is due from any person, the officer of ³[Inland Revenue] may:-

- (a) deduct the amount from any money owing to person from whom such amount is recoverable and which may be at the disposal or in the control of such officer or any officer of Income Tax, Customs or Central Excise Department;
- (b) require by a notice in writing any person who holds or may subsequently hold any money for or on account of the person from whom tax may be recoverable to pay to such officer the amount specified in the notice;
- (c) stop removal of any goods from the business premises of such person till such time the amount of tax is paid or recovered in full;
- ⁴[(ca) require by a notice in writing any person to stop clearance of imported goods or manufactured goods or attach bank accounts;]
- (d) seal the business premises till such time the amount of tax is paid or- recovered in full;
- (e) attach and sell or sell without attachment any movable or immovable property of the registered person from whom tax is due ⁵[; and]

¹ Words etc "levied, penalty imposed or demand raised under any bond or other instrument executed under this Act" omitted by Finance Ordinance, 2002

² Substituted for "where" by Finance Act, 2007

³ Substituted for "Sales Tax" 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, the same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the official Gazette of Pakistan Extraordinary Part I at pages 21 to 53 and 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 Clause (ca) inserted by Finance Act, 1999

⁵ Semi-colon and the word " and" at the end of clause (e) and thereafter clause (f) inserted by Finance Act, 1997. Earlier it was omitted by Finance Act, 1996. Originally it was inserted by Finance Act, 1994

- (f) ¹[...] recover such amount by attachment and sale of any moveable or- immovable property of the guarantor, person, company, bank or financial institution, where a guarantor or any other person, company, bank or financial institution fails to make payment under such guarantee, bond or instrument ²[;]

Provided that the Commissioner Inland Revenue or any officer of Inland Revenue shall not issue notice under this section or the rules made thereunder for recovery of any tax due from a taxpayer if the said taxpayer has filed an appeal under section 45B 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 ³[ten] per cent of the amount of tax due has been paid by the taxpayer.]

⁴[(1A) If any arrears of tax, default surcharge, penalty or any other amount which is adjudged or payable by any person and which cannot be recovered in the manner prescribed above, the Board or any officer authorized by the Board, may, write off the arrears in the manner as may be prescribed by the Board.]

(2) For the purpose of recovery of tax, penalty or any other demand raised under this Act, the officer of ⁵[Inland Revenue] shall have the same powers which under the Code of Civil Procedure 1908 (V of 1908), a Civil Court has for the purpose of recovery of an amount due under a decree.

⁶[(3) The provision of sub-sections (1) and (2) shall *mutatis mutandis* apply regarding assistance in collection and recovery of taxes in pursuance of a request from a foreign jurisdiction under a tax treaty, bilateral or a multilateral convention, and inter-governmental agreement or similar agreement or mechanism.]

¹ Word "may" omitted by Finance Act, 2007

² For the full stop a colon substituted and thereafter proviso added through Finance Act, 2017

³ Word ten substituted by Finance Act, 2018

⁴ Sub-section (1A) inserted by Finance Act, 2007

⁵ Substituted for "Sales Tax" 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, the same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the official Gazette of Pakistan Extraordinary Part I at pages 21 to 53 and 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 New sub-section inserted by Finance Act, 2021

Chapter-X

MISCELLANEOUS

¹[49. Sales of taxable activity or transfer of ownership.--(1) In case of termination of taxable activity or part thereof or its sale or transfer of ownership to a non-registered person, the possession of taxable goods or part thereof by the registered person shall be deemed to be a taxable supply and the registered person shall be required to account for and pay the tax on the taxable goods held by him:

Provided that if the tax payable by such registered person remains unpaid, the amount of unpaid tax shall be the first charge on the assets of the business and shall be payable by the transferee of business.

²[(2) In the case of sale or transfer of ownership of a taxable activity or part thereof to another registered person as an ongoing concern, the taxable goods or part thereof shall be transferred to the new owner through a zero-rated invoice and the sales tax chargeable thereon shall be accounted for and paid by the registered person to whom such taxable activity or part thereof is transferred.]

³[49A. 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;

¹ Section 49 substituted by Finance Act, 1996.

² Sub-section (2) substituted through Finance Act, 2016.

³ Section 49A inserted by Finance Act, 2004.

shall, within fourteen days of being appointed or taking possession of an asset in Pakistan, whichever occurs first, give written notice thereof to the ¹[Commissioner] (2) The ¹[commissioner] shall, within three months of being notified under sub-section (1), notify the liquidator, in writing, of the amount which appears to the ¹[Commissioner] to be sufficient to provide for any sales tax which is or will become payable by the person whose assets are in the possession of the liquidator.

(3) A liquidator shall not, without leave of the ¹[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 ¹[Commissioner] under sub-section (2), or such amount as is subsequently agreed to by the ¹[Commissioner]; and
- (b) shall be liable to the extent of the amount set aside for the Sales tax liability of the person who owned the asset.

(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 ²[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.]

¹ Substituted for "Collector" by Finance Act, 2010 w.e.f. June 3, 2010, the same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No III of 2010, dated February 9, 2010, published in the official Gazette of Pakistan Extraordinary Part I at pages 23 to 25 and the amendment was made through Finance (amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, issued October 18, 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 3, 2010, the same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No III of 2010, dated February 9, 2010, published in the official Gazette of Pakistan Extraordinary Part I at pages 23 to 25 and the amendment was made through Finance (amendment) Ordinance, 2009, promulgated as Ordinance No. XXII of 2009, issued October 18, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259.

50. Power to make rules.— ¹[(1)] The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this Act ²[, including rules for charging fee for processing of return, claims and other documents and for preparation of copies thereof.]

³[(2) All rules made under sub-section (1) or any other provisions of this Act, shall be collected, arranged and published along with general orders and departmental instructions and rulings, if any, at appropriate intervals and sold to the public at reasonable price ⁴[or may be placed regularly on the official website maintained by the Board.]

⁵[50A. Computerized system.— (1) The Board may prescribe the use of computerized system for carrying out the purposes of this Act, including the receipt of applications for registration, returns and such other declarations or information required to be provided under this Act and the rules made thereunder, from such date and for such registered persons or class of persons as the Board may, by notification in the official Gazette, specify.

(2) The Board may make rules for regulating the conduct and transaction of business in relation to the submission of returns or other information to the Board by the persons required to transmit or receive any information through the computerized system, including ⁶[matters such as grant of] authorization, suspension and cancellation of authorization and for security of the information transmitted or received through the computerized system.]

⁷[(3) Unless otherwise proved, the information received in the computerized system from or on behalf of any registered person shall, for all official and legal purposes, be deemed to have been furnished by and received from such registered person.

¹ Brackets and figure inserted by Finance Act, 2008
² Comma and words inserted by Finance Act, 1994
³ Sub-section (2) inserted by Finance Act, 2008
⁴ Words inserted by Finance Act, 2021
⁵ Section 50A inserted by Finance Act, 2006
⁶ Substituted for "their" by Finance Act, 2007
⁷ Sub-section (3) and (4) inserted by Finance Act, 2007

(4) The business information gathered through computerized system shall be confidential to be used only for official and legal purposes and no unauthorized person shall claim for any access to such information.]

¹[50B. Electronic scrutiny and intimation.— (1) The Board may implement a computerized system for the purpose of automated scrutiny, analysis and cross-matching of returns and other available data relating to registered persons and to electronically send intimations to such registered persons about any issue detected by the system.

(2) The intimation sent by the computerized system under sub-section (1) shall be in the nature of an advice or advance notice, aimed at allowing the registered person to clarify the issue, rectify any mistake or take other corrective action before any legal or penal action is initiated.

(3) The computerized system shall be so implemented so as to keep record of the issues detected, intimations sent, responses received and actions taken, and to present such information to the officer of Inland Revenue and to the Board in the prescribed manner.

(4) The Board may prescribe procedures and specifications for the smooth and efficient operation of the computerised system.]

51. Bar of suits, prosecution and other legal proceedings.— (1) No suit shall be brought in any Civil Court to set aside or modify any order passed, any assessment made, any tax levied, any penalty imposed or collection of any tax made under this Act.

(2) No suit, prosecution or other legal proceeding shall lie against the Federal Government or against any public servant in respect of any order passed in good faith under this Act.

²[(3) Notwithstanding anything in any other law for the time being in force, no investigation or inquiry shall be undertaken or initiated by any governmental agency against any officer or official for anything done in his official capacity under this Act, rules, instructions or direction made or issued thereunder without the prior approval of the Board.]

¹ Section 50B inserted by Finance Act 2014
² Sub-section (3) inserted by Finance Act, 2004

52. Appearance by authorised representative.— A registered person required to appear before the Appellate Tribunal or an officer of [Inland Revenue] in connection with any proceedings under this Act may, in writing, authorise any person²[having such qualification as may be prescribed] to represent him or appear on his behalf.

³**52A. e-intermediaries to be appointed.**— (1) Subject to such conditions, limitations and restrictions, the Board may, by a notification in the official Gazette, appoint a person to electronically file return under Chapter V and such other documents electronically, as may be prescribed from time to time, on behalf of a person registered under section 14.

(2) A person registered under section 14 may authorize an e-intermediary to electronically file return or any other documents, as specified in sub-section (1).

(3) The return or such other documents filed by an e-intermediary on behalf of a registered person shall be deemed to have been filed by that registered person.

(4) Where this Act requires anything to be done by the registered person and if such thing is done by an e-intermediary authorized by the registered person under sub-section (2), unless the contrary is proved, shall be deemed to have been done with the knowledge and consent of such registered person so that in any proceedings under this Act, the registered person shall be liable as if the thing has been done by him.

(5) Where an e-intermediary, authorized by a registered person under sub-section (2) to act on his behalf, knowingly or wilfully submits a false or incorrect information or document or declaration with an intent to avoid payment of tax due or any part thereof or claiming a tax credit or a refund that is not due to the registered person, such e-intermediary shall be jointly and severally responsible for recovery of the amount of tax short

¹ Substituted for "Sales Tax Act" 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, the same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No III of 2010, dated February 6, 2010, published in the official Gazette of Pakistan Extraordinary Part I at pages 23 to 53 and this amendment was made through Finance (amendment) Ordinance, 2009, promulgated as Ordinance No XXIII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 259

² Words inserted by Sales Tax (Amendment) Ordinance, 2000, dated September 3, 2000

³ Section 52A inserted by Finance Act, 2006

paid or the amount refunded in excess as a result of such incorrect or false information or document or declaration, without prejudice to any other action that may be taken against him under the relevant provisions of the law.

(6) The Board may, by notification in the official Gazette, prescribe rules for the conduct and transaction of business of e-intermediaries, including their appointment, suspension and cancellation of appointment, subject to such conditions as specified therein.]

53. Estate of deceased person.— The tax liability of a deceased registered person under the Act shall be the first charge on his estate in the hands of his successors.

54. Estate in bankruptcy.— (1) If a registered person is declared bankrupt, the tax liability under this Act shall pass on to the estate in bankruptcy if it continues to operate the business.

(2) If tax liability is incurred by an estate in bankruptcy, the tax is deemed to be a current expenditure in the operations of the estate in bankruptcy and shall be paid before the claims preferred by other creditors are settled.

¹**55. Removal of difficulties.**— If any difficulty arises in giving effect to the provisions of this Act or the rules made or notifications issued there under, the Board may through a general order or otherwise, issue instructions or directions, not inconsistent with the provisions of this Act, for such actions to be taken by an officer of Inland Revenue or any other person as it considers necessary or expedient for the purpose of removing the difficulty.]

²**56. Service of orders; decisions etc.** — (1) subject to this Act, any notice, order or requisition required to be served on a resident individual, other than in a representative capacity for the purposes of this Act shall be treated as properly served on the individual if —

¹ Substituted vide Finance Ordinance, 2001

² Section 56 substituted vide Finance Act, 2010

- (a) personally served on the individual or, in the case of an individual under a legal disability or a non-resident individual the representative of the individual;
- (b) sent by register post or courier service specified in clause (b) of sub-section (2) or to the individual's usual or last known address in Pakistan; ¹[..]
- (c) served on the individual in the manner prescribed for service of a summons under the code of civil procedure, 1908 (Act V of 1908) ²; or
- (d) sent electronically through email or to the e-folder maintained for the purpose of e-filing of sales tax-cum-Federal excise returns by the ³[registered person].]

(2) Subject to this Act, any notice order or requisition required to be served on any person, other than a resident individual to whom sub-section (1) applies, for the purposes of this Act, shall be treated as properly served on person if –

- (a) personally served on the representative of the person;
- (b) sent by registered post or courier service to the person's registered office or address for service of notices under this Act, in Pakistan or where the person does not have such office or address, the notice is sent by registered [Post to any office or place of business of the person in Pakistan; ⁴[..]
- (c) served on the Person in the manner prescribed for service of a summons under the code of civil procedure, 1908 (Act V of 1908) ⁵; or
- (d) sent electronically through email or to the e-folder maintained for the purpose of e-filing of sales tax-cum-Federal excise returns by the ³[registered person].]

¹ The words "or" omitted through Finance Act, 2017

² Semi colon substituted for the full stop and new clause (d) inserted through Finance Act, 2017

³ The words substituted by Finance Act, 2020.

⁴ The words "or" omitted through Finance Act, 2017

⁵ Semi colon substituted for the full stop and new clause (d) inserted through Finance Act, 2017

(3) Where an association of persons is dissolved, any notice, order or requisition required to be served under this Act, on the association or a member of the association may be served on any person who was the principal officer or a member of the association immediately before such dissolution.

(4) Where, business stands discontinued, any notice, order or requisition required to be served under this Act, on the person discontinuing the business may be served on the person personally or on any individual who was the person's representative at the time of discontinuance.

(5) The validity of service of a notice under this Act shall not be called into question after the notice has been complied with in any manner.]

¹[56A. Agreement for the exchange of information ²[or assistance in recovery of taxes].– (1) The Federal Government may enter into bilateral or multilateral agreements with provincial governments or with governments of foreign countries for the exchange of information, including electronic exchange of information, with respect to sales tax imposed under this Act or any other law of Pakistan and under the corresponding laws of such countries and may, by notification in the official Gazette, make such provisions as may be necessary for implementing such agreements.

³[(1A) Notwithstanding anything contained in this Act, the Board shall have power to share data or information including real time data videos, images received under the provisions of this Act with any other Ministry or Division of the Federal Government or Provincial Government, subject to such limitations and conditions as may be specified by the Board.]

¹ Sections 56A, 56B and 56C added by Finance Act, 2015

² Words inserted by Finance Act, 2021.

³ New sub-section (1A) inserted by Finance Act, 2021.

(2) The provisions of section 107 of the Income Tax Ordinance, 2001 (XLIX of 2001) shall, *mutatis mutandis*, apply to the provisions of this section.

¹[(3) The Federal Government may enter into bilateral or multilateral convention, and inter-governmental agreement or similar agreement or mechanism for assistance in the recovery of taxes.]

²[56AB. **Real-time access to information and databases.**—(1) Notwithstanding anything contained in any law for the time being in force, including but not limited to the National Database and Registration Authority Ordinance, 2000 (Ordinance VIII of 2000), and the Emigration Ordinance, 1979 (Ordinance XVIII of 1979), arrangements shall be made to provide real-time access of information and database to the Board in the prescribed form and manner by—

- (a) the National Database and Registration Authority with respect to information pertaining to National Identity Card (NIC), Pakistan Origin Card, Overseas Identity Card, Alien Registration Card, and other particulars contained in the Citizen Database;
- (b) the Federal Investigation Agency and the Bureau of Emigration and Overseas Employment with respect to details of international travel;
- (c) the Islamabad Capital Territory and Provincial and local land record and development authorities with respect to record-of-rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights;
- (d) the Islamabad Capital Territory and Provincial Excise and Taxation Departments with respect to information regarding registration of vehicles, transfer of ownership and other associated record;
- (e) all electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer, the units consumed and the amount of bill charged or paid:

¹ New sub-section (3) inserted by Finance Act, 2021.

² New section 56AB inserted by Finance Act, 2020.

Provided that where the connection is shared or is used by a person other than the owner, the name and NIC of the owner and the user shall also be furnished:

Provided further that all electricity suppliers and gas transmission and distribution companies shall make arrangements by the 1st day of January, 2021 for allowing consumers to update the ratio of sharing of a connection or the particulars of users, as the case may be; and

- (f) any other agency, authority, institution or organization, notified by the Board.

(2) The Board shall make arrangements for laying the infrastructure for real-time access to information and database under sub-section (1) and aligning it with its own database in the manner as may be prescribed.

(3) Until real-time access to information and database is made available under sub-section (1), such information and data shall be provided periodically in such form and manner as may be prescribed.

(4) Subject to section 56B, all information received under this section shall be used only for tax purposes and kept confidential.]

¹[56B. **Disclosure of information by a public servant.**— (1) Any information acquired under any provision of this Act shall be confidential and no public servant shall disclose any such information, except as provided under section 216 of the Income Tax Ordinance, 2001 (XLIX of 2001).

(2) Notwithstanding anything contained in sub-section (1) and the Freedom of Information Ordinance, 2002 (XCVI of 2002), any information received or supplied in pursuance of bilateral or multilateral

¹ Section 56B substituted through Finance Act, 2016.

agreements with government of foreign countries for exchange of information under section 56A shall be confidential.]

56C. Prize schemes to promote tax culture.- ¹[(1)] The Board may prescribe prize schemes to encourage the general public to make purchases only from registered persons issuing tax invoices.]

¹[(2)] The Board may prescribe procedure for "mystery shopping" in respect of invoices issued by tier-1 retailers integrated with FBR online system randomly and in case of any discrepancy, all the relevant provisions of this Act shall apply accordingly.]

²[**57. Rectification of Mistake.**— (1) The officer of Inland Revenue, Commissioner, the Commissioner (Appeals) or the Appellate Tribunal may, by an order in writing, amend any order passed by him to rectify any mistake apparent from the record on his or its own motion or any mistake brought to his or its notice by a taxpayer or, in the case of the Commissioner (Appeals) or the Appellate Tribunal, the Commissioner.

(2) No order under sub section (1) which has the effect of increasing an assessment, reducing a refund or otherwise applying adversely to the taxpayer shall be made unless the taxpayer has been given a reasonable opportunity of being heard.

(3) Where a mistake apparent on the record is brought to the notice of the officer of Inland Revenue, Commissioner or Commissioner (Appeals), as the case may be, and no order has been made under sub section (1), before the expiration of the Financial year next following the date on which the mistake was brought to their notice, the mistake shall be treated as rectified and all the provisions of this Act shall have effect accordingly.

(4) No order under sub-section (1) shall be made after five years from the date of the order sought to be rectified.]

¹ Existing sub-section renumbered as sub-section (1) and new sub-section (2) inserted by Finance Act, 2021
² Section 57 is substituted by Finance Act, 2013.

¹[**58. Liability for payment of tax in case of private companies or business enterprises.**—(1) Notwithstanding anything contained in the Companies Act, 2017 (XIX of 2017), where any private company or business enterprise is wound up and any tax chargeable on the company or business enterprise, whether before, or in the course, or after its liquidation, in respect of any tax period cannot be recovered from the company or business enterprise, every person who was an owner of, or partner in, or director of, or a shareholder, owning not less than ten per cent of the paid-up capital, in the company or business enterprise, as the case may be, during the relevant period shall jointly and severally with such persons, be liable for the payment of such tax.

(2) Any director or partner 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 or partner, as the case may be.

(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, owning not less than ten percent of the paid up capital, in proportion to the shares owned by that other shareholder."; and

(4) The provisions of this Act shall apply to any amount due under this section as if it were tax due under an order for assessment made under this Act.]

²[**58A. Representatives.**— (1) For the purpose of this Act and subject to sub-sections (2) and (3), the expression "representative" in respect of a registered person, means:—

- (a) where the person is an individual under a legal disability, the guardian or manager who receives or is entitled to receive income on behalf, or for the benefit of the individual;
- (b) where the person is a company (other than a trust, a Provincial Government, or local authority in Pakistan), a director or a

¹ Section 58 substituted by Finance Act, 2019
² Section 58A and 58B inserted by Finance Act, 2008

manager or secretary or agent or accountant or any similar officer of the company;

- (c) where the person is a trust declared by a duly executed instrument in writing whether testamentary or otherwise, any trustee of the trust;
- (d) where the person is a Provincial Government, or local authority in Pakistan, any individual responsible for accounting for the receipt and payment of money or funds on behalf of the Provincial Government or local authority;
- (e) where the person is an association of persons, a director or a manager or secretary or agent or accountant or any similar officer of the association or, in the case of a firm, any partner in the firm;
- (f) where the person is the Federal Government, any individual responsible for accounting for the receipt and payment of moneys or funds on behalf of the Federal Government; or
- (g) where the person is a public international organization, or a foreign government or political sub-division of a foreign government, any individual responsible for accounting for the receipt and payment of moneys or funds in Pakistan on behalf of the organization, government, or political subdivision of the government.

(2) Where the Court of Wards, the Administrator General, the Official Trustee, or any receiver or manager appointed by, or under, any order of a Court receives or is entitled to receive income on behalf, or for the benefit of any person, such Court of Wards, Administrator General, Official Trustee, receiver, or manager shall be the representative of the person for the purposes of this Act.

(3) ¹[subject to sub-section (4), where a person is a non-resident person, the representative of the said person for the purpose of this Act,

¹ The expression substituted by and Explanation added by Finance Act, 2020.

for a financial year in which the relevant tax period falls, shall be any person in Pakistan]: --

- (a) who is employed by, or on behalf of, the non-resident person;
- (b) who has any business connection with the non-resident person;
- (c) from or through whom the non-resident person is in receipt of any income, whether directly or indirectly;
- (d) who holds, or controls the receipt or disposal of any money belonging to the non-resident person;
- (e) who is the trustee of the non-resident person; or
- (f) who is declared by the ¹[Commissioner] by an order in writing to be the representative of the non-resident person.

¹[*Explanation.*— For the purposes of this sub-section, non-resident person shall have the same meaning assigned thereto under the Income Tax Ordinance, 2001 (XLIX of 2001).]

(4) No person shall be declared as the representative of a non-resident person unless the person has been given an opportunity by the ¹[Commissioner] of being heard.]

58B. Liability and obligations of representatives.— (1) Every representative of a person shall be responsible for performing any duties or obligations imposed by or under this Act on the person, including the payment of tax.

(2) Subject to section 58 and sub-section (5) of this section, any tax that, by virtue of sub-section (1), is payable by a representative of a

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, the same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 2010, dated February 6, 2010, published in the official Gazette of Pakistan Extraordinary Part I at pages 21 to 53 and 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.

registered person shall be recoverable from the representative only to the extent of any assets of the registered person that are in the possession or under the control of the representative.

(3) Every representative of a registered person who pays any tax owing by the registered person shall be entitled to recover the amount so paid from the registered person or to retain the amount so paid out of any moneys of the registered person that are in the representative's possession or under the representative's control.

(4) Any representative, or any person who apprehends that he may be assessed as a representative, may retain out of any money payable by him to the person on whose behalf he is liable to pay tax (hereinafter in this section referred to as the "principal"), a sum equal to his estimated liability under this Act, and in the event of disagreement between the principal and such a representative or a person as to the amount to be so retained, such representative or person may obtain from the ¹[Commissioner] a certificate stating the amount to be so retained pending final determination of the tax liability, and the certificate so obtained shall be his authority for retaining that amount.

(5) Every representative shall be personally liable for the payment of any tax due by the representative in a representative capacity if, while the amount remains unpaid, the representative: –

- (a) alienates, charges or disposes of any moneys received or accrued in respect of which the tax is payable; or
- (b) disposes of or parts with any moneys or funds belonging to the person that is in the possession of the representative or which comes to the representative after the tax is payable, if such tax could legally have been paid from or out of such moneys or funds.

(6) Nothing in this section shall relieve any person from performing any duties imposed by or under this Act on the person which the representative of the person has failed to perform.]

¹ Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010

¹[59. Tax paid on stocks acquired before registration.– The tax ²[. . .] paid on goods purchased by a person who is subsequently required to be registered under section 14 due to new liabilities or levies or gets voluntary registration under ³[this Act or the rules made thereunder], shall be treated as input tax, provided that such goods were purchased by him from a registered person against an invoice issued under section 23 during a period of thirty days before making an application for registration and constitute his verifiable unsold stock on the date of compulsory registration or on the date of application for registration or for voluntary registration:

Provided that where a person imports goods, the tax paid by him thereon during a period of ninety days before making an application for registration shall be treated as an input tax subject to the condition that he holds the bill of entry relating to such goods and also that these are verifiable unsold or un-consumed stocks on the date of compulsory registration or on the date of application for registration or for voluntary registration.]

⁴[60. Powers to deliver certain goods without payment of tax.– Subject to such conditions, limitations or restrictions as it thinks fit to impose, ⁵[Federal Government] may authorise the ⁶[import] of goods or class of goods, without payment of the whole or any part of the tax payable thereon to the following persons, namely: –

- (i) registered importers importing such goods temporarily with a view to subsequent exportation;
- ⁷[(ii) registered manufacturer-cum-exporters who import raw materials and intermediary products for further manufacture of goods meant for export;]

¹[(iii) ***]

¹Section 59 inserted by Finance Act, 1999. Earlier it was omitted by Finance Act, 1997. Earlier it was substituted through Finance Act, 1996.

²Commas and words ", other than the turnover tax" omitted by Finance Act, 2004.

³Substituted for "section 18" by Finance Act, 2004.

⁴Section 60 substituted by Finance Act, 1998.

⁵Words substituted by Finance Act, 2018.

⁶Substituted for "delivery" by Finance Act, 1999.

⁷Clause (ii) substituted by the Finance Act, 1999.

registered person shall be recoverable from the representative only to the extent of any assets of the registered person that are in the possession or under the control of the representative.

(3) Every representative of a registered person who pays any tax owing by the registered person shall be entitled to recover the amount so paid from the registered person or to retain the amount so paid out of any moneys of the registered person that are in the representative's possession or under the representative's control.

(4) Any representative, or any person who apprehends that he may be assessed as a representative, may retain out of any money payable by him to the person on whose behalf he is liable to pay tax (hereinafter in this section referred to as the "principal"), a sum equal to his estimated liability under this Act, and in the event of disagreement between the principal and such a representative or a person as to the amount to be so retained, such representative or person may obtain from the ¹[Commissioner] a certificate stating the amount to be so retained pending final determination of the tax liability, and the certificate so obtained shall be his authority for retaining that amount.

(5) Every representative shall be personally liable for the payment of any tax due by the representative in a representative capacity if, while the amount remains unpaid, the representative: –

- (a) alienates, charges or disposes of any moneys received or accrued in respect of which the tax is payable; or
- (b) disposes of or parts with any moneys or funds belonging to the person that is in the possession of the representative or which comes to the representative after the tax is payable, if such tax could legally have been paid from or out of such moneys or funds.

(6) Nothing in this section shall relieve any person from performing any duties imposed by or under this Act on the person which the representative of the person has failed to perform.]

¹ Substituted for "Collector" by Finance Act, 2010 w.e.f. June 5, 2010

¹[59. Tax paid on stocks acquired before registration.– The tax ²[. . .] paid on goods purchased by a person who is subsequently required to be registered under section 14 due to new liabilities or levies or gets voluntary registration under ³[this Act or the rules made thereunder], shall be treated as input tax, provided that such goods were purchased by him from a registered person against an invoice issued under section 23 during a period of thirty days before making an application for registration and constitute his verifiable unsold stock on the date of compulsory registration or on the date of application for registration or for voluntary registration:

Provided that where a person imports goods, the tax paid by him thereon during a period of ninety days before making an application for registration shall be treated as an input tax subject to the condition that he holds the bill of entry relating to such goods and also that these are verifiable unsold or un-consumed stocks on the date of compulsory registration or on the date of application for registration or for voluntary registration.]

⁴[60. Powers to deliver certain goods without payment of tax.– Subject to such conditions, limitations or restrictions as it thinks fit to impose, ⁵[Federal Government] may authorise the ⁶[import] of goods or class of goods, without payment of the whole or any part of the tax payable thereon to the following persons, namely: –

- (i) registered importers importing such goods temporarily with a view to subsequent exportation;
- ⁷[(ii) registered manufacturer-cum-exporters who import raw materials and intermediary products for further manufacture of goods meant for export;]

¹[(iii) ***]

¹Section 59 inserted by Finance Act, 1999. Earlier it was omitted by Finance Act, 1997. Earlier it was substituted through Finance Act, 1996.

²Commas and words ", other than the turnover tax" omitted by Finance Act, 2004

³Substituted for "section 18" by Finance Act, 2004

⁴Section 60 Substituted by Finance Act, 1998

⁵Words substituted by Finance Act, 2018

⁶Substituted for "delivery" by Finance Act, 1999

⁷Clause (ii) substituted by the Finance Act, 1999

61. Repayment of tax in certain cases.— Subject to such conditions, limitations or restrictions as it thinks fit to impose, the Board may authorise the repayment in whole or in part of the tax paid on ²[...] any goods of such class or description as it may determine, which have been used in the production, manufacture, processing, repair or refitting in Pakistan of goods of such class or description as it may determine.

³**61A. Repayment of tax to persons registered in Azad Jammu and Kashmir.**— Subject to such conditions, limitations or restrictions as it may deem fit to impose, the Board may authorize the repayment in whole or in part of the input tax paid on any goods acquired in or imported into Pakistan by the persons registered in Azad Jammu and Kashmir as are engaged in making of zero-rated supplies.]

62. Drawback allowable on re-export.— When any goods which have been imported into Pakistan and on which tax has been paid on importation are re-exported outside Pakistan and such goods as are capable of being identified, seven-eighth of such tax shall, except as otherwise hereinafter provided, be repaid as drawback, and the provisions of Customs Act, 1969 (IV of 1969), relating to drawback of customs duties shall, so far as may be apply to such tax, as they apply for the purposes of that Act:

Provided that no such drawback shall be repaid unless the re-export is made within a period of two years from the date of importation as shown in the records of the Custom House:

Provided further that the Board may, on sufficient cause being shown, in any case extend the said period by a further period of one year.

¹ Clause (iv) omitted by Finance Act, 1999.

² Words "the importation of" omitted by Finance Ordinance, 2002

³ Section 61A inserted by Finance Act, 2008

63. Drawback on goods taken into use between importation and re-exportation.— Notwithstanding anything contained in section 62, the repayment of sales tax as drawback in respect of goods which have been taken into use between importation and re-exportation shall be subject to such orders, conditions or limitations as may be passed or imposed by the Board in each case, -

- (a) modifying the amount of tax which shall be repaid as drawback on any such goods or class of goods; or
- (b) prohibiting the repayment of tax as drawback on any such goods or class of such goods; or
- (c) varying the condition for the grant of drawback on any such goods or class of such goods by restricting the period after importation within which the goods must be re-exported.

64. Power to declare what goods are identifiable and to prohibit drawback in case of specified foreign territory.— The Federal Government may, from time to time, by notification in the official Gazette, prohibit the payment of drawback upon the exportation of goods or any specified goods or class of goods to any specified foreign port or territory.

65. Exemption of tax not levied or short levied as a result of general practice.— Notwithstanding anything contained in this Act, if in respect of any supply the ¹[Federal Government] is satisfied that inadvertently and as a general practice: -

- (a) tax has not been charged in any area on any supply which was otherwise taxable, or according to the said practice the amount charged was less than the amount that should have actually been charged;
- (b) the registered person did not recover any tax prior to the date it was discovered that the supply was liable to tax; and

¹ Words substituted by Finance Act, 2018

(c) the registered person started paying the tax from the date when it was found that the supply was chargeable to tax;

It may, by a notification in the official Gazette, direct that the tax not levied or short levied as a result of that inadvertent practice, shall not be required to be paid for the period prior to the discovery of such inadvertent practice.

66. Refund to be claimed within one year.— No refund of tax claimed to have been paid or over paid through inadvertence, error or misconception ¹[or refund on account of input adjustment not claimed within the relevant tax period.] shall be allowed, unless the claim is made within one year of the date of payment ²[:]

³[Provided that in a case where a registered person did not deduct input tax within the relevant tax period, the ⁴[Commissioner] may, after satisfying himself that input tax adjustment is due and admissible, allow the registered person to take such adjustment in the tax period as specified by the ⁴[Commissioner]:]

⁵[Provided ⁶[further] that in a case where the refund has become due on account of any decision or judgement of any officer of ⁷[Inland Revenue] or court or the Tribunal, the period of one year shall be reckoned from the date of judgement or decision of such officer, court or Tribunal⁸[:]]

Provided further that the application or claim filed under this section shall be disposed of within a period not exceeding ninety days from the date of filing of such application or claim.]

¹ Words inserted by Finance Act, 1996

² Substituted for the full stop by Finance Ordinance, 2001

³ Proviso inserted by Finance Ordinance, 2002

⁴ Substituted for "Collector" by Finance Act, 2016 w.e.f. June 5, 2016, the same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 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 official Gazette of Pakistan Extraordinary Part I at pages 23 to 53 and this amendment was made through Finance (amendment) Ordinance, 2009, promulgated as Ordinance No. XXXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 234

⁵ Proviso inserted by Finance Ordinance, 2001

⁶ Word inserted by Finance Ordinance, 2002

⁷ Substituted for "sales tax" by Finance Act, 2016 w.e.f. June 5, 2016, the same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No. III of 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 official Gazette of Pakistan Extraordinary Part I at pages 23 to 53 and this amendment was made through Finance (amendment) Ordinance, 2009, promulgated as Ordinance No. XXXII of 2009, dated October 28, 2009, published in the Gazette of Pakistan Extraordinary Part I at pages 229 to 234

⁸ Substituted for full stop by Finance Act, 2005

¹[Provided also that no refund shall be admissible under this section if incidence of tax has been passed directly or indirectly to the consumer.]

²[67. Delayed Refund.— Where a refund due under section 10 is not made within ³[the time specified in section 10 from the date] of filing of ⁴[refund claim], there shall be paid to the claimant in addition to the amount of refund due to him, a further sum equal to ⁵[KIBOR] per annum of the amount of refund due, from the date following the expiry of ⁶[the time specified ⁶[as aforesaid], to the day preceding the day of payment of refund:

Provided that where there is reason to believe that a person has claimed the refund which is not admissible to him, the provision regarding the payment of such additional amount shall not apply till the investigation of the claim is completed and the claim is either accepted or rejected ⁷[:]

⁷[Provided further that where a refund due in the consequence of any order passed under section 66 is not made within forty five days of date of such order, there shall be paid to the claimant in addition to the amount of the refund due to him, a further sum equal to KIBOR per annum of the amount of refund, due from the date of the refund order.]

⁸[67A. Payment of refund through sales tax refund bonds.— (1) Notwithstanding anything contained in section 67, the sales tax refunds payable under this Act may also be paid through sales tax refund bonds to be issued by FBR Refund Settlement Company ⁹[] Limited, in book-entry form through an establishment licensed by the Securities and Exchange Commission of Pakistan as a central depository under the Securities Act, 2015, (111 of 2015), in lieu of payment to be made through issuance of cheques or bank debit advice.

¹ Proviso inserted by Finance Act, 2011

² Section 67 substituted by Finance Act, 1996

³ Substituted for "thirty days" by Finance Act, 1997

⁴ Substituted for "return" by Finance Act, 2007

⁵ Substituted for "Six percent" by Finance Act, 2009, earlier the word "ten" was substituted for "fourteen" by the Finance Act, 2006, before that it was substituted for "ten" by Finance Supplementary (Amendment) Act, 1997 which came into force on March 28, 1997, and in this it was substituted by Sales Tax (Second Amendment) Ordinance, 1996, dated 2nd November, 1996

⁶ Substituted for the words and figures "in section 10 from the date" by Finance Act, 2007

⁷ Colon substituted for full stop and new proviso inserted by Finance Act, 2021

⁸ New section 67A inserted by Finance Supplementary (Second Amendment) Act, 2019

⁹ The word "private" omitted by Finance Act, 2019

(2) The Board shall issue a promissory note to FBR Refund Settlement Company ¹[] Limited, hereinafter referred to as the company, incorporating the details of refund claimants and the amount of refund determined as payable to each for issuance of sales tax refund bonds, hereinafter referred to as the bonds, of the same amount.



Info

Hub HRMS SIS SED

(3) The bonds shall be issued in values in multiples of one hundred thousand rupees.

(4) The bonds so issued shall have a maturity period of three years and shall bear annual simple profit at ten per cent.

(5) The bonds shall be traded freely in the country's secondary markets.

(6) The bonds shall be approved security for calculating the statutory liquidity reserve.

(7) The bonds shall be accepted by the banks as collateral.

(8) There shall be no compulsory deduction of Zakat against the bonds and Sahib-e-Nisab may pay Zakat voluntarily according to Shariah.

(9) After period of maturity, the company shall return the promissory note to the Board and the Board shall make the payment of amount due under the bonds, along with profit due, to the bond holders.

(10) The bonds shall be redeemable in the manner as in the preceding sub-section before maturity only at the option of the Board along with simple profit payable at the time of redemption in the light of general or specific policy to be formulated by the Board.

(11) The refund under sub-section (1) shall be paid in the aforesaid manner to the claimants who opt for payment in such manner.

(12) The ¹[Board, with the approval of the Federal Minister-in-charge,] may notify procedure to regulate the issuance, redemption and other matters relating to the bonds, as may be required.]

68. Liability of the registered person for the acts of his agent.— When any person is expressly or impliedly authorised by a registered person to be his agent for all or any of the purposes of this Act, the registered person shall be responsible for the act done by his agent.

¹ The expression substituted for the words "Federal Government" by Finance Act, 2019

¹ The word "private" omitted by Finance Act, 2019

¹[69. **Issuance of duplicate of sales tax documents.**— An officer of ²[Inland Revenue not below the rank of Assistant Commissioner] may, on payment of one hundred rupees, issue an attested duplicate of any sales tax document as is available with the department or has been filed under this Act or rules made thereunder to a relevant registered person applying for the same.]

70. Computation of limitation period.— In computing the period of limitation prescribed for any appeal or application under this Act, the day on which the order complained of was served and, if the concerned person was not furnished with a copy of the order, the time requisite for obtaining a copy of such order shall be excluded.

³[71. **Special procedure.**— ⁴[(1)] ⁵[The Board] may, by notification in the official Gazette, prescribe special procedure for scope and payment of tax, registration, book keeping and invoicing requirements and returns, etc. in respect of such supplies as may be specified therein.]

⁶[(2) ***]

⁷[(3) Notwithstanding anything contained in this Act or any other law for the time being in force or any decision of any court, the trade enrolment Certificate Schemes immediately in force before the commencement of the Finance Act, 1999, shall be deemed to be validly made under this Act.]

⁸[72. **Officers of ⁹[Sales Tax] to follow Board's orders, etc.**— All officers of ⁹[Inland Revenue] and other persons employed in the execution of this Act shall observe and follow the orders, instructions and directions of the Board:

¹ Section 69 substituted by the Finance Act, 2008

² Substituted for the words "Sales Tax not below the rank of Assistant Collector" by the Finance Act, 2010

³ Section 71 inserted by Finance supplementary (Amendment) Act, 1997, which came into force on March 28, 1997. Earlier the same amendment was made by Sales Tax (Second Amendment) Ordinance, 1996 and by Sales Tax (Amendment) Ordinance, 1997

⁴ Section 71 re-numbered as sub-section (1) by Finance Act, 1999

⁵ The expression "Notwithstanding anything contained in this Act, the Federal Government" substituted through Finance Act, 2019

⁶ Sub-section (2) omitted by Sales Tax (Amendment) Ordinance, 1999, dated 13th August, 1999. Earlier inserted by Finance Act, 1999

⁷ Sub-section (3) inserted by Finance Act, 1999

⁸ Section 72 inserted by Finance Act, 1998

⁹ Substituted for the words "Sales Tax" by Finance Act, 2010

Provided that no such orders, instructions or directions shall be given so as to interfere with the discretion of [officers of ⁶[Inland Revenue] in the exercise of their quasi-judicial functions.]

¹[72A **Reference to the authorities.**— Any reference to the Collector, Additional Collector, Deputy Collector, Assistant Collector, Superintendent, Senior Auditor and an officer of Sales Tax wherever occur in this Act and rules, notifications, general orders or order made or issued there under, shall be construed as reference to the Commissioner Inland Revenue, Additional Commissioner Inland Revenue," Deputy Commissioner Inland Revenue, Assistant Commissioner Inland Revenue, Superintendent Inland Revenue, Inland Revenue Audit Officer and an officer of Inland Revenue, respectively.]

²[72B. **Selection of audit by the Board.**— (1) The Board may select persons or classes of persons for audit of tax affairs through computer ballot which may be random or parametric as the Board may deem fit.

³[(1A) Notwithstanding anything contained in this Act or any other law, for the time being in force, the Board shall keep the selection parameters confidential.]

(2) Audit of tax affairs of persons selected under sub-section (1) shall be conducted as per procedure given in section 25 and all the provisions of this Act shall apply accordingly.

(3) For the removal of doubt, it is hereby declared that the Board shall be deemed always to have had, the power to select any persons or classes of persons for audit of tax affairs under this section.]

¹[72C. **Reward to Inland Revenue Officers and Officials.**— (1) In cases involving concealment or evasion of sales tax and other taxes, cash

¹ Substituted for "sales" 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 official Gazette of Pakistan Extraordinary Part I at pages 23 to 31 and 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 Section 72A 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 official Gazette of Pakistan Extraordinary Part I at pages 23 to 31 and 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 New sub-section (1A) added through Finance Act, 2019

reward shall be sanctioned to the officers and officials of Inland Revenue for their meritorious conduct in such cases and to the informer providing credible information leading to such detection, as may be prescribed by the Board, only after realization of part or whole of a taxes involve in such cases.

(2) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf and specify the apportionment of reward sanctioned under this section for individual performance or to collective welfare of the officers and officials of Inland Revenue.]

²[72D. Reward to whistleblowers.-- (1) The Board may sanction reward to whistleblowers in cases of concealment or evasion of tax, tax fraud, corruption or misconduct providing credible information leading to such detection of evasion of tax fraud.

(2) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf and also specify the apportionment of reward sanctioned under this section for whistleblowers.

(3) The claim for reward by the whistleblower shall be rejected, if-

- (a) the information provided is of no value;
- (b) the Board already had the information;
- (c) the information was available in public records; or
- (d) no collection of taxes is made from the information provided from which the Board can pay the reward.

(4) For the purpose of this section, "whistleblower" means a person who reports concealment or evasion of sales tax and tax fraud leading to detection or collection of taxes, fraud, corruption or misconduct, to the competent authority having power to take action

¹Section 72C substituted by Finance Act, 2013

²Section 72D added by Finance Act, 2015

against the person or a sales tax authority committing fraud, corruption, misconduct, or involved in concealment or evasion of taxes.]

¹[73. Certain transactions not admissible.-- (1) Notwithstanding anything contained in this Act or any other law for the time being in force, payment of the amount for a transaction exceeding value of fifty thousand rupees, excluding payment against a utility bill, shall be made 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 the amount of the sales tax invoice in favour of the supplier from the business bank account of the buyer ²[:]

³[Provided that online transfer of payment from the business account of buyer to the business account of supplier 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 buyer and the supplier.]

⁴[Provided further that adjustments made by a registered person in respect of amounts payable and receivable to and from the same party shall be treated as payments satisfying the provisions of this sub-section subject to following conditions, namely:--

- (a) sales tax has been charged and paid by both parties under the relevant provisions of this Act and rules prescribed thereunder, wherever applicable; and
- (b) the registered person has sought prior approval of the Commissioner before making such adjustments.]

(2) The buyer shall not be entitled to claim input tax credit, adjustment or deduction, or refund, repayment or draw-back or zero-rating of tax under this Act if payment for the amount is made otherwise than in the manner prescribed in sub-section (1), provided that payment in case of a transaction on credit is so transferred within one hundred and eighty days of issuance of the tax invoice.

¹ Section 73 substituted by Finance Act, 2004. Earlier it was substituted by Finance Act, 2003, which was inserted by Tax Laws (Amendment) Ordinance, 1999

²Substituted for full stop by Finance Act, 2005

³ Proviso inserted by Finance Act, 2005

⁴ New proviso inserted by Finance Act, 2021

(3) The amount transferred in terms of this section shall be deposited in the business bank account of the supplier, otherwise the supplier shall not be entitled to claim input tax credit, adjustment or deduction, or refund, repayment or draw-back or zero-rating of tax under this Act.

Explanation— For the purpose of this section, the term “business bank account” shall mean a bank account utilized by the registered person for business transactions, declared to the ¹[Commissioner] in whose jurisdiction he is registered ²[through Form STR-1 or change of particulars in registration database.]]

³[(4) A registered ⁴[person] shall not be entitled to deduct input tax (credit adjustment or deduction of input tax) which is attributable to such taxable supplies exceeding, in aggregate, one hundred million rupees in financial year or ten million rupees in a tax period as are made to certain person who is not a registered person under this Act:

Provided that the aforesaid shall not apply to supplies made to:-

- (a) Federal / provincial / local Government departments, authorities, etc. not engaged in making of taxable supplies;
- (b) Foreign Missions, diplomats and privileged persons; ⁵[***]
- (c) all other persons not engaged in supply of taxable goods; ⁴[and]
- ⁶(d) persons or classes of person, specified by the Board through notification in the official Gazette subject to such conditions and restrictions as may be specified therein.]

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, the same amendment was made by Finance (Amendment) Ordinance, 2010, promulgated as Ordinance No III of 2010, dated February 6, 2010, published in the official Gazette of Pakistan Extraordinary Part I at pages 23 to 53 and 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 inserted by Finance Act, 2013

³ New sub-section “(4)” inserted through Tax Laws (Amendment) Act, 2020.

⁴ Word substituted by Finance Act, 2020

⁵ Word “and” omitted and the word “and” inserted by Finance Act, 2020.

⁶ New clause (d) inserted by Finance Act, 2020.

¹[74. **Condonation of time-limit.**— Where any time or period has been specified under any of the provisions of the Act or rules made there under within which any application is to be made or any act or thing is to be done, the ²[Board] may, in any case or class of cases, permit such application to be made or such act or thing to be done within such time or period as it may consider appropriate [:]

Provided that the Board may, by notification in the official Gazette, and subject to such limitations or conditions as may be specified therein, empower any [Commissioner] to exercise the powers under this section in any case or class of cases.

Explanation.— For the purpose of this section, the expression “any act or thing is to be done” includes any act or thing to be done by the registered person or by the authorities specified in section 30 of this Act.]

³[74A. **Validation.**— ⁴[(1) All notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, ⁵[2018] shall be deemed to have been validly issued and notified in exercise of those powers.]

⁶[(2) Notwithstanding any omission, irregularity or deficiency in the establishment of or conferment of powers and functions on the Directorate General (Intelligence and Investigation), Inland Revenue and authorities specified in section 30A, all orders passed, notices issued and actions taken, before commencement of the Finance Act, 2018, in exercise or purported exercise of the powers and functions of the officers of Inland Revenue under this Act by the Director General (Intelligence and Investigation), Inland Revenue or the authorities specified in section 30A shall be deemed to have been validly passed, issued and taken under this Act.]

75. Application of the provisions of Act IV of 1969 to Sales Tax.— The Federal Government may, by notification in the official

¹ Section 74 added by the Finance Ordinance, 2002

² Substituted for the words “Central Board of Revenue” by Finance Act, 2007

³ Section 74A inserted through Finance Act, 2017

⁴ Existing provision numbered as sub-section (1) by Finance Act, 2018.

⁵ Figure substituted by Finance Act, 2018

⁶ New sub-section (2) added by Finance Act, 2018

Gazette, declare that any of the provision of the Customs Act, 1969 (IV of 1969), relating to the levy of, and exemption from, customs duties, drawback of duty, warehousing, confiscation, and procedure relating to offences and appeals 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 tax imposed by section 3.]

¹[76. Fee and service charges.—³[(1)] The ²["Board with approval of the Federal Minister-in-charge"] may, by notification in the official Gazette, subject to such conditions, limitations or restrictions as it may deem fit to impose, levy fee and service charges for valuation, in respect of any other service or control mechanism provided by any formation under the control of the Board, including ventures of public-private partnership, at such rates as may be specified in the notification.]

³[(2) The Board may authorize and prescribe the manner in which fee and service charges collected under sub-section (1) shall be expended.]

¹ New section 76 added through Finance Act, 2019

² Words "Federal Government" substituted through Tax Laws (Amendment) Act, 2020, dated 30-3-2020

³ Existing sub-section renumbered as sub-section (1) and new sub-section (2) inserted by Finance Act, 2021

FEDERAL BUDGET 2021-22

SALIENT FEATURES OF FEDERAL BUDGET 2021-22 RS. 8,487 BILLION

Following are the salient features of budget 2021-22 presented by Minister for Finance and Revenue Shaukat Tarin in the Parliament House on 11-06-2021

- GDP growth target has been set at 4.8%
- Total budget outlay set at Rs. 8,487 billion
- National PSDP outlay set at Rs. 2,102 billion
- Federal PSDP outlay set at Rs. 900 billion for FY22, up 43% year-on-year compared to Rs. 630 billion in FY21
- Large-scale manufacturing to grow by 6.0%
- Debt repayment to cost Rs. 3,060 billion
- Government sets NFC distribution target at Rs3,412 billion
- FBR's tax collection target set at Rs5.8 trillion for FY22 compared to PKR 4.7 trillion in FY21.
- An amount of Rs12 billion set aside for emergency agriculture program to ensure food security
- Total subsidy expenditure for FY22 stands at Rs682 billion
- Interest-free loans up to Rs500,000 to be provided to help alleviate poverty concerns
- Foreign auditors to be selected for E-audit system
- Karachi's transformation plan will be allocated Rs98 billion from the PSDP
- Reduction in rate of capital gains tax on disposal of securities from 15% to 12.5%
- Defence spending to be Rs1.37 trillion in the upcoming year
- Federal excise duty proposed on internet data usage at Rs5 per GB
- Tax on the so-called 'on' money on vehicles, if sold without registration, is to be retained
- Reduction in tax liability by 25% for women entrepreneurs.
- From first of July 2021 all government employees to get 10% adhoc relief allowance
- From first of July 2021 pension to get 10 percent raise
- From grade 1 to 5 government allowance to get increase allowance to Rs. 900 from Rs. 400
- Minimum wage has been increased to Rs. 20000 per month
- On 300 active pharmaceutical industries have been exempted from customs duties
- On several raw material used in industries has been either exempted or duties have been reduced
- Total incentives due to lowering of duty will amount to Rs. 25 billion a year
- Tax lowered on warehousing, logistics services and collateral from 8% to 3%
- Withholding exempted on Electronic warehouse receipts of PME
- Telecommunication sector has been given industrial status
- Special technology Zone would be established aimed with 10 year tax holiday
- Imports of capital goods would be duty free for technology zones
- SMEs having a turnover of Rs. 100 million per year have to pay tax of 0.25%

- Sme turnover of Rs. 100 million to Rs. 250 million tax levy of 0.5%
- Government to introduce one pager tax return document for SME
- IT sector would be for freelance and other services
- Final regime tax for IT sector would be 1percent and no question would be asked
- Wholesaler and retailers and AOPs minimum tax limit has been increased
- Minimum tax level has been raised to Rs. 100 million
- Proposed that turnover tax and withholding tax will be levied on other sector which are active payer list
- Number of Real time point of sale in two years will be increased to 500,000 from 11000 retailers
- Propose on individuals and AOPs minimum tax rate to be raised from Rs. 10 million to Rs. 100 million
- Introduction of self-assessment scheme, E-audit system and a strict adherence to no harassment for taxpayers
- No new taxes on salaried class
- Tax rate to be reduced to 1.25% from 1.5%
- Promotion of third party audits and minimizing requirements for tax compliance
- Expansion of GST base and introduction of new simplified Tax Return Form and new tax code
- Every year tax rate will be reduced
- Withholding tax on mobile phone reduced to 10% from 12.5%
- Tax rate will be reduced to 8%
- Withdrawal of FED and reduction of sales tax on locally manufactured cars up to 850cc
- Exemption to SILOS for storage of agriculture products
- Reduction in withholding tax regime by 40%
- Exemptions on COVID-19 related medical equipment / items have been extended for six months
- Federal excise duty has been imposed on usage of over three minute calls and SMS
- Withholding tax on 12 sectors have been removed
- Sectors are banking transactions, PSX, margin financing, air travel service, debit and credit cards on overseas buying
- Sales tax on 850 cc cars reduced to 12.5% from 17%
- Increase in development budget from Rs. 630 billion to Rs. 900 billion
- For Food Security; Rs. 1 billion for Locust Emergency and Food Security Project,
- Rs. 2 billion for enhancing productivity of rice, wheat, cotton, sugarcane and pulses,
- Rs. 1 billion for enhancement of olive cultivation on commercial scale
- Rs. 3 billion for improvement of water courses
- Rs. 100 billion allocated for construction of four hydropower dams (Dasu, Diamer, Mohmand, Neelum Jhelum)
- Gross Revenues for 2021-22 have been estimated at Rs. 7,909 billion
- FBR revenues are estimated to grow by 24% from Rs. 4,691 billion to Rs. 5829 billion
- Federal expenditures are budgeted at Rs. 8,487 billion compared to Rs. 7,341 billion
- Subsidies are projected at Rs. 682 billion
- Allocation of Rs. 260 billion for Ehsaas, 24% increased
- Expenditure priorities: Vaccinations \$ 1.1 billion, Universal Health Coverage in collaboration with Provinces
- Rs. 12 billion for collateral free lending to SME,

- Rs. 10 billion for Kamiah Pakistan Program,
- Rs. 100 million for anti-rape fund
- Rs. 66 billion for Higher Education Commission budget

KEY HIGHLIGHTS OF ECONOMIC SURVEY 2020-21

As Pakistan unveiled the Economic Survey 2020-21, the government announced it beat many earlier projections as the economy was able to stage a V-shaped recovery. Here are the salient features of the survey.

- Pakistan's GDP provisionally grew 3.9% during FY21. Growth for FY20 was revised down to -0.47% from -0.38% earlier.
- For FY21, GDP at current market prices stood at Rs47.7 trillion.
- Services sector saw a growth of 4.43%, mainly on the back of wholesale and retail trade segment (8.37%), and finance and insurance sector (7.84%).
- Agriculture sector registered a growth of 2.77%.
- Wheat witnessed a growth of 8.1%, rice 13.6%, while maize recorded a growth of 7.38%.
- Sugarcane recorded the second-highest ever production at 22%. On the other hand, cotton witnessed a negative growth of 22.8% resulting in 15.6% decline in cotton ginning.
- At the end of March 2021, Pakistan's total public debt stood at Rs38 trillion. The domestic debt amounted to Rs25.6 trillion (up 13.8% YoY) while foreign public debt was Rs12.5 trillion.
- Average National Consumer Price Index (CPI) stood at 8.83%.
- Remittances increased by 29% YoY, amounting to \$26.7 billion, as per 11MFY21 SBP data.
- Pakistan's Foreign Direct Investment (FDI) hit \$1.55 billion during 10MFY21, a decline of 32% YoY.
- Pakistan saw a current account surplus of \$773 million in 10MFY21 against a deficit of \$4,657 million recorded in the same period last year. During 10MFY21 total imports recorded a growth of 8% YoY to \$48,625 million. Exports clocked in at \$25,889 million, posting a jump of 6% YoY.
- Country recorded a trade deficit of \$22,736 million compared to a deficit of \$20,599 million in 10MFY21, seeing an increase of 11%.
- Per capita income for FY21 stood at Rs246,414 (+14.6% YoY). In dollar terms, it was \$1,543 (+13.4% YoY).

GLOSSARY OF TAX TERMS

-A-

ABATEMENT -- A reduction in the assessment of tax, penalty or interest when it is determined the assessment is incorrect

ABUSE OF LAW -- The doctrine which allows the tax authorities to disregard a civil law form used by the taxpayer which has no commercial basis

ACCELERATED DEPRECIATION -- Method of depreciation under which taxpayers may allocate larger depreciation deductions to the first year or first few years of useful business assets, such as plant and machinery

ACCOUNTING BASIS -- Method of calculating amounts subject to income tax and VAT. In respect of VAT, tax would be computed as a percentage levy on the excess of sales over purchases. This is a theoretical concept and no country uses it.

ACCOUNTING PERIOD -- A period of time used by taxpayer for the determination of tax liability

ACCOUNTS PAYABLE -- A list of the debts currently owed by a person or business, mainly for the purchase of services, inventory, and supplies

ACCOUNTS RECEIVABLE -- A list of the money owed on current account to a creditor, which is kept in the normal course of the creditor's business and represents unsettled claims and transactions

ACCOUNTING RECORDS -- All documents and books used in the preparation of the tax return and all financial statements, including general ledger, subsidiary ledgers, sales slips, and invoices.

ACCRUAL BASIS (ACCRUAL METHOD) -- An accounting method whereby income and expense items are included in taxable income or expense as they are earned or incurred, rather than when they are received or paid

AD VALOREM TAX -- A tax on goods or property expressed as a percentage of the sales price or assessed value

ADMINISTRATIVE COMPANY -- See: Service company

ADMINISTRATIVE EXPENSES -- Expenses that are not as easily associated with a specific function as are the direct costs of manufacturing and selling. It typically includes expenses of the headquarters office and accounting expenses.

ADMINISTRATIVE OFFICE -- Office frequently located in a country other than that of the headquarters office, the parent company or country of operation.

ADVANCE PRICING ARRANGEMENT (APA) -- An arrangement that determines, in advance of controlled transactions, an appropriate set of criteria (e.g. method, comparables and appropriate adjustments thereto, critical assumptions as to future events) for the determination of the transfer pricing for those transactions over a fixed period of time. An advance pricing arrangement may be unilateral involving one tax administration and a taxpayer or multilateral involving the agreement of two or more tax administrations.

ADVANCE RULING -- A letter ruling, which is a written statement, issued to a taxpayer by tax authorities, that interprets and applies the tax law to a specific set of facts

AFFILIATED COMPANIES -- General term used to describe the relationship between two or more companies linked by a common interest

AFFILIATION PRIVILEGE -- Tax relief or exemption accorded to dividend distributions made by a resident subsidiary company to its parent company which owns a certain minimum percentage of shares, in order to mitigate double taxation of such dividends.

AGENCY -- A business that provides a particular service to a company (that are outside of the country where the agency is located). Dependent agency constitutes a permanent establishment for the other company and the income achieved through the agency is taxed on the income earned from

the country where the agency is located whereas independent agency does not.

AGGREGATION -- Term used to denote the adding together of the taxpayer's income from all sources in order to determine the applicable tax rate for income tax purposes.

ALIEN, TAX TREATMENT OF -- A person who is not a citizen of the country in which he or she lives. In general, most countries do not distinguish between nationals and aliens for tax purposes; rather tax liability is based on residence and/or domicile.

ALIENATION OF INCOME -- Term generally used to describe the transfer of the right to receive income from a source while not necessarily transferring the ownership of that source to the same person.

ALLOCATION -- The apportionment or assignment of income or expense for various tax purpose, e.g., between permanent establishments in various jurisdictions

ALLOWANCE -- Deduction or exemptions generally made in computing income taxes, inheritance and gift taxes and some forms of sales taxes.

AMORTIZATION -- Process of writing off the cost of an intangible asset over its useful life.

AMORTIZATION METHOD -- Method of computing a credit under a VAT regime where investment goods are purchased which have a useful life in the business for a period exceeding one year. The tax embodied in the price paid for the assets may be credited to the trader over a period of years corresponding to the life of the assets.

APA -- See: Advance Pricing Arrangement

APPORTIONMENT METHOD -- One of the methods used to allocate income and expenses between related enterprises using a formula consisted of some factors such as sales, property, or payroll.

ARBITRAGE -- Process of buying a commodity (which may include currency or securities) and simultaneously selling it in another market in order to profit from price differentials.

ARBITRAGE, TAX -- Process of entering into a tax motivated transaction (i.e. to obtain profit from the application of tax rules).

ARBITRATION -- Term used for the determination of a dispute by the judgment of one or more persons, called arbitrators, who are chosen by the parties and who normally do not belong to a normal court of competent jurisdiction

ARM'S LENGTH PRINCIPLE -- The international standard which states that, where conditions between related enterprises are different from those between independent enterprises, profits which have accrued by reason of those conditions may be included in the profits of that enterprise and taxed accordingly

ARM'S LENGTH RANGE -- A term used in transfer pricing to describe a range of values that can be defined for purpose of selecting an appropriate arm's length price from comparable transactions.

ARM'S LENGTH TRANSACTION -- A transaction among parties, each of whom acts in his or her own best interest.

ASSESSMENT -- Act of computing the tax due

ASSOCIATED ENTERPRISES -- Generally speaking, enterprises are associated where the same persons participate directly or independently in the management, control or capital of both enterprises, i.e. both enterprises are under common control.

ATTRIBUTION RULES -- Rules that create ownership by attributing stock to one party even though the shares are legally owned by another party; often called constructive ownership of stock.

AUDIT -- Examination and verification carried out by an outside agency (such as an accountancy firm or the tax authorities) of a taxpayer's books and accountants and/or the general accuracy of returns and declarations, either as a routine operation, or where evasion is suspected.

AUXILIARY ACTIVITIES -- A fixed place of business through which an enterprise exercises solely an activity which has, for the enterprise, a preparatory or auxiliary character, is, under tax treaties generally, deemed not to be a permanent establishment. The decisive criterion is whether the activity of the fixed place of business in itself forms an essential and significant part of the activity of the enterprise as a whole.

AUXILIARY COMPANY -- Company which is part of a group of companies and which supplies auxiliary services to group companies.

AVOIDANCE -- A term that is difficult to define but which is generally used to describe the arrangement of a taxpayer's affairs that is intended to reduce his tax liability and that although the arrangement could be strictly legal it is usually in contradiction with the intent of the law it purports to follow. Cf. evasion

-B-

BACK-TO-BACK LOAN -- Method of borrowing between related parties where a loan is channelled through an independent third-party intermediary.

BAD DEBT -- Debt which is unlikely to be paid. Bad debts may usually be treated as losses and written off against a reserve for such debts.

BALANCE SHEET -- Statement of the financial position of a business as of a particular date. The statement will show the business's assets in one column and its liabilities and owner's equity in another column.

BALANCING PAYMENT -- A payment, normally from one or more participants to another, to adjust participants' proportionate shares of contributions, that increases the value of the contributions of the payer and decreases the value of the contributions of the payee by the amount of the payment, in the context of CCA (Cost Contribution Arrangements).

BANK SECRECY PROVISIONS -- Provisions which require that a bank refuse to disclose information about its customers to third parties, including the tax authorities.

BAPA -- Bilateral advance pricing arrangement. Also called MAP APA.

BASE COMPANY -- Company situated in a low-tax or non-tax country (i.e. tax haven), which is used to shelter income and reduce taxes in the taxpayer's home country. Base companies carry on certain activities on behalf of related companies in high-tax countries (e.g. management services) or are used to channel certain income, such as dividends, interest, royalties and fees.

BASE COST -- Term used in capital gains tax legislation to denote the cost of an asset to an owner.

BEARER SECURITIES -- Stocks, bonds, etc. in which ownership can be transferred from one holder to another without registration of the transaction by the issuing company, that is, title passes with delivery.

BENEFICIAL OWNER -- A person who enjoys the real benefits of ownership, even though the title to the property is in another name. Often important in tax treaties, as a resident of a tax treaty partner may be denied the benefits of certain reduced withholding tax rates if the beneficial owner of the dividends etc is resident of a third country.

BENEFICIARY -- The person who receives or is to receive the benefits resulting from certain acts. In a tax context, the beneficiary is the person entitled to the benefits from trust property or from an insurance policy.

BENEFITS IN KIND -- Term which refers to earnings, usually from employment, other than in cash, as part of compensation for services rendered.

BENEFIT TEST -- In considering whether a company may be allowed to deduct, as an expense, payments made to a related company in a multinational group on account of expenses incurred by that related company in providing intra-group services, tax authorities would refuse a deduction unless a real benefit had been conferred on the company claiming the deduction.

BERRY RATIO -- Ratio used to establish an arm's length profit. The Berry ratio is the ratio of a business' gross income to operating costs.

BEST METHOD RULE -- Transfer pricing rule requiring that a taxpayer use the transfer pricing method that results in the most reliable measure of an arm's length price. This rule doesn't prescribe priorities between various methods.

BILATERAL ADVANCE PRICING ARRANGEMENT (BAPA) APA -- involving two or more tax authorities

BOND - Interest-bearing debt obligation to a government or corporation. The date of interest is usually fixed.

BOTH VALUE - The value of individual bond as recorded in the accounting records of a taxpayer, calculated as actual cost less allowances for any depreciation.

BRACKET - Term used in connection with graduated system of taxation to refer, for example, to the slab or slices of taxable income subject to particular rates of income tax.

BRANCH - Division, office or other unit of business located in a different location from the main office or headquarters. It is not a separate legal entity.

BRANCH PROFITS TAX (BPT) - See Branch tax.

BRANCH TAX - Tax imposed on branches of foreign companies in addition to the normal corporate income tax on the branch's income. This is equivalent to the tax on dividends which would be due if the branch had been a subsidiary (see subsidiary company) of the foreign company and had distributed its profit as dividends.

BROTHER-SISTER CORPORATIONS - Two or more companies which are owned and controlled by the same shareholders.

BURDEN OF PROOF - Obligation to persuade a court or other entity of the validity of a factual assertion.

BUSINESS ASSETS - Assets used for purposes of carrying on a business.

"BUSINESS PURPOSE" TEST - Test used as a weapon against tax avoidance schemes. Artificial schemes which create circumstances under which no tax or minimal tax is levied may be disregarded if they do not serve a "business purpose".

BUY-IN PAYMENT - A payment made by a new entrant to an already active CCA (Cost Contribution Arrangements) for obtaining an interest in any results of prior CCA activity.

BUY-OUT PAYMENT - Compensation that a participant who withdraws from an already active CCA may receive from the remaining participants for an effective transfer of its interests in the results of past CCA activities.

-C-

CAPITAL ASSETS - All property held for investment by a taxpayer.

CALL OPTION - Contract under which the holder of the option has the right but not the obligation to purchase securities or commodities on or before a specified date for a specified exercise price.

CAPITAL EXPENDITURE - Expenditure on improvement rather than repair. Where expenditure is more closely connected with the business income-earning structure than its income earning capacity, it is capital expenditure.

CAPITAL GAIN - A gain on the sale of capital asset.

CAPITAL TAX - A tax based on capital holdings, as opposed to a capital gains tax.

CAPITALIZE - To record capital outlays in addition to asset accounts, not as expenses.

CAPITAL LOSS - The loss from the sale of a capital asset.

CAPTIVE BANK - Wholly owned subsidiary of a multinational group of companies whose purpose is to provide banking service to the group and those with whom the group deals. A captive bank is generally located in a tax haven in order to avail itself of the low capital requirements and freedom from exchange control.

CAPTIVE INSURANCE COMPANY - Wholly owned subsidiary of a multinational group of companies which exclusively insures or reinsures the risks of companies that belong to the group. A captive insurance company is usually established in a low-tax country. Whether premiums paid to captive insurance companies are recognized as business expenses depends on the country in question.

CARRYBACK - See Carryover.

CARRYFORWARD - See Carryover.

CARRYOVER - A process by which the deductions or credits of one taxable year that cannot be used to reduce tax liability in that year are applied against a tax liability in subsequent years.

(carry forward) or previous years (carryback).

CASH BASIS (CASH METHOD) - The accounting method which recognizes income and deductions when money is received or paid.

CCA - See Cost Contribution Arrangements.

CENTRAL MANAGEMENT AND CONTROL - Where the central management and control is located is a test for establishing the place of residence of a company. Generally speaking, it refers to the highest level of control of the business of a company.

CENTRE OF VITAL INTEREST - This is one of the criteria used to resolve the problem of dual residence of individuals. It refers to the place where the taxpayer's personal and economic relationships are closer.

CFC - See Controlled foreign company.

CHERRY PICKING - Term used in the USA in R&D arrangements to prevent a contracting party from selecting or funding only the technologies that are successfully developed, i.e. "cherry picking". In transfer pricing context, it often describes a situation where a tax authority tries to impose a TF adjustment on a taxpayer based on a few of "cherry picked" related party transactions of other comparable companies with an intention to maximize its adjustment.

CIF VALUE - The value of imported goods which includes cost, insurance and freight.

CIVIL LAW - Systems of law based primarily on statutes or codes rather than judicial decisions. Examples are the French and German systems.

CLOSE (CLOSELY HELD) COMPANY - Company which is owned or controlled by a single shareholder or closely knit group of shareholders.

COMMENSURATE WITH INCOME STANDARD - See Super royalty provision.

COMMERCIAL INTANGIBLE - An intangible that is used in commercial activities such as the production of a good or the provision of a service, as well as an intangible right that is itself a business asset transferred to customers or used in the operation of business.

COMMODITIES FUTURES - Contracts, traded on recognized futures markets, in which sellers promise to deliver a given commodity by a certain date at a predetermined price.

COMMODITY TAX - Tax based on a selective number of commodities.

COMMON LAW - The body of law developed by the judiciary in systems based on English law and which is followed under the doctrine of precedent, i.e. past judicial decisions on similar cases.

Much of it is now incorporated in statute. Also this term is used to describe a system ultimately based on English legal systems, as opposed to civil law systems.

COMMON STOCK - The ordinary stock of a corporation. An equity or ownership interest in a corporation. The holder of common stock usually has a vote in deciding company affairs. Common stock is usually last in priority when profits or assets are distributed.

COMPANY - Often used to mean a separate legal entity (a corporation) organized to perform an activity, business or industrial enterprise. Sometimes it has a broader meaning to mean individual or collective enterprises seeking profit.

COMPARABILITY ANALYSIS - Comparison of controlled transaction conditions with conditions prevailing in transactions between independent enterprises (uncontrolled transactions).

Controlled and uncontrolled transactions are comparable if none of the differences between the transactions could materially affect the factor being examined in the methodology (e.g. price or margin), or if reasonably accurate adjustments can be made to eliminate the material effects of any such differences.

COMPARABLE PROFIT METHOD (CPM) - Under US regulations CPM is a method to determine an arm's length consideration for transfers of intangible property. If the reported operating income of the tested party is not within a certain range, an adjustment will be made. In effect this method requires a comparison of the operating income that results from the consideration actually charged in a controlled transfer with the operating income of similar taxpayers that are uncontrolled.

COMPARABLE UNCONTROLLED PRICE (CUP) METHOD - A transfer pricing method that compares the price for property or services transferred in a controlled transaction to the price charged

for property or services transferred in a comparable uncontrolled transaction in comparable circumstances.

COMPARABLE UNCONTROLLED TRANSACTION (CUT) METHOD -- A transfer pricing methodology used in the US, which determines an arm's length royalty rate for an intangible by reference to uncontrolled transfers of comparable intangible property under comparable circumstances.

COMPENSATING ADJUSTMENT -- An adjustment in which the taxpayer reports a transfer price for tax purposes that is, in the taxpayer's opinion, an arm's length price for a controlled transaction, even though this price differs from the amount actually charged between the associated enterprises. This adjustment would be made before the tax return is filed.

COMPENSATION -- Direct and indirect monetary and non-monetary rewards to employees.

COMPENSATORY STOCK OPTIONS -- Options offered to employees as partial compensation for their services.

COMPETENT AUTHORITY (CA) -- Forum to resolve disputes arising from the application and/or interpretation of a double tax treaty. Both treaty countries appoint a representative (frequently the Ministry of Finance or its authorized representative) as the CA to assist aggrieved taxpayers by acting as the official liaison with the foreign CA. The CA is generally indicated in the definitions sections of tax treaties.

COMPLIANCE -- See: Tax compliance

CONDUIT APPROACH -- A method whereby income or deductions flow through to another party

CONDUIT COMPANY -- Company set up in connection with a tax avoidance scheme, whereby income is paid by a company to the conduit and then redistributed by that company to its shareholders as dividends, interest, royalties, etc.

CONSIDERATION -- Anything of value, including property, given in return for a promise or performance by another party to form a contract

CONSOLIDATED TAX RETURN -- A combined tax return in the name of the parent company filed by companies organized as a group.

CONSORTIUM -- Association of business enterprises, whether individuals, partnerships or companies, operating together on a temporary basis for some specific venture.

CONSTRUCTIVE DIVIDEND -- A variety of payments whether in cash or in kind made by companies to shareholders or associated persons, which are not expressed as dividends, may nevertheless be regarded by the tax law as distributions of profits and treated for tax purposes as if they were dividends.

CONSTRUCTIVE OWNERSHIP -- A taxpayer may be considered to own property or stock which he only indirectly owns.

CONSUMPTION TAX -- Tax generally intended to fall on the ultimate consumption of goods and services.

CONTRACT MANUFACTURER -- A manufacturer, in most cases, located in a low-cost jurisdiction, which has a license to use an intangible property developed by its parent company. The manufacturer uses the intangible property to produce tangible property which is then resold to the parent for distribution to ultimate customers.

CONTRIBUTION ANALYSIS -- Where the profit-split method is applied in transfer pricing cases, a contribution analysis requires that the combined profit be divided between associated enterprises based upon the relative value of the functions performed by each of the associated enterprises participating in the controlled transaction.

CONTROL -- The capacity of one person to ensure that another person acts in accordance with the first person's wishes, or the exercise of that capacity. The exercise of control by one person over another could enable individuals and corporations to avoid or reduce their tax liability. A company is usually regarded as controlling another company if it holds more than 50% of the latter company's voting shares. However, the definitions vary according to country and situation.

CONTROLLED FOREIGN COMPANIES (CFC) -- Companies, usually located in low tax jurisdictions, that are controlled by a resident shareholder. CFC legislation is usually designed to combat the sheltering of profits in companies resident in low- or no-tax jurisdictions. An essential feature of such regimes is that they attribute a proportion of the income sheltered in such companies to the shareholder resident in the country concerned. Generally, only certain types of income fall within the scope of CFC legislation, i.e. passive income such as dividends, interest and royalties.

CONTROLLED TRANSACTION -- Transactions between two enterprises that are associated enterprises with respect to each other.

CONTROLLING INTEREST -- Ownership of more than 50% of a corporation's voting shares.

COOPERATIVE SOCIETY -- In general, cooperative societies are founded to reduce the purchase price or increase the sales price of certain products for the benefit of their members or to serve the interest of their members in some other way, among small traders, farmers, consumers, etc.

COORDINATION CENTRE -- Enterprise whose only purpose is to coordinate the activities of affiliated companies, to do research or to carry out support activities for the benefit of such corporations.

COPYRIGHT -- Exclusive right granted to authors and artists to publish, use and exploit their literary or artistic works.

CORPORATE INCOME TAX -- Income tax on the income of companies

CORPORATE VEIL -- As a corporation is a separate legal entity, and shareholders have an interest in the company rather than in its assets, the corporate veil is used to describe the inability to look behind the legal entity and attribute the actions, assets, debts and liabilities of a company to those standing behind it, notably the shareholders. Courts may sometimes be able to "pierce" (look through) the corporate veil to make an attribution to the underlying person or persons.

CORPORATION -- In technical terms, it means a legal entity generally chartered by a relevant government and separate and distinct from the persons who own it. However it is now commonly used as another way of referring to a company. (See: Company)

CORPORATION SHOPPING -- Term sometimes used in addition to treaty shopping to denote the use of tax treaty provisions by interposing a company instead of a different form of association for which tax relief would not be available.

CORRESPONDING ADJUSTMENT -- An adjustment to the tax liability of the associated enterprise in a second jurisdiction made by the tax administration of that jurisdiction, corresponding to a primary adjustment made by the tax administration in a first tax jurisdiction, so that the allocation of profits by the two jurisdictions is consistent.

COST -- Purchase price paid for property or the value of the exchange for which property is given.

COST CONTRIBUTION ARRANGEMENT (CCA) -- A CCA is a framework agreed among enterprises to share the costs and risks of developing, producing, or obtaining assets, services, or rights, and to determine the nature and extent of the interests of each participant in the result of the activity of developing, producing, or obtaining those assets, services, or rights.

COST FUNDING -- Contribution of an affiliate company to the general research and development (R&D) costs of another affiliate or group member, in proportion to its turnover or some other criterion

COST OF GOODS SOLD (COGS) -- A figure representing the cost of buying raw materials and producing finished goods. Included are clear-cut factors, such as direct factory labour, as well as others that are less clear-cut, such as overhead

COST-PLUS MARK-UP -- A mark up that is measured by reference to margins computed after the direct and indirect costs incurred by a supplier of property or services in a transaction

COST-PLUS METHOD -- A transfer pricing method using the costs incurred by the supplier of property (or services) in a controlled transaction. An appropriate cost plus mark up is added to this cost, to make an appropriate profit in light of the functions performed (taking into account assets used and risks assumed) and the market conditions. What is arrived at after adding the cost plus mark up to the above costs may be regarded as an arm's length price of the original controlled transaction.

COST-SHARING AGREEMENT -- See: Cost-contribution agreement

CPM -- See: Comparable profit method

CREDIT, FOREIGN TAX -- A method of relieving international double taxation. If income received from abroad is subject to tax in the recipient's country, any foreign tax on that income may be credited against the domestic tax on that income. The theory is that this means foreign and domestic earnings of an entity will as far as possible be similarly taxed, although usually the credit allowed is limited to the amount of domestic tax, with no carry over if tax is higher abroad.

CREDIT, TAX -- Allowance of deduction from or a direct offset against the amount of tax due as opposed to an offset against income.

CREDIT, UNDERLYING (INDIRECT) TAX -- In relation to a dividend, credit for underlying tax is credit for the tax levied on the profits of the company out of which the dividends have been paid. Such relief may be given either under a tax treaty or in accordance with unilateral provisions.

CREDIT, WITHHOLDING TAX -- Various kinds of income (such as dividends, interest, royalties) are taxed at source by requiring the payer to deduct tax and account for it to the tax authorities (abroad). The taxpayer recipient is entitled to credit the tax withheld at source against his final tax liabilities determined by (domestic) tax law of the country in which he is resident.

CREDIT METHOD -- See: Credit, foreign tax

CREDITOR -- A person who extended credit and to whom money is owed; a lender

CUP METHOD -- Comparable uncontrolled price method

CURRENT ASSETS -- The cash, accounts receivable, inventory, and other assets that are likely to be converted into cash, sold, exchanged, or expensed in the normal course of business, usually within a year.

CUSTOMS DUTIES -- Taxes on goods imported into a country

-D-

DAMAGES -- The amount received (other than worker's compensation) through prosecution of a legal suit or action based on tort or tort-type rights, or through a settlement agreement entered into in lieu of such prosecution.

DEATH DUTIES -- Taxes imposed on the transfer of property on account of a person's death.

DEBENTURE -- Interest-bearing bond which is not secured by any specific property, usually issued by a corporation or government to the general public

DEBT CAPITAL -- Funds obtained through various types of loan which normally comprehends debentures and bonds bearing fixed interest.

DEBT DUMPING -- Transferring a bad debt to a group company located in a higher-tax rate country in order to write off the debt in that country.

DEBT/EQUITY RATIO -- Relationship of total debt of a company to its ordinary share capital. If a corporate debt is disproportionately high in comparison with its equity, the debt may be recharacterised as equity, resulting in a disallowance of the interest deduction and taxation of the funds as dividends.

DEBT INSTRUMENT -- A written promise to repay a debt, such as a bill, bond, banker's acceptance, note, certificate of deposit, or commercial paper.

DEBTOR -- A person who owes money; a borrower

DEDUCTION AT SOURCE -- See: Withholding tax

DEDUCTIONS -- Deduction denotes, in an income tax context, an item which is subtracted (deducted) in arriving at, and which therefore reduces, taxable income.

DEEMED INTEREST -- If a member of a multinational enterprise (MNE) receives an interest-free loan from an affiliated company, the tax authorities of the lender's country may readjust the lender's profits by adding an amount equal to the interest which would have been payable on the loan had it been made at arm's length.

DEEP DISCOUNT BOND -- See: Zero coupon bond

DEFAULT -- The failure of a debtor to make timely payments of interest and principal amounts as they come due or to meet some other provision of a bond, mortgage, lease, or other contract.

DEFERMENT OF TAX -- The postponement of tax payments from the current year to a later year. A number of countries have introduced legislation to counter the kind of tax avoidance whereby a taxpayer obtains a deferment of tax which is not intended by law. Ex) CFC legislation

DEFERRED INCOME -- Term used to describe income which will be realized at a future date, thus delaying any tax liability.

DEFICIENCY -- The excess of a taxpayer's correct tax liability for the taxable year over the amount of taxes previously paid for that year. A US concept

DELINQUENCY -- Tax which is in default (i.e. due but not yet paid) is often referred to as a "delinquent" tax in North American parlance.

DELIVERY -- Transfer of goods or an interest in goods from one person to another.

DEMAND LOAN -- A loan payable on request by the creditor rather than on a specific date.

DE MINIMIS -- Phrase used in connection with circumstances in which the full rigour of the tax law is not enforced because, in particular, of the small amount or minor breach which may be involved, particularly in the context of under-assessed or underpaid tax which are not pursued on "de minimis" grounds.

DEPENDENT AGENT -- See: Agency

DEPENDENT PERSONAL SERVICES -- The OECD model tax treaty provides rules for the treatment of salaries, wages and other similar remuneration (i.e. employment income) under the heading "dependent personal services". As a general rule, with some exceptions, the right to tax income from dependent personal services is allocated to the country where the employment activities are exercised.

DEPLETION -- Deductible expense which reflects the decrease of a natural resource due to extraction of the resource.

DEPRECIATION -- An accounting technique in which the cost of an asset is allocated over its useful life.

DERIVATIVE FINANCIAL INSTRUMENTS -- Also known as derivatives. These are financial instruments whose values are linked to or depend on the value of a primary (underlying) asset, e.g. debt assets, liabilities and equity securities, commodities or currency. The primary types of derivatives include forward contracts, futures, options and swaps.

DESTINATION PRINCIPLE -- Principle under a VAT regime which mandates that VAT on goods be paid in the country where the purchaser is resident (i.e. the country of consumption) at the rate that would have applied had the goods been purchased from a domestic supplier.

DIRECT CHARGE METHOD A -- method of charging directly for specific intra-group services on a clearly identified basis.

DIRECT COST -- Cost identified with a particular transaction, such as raw materials, components and goods, wages and other processing expenses.

DIRECT INVESTMENT -- Description often given to a substantial investment in the shares of a company.

DIRECTIVE -- An official order or instruction. In EU context, it means one of the legal instruments issued by the competent institutions of the European Union. A directive is addressed to the Member States requiring them to make such changes to their domestic legislation as necessary to satisfy a provision of one of the EC treaties.

DIRECT METHOD OF ALLOCATION OF COSTS -- Allocation method where the parent company or group service centre of a multinational enterprise providing central management and other services charges each member of the group directly for individual services rendered.

DIRECT TAX -- Direct taxes are taxes imposed on income, capital gains and net worth. Gift tax, death duties and property tax are also considered direct taxes.

DISCOUNT -- Amount by which the face value of a debt obligation exceeds its issue or selling price.

DISOLUTION OF CORPORATION -- The termination of the legal existence of a corporation.

DISTRIBUTION -- A payout of cash or property from a corporation to a shareholder.

DIVIDENDS -- A payment by a corporation to shareholders, which is taxable income of shareholders. Most corporations receive no deduction for it.

DOCUMENTATION -- Official documents that are used to prove that something is true or correct.

DOMESTIC CORPORATION -- Corporation which is organized or has its place of effective management in a country.

DOMICILE -- A person's domicile in English common law is his permanent home, the place to which he always intends to return. Residence is the place where an individual lives for a certain period of time, while domicile is the place where an individual makes his permanent home.

DOMICILE, FISCAL -- Term sometimes used to mean the same as residence. Fiscal domicile does not necessarily have the same meaning as domicile.

DOUBLE DIPPING -- Term used to indicate the possibility for dual resident companies to deduct the same expenses in two jurisdictions.

DOUBLE TAXATION, DOMESTIC AND INTERNATIONAL -- Domestic double taxation arises when comparable taxes are imposed within a federal state by sovereign tax jurisdictions of equal rank. International double taxation arises when comparable taxes are imposed in two or more states on the same taxpayer in respect of the same taxable income or capital, e.g. where income is taxable in the source country and in the country of residence of the recipient of such income.

DOUBLE TAXATION, ECONOMIC AND JURIDICAL -- Double taxation is juridical when the same person is taxed twice on the same income by more than one state. Double taxation is economic if more than one person is taxed on the same item.

DOUBLE TAXATION TREATY -- See: Tax treaty

DTA -- Double tax agreement. See Tax treaty.

DUAL RESIDENCE -- Person or company resident in two or more countries under the law of those countries, because the two countries adopt different definitions of residence.

DUTY -- Customs duties (sometimes called a tariff) levied on imported products.

DUTY-FREE ZONE -- Zone usually located next to an international port or airport where imported goods may be unloaded, stored and reshipped without payment of customs duties or other types of indirect taxes, provided the goods are not imported.

-E-

EARNED INCOME -- Income or compensation derived from personal services in an employment, trade, business, profession or vocation. (cf. investment income)

EARNINGS & PROFITS (E&P) -- A term referring to the economic capacity of a corporation to make a distribution to shareholders that is not a return of capital. Such a distribution would constitute a taxable dividend to the shareholder to the extent of current and accumulated earnings and profit under US tax law.

EARNINGS BEFORE TAXES -- Sales revenue less cost of sales, operating expenses, and interest, before taxes have been paid.

EARNINGS STRIPPING -- Practice of reducing the taxable income of a corporation by paying excessive amounts of interest to related third parties.

ECONOMIC DOUBLE TAXATION -- See: Double taxation, economic and juridical

ECO TAX -- See: Environmental tax

EFFECTIVELY CONNECTED INCOME (ECI) -- Non-resident alien individuals and foreign corporations engaged in trade or business within the US are subject to US income tax on income, from sources both within and outside the US, which is "effectively connected" with the conduct of the trade or business within the US. Income is effectively connected if it is derived from assets which are used in or held for use in the US, and the activities of the US business were a material factor in the realization of the income.

EFFECTIVE TAX RATE -- The rate at which a taxpayer would be taxed if his tax liability were taxed at a constant rate rather than progressively. This rate is computed by determining what percentage the taxpayer's tax liability is of his total taxable income.

EMPLOYEE PROFIT SHARING -- System under which the employees of an enterprise are entitled by employment contract or by law to a share in the profits made by the enterprise.

EMPLOYEE STOCK OPTION -- An opportunity for employees to purchase stock (shares) in the company they work for, often at a discount from fair market value. Generally it is provided as an incentive to stay with the employer until the options vest.

EMPLOYMENT INCOME -- Income source of individuals, covering income derived from labour or other current or former dependent personal services such as salaries, wages, bonuses, allowances, compensation for loss of office or employment, pensions and, in some countries, certain social security benefits.

ENTERTAINER -- Income of a professional entertainer e.g. a musician, actor or other artiste, or sportsman is, in many cases, treated differently from income of persons carrying on other independent profession.

ENTITY -- In general for tax purposes, an organization, person or party that possesses separate existence. Options include corporations, partnerships, estates and trusts.

ENVIRONMENTAL TAX -- Tax imposed for environmental reasons, e.g. to provide an incentive to reduce certain emissions to an optimal level or taxes on environmentally harmful products.

EQUAL TREATMENT -- General principle of taxation that requires that taxpayers pay an equal amount of tax if their circumstances are equal.

EQUITABLE INTEREST -- An equitable interest in an asset is the interest of the beneficial owner, this may or may not be the same person as the legal owner.

EQUITY --

1. The extent of a person's beneficial ownership of a particular asset. This is equivalent with the value of the asset minus the liability to which the asset is subject.
2. Paid-in capital plus retained earnings in a corporation
3. The ownership interest possessed by shareholders in a corporation - stock as opposed to bonds.

EQUITY CAPITAL -- A method of financing a business where money is received by the issuance of shares in the enterprise.

ESOP -- Employee stock ownership plan

ESTATE -- Broadly, all that a person owns, whether real property or personal property, for instance, the estate one leaves at death.

ESTATE DUTY/TAX -- See: Death duties

ESTIMATED ASSESSMENT -- For income tax purposes, where the records kept, particularly by small traders, are inadequate for a precise calculation of tax due, it may be necessary for the taxable income or profits to be calculated by the tax authorities on the basis of an estimate.

ESTOPPEL -- Rule under which one is precluded and forbidden by law to speak against his own act or deed. If a certain position has been taken, another person has relied on that, and you are aware of that reliance, there is often an estoppel against you arguing the contrary to your original position in a court proceeding.

EUROBOND -- International bond issued by a company in a market other than its domestic market. Eurobonds may take the form of loans, debentures or convertible debentures, and may be designated in any currency.

EURODOLLARS -- Dollars originally deposited in US banks that are acquired by persons resident outside the United States and held abroad, mainly in Europe. Eurodollars are used by foreign banks as a method of financing loans to other local or foreign banks or to commercial borrowers.

EUROPEAN COMMISSION -- The Commission is the executive institution of the European Union charged with the task of administering all policy within the Union.

EUROPEAN UNION -- See: Treaty on European Union

EVASION -- A term that is difficult to define but which is generally used to mean illegal arrangements where liability to tax is hidden or ignored, i.e. the taxpayer pays less tax than he is legally obligated to pay by hiding income or information from the tax authorities.

EXAMINATION -- The checking of a taxpayer's tax return, accounts, self-assessment calculations, etc. The process may or may not include an audit of the taxpayer's own books.

EXCHANGE CONTROL -- Restriction of the amount of a particular foreign currency that can be bought or sold

EXCHANGE OF INFORMATION -- Most tax treaties contain a provision under which the tax authorities of one country may request the tax authorities of the other country to supply information on a taxpayer. Information may only be used for tax purposes in the receiving country and it must be kept confidential, i.e. it can only be disclosed to the persons or authorities concerned with the assessment or collection of taxes covered by the treaty.

EXCISE TAX -- A tax imposed on an act, occupation, privilege, manufacture, sale, or consumption.

EXCLUSIONS -- Term used to describe income which is exempt, i.e. not included, in the calculation of gross income for tax purposes.

EXEMPTION METHOD -- See: Foreign tax relief

EXEMPTIONS -- Tax laws frequently provide specific exemptions for persons, items or transactions, etc. which would otherwise be taxed. Exemptions may be given for social, economic or other reasons.

EXPATRIATE -- Persons who have left their country and live abroad.

EXPATRIATION RULES -- Rules under which a taxpayer continues to be subject to tax when he relinquishes his residence or his citizenship in order to avoid tax.

EXPENSES -- Costs that are currently deductible, as opposed to capital expenditures, which may not be currently deducted but must be depreciated or amortized over the useful life of the property.

EXPORT DUTY -- Tax levied on exports of basic commodities entering into world trade, such as rubber, copper, palm oil, sisal, tea, cocoa and coffee

EXTENDED LIMITED TAX LIABILITY -- Principle according to which certain taxpayers (i.e. those subject to individual income tax, net worth tax and succession duty) who leave a tax jurisdiction and move to a low-tax country are subject to taxation in the former country of residence for a certain period of time after the move.

-F-

FACTORING -- Financial transaction whereby an enterprise sells its debt-claims to a third party in order to obtain cash (although less than the full amount of the debt). The third party then assumes responsibility for the administration and collection of the debt on the due date for its own account.

FAIR MARKET VALUE -- The price a willing buyer would pay a willing seller in a transaction on the open market.

FEDERAL REGISTER -- A daily publication by the U.S government that prints the regulations of the various governmental agencies.

FEDERAL TAX -- In federal states, taxation may exist on two levels: taxation by the federation or confederation, and taxation by the state or provinces.

FEE -- Fees charged by central or local governments can be distinguished from taxes when they are charged as payments for the supply of particular services by the authorities. Fees are usually not considered taxes when listing taxes to be included in a double tax treaty.

FIDUCIARY -- A person, company, or association holding assets in trust for a beneficiary.

FIELD AUDIT -- An examination of a tax return by tax authorities at the taxpayer's place of business.

FIFO -- Method of valuing inventory on the basis of "first in, first out", where goods or materials purchased first are regarded as those which are sold first.

FINAL TAX -- Under tax treaties the withholding tax charged by the country of source may be limited to a rate lower than the rate which would be charged in other circumstances - this reduced rate is then the final tax in the country of source.

FINANCE COMPANY -- A company, usually a wholly owned subsidiary, which borrows funds from within or outside a group of companies and onlends the funds to affiliates. A finance company is, in many cases, established in a low or no tax jurisdiction.

FINANCE LEASE -- Lease where the lessor is considered only as a financier. The lessee is regarded as the owner of the leased assets. Cf. Operating Lease

FINANCIAL STATEMENT -- Report which contains all of the financial information about a company. The report generally consists of a balance sheet, income statement and may include other information as well.

FINANCIAL STRUCTURE -- The makeup of the right-hand side of a company's balance sheet, which includes all the ways it assets are financed.

FIRST IN, FIRST OUT (FIFO) -- See: FIFO

FISCAL DOMICILE -- See: Domicile, fiscal

FISCAL NULLITY DOCTRINE -- Common law doctrine used in the UK in cases of avoidance of tax, whereby certain transactions are ignored for fiscal purposes. Cf. Substance over form doctrine.

FISCAL POLICY -- Part of economic policy which relates to taxation and public expenditure.

FISCAL RESIDENCE -- See: Residence

FISCAL TRANSPARENCY -- "Looking through" an entity and attributing profits and losses directly to the entity's members. The profits of certain forms of enterprises are taxed in the hands of the members rather than at the level of the enterprise. Often occurs in the case of a partnership for example.

FISCAL YEAR -- Any 12-month period which is set for accounting purpose of an enterprise.

FIXED ASSETS -- Assets that are held by an enterprise either continuously or for a comparatively long period of time, generally more than one year

FIXED BASE -- This term was used in the OECD and UN model tax treaties in the context of independent personal services, but the former Article 14 has been removed from the OECD Model and these issues are now generally dealt with under Article 7, dealing with business profits attributed to permanent establishments. It denotes a centre of activity of a fixed or permanent character from which such services can be carried out such as a physician's consulting room. The fixed base provision attributes the right to tax income from independent personal services to the "other" country (i.e. the source country) if the taxpayer has a fixed base available to him in that country and income is attributable to that fixed base.

FIXED INCOME -- Income which does not fluctuate over a period of time, such as interest on bonds and debentures, or dividends from preference shares as opposed to dividend income from ordinary shares.

FLAG OF CONVENIENCE -- The flag of ship is the flag of the country where it is registered. This term is used in international shipping where a ship's country of registration is selected on the basis of country's legal requirement and tax regime.

FLAT TAX -- A tax applied at the same rate to all levels of income. It is often discussed as an alternative to the progressive tax.

FLOORS -- The lower limits on tax benefits and detriments, e.g. in medical expense. A taxpayer must spend more than the floor for a deduction, and only the amount above the floor is deductible.

FLOW-THROUGH ENTITY -- See Fiscal transparency

FOB VALUE -- FOB denotes "free on board". FOB value is value of goods excluding carriage, insurance and freight, i.e. roughly speaking, the domestic price in the country of origin.

FORCE OF ATTRACTION -- Concept under which a permanent establishment is taxed by the country in which it is located not only on the income and property, but also on all income derived by its foreign head office from source in, and all property owned by the foreign head office situated in, the country where the permanent establishment is located. The OECD model treaty does not allow

application of it.

FOREIGN CURRENCY FORWARD -- See Forward contract. This contract serves the same purpose as a foreign currency futures contract, except that it is not standardized and entered on the informal, interbank market rather than on a formalized commodities exchange.

FOREIGN CURRENCY FUTURES -- Exchange traded contract for the delivery of a standardized amount of foreign currency on a specific future date. The price for the foreign currency is agreed on the day the contract is bought or sold. Unlike forward contracts, futures are tradable, reflecting the standardization of contract size, specification and delivery date.

FOREIGN CURRENCY OPTION -- Contract with an option to buy/sell foreign currency. See: option.

FOREIGN CURRENCY SWAP -- An agreement under which two or more parties agree to exchange specified amount of two different currencies for a defined period. Over the term of the agreement, the parties exchange fixed or floating rate interest payments in their swapped currencies.

FOREIGN EXCHANGE CONTROL -- See: Exchange control

FOREIGN EXCHANGE TAX -- Special tax imposed on transactions involving sales of foreign exchange by domestic banking institutions and authorized exchange brokers.

FOREIGN-SOURCE INCOME -- Generally income realized from countries outside the country of residence of the taxpayer.

FOREIGN TAX CREDIT (FTC) -- See: Credit, foreign tax

FOREIGN TAX RELIEF -- Relief from domestic tax on income from abroad which has already suffered foreign tax. Generally speaking, two approaches are taken to foreign tax relief, i.e. the credit method or the exemption method.

FORFAIT -- In a number of countries tax is sometimes levied on an estimated taxable base (forfait), particularly in respect of the imposition of income tax or turnover tax on small enterprises.

FORMS, TAX -- See: Tax form

FORMULA APPORTIONMENT -- See: Unitary tax system

FORMULATORY APPROACH -- See: Unitary tax system

FORWARD CONTRACT -- Contract for the delivery of an amount of asset (e.g. foreign currency, securities, commodities) on a specific future date.

FRANCHISE TAXES -- Nearly all states in the US levy an annual franchise tax on resident and non-resident corporations for the privilege of the right to do business in that state.

FRAUD -- Tax fraud is a form of deliberate evasion of tax which is generally punishable under criminal law. The term includes situations in which deliberately false statements are submitted, fake documents are produced, etc.

FRINGE BENEFITS -- Benefits supplementing normal wages or salaries. Fringe benefits may be given in the form of a money allowance, e.g. a holiday bonus or in the form of benefits in kind, e.g. free accommodation. Although most countries tax the benefit of employer-provided automobiles and accommodation, the tax treatment of other fringe benefits varies considerably.

FRIVOLOUS POSITION -- A tax position that is knowingly advanced in bad faith and is patently improper.

FRONTIER WORKERS -- For tax purposes, a frontier worker is a person who commutes across a border (e.g. on a daily basis) between his place of residence and his place of employment.

FRONTING -- Term used to describe the practice of interposing a third party in a transaction so as to circumvent transfer pricing legislation.

FRUIT AND TREE DOCTRINE -- A judicial doctrine that an individual who earns income from property of services may not assign such income to another person for tax purposes.

FTC -- See Foreign tax credit

FUNCTIONAL ANALYSIS -- An analysis of the functions performed (taking into account assets used and risks assumed) by associated enterprises in controlled transactions and by independent enterprises in comparable uncontrolled transactions.

FURNISS V. DAWSON -- This case is 1984 UK case, decided by the House of Lords, which is

generally considered to be a landmark case. It made ineffective tax avoidance schemes which have no commercial purpose other than the avoidance of tax.

FUTURES CONTRACT -- An agreement between a buyer and seller to exchange particular goods (e.g. securities or commodities) for a particular price at a future date as specified in a standardized contract common to all participants in a market on an organized futures exchange.

-G-

GAAP -- Generally Accepted Accounting Principles are the rules and practices required to be followed in keeping financial records and books of account.

GAIN, CAPITAL -- See: Capital gain

GEARING -- Term broadly used in the context of a company's debt/equity ratio. A company is highly geared if the ratio of debt to equity is high. Sometimes referred to as capital gearing or leveraging.

GENERAL PARTNER -- In a partnership, a partner whose liability is not limited. All partners in an ordinary partnership are general partners. A limited partnership must have at least one general partner and at least one limited partner.

GENERAL PARTNERSHIP -- See: Partnership

GENERATION-SKIPPING TAX -- Tax imposed to prevent the avoidance of transfer tax (i.e. estate tax and gift tax) over successive generations.

GIFT CAUSA MORTIS -- A transfer of property by a person who faces impending death. The donee thereby becomes the owner of the property, but on the condition that the gift is revoked if the donor does not die.

GIFT INTER VIVOS -- A gratuitous transfer of property made during the transferor's (donor's) lifetime. In many countries the gratuitous transfer of property is subject to a gift tax.

GLOBAL FORMULARY APPORTIONMENT METHOD -- See: Global method

GLOBAL HEDGING -- A risk-management strategy to balance positions of different business units or with unrelated third parties.

GLOBAL INCOME TAX -- Income tax that aggregate income from all sources at the individual (or family unit) level. The income is then taxed at a single progressive rate.

GLOBAL METHOD -- Under the global method, the profits of each member of a multinational enterprise (MNE) are not calculated on the basis of arm's length dealings, but rather the total profit of the enterprise is allocated to the members of the multinational enterprise on the basis of, for example, the turnover of each member, the expenses incurred by each member or the labour cost of each member.

GLOBAL TRADING -- Term used to describe transactions carried out by, inter alia, investment banks and securities dealers, involving financial instruments, financial services and financial goods. Also known as 24-hour trading since the transactions are carried out continuously during a day in financial markets worldwide.

GOING CONCERN -- A business which is actually operating, e.g. at the time of takeover. The advantage of taking over a business as a going concern (if it is operating profitably) is usually recognized by a payment for goodwill as well as for other assets.

GOING CONCERN VALUE -- The element of value that attaches to property as a result of the ability of a trade or business to continue to operate and generate income after a transfer of ownership.

GOOD FAITH -- "Good faith" denotes a state of mind, whereby a person honestly and truly believes that certain facts or circumstances are as he says they are.

GOODS AND SALES TAX VAT -- style multi-stage sales tax levied on purchases (and lessees). Sellers (and lessors) are generally responsible for collection.

GOODWILL -- Intangible asset which consists of the value of the earning capacity, location, marketing organization, reputation, clientele, etc. of a trade or business. Goodwill can be transferred for a consideration to another entrepreneur upon the sale of the business as a going concern.

GORDON REPORT -- 1981 report submitted to the US Treasury, entitled "Tax Havens and Their Use by United States Taxpayers - An Overview"; it explains the use of US taxpayers make of tax havens, existing anti-abuse measures and proposals for measures to counter such activities.

GRACE PERIOD -- The period following the due date of taxes during which legal action for recovery of delinquent taxes will not be instituted and interest will not commence to run.

GRADUATED RATE -- System where the rate of tax increases on marginal amounts as the amount of taxable income rises. Synonym for progressive rate.

GRANDFATHER CLAUSE -- Clause temporarily preserving legislation which exists at the time a law is modified or a (tax) treaty is concluded (or modified).

GREEN CARD -- Entry document issued by the US immigration and Naturalization Service (INS) that permits foreign nationals to live permanently in the US and undertake employment.

GREEN CARD TEST -- A test in the US to determine residence of an alien individual, i.e. an alien is considered resident if at any time during the calendar year he is a lawful permanent resident of the US under the immigration laws.

GROSS INCOME -- Gross receipts, whether in the form of cash or property, of the taxpayer received as compensation for independent personal services, and the gross receipts of the taxpayer derived from a trade, business or services, including interest, dividends, royalties, rentals, fees or otherwise.

GROSS INCOME, TAXES ON -- In some countries income taxes are levied on gross income (usually at low rates) without deduction for expenses.

GROSS MARGIN -- Ratio of gross profits to gross revenue.

GROSS PROFITS -- The gross profits from a business transaction are the amount computed by deducting from the gross receipts of the transaction the allocable purchases or production costs of sales, with due adjustment for increases or decreases in inventory or stock-in-trade, but without taking account of other expenses.

GROSS PROFIT RATIO -- Ratio of gross profit to the sales of a business or, alternatively, to the adjusted purchases or "goods consumed" during the accounting period.

GROSS PROFITS TAX -- Tax imposed usually at low rates on the gross receipts of a business.

GROSS UP -- Add back the amount of tax which has been paid to the value of property or other income received. The term includes the process by which corporation add credits (e.g. imputation credits or foreign tax credits) received to net income received before calculating their tax liabilities.

GROUP SERVICE CENTER -- Term used in the 1984 OECD Report on Transfer Pricing and Multinational Enterprises to denote a special department within a parent company or regional holding company or any other associated enterprise within a multinational enterprise (MNE) providing services to associated enterprises.

GROUP TREATMENT -- Term used to describe the tax treatment where the profits and losses of associated companies may be grouped together and, in effect, be treated as the aggregated profits of a single enterprise (sometimes called a "fiscal unity").

GUARANTOR -- A person who guarantees, endorses, or provides indemnity agreements with respect to debts owed to others.

-H-

HABITUAL ABODE -- In the context of the tie-breaker rule of the OECD model tax treaty, habitual abode is one of the criteria used to resolve the problem of dual residence. It refers to the period of time a taxpayer spends in each country.

HARDSHIP CLAUSE -- Discretionary power of the tax authorities to mitigate any harsh results of the tax law.

HARMONIZATION OF TAX, EEC DIRECTIVE -- Term usually used to refer to the process of removing fiscal barriers and discrepancies between the tax systems of the various countries comprising the European Union. To this end the EU has issued directives in the area of indirect and

direct taxation.

HEAD OFFICE EXPENSES -- Where an enterprise with its head office in one country operates through a branch or other permanent establishment in another country, some expenses incurred by the head office, e.g. for general management and administrative expenses or the cost of specific services provided to the permanent establishment, may be deducted in computing the taxable profits of the permanent establishment.

HEDGING TRANSACTION -- Transaction where a person tries to protect himself against price, interest rate or foreign exchange rate fluctuations, for example, by buying or selling commodities or currencies using derivative contracts such as forwards, futures, options and swaps.

HIDDEN RESERVES -- Reserves which are not disclosed on the balance sheet of an enterprise, either by overvaluing debts or undervaluing assets.

HIDDEN TAX -- Indirect tax paid by the consumer without his knowledge.

HISTORICAL COST -- Amount expended in obtaining an asset at the time of acquisition, i.e. the purchase price and associated costs.

HOLDING -- A decision of a court.

HOLDING COMPANY -- Company whose main purpose is to hold substantial shares of other companies.

HOLDING PERIOD -- The length of time that an investment is owned or expected to be owned.

HOMESTEAD -- A house and surrounding land owned and used as a dwelling.

HORIZONTAL EQUITY -- Doctrine which holds that similarly situated taxpayers should receive similar tax treatment, e.g. taxpayers who earn the same amount of income or capital should be accorded equal treatment.

HOUSE WAYS AND MEANS COMMITTEE -- The committee of the US House of Representatives that introduces most tax provisions.

HUT TAX -- Type of poll tax levied on inhabited dwellings or huts generally at an early stage in the development of an economy when it is not feasible to introduce an income tax.

HYBRID ACCOUNTING METHODS -- Term which refers to the situation where a taxpayer used a combination of accounting methods (such as accruals basis accounting or cash basis accounting) for different items of income.

HYBRID DERIVATIVE -- Financial instrument which has the characteristic of more than one type of instrument, i.e. a swap plus an option.

HYBRID ENTITY -- Entity that is characterized differently in two or more jurisdictions, for example, an entity that is treated as a partnership in one jurisdiction and as a corporation in another.

HYBRID INSTRUMENT -- See: Hybrid derivative

-I-

IMF -- See: International Monetary Fund

IMMOVABLE PROPERTY -- Also known as real property, immovable property comprises land, houses and buildings.

IMPORT DUTY -- See: Duty

IMPOST -- The term "impost" means tax and refers particularly to a duty on imported goods and to clarification (by customs) of (imported) goods in order to assess the proper (import) taxes.

IMPUTATION SYSTEM -- System under which at least part of the tax paid by a company on its profits is credited against the tax liability of shareholders in receipt of distributions paid by the company out of those profits.

IMPUTED INCOME -- The economic benefit a taxpayer obtains through performance of self-provided services or through the use of self-owned property.

IMPUTED INTEREST -- Implied interest. In a mortgage that states an insufficient interest rate, tax law will impute a higher rate and a lower principal, which will increase taxes on the receipt of payment.

INBOUND TRANSACTION -- Term which refers to the tax treatment of foreigners doing business and investment in other countries.

INCENTIVE STOCK OPTION (ISO) -- An equity-type compensation plan under which qualifying stock options are free of tax at the date of grant and the date of exercise but are taxed when sold. US system.

INCIDENCE OF TAX -- The person who bears the tax burden in economic sense, which could be different from the person paying the tax.

INCOME PROPERTY -- Often, real estate that is bought for the income it produces.

INCOME SHIFTING -- Income splitting

INCOME SPLITTING -- A number of arrangements, the essential feature of which is that income, which would have been taxed at a higher rate in the hands of the person who derived it, is taxed in the hands of another person at a lower rate.

INCOME STATEMENT -- Statement showing the results of a business operation for a particular period of time. The statement will show the business's revenues and expenses.

INCOME SUBJECT TO TAX -- All sources of income liable to tax without taking account of tax allowances.

INCOME TAX CREDIT -- See: Credit, tax

INCORPORATION -- The process by which a company receives a government charter allowing it to operate as a corporation.

INDEMNIFICATION -- Amount of money received by persons or entities as compensation for damages or for losses incurred.

INDEPENDENT AGENT -- See: Agency

INDEPENDENT CONTRACTOR -- A contractor who is self-employed.

INDEPENDENT ENTERPRISES -- Two enterprises are independent enterprises with respect to each other if they are not associated enterprises with respect to each other.

INDEPENDENT PERSONAL SERVICES -- Services performed by an independent contractor. An independent contractor is hired to do work according to his own methods and is not subject to the control of an employer except as to the result of his work. With the removal of Article 14 from the OECD Model, this issue is now dealt with by Article 7 as business profits in most cases.

INDEX-LINKED ADJUSTMENT -- Expedient adopted in many commercial transactions to provide a workable solution to some of the problems created by inflation and monetary depreciation. The mechanism is essentially one of adjusting payments, profits, gains, taxable income brackets, tax allowances, etc. by discounting or otherwise modifying them by reference to an accepted index of inflation or other indices.

INDEXATION -- See: Index-linked adjustment

INDIRECT-CHARGE METHOD -- A method of charging for intra-group services based upon cost allocation and apportionment methods.

INDIRECT COST -- Costs that cannot be identified in relation to a particular activity but that, nevertheless, are related to the direct costs (e.g. overhead expenses, costs of supporting departments, and a proper share of research and development (R&D) costs).

INDIRECT TAX -- Tax imposed on certain transactions, goods or events. Examples include VAT, sales tax, excise duties, stamp duty, services tax, registration duty and transaction tax

INDIRECT TAX CREDIT -- See: Credit, underlying (indirect) tax

INFORMATION RETURN -- Declaration made by a person who has economic information about a potential taxpayer, regardless of whether that person is liable for withholding tax.

INHERITANCE -- Real property or personal property that is received by heirs.

IN KIND -- Broadly speaking, a distribution or payment other than in money.

INPUT TAX -- Term used in connection with VAT to denote the tax embodied in purchases made by a trader or entrepreneur who will usually be able to obtain a credit for the tax that his suppliers have paid on the goods supplied to him which form his "inputs".

INSOLVENCY -- Inability to pay debts when due

INSTALMENT SALE -- Sale for which the consideration is received by way of more than one payment or instalment.

INSTRUMENT -- A legal document that records an act or agreement and provides the evidence of that act or agreement. Instruments include contracts, notes, and leases (e.g. a debt instrument).

INSURANCE PREMIUMS -- The amount paid to an insurance company to cover potential hazards.

INSURANCE SETTLEMENT -- Receipt of proceeds of an insurance policy.

INTANGIBLE PROPERTY -- Property which has no physical existence but which has a value based on a legal right of the owner, e.g. goodwill, patent, trade mark, copyright, software, inventions, designs, i.e. all manner of intellectual property. Intangible property is usually transferred by way of a licensing agreement, and payments for the intangible are made in the form of royalties.

INTEGRATION, FULL -- System which provides for retained as well as distributed profits to be included within the framework of an imputation system. All corporate-source income, whether retained or distributed, is taxed at the appropriate marginal rate in the hands of ultimate shareholders.

INTELLECTUAL PROPERTY -- Literary, dramatic, musical, artistic and scientific works are intellectual property which is protected by copyright, patent, registered design, trade mark, etc.

INTENTIONAL SET-OFF -- A benefit provided by one associated enterprise to another associated enterprise within the group that is deliberately balanced to some degree by different benefits received from that enterprise in return.

INTER ALIA -- Latin for "among other things"

INTERCOMPANY PRICING -- See: "Transfer pricing"

INTERCOMPANY TRANSACTIONS -- Transactions between members of an affiliated group filing a consolidated return; gain or loss is deferred until a property is disposed of outside the group.

INTERCORPORATE DIVIDENDS -- Dividends distributed between two companies (domestic or foreign) arising from a shareholding or participation in the capital of the paying company.

INTERMEDIARY COMPANY -- See: Conduit company

INTERNAL MARKET -- In the context of the European Union, an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured.

INTERNAL REVENUE BULLETIN (IRB) -- A weekly publication summarizing various IRS administrative rulings.

INTERNAL REVENUE CODE (IRC) -- Legislation passed by US Congress that specifies what income is to be taxed, how it is to be taxed, and what may be deducted from taxable income.

INTERNAL REVENUE MANUAL (IRM) -- An official compilation of policies, procedures, instructions, and guidelines for the organization, functions, operation, and administration of the Internal Revenue Service. The IRM guidelines do not confer any rights on taxpayers.

INTERNAL REVENUE SERVICE (IRS) -- The agency of the US federal government that is responsible for the administration and collection of federal taxes.

INTERNATIONAL DOUBLE TAXATION -- See: Double taxation, domestic and international

INTERNATIONAL MONETARY FUND (IMF) -- An international organization established in 1945, headquartered in Washington, DC. The purposes of the IMF are, inter alia, to promote international monetary cooperation, facilitate the expansion and balance growth of international trade and promote stability in foreign exchange.

INTERNATIONAL TAXATION -- Traditionally, international taxation refers to treaty provisions relieving international double taxation. In broader terms, it includes domestic legislation covering foreign income of residents (worldwide income) and domestic income of non-residents.

INTRA GROUP SERVICES -- Services provided by a group company to another affiliated company. The cost of general services such as management, administrative and similar services may be often allocated among the various members of the group without any profit mark-up, whereas services performed in the ordinary course of business are subject to arm's length conditions.

INVESTMENT -- The purchase of stocks, bonds, mutual fund shares, real property, an annuity, collectibles, or other assets, with the expectation of obtaining income or capital gains-or both-in the

future.

INVESTMENT ALLOWANCE -- Allowance with respect to a qualifying depreciable asset. It adds a certain percentage of the asset's initial cost to the full depreciation write-off and is usually given in the year of acquisition or as soon as possible thereafter.

INVESTMENT COMPANY -- Corporation whose activities consist exclusively or substantially of making investments (i.e. holding property and collection of income therefrom) and whose buying and selling of shares, securities, real estates or other investment property is only incidental to this purpose.

INVESTMENT DEDUCTION -- See: Investment allowance

INVESTMENT GOODS -- See: Fixed assets

INVESTMENT INCENTIVES -- Financial and tax incentives used to attract local or foreign investment capital to certain activities or particular areas in a country.

INVESTMENT INCOME -- Income derived from the investment of capital, whether money or other property, in income-producing assets or in a profit-making venture without active participation in the production of the income or in the affairs of the venture.

INVESTMENT METHOD -- Method used in connection with VAT where an immediate credit is granted against tax for that part of expenditure incurred during the year for acquisition of business assets (such as plant and machinery by a manufacturer) which related to the tax element in the price of such assets.

INVESTMENT RESERVE -- This system permits eligible taxpayers to set aside part of their profits as a reserve for future investment and deduct from their income the amount of the annual contribution to the reserve.

INVOICE BASIS -- Method of applying VAT to the price at which the goods or service are invoiced, with a deduction for the tax (if any) charged at previous stages.

INVOICE COMPANY -- Term used in the context of transfer pricing to refer to a company established in a low-tax or no-tax jurisdiction for the purpose of shifting profits to that jurisdiction.

IRB -- See: Internal revenue bulletin

IRC -- See: Internal revenue code

IRM -- See: Internal revenue manual

IRS -- See: Internal revenue service

ISSUED SHARE CAPITAL -- Shares that have been sold to shareholders by the corporation

ITEMIZED DEDUCTIONS -- In the US a deduction as specifically set forth in the Internal Revenue Code. The deductions in this part are individually listed, item by item.

-J-

JEOPARDY ASSESSMENT -- Tax assessment made where there is some danger of tax being lost.

JOINT RETURN -- A single return made jointly by husband and wife.

JOINT-STOCK COMPANY -- Company with legal personality and whose capital is divided into shares. The shareholders are generally liable only to the extent of the nominal value of their shares.

JOINT VENTURE -- Term which is loosely used to describe a relationship between parties carrying on an undertaking in common for their individual or common gain. This can be either an incorporated venture or an unincorporated venture.

JUNK BOND -- Bonds and debentures issued by companies that have a low credit evaluation (i.e. below investment grade) from a rating agency such as Standard & Poor's or Moody's

JURIDICAL DOUBLE TAXATION -- See: Double taxation, economic and juridical

JURISDICTION -- The power, right, or authority to interpret and apply tax laws or decisions.

KIDDIE TAX -- Term used to describe tax levied in the US on the unearned income of a child under 14. The income is taxed at the parent's highest rate of tax.

KNOW-HOW -- All undivulged technical information, whether or not capable of being patented, that is necessary for the industrial reproduction of a product or process, i.e. knowing how a product is made or how a particular process works. Payments for know-how may be taxed as royalties in many cases. The distinction from contracts for the provision of services is addressed in the OECD Commentary to Article 12.

-L-

LANDED COST -- Term used in relation to the importation of goods which means the sum total of the cost of the goods concerned, the amount of customs duties levied on those goods and the expense incurred in unloading them.

LAST IN, FIRST OUT -- See: LIFO

LEASE -- In general, a lease is a contract in respect of real or personal property, under which the owner of the property grants to another the right to possess, use and enjoy the property for a specified period of time in exchange for periodic payments.

LEASEBACK -- See: Sale and leaseback

LEGAL ENTITY -- Generally, corporations, joint-stock companies and limited liability companies are regarded for tax purposes as having an existence separate from that of their shareholders.

Conversely, for tax purposes a partnership is often not regarded as a separate legal entity, its profits being taxed in the hands of the individual partners. What constitutes a legal entity for tax purposes may or may not coincide with what constitutes a legal entity for general law purposes.

LEGAL RESERVE -- Under the civil law of some countries corporations are required to maintain a legal reserve for all needs which may arise in the course of the business. Tax law does not allow a deduction for such a reserve.

LETTER-BOX COMPANY -- A paper company, shell company or money box company, i.e. a company which has compiled only with the bare essentials for organization and registration in a particular country. The actual commercial activities are carried out in another country.

LETTER RULING -- See: Advance ruling

LEVEL PLAYING FIELD -- This term denotes to reduce, by means of tax policy, the differences in the taxation of internationally mobile entities or transactions allowing countries to compete fairly on non-tax factors.

LEVERAGING -- See: Gearing

LIBOR -- The London inter-bank offering rate is the rate at which London money banks lend to each other.

LICENSE DUTIES (OR FEE) -- Annual duties payable for the privilege of carrying on a certain trade.

LICENSING -- Licensing is an agreement by which a licensor transfers the right to use his technology and/or know-how to a licensee for the production or manufacturing of a product in the licensee's country. Royalties are generally paid for the right to use the technology or know-how.

LIEN -- A charge against property, making it security for the payment of a debt, judgment, mortgage, or taxes.

LIFE INTEREST -- Assets may be given to a person for his lifetime use or benefit, with the stipulation that after his (the life tenant's) life, the asset will pass to another beneficiary.

LIFE TENANCY -- Under common law an interest in possession whereby the individual beneficiary is entitled to the income of a trust or settlement until his death.

LIFO -- Method ("last in, first out") of valuing inventory or stock-in-trade whereby the goods or materials purchased last are regarded as those which are sold first.

LIMITATION ON BENEFITS PROVISION -- Tax treaty provisions designed to restrict treaty-shopping opportunities by limiting treaty benefits to persons who meet one of several enumerated tests, which may require minimum level qualifications, e.g. local ownership.

LIMITATIONS, STATUTE OF -- See: Statute of limitations

LIMITED LIABILITY -- Liability of investor which is limited to the extent of his investment

LIMITED LIABILITY COMPANY (LLC) -- Business form that combines the flexibility and tax advantages of a partnership with the limited liability features of a joint-stock company. An LLC may be taxed as a partnership or a corporation depending on the nature of the status under which it is organized.

LIMITED (SPECIAL) PARTNER -- See: Limited partnership

LIMITED PARTNERSHIP -- Business entity made up of two types of partners: general partners and limited partners, the extent of whose liability depends on their role and contribution to partners. A general partner is involved in the management and day-to-day operation of the partnership and is jointly and severally liable for all obligations of the partnership. A limited partner only makes a financial contribution to the partnership and shares in the profits; he is liable for partnership obligations only to the extent of his investment. Limited partners are usually restricted from taking an active part in the management of the business of the partnership or from allowing their name to be used in the conduct of the business.

LINK STRUCTURE -- Structure operating as a result of the different rules in various countries for determining the place of residence; it is a means used by dual resident companies to obtain tax relief in two countries.

LIQUIDATION -- A company in liquidation is a company in the process of being dissolved or wound up, and its assets, if any, after payment of its debts, distributed to the shareholders.

LISTED COMPANY -- Company whose shares are traded on a recognized stock exchange.

LISTED SECURITIES -- See: Quoted securities

LLC -- See: Limited liability company

LOAN CAPITAL -- See: Debt capital

LOCAL TAX -- In countries where there is a central or federal government and separate levels of government at state, provincial, county or city levels, taxes levied at the lower levels of government are commonly referred to as "local" taxes.

LOCATION OF ASSETS -- The location of an asset is relevant to the determination of whether it is within a taxing authority's jurisdiction. Location of immovable property in a country means, in most countries, that the country taxes the income derived therefrom and possibly the value and capital gains realized on alienation, even if the owner is not a resident of that country.

LOCATION SAVINGS -- Term used in the context of transfer pricing to refer to the savings or benefits such as cheaper production or service costs obtained by siting particular manufacturing operations in an offshore jurisdiction.

LONG-TERM CAPITAL GAINS -- In countries where capital gains are subject to special tax treatment, a distinction may be made between capital gains realized after a short period of time and capital gains realized after a longer period of time. Long-term capital gains may be taxed at reduced rates.

LOOKING THROUGH -- Term typically used when disregarding the separate legal identity, for example, a company, in order to charge tax on a shareholder in respect of his share of the company profits.

LOOPHOLE -- Opportunities available in tax law to minimize a taxpayer's tax burdens.

LOSSES -- The term may broadly be defined as the excess of expenses over revenues for a period, or the excess of the cost of assets over the proceeds when the assets are sold or otherwise disposed of, or abandoned or destroyed.

LOSS RELIEF -- Most income tax laws provide some form of relief for losses incurred, either by carrying over the loss to offset it against profits in previous years (carry-back) or in future years (carry-forward) or by setting off the loss against other income of the same taxpayer in the year in

which the loss was incurred.

LOTTERY TAX -- Tax on the sale of lots or on the receipt of prizes after the drawing of lots.

LUMP-SUM DEDUCTIONS -- Deduction, often from income, for the computation of taxable income, which does not reflect the factual situation.

LUMP-SUM EXEMPT AMOUNTS -- Fixed sum of income, net worth, etc., below which no tax is due.

LUMP-SUM RATES -- In specific cases, income tax (and other taxes) may be levied at a fixed rate instead of the rates usually applicable.

LUMP-SUM TAXATION -- The tax laws of some countries allow the tax authorities to levy a fixed amount of taxes on income in certain circumstances which deviates from the normal method of applying a rate to income to ascertain taxes payable.

LUXURY TAXES -- Indirect ad valorem tax imposed on supplies of specific non-essential and normally expensive commodities that are arbitrarily considered (e.g. toiletries, cosmetics, jewellery, pearls and precious stones and metals, etc.)

-M-

MAINTENANCE EXPENSES -- 1. Expenses incurred by a taxpayer to provide for his family, former spouse or other relatives. 2. Expenses for the upkeep or preservation of a building or equipment.

MALPRACTICE -- Improper or immoral conduct of a professional in the performance of his duties, done either intentionally or through carelessness or ignorance; commonly applied to accountants, tax preparers, and lawyers to denote negligent or unskilful performance of duties where professional skills are obligatory.

MANAGEMENT, PLACE OF -- See: Place of management

MANAGEMENT, PLACE OF EFFECTIVE -- See: Place of effective management

MANAGEMENT EXPENSES -- Generally the expenses of management are deductible in arriving at the taxable profits of an enterprise carrying on a trade. In the case of a group of companies it may be important to decide how far the general expenses of management of the group should be charged out to and recovered from the members of the group.

MANAGEMENT FEE -- Broadly, a fee or charge imposed for management and/or administrative services of a parent company or head office.

MANAGEMENT SERVICE -- See: Intra-group services

MAP -- See: Mutual agreement procedure

MAP APA -- See: BAPA

MARGINAL RATE OF TAX -- Tax rate applicable to the top slice or bracket of a taxpayer's income or other taxable income, where the relevant tax on such items is levied at progressive rates.

MARKETABLE SECURITIES -- See: Quoted securities

MARKETING INTANGIBLE -- An intangible that is concerned with marketing activities, which aids in the commercial exploitation of a product or service and/or has an important promotional value for the product concerned.

MARK TO MARKET -- Tax and/or accounting convention under which the value of assets/liabilities is adjusted to reflect fair market value of a specific date.

MARK-UP -- An increase in the price of something, especially from the price a trader pays for something to the price he sells it for. In the context of transfer pricing, one method to estimate an arm's length price for transactions between affiliated companies is to increase the supplier's cost by an appropriate profit mark-up (Cost-plus method).

MEMORANDUM OF UNDERSTANDING (MOU) -- In the context of a tax treaty, a document exchanged between the treaty partners which sets out the understanding of the parties regarding the convention. Usually this does not have treaty status, but the status depends on the document itself.

MERGER -- Term generally used to describe a number of operations involving the reorganization

of companies.

MINERAL ROYALTIES -- Regular payments, usually based on the volume or price of minerals extracted, made by mining enterprises to national states or other owners of mineral resources as consideration for the right to exploit particular mineral resources.

MINIMUM TAX -- In certain countries corporations are always liable to a certain amount of annual tax, regardless of whether they have realized a profit.

MINISTRY OF FINANCE (MOF) -- Department of government generally responsible for formulating monetary policy, implementing the tax laws, collecting revenue, etc.

MIXER COMPANY -- Term used to designate an intermediate holding company the purpose of which is to "mix" income from various foreign sources in order to maximize the benefit of foreign tax credits. The mixer company receives income both from countries with a higher tax rate than that of the destination country and from countries with a lower tax rate, which it then pays out as a dividend. This structure has the effect of averaging out the rate of foreign tax paid.

MNC -- Abbreviation for multinational corporation

MNE -- Abbreviation for multinational enterprises

MODEL TAX CONVENTIONS (TREATIES) -- A model tax treaty is designed to streamline and achieve uniformity in the allocation of taxing right between countries in cross-border situations.

Model tax treaties developed by OECD and UN are widely used and a number of countries have their own model treaties.

MORTGAGE -- A written instrument that creates a lien upon real estate as security for the payment of a specified debt.

MORTGAGE TAX -- Tax on mortgages usually in the form of a stamp duty levied on the mortgage document.

MOTIVE TEST -- Test often found in tax rules which are designed to prevent tax avoidance. For example, the rules may provide that certain consequences will follow if the sole, main or principal purpose of certain transaction is the reduction of tax.

MOU -- See: Memorandum of Understanding

MULTINATIONAL ENTERPRISES (MNE) -- Company or group of companies with business establishments in two or more countries.

MULTIPLE CAPTIVES -- Company which has more than one captive insurance company.

MULTI-STAGE TAX SYSTEM -- Indirect tax charged on the same goods at successive stages of production and distribution.

MUTUAL AGREEMENT PROCEDURE (MAP) -- A means through which tax administrations consult to resolve disputes regarding the application of double tax conventions. This procedure, described and authorized by Article 25 of the OECD Model Tax Convention, can be used to eliminate double taxation that could arise from a transfer pricing adjustment.

MUTUAL ASSISTANCE -- "Mutual assistance" in the context of tax treaties is that one of the contracting states will collect taxes due to the other contracting state. See optional Article 27 of the OECD Model.

MUTUAL FUND -- A type of regulated investment company that raises money from shareholders and invests it in stocks, bonds, options, commodities, or money market securities. Or portfolio of securities held by an investment company on behalf of investors.

-N-

NATIONALITY PRINCIPLE -- The nationality of a taxpayer may affect the manner in which he is taxed and the nature of his tax burden, but comprehensive income tax treaties commonly provide that foreign taxpayers should not suffer discriminatory taxation by reason of their nationality.

NEGATIVE INCOME TAX -- A proposed system of providing financial aid to poverty-level individuals and families, using the mechanisms already in place to collect income taxes. Low-income person or family would receive a direct subsidy, called a negative income tax.

NEGLIGENCE -- A lack of due care or failure to do what a reasonable and ordinarily prudent person would do under the given circumstances.

NET INCOME -- Net income is gross income less deductible income-related expenses. Many countries levy income tax on this basis.

NET OPERATING LOSS -- Amounts by which business expenses exceed income in a tax year. A trader's operating losses constitute broadly the excess of his operating expenditure over receipts from his operations.

NET PROFIT -- Difference between receipts from business transactions and deductible business expenses, subject to any adjustments for tax purposes.

NET PROFIT MARGIN -- Ratio of operating profits to gross income (or revenue)

NET WEALTH TAX -- See: Net worth tax

NET WORKING CAPITAL -- Current assets less current liabilities.

NET WORTH TAX -- Many European countries impose the net worth tax in the context of property taxation. The taxable base for resident taxpayers is normally the taxpayer's worldwide net worth, i.e. total assets less liabilities along with deductions and exemptions specially allowed by tax laws.

NEXUS Link. -- Often a requirement in tax law for determination of taxability or deductibility. For example, expenses are deductible if they have a "nexus" with gross income. In US, the taxable income of a multistate corporation may be apportioned to a specific state only if the corporation has a sufficient nexus in the state.

NOMINAL CAPITAL -- Amount of capital that is defined as such in the articles of incorporation. Usually, a certain minimum amount of nominal capital is required to establish a legal entity.

NOMINAL VALUE -- See: Par value

NOMINATIVE SECURITIES -- See: Registered securities

NON-DISCRIMINATION -- Tax treaties frequently contain a "non-discrimination" article which stipulates that citizens or nationals of one country resident in the other country may not be subjected to local taxation which is different from or more burdensome than the tax to which citizens and nationals of the host country are subjected under the same circumstances (including as to residency).

NON-QUALIFIED STOCK OPTION -- A stock option that does not meet the incentive stock option requirement under US tax law. The spread is taxed as ordinary income.

NON-RECOURSE DEBT -- A debt for which an individual has no personal liability. For example, a lender may take the property pledged as collateral to satisfy a debt, but has no recourse to other assets of the borrower.

NON-RESIDENT -- Broadly speaking, a person who spends most of the calendar year outside his country of domicile. Non-residents are usually taxed on income derived from sources within the taxing jurisdiction whereas residents may be taxed on worldwide income.

NON-RESIDENT ALIEN -- A non-resident individual who is not a citizen or national of the taxing jurisdiction.

NOTICE OF ASSESSMENT -- The written decision of the tax authorities after a review of a taxpayer's return, whereby the amount of taxable income is determined and the amount of tax due is calculated.

NOTICE OF DEFICIENCY -- See: Deficiency

-O-

OECD -- The OECD (Organization for Economic Co-operation and Development) is a multilateral organization comprised of 30 countries, which are mostly Western European countries and other industrialized countries including US and Japan. Founded in 1961, the OECD provides a forum for representatives of countries to discuss and attempt to coordinate economic and social policies. It has an especially significant role in international tax matters. Its website is www.oecd.org.

OECD MODEL TAX TREATY -- See: Model tax treaty

OFFENCE, TAX -- Tax offences may be specified in the tax laws covering matters such as late filing, late payment, failure to declare taxable income or transactions, and negligent or fraudulent misstatements in tax declarations.

OFFICE -- For purpose of the application of a tax treaty, the office of an enterprise normally forms a permanent establishment if the business of that enterprise is wholly or partly carried on through that office.

OFFICE AUDIT -- An examination at a tax authority's office, generally of an uncomplicated tax matter.

OFFSHORE BANK -- Offshore banking business basically consists of borrowing in foreign currencies for non-resident depositors outside the country and relending the foreign currencies to other non-residents. A number of countries have special regime for the taxation of offshore banks.

OFFSHORE COMPANY -- Term usually applied to a company registered in a country (often a tax haven) other than the country or countries in which it carries on its business activities. An offshore (or non-resident owned) company is commonly used for captive insurance, marketing abroad, international shipping and tax shelter schemes.

OID -- See: Original issue discount

OMBUDSMAN -- A member of the US IRS Commissioner's immediate staff who directs the IRS's Problem Resolution Program

"ON CALL" SERVICES -- Services provided by a parent company or a group service centre, which are available at any time for members of an MNE group.

ONE HUNDRED AND EIGHTY-THREE (183) DAYS' RULE -- Presence in a country for 183 days or more in any 12-month period may have tax consequences, particularly in respect of an individual's residence for tax purposes or for the taxation of employment income (although other tests must also be met).

ONSHORE COMPANY -- Term sometimes used to denote the converse of offshore company.

ONUS OF PROOF -- The burden and responsibility of proving an assertion. Widely adopted principle in tax law, for example, where the taxpayer has the basic responsibility of declaring his taxable income or transactions.

OPERATING LEASE -- Lease where the lessor is regarded as the owner of the leased asset for tax purposes. Cf. Finance Lease

OPTION -- Derivative financial instrument consisting of a firm agreement granting one party the right but not the obligation to buy or sell commodities, securities or currencies at a specified future date at a specified price.

OPTION TO BE TAXED -- In the VAT context, a VAT exempt entrepreneur sometimes can claim to be subject to VAT, the advantage being that to be entitled to his input tax against his output tax.

ORDINARY SHARES -- Ordinary shares (also known as common stock) are generally shares with an equal par value and bear equal rights and obligations such as the right to participate in the management of the company by voting at the shareholders' meeting and the right to receive dividends. The rights of ordinary shareholders to receive dividends are generally subordinate to the rights of bond holders and preference shareholders.

ORIGINAL ISSUE DISCOUNT (OID) -- A discount from par value at the time a bond is issued. The most extreme version of an OID is a zero-coupon bond, which is originally sold far below par value and pays no interest until it matures.

ORIGIN PRINCIPLE -- Principle under a VAT regime where goods are taxed in the country where they are produced, i.e. they are taxed on the basis of their place of production or origin.

OTHER INCOME -- Income not otherwise mentioned in a tax treaty is frequently dealt with in a separate article, entitled "other income".

OUTBOUND TRANSACTION -- Term which refers to the tax treatment of a country's residents (and perhaps citizens) doing business and investing abroad.

OUTPUT TAX -- Term used in connection with VAT to denote the tax payable on the sales of

goods or services by those who are subject to the tax and in contrast to the input tax for which a credit will be available.

OVERHEAD EXPENSES -- The general expenses of a business as opposed to the direct cost of producing a good or service. "Overhead costs" is a term which may, in tax matters, also be used for costs incurred by the head office of a concern for the benefit of branches or subsidiaries.

OVERSEAS -- In the United Kingdom the term "overseas" is generally used instead of "foreign" because "foreign" cannot be applied to commonwealth countries or to territories which are British possessions, such as the British Virgin Islands, the Isle of Man and the Channel Islands.

-P-

PAID-IN CAPITAL -- The capital received by a corporation from investors for stock, as distinguished from capital generated by earnings or donated.

PAPER COMPANY -- See: Letter-box company

PARENT COMPANY -- Company with a substantial participation in the share capital of another company, called the subsidiary.

PARTICIPATION EXEMPTION -- See: Affiliation privilege

PARTNER -- A member of partnership

PARTNERSHIP -- Association of two or more person (individuals or companies) formed for the purpose of making a profit. A partnership can be a general partnership or a limited partnership depending on the extent of each party's liability. A general partnership is characterized by the unlimited liability of the general partners for partnership debts. Also see: Limited partnership.

Some countries treat a partnership as a separate taxpayer and may subject it to tax on its income and losses as a corporation. Other countries do not consider a partnership to be a separate legal entity and the partnership is treated as tax transparent, with each individual partner being taxed on his share of the profits according to his interest in the partnership. Taxation of partnerships is addressed in the Commentary to Article 1 of the OECD Model.

PAR VALUE -- Assigned value printed on a share certificate. Face value.

PASSIVE INCOME -- Income in respect of which, broadly speaking, the recipient does not participate in the business activity giving rise to the income, e.g. dividends, interest, rental income, royalties, etc.

PASS-THROUGH ENTITY -- A nontaxable entity such as a partnership. Generally, the income or expense is passed to the underlying owner.

PATENT -- Form of intellectual property. The inventor of a new article or process usually registers his invention with a government department which confers on him the sole right (known as a patent right) to use the invention for a limited period of time.

PATRON -- A person who does business with a cooperative, but is not necessarily a member.

PATRONAGE DIVIDEND -- A payment to a patron of a cooperative.

PAYROLL TAX -- Tax charged on an employer's payroll (i.e. gross salaries, wages and other remunerations) paid to his employee without regard to their domicile, family status or other individual circumstances.

PE -- See: Permanent establishment

PENALTIES -- Administrative penalties are imposed for tax offences, such as failure to make a timely return or payment, negligence, and making a false return or statement. They take the form of additions to the tax and are assessed as part of the tax. Criminal penalties, on the other hand, are enforceable only by prosecution. A prison sentence may be imposed for serious tax fraud.

PER CAPITA -- Latin for "for each person"

PER DIEM -- Latin for "by the day"; referring to daily allowance, usually for travel, entertainment, employee compensation, or miscellaneous out-of-pocket expenses incurred while conducting a business transaction.

PERMANENT ESTABLISHMENT (PE) -- Term used in double taxation agreement (although it

may also be used in national tax legislation) to refer to a situation where a non-resident entrepreneur is taxable in a country; that is, an enterprise in one country will not be liable to the income tax of the other country unless it has a "permanent establishment" thorough which it conducts business in that other country. Even if it has a PE, the income to be taxed will only be to the extent that it is 'attributable' to the PE.

PERSONAL ALLOWANCES -- Personal allowances are granted to individuals as deductions from income in computing their taxable income. There is usually a deduction for the individual himself, spouse, children and other dependents.

PERSONAL HOLDING COMPANY -- Company, the shares of which are principally owned by or attributed to the taxpayer, and which is set up to receive his investment income.

PERSONAL PROPERTY -- Things movable, as distinguished from real property or things attached to the realty; also called "personalty".

PERSONAL SERVICE CORPORATION -- A corporation the principal activity of which is the performance of personal services; for example, a management consulting company which sends its personnel to prepare a report on a client company.

PETITION -- A written application addressed to a court or judge, and stating facts and circumstances relied upon as a cause for judicial action.

PHANTOM STOCK PLAN -- A deferred-compensation plan that uses the employer's stock in the business as a measuring rod for determining the value of the compensation payment. Hypothetical shares of stock are allocated to the employee, and accrued appreciation and/or dividends to the hypothetical shares are paid in cash to the employee.

PIERCING THE CORPORATE VEIL -- The process of imposing liability for corporate activity, in disregard of the corporate entity, on a person or entity other than the offending corporation itself; a US legal doctrine.

PLACE OF EFFECTIVE MANAGEMENT -- Place of effective management is the test suggested in the tie-breaker rule of the OECD model tax treaty to determine the residence of a company where under the domestic laws of both contracting states the company is resident in both of them. The test determines that in such cases the company would, for treaty purposes, be resident in the state in which its place of effective management is situated.

PLACE OF MANAGEMENT -- For purposes of the application of a tax treaty, the place of management of an enterprise normally forms a permanent establishment. The term "place of management" as such is not defined in the OECD model tax treaty, but may be defined in national tax law.

POOL BASIS -- Collective basis for the purpose of depreciation of business assets falling within the same category. For example, all depreciable assets of a similar kind are effectively treated as a single asset for depreciation purposes.

PORTFOLIO INTEREST -- Category of interest that may be paid from US sources free of withholding tax provided certain requirements are met. The portfolio interest exemption does not apply to bank loans made in the ordinary course of business.

PORTFOLIO INVESTMENT -- A portfolio investment in a company would be a holding of shares amounting to a small portion of the total shares of the company, e.g. less than 10%. Portfolio investors may receive different tax relief or other treatment in respect of their dividends under tax treaties from those accorded to other direct investors.

POSSESSIONS OF U.S. -- In general, any US island, cay or reef that is not part of any of the 50 states. For tax purposes, possessions include Puerto Rico, the Virgin Islands, the Marshall Islands, the Federated States of Micronesia, American Samoa, Guam, the Canal Zone, Mariana Islands, Johnson Island, and Wake Island.

POWER OF ATTORNEY -- Instrument in writing by which one person, as principal, appoints another as his agent and confers upon him the authority to perform certain specified acts or kinds of acts on behalf of the principal.

PRECEDENT -- The doctrine of precedent in Anglo-American legal system obliges courts to

adhere to principles enunciated in previously decided cases when making adjudications in cases involving the same material facts and legal issues.

PREFERENCE SHARES -- Shares which carry a right to a prior and usually fixed dividend, ahead of dividends paid to ordinary shareholders.

PREFERRED STOCK -- See: Preference shares

PREMIUM -- In the context of a derivative financial instrument, a premium is the amount a purchaser pays for an option. In the context of a bond or other debt instrument, it is the amount paid in excess of the face amount.

PREMIUM AT THE ISSUE OF SHARES -- Excess of issue value over par value in issuing corporate shares. It is a contribution to capital and not taxed as profits.

PREPARATORY ACTIVITIES -- See: Auxiliary activities

PRESUMPTIVE TAXATION -- Concept of taxation according to which income tax is based on "average" income instead of actual income.

PRE-TAX PROFITS -- Profit after deducting depreciation, costs, etc., but before deducting taxes.

PRICE INCREASE RESERVE -- Reserve to take account of expected increase in prices of goods, raw materials, etc. which must be replaced in the course of business.

PRIMARY ADJUSTMENT -- An adjustment that a tax administration in a first jurisdiction makes to a company's taxable profits as a result of applying the arm's length principle to transactions involving an associated enterprise in a second tax jurisdiction.

PRINCIPAL AMOUNT -- The face value of an obligation, such as a bond or a loan, which must be repaid at maturity, as separate from the interest.

PRINCIPAL PLACE OF BUSINESS -- The place where a person does business most of time.

PRIVATE RULING -- Ruling granted by the tax authorities to a single taxpayer, usually with respect to a single transaction or series of transactions. Normally the ruling can be relied upon only by the taxpayer to whom it is issued, not by other taxpayers, and is binding upon the tax authority provided all relevant facts have been disclosed.

PRIVILEGED TAX REGIME -- Euphemism for the tax regime of a tax haven.

PRIVILEGE (DIPLOMATIC) -- Under the general rules of international law or under the provisions of special agreements, diplomatic agents and consular officers are in most cases exempt from tax in the state to which they are seconded. Many tax treaties include a clause that the right to tax income arising from outside the state is reserved to the sending state.

PROFESSIONAL SERVICES -- Services independently performed by members of the liberal professions (i.e. physicians, lawyers, accountants, etc.) and other activities of an independent character.

PROFIT -- Broadly, the excess of revenue over expenditure.

PROFIT AND LOSS STATEMENT -- Income statement

PROFIT MARK-UP -- Method to find an arm's length price, by taking the vendor's cost and adding an appropriate profit mark-up.

PROFIT METHOD -- Method used in transfer pricing cases that looks at the profits arising from controlled transactions of one or more of the associated enterprises participating in such transactions.

PROFIT RATIO -- Term used to denote the ratio of profits of an enterprise to its capital or net worth, and sometimes used as a basis for taxation.

PROFIT SHIFTING -- Allocation of income and expenses between related corporations or branches of the same legal entity (e.g. by using transfer pricing) in order to reduce the overall tax liability of the group or corporation.

PROFIT SPLIT METHOD -- Transfer pricing method that allocates the combined operating income or loss from a transaction among the separate parties by determining the relative value of each party's contribution to such overall profits or loss.

PROFITS TAX -- Tax imposed on business profits in addition to ordinary income tax or as distinct from income tax imposed on other forms of income.

PROGRESSION -- The rates of individual income tax are usually progressive, i.e. an increasing

proportion of income must be paid in tax as the income increases.

PROPERTY TAX -- Group of taxes imposed on property owned by individuals and businesses based on the assessed value of each property.

PROPRIETORSHIP -- An unincorporated business owned by a single person. The individual proprietor has the right to all the profits from the business and also the responsibility for all its liabilities.

PRO RATA -- Latin for "proportionally"

PRO RATA RULE -- Under most VAT systems, a credit for part of the input tax is allowed for VAT previously paid on goods and services when they are used in taxable and exempt (without credit) transactions and total transactions occurring during a calendar year.

PROTOCOL -- Signed document containing the points on which agreement has been reached by the negotiating parties preliminary to a final treaty. For tax purposes, a protocol is signed and ratified by the parties in addition to an existing tax treaty. The protocol may be signed simultaneously with the tax treaty or later, and it clarifies, implements or modifies treaty provisions.

PROVISIONAL ASSESSMENT -- Assessment of tax made before it is possible to make a final assessment which is often based on, for example, estimated figure or the previous year's figures.

PUBLICLY HELD CORPORATION -- A corporation that has a class of common stock registered on a national stock exchange; a US concept.

PUBLICLY TRADED LIMITED PARTNERSHIP (PTLP) -- Partnership in the US that is listed and traded on an established stock exchange or a secondary market. With some exceptions, PTLPs are taxed in the US as corporations rather than partnerships.

PUT OPTION -- Contract under which the holder of the option has a right but not an obligation to sell securities or commodities, including foreign currencies, for a specified price during a specified period.

-Q-

QUARANTINING -- In the context of the foreign tax credit system, this term denotes the separate calculation of the foreign tax payable on all foreign income of a particular category which may be credited against the domestic tax payable on that category of foreign income.

QUOTED SECURITIES -- This term denotes the securities which have been admitted to an official stock exchange and are traded therein through sale, purchase or other disposal.

-R-

RAMSAY CASE -- The Ramsay case (W.I. Ramsay Ltd. v. IRC, Eilbeck (Inspector of Taxes) v. Rawling), decided by the UK House of Lords in 1981, involved complicated tax avoidance scheme which were marketed in the UK in the 1970s. The case established that a series of transactions with the purpose of tax avoidance, which ultimately cancelled each other out, could be ignored for tax purposes.

RATES -- Local tax levied in Ireland and previously the UK. Rates are levied on the occupiers of real property on the basis of the annual rental value of the property.

RATIFICATION -- The formal legislative consent or acceptance required by the constitution or domestic law of a country before a treaty to which it is a party can come into effect.

REALIZATION -- A legal concept referring to a time when rights have become legally receivable or obligations have become legally payable.

REALIZED GAIN/LOSS -- Actual gain/loss realized from the disposal of an asset.

REAL PROPERTY (REAL ESTATE) -- Land and everything more or less attached to it. Also referred to as "Realty".

REBATE -- Term which in certain countries is synonymous with a tax credit.

RECIPROCITY PRINCIPLE The principle of give-and-take operates in a variety of tax contexts

(particularly in the case of tax treaties) where an exchange of tax privileges between countries is desired. Reciprocity is a basis for relieving a taxpayer under domestic law, e.g. relief is granted for foreign tax if the other country gives corresponding or equivalent relief.

RECOURSE -- The ability of a lender to claim money from a borrower in default, in addition to the property pledged as collateral.

RECOVERY OF TAX -- From the taxpayer's point of view, this may mean a refund of tax. From the tax authorities' point of view, it may mean the collection of tax which is in arrears.

REDEMPTION -- The acquisition by a corporation of its own stock in exchange for property, without regard to whether the redeemed stock is cancelled, retired, or held as treasury stock.

REDUCED RATES -- In many countries the ordinary rates of tax charged under various tax laws may be reduced in particular situations. For example, under tax treaties, reduced withholding tax rates often apply to dividends, interest and royalties.

REFUND (OF TAX) -- Tax repaid to a taxpayer

REGISTERED SECURITY -- A nominative (or registered) security is a security in respect of which the owner's name is recorded in a register by the issuing company and the registered owner is the person entitled to all relevant rights.

REGISTRATION DUTY -- Fixed or variable duty levied on documents which relate to the transfer of ownership or the right to use movable or immovable property, the formation or any change of status of a company, etc.

REGULATED INVESTMENT COMPANY (RIC) -- Company, also known as a mutual fund, formed under US law to make diversified investment with funds provided by investors who receive dividends and capital gains realized by RIC.

REIMBURSEMENT -- The payment of an employee or another party for incurred expenses or losses.

REINSURANCE Transfer by a primary insurer to another insurer of all or part of any risk it has accepted in a contract of insurance. A number of countries have adopted special regimes to deal with cross-border reinsurance.

REMUNERATION -- Employment income and fringe benefits received by an employee for services rendered.

REPATRIATION -- Individuals and legal entities investing their capital in a foreign country in order to derive income from such capital may wish to transfer this capital or income back to their home country, i.e. to repatriate it. Repatriation also takes place when expatriate employees working in a foreign country want to send income to their home country.

RESALE PRICE MARGIN -- Gross margin measured by reference to the price at which goods purchased from another party are resold to independent enterprises.

RESALE PRICE METHOD -- Method used in transfer pricing between affiliated companies, under which an arm's length price is ascertained by deducting a normal profit margin from the resale price at which a buyer of inventory assets resells these assets to an unrelated party.

RESEARCH AND DEVELOPMENT (R&D) -- Any systematic or intensive study carried out in the manufacturing and industrial field, the results of which are to be used for the production or improvement of products and processes.

RESERVES -- Funds made to fulfil future costs or expenditures. There are legal reserves which may be required by company law and may be necessary before dividends are distributed.

RESIDENCE -- Residence is a basis for the imposition of taxation. Usually a resident taxpayer is taxed on a wider range of income or other taxable items than a non-resident. Residence in a state is a criteria for invoking a tax treaty of that state, and residence for treaty purposes involves considering the domestic law of residence for tax purposes, and then the requirements in Article 4 of the OECD Model, especially in the case of tiebreaker tests in cases of dual residence.

RESIDENCE PRINCIPLE OF TAXATION -- Principle according to which residents of a country are subject to tax on their worldwide income and non-residents are only subject to tax on domestic-source income.

RESIDENT -- A person who is liable for tax in a country or state because of domicile, residence, place of management, or other similar criterion.

RESIDENT ALIEN -- A person is said to be a resident alien of a country if he resides in that country but is a citizen of another country.

RESIDUAL ANALYSIS -- An analysis used in the profit split method which divides the combined profit from the controlled transactions under examination in two stages. In the first stage, each participant is allocated sufficient profit to provide it with a basic return appropriate for the type of transactions in which it is engaged. Ordinarily this basic return would be determined by reference to the market returns achieved for similar types of transactions by independent enterprises. Thus, the basic return would generally not account for the return that would be generated by any unique and valuable assets possessed by the participants. In the second stage, any residual profit (or loss) remaining after the first stage division would be allocated among the parties based on an analysis of the facts and circumstances that might indicate how this residual would have been divided between independent enterprises.

RESTRICTED STOCK PLAN -- A stock option plan under which the transferred stock option is subject to restrictions regarding transferability and to substantial risk of forfeiture. Restricted stock is includable in the gross income of the employee in the first taxable year in which the rights become transferable or no longer subject to forfeiture.

RETAIL SALES TAX -- Single-stage tax on the sale of goods to ultimate consumers, whether by retailers or other traders.

RETAINED EARNINGS -- The portion of a corporation's after-tax profits that is not distributed to the shareholders, but rather is reinvested in the business.

RETROACTIVE EFFECT -- The effect of tax law provision towards the past, which is allowed only to the advantage of a taxpayer.

RETURN -- Declaration of income, sales and other details made by or on behalf of the taxpayer. Forms are often provided by the tax authorities for this purpose.

RETURN OF CAPITAL -- A distribution that is not paid out of the earnings and profits of a corporation. Rather, it is a return of the shareholder's investment in the stock of the company.

REVENUE NEUTRALITY -- Constraints on tax reform that it should not change revenues available to government in any significant way.

REVENUE PROCEDURE (REV. PROC.) -- An official published statement by the IRS of US about procedural and administration aspects of the tax laws.

RING FENCE -- Theoretical enclosure established by tax legislation around certain profits, losses, transactions or groups of transactions in order to isolate them for tax purposes.

ROLLOVER RELIEF -- Relief by means of which liability to capital gains tax is deferred. The essential feature of roll-over relief is that a gain which would otherwise have arisen on the occurrence of a taxable event for capital gains tax purposes is deferred, or rolled over, until there is a subsequent disposal of the asset concerned.

ROUND TRIP TRANSACTION -- Potential transfer pricing abuse where intangible property is developed by a parent company which licenses it to a related party manufacturer located in a low-tax jurisdiction. The manufactured goods are resold to the parent for distribution to ultimate consumers.

ROYALTIES -- Payments of any kind received as consideration for the use of, or the right to use intellectual property, such as a copyright, patent, trade mark, design or model, plan, secret formula or process.

RULING -- Decisions or opinions of the tax authorities in respect of actual fact situations which come before it as part of an assessment procedure or in response to taxpayer questions.

-S-

SAFE HARBOUR -- Where tax authorities give general guidelines on the interpretation of tax laws, these may state that transactions falling within a certain range will be accepted by the tax authorities

without further questions.

SALE AND LEASEBACK -- In a sale and leaseback transaction, the owner of property will sell it to a buyer who then leases it back to the original owner. This method is sometimes used to release the value of capital assets for use in a business.

SALES TAX -- Tax imposed as a percentage of the price of goods (and sometimes services). The tax is generally paid by the buyer but the seller is responsible for collecting and remitting the tax to the tax authorities.

SALVAGE VALUE -- Value of tangible depreciable property when it is retired from service.

SCHEDULAR TAX SYSTEM -- Tax system in which income from different sources is taxed separately (i.e. under a different "schedule"); thus, separate tax assessments are made on industrial and commercial profits, wages and salaries, income from securities and shares, income from land, etc.

S CORPORATION -- See: Small business corporation

SECONDARY ADJUSTMENT -- An adjustment that arises from imposing tax on a secondary transaction.

SECONDARY TRANSACTION -- A constructive transaction that some countries will assert under their domestic legislation after having proposed a primary adjustment in order to make the actual allocation of profits consistent with the primary adjustment. Secondary transactions may take the form of constructive dividends, constructive equity contributions, or constructive loans.

SECOND-TIER SUBSIDIARY -- A taxable entity controlled by another taxable entity that is in turn controlled by a third entity.

SECRET COMPARABLE -- A term used in the transfer pricing context. It denotes a comparable whose data is not disclosed to the public or the taxpayer but known only to the tax authority which is making the transfer pricing adjustment.

SECTION 482 -- The part of the US income tax code that gives the IRS the power to adjust distribute, apportion, or allocate gross income, deductions, credits, or allowances in order to prevent evasion of taxes or to clearly reflect income (often between controlled taxpayers); in short, US transfer pricing rule provision.

SECTION 482 WHITE PAPER -- Study of intercompany pricing transactions made by the Office of International Tax Counsel at the US Treasury Department which presented a new methodology to govern transactions involving the sale, licensing or transfer of intangible property, published in 1988.

SECURITIES -- Documents providing evidence of a share in the capital of a company (e.g. share certificate), or the indebtedness of some person to the holder (e.g. government or corporate bonds) or similar legal rights.

SELF-ASSESSMENT -- System under which the taxpayer is required to declare the basis of his assessment (e.g. taxable income), to submit a calculation of the tax due and, usually, to accompany his calculation with payment of the amount he regards as due. The role of tax authorities is to check (perhaps in random cases) that the taxpayer has correctly disclosed his income.

SELF-EMPLOYED -- Referring to persons who work for themselves and are not employed by another. The owner-operator of a sole proprietorship or a partner is considered self-employed.

SENATE FINANCE COMMITTEE -- A committee of the US Senate that hears proposed new tax laws.

SEPARATE ASSESSMENT -- See: Separate taxation

SEPARATE TAXATION -- Separate taxation is a method of taxing a married couple on the basis of their joint income. It is mandatory in some countries and optional in others. Upon exercising an option for separate taxation, a husband and wife are treated as separate individuals for the purpose of computing income tax.

SERVICE COMPANY -- Company within a multinational group of companies which generally provides support services, such as administration, sales information, post-sales service or market research, for the operating divisions of the group.

SERVICE FEE -- A fee for the rendering of services is generally regarded as income from business

activities or, in the case of a liberal profession, as income from independent personal services.

SEVERANCE PAYMENTS -- Payment made as a result of the termination of any office or employment of a person.

SHAM TRANSACTION -- A transaction without substance, which will be ignored for tax purposes.

SHAREHOLDER ACTIVITY -- An activity which is performed by a member of an MNE group (usually the parent company or a regional holding company) solely because of its ownership interest in one or more other group members, i.e. in its capacity as shareholder.

SHAREHOLDER'S EQUITY -- The total assets minus total liabilities of a corporation, also called stockholders' equity or net worth.

SHARE (STOCK) OPTIONS FOR EMPLOYEES -- Some companies grant directors and employees an option to acquire at a future date shares or stock in the company at a predetermined price. It gives an employee the opportunity to benefit from the future success of the company when the market value of the shares increases over the predetermined option acquisition price.

SHELL COMPANY -- A company set up by fraudulent operators as a front to conceal tax evasion schemes.

SHIFTING OF PROFITS -- See Profit shifting.

SHIFTING AN INCIDENT OF TAXATION -- Determination of the economic entity that actually ends up paying a particular tax. In the case of indirect taxation tax is normally intended to fall upon consumption and be borne by consumers, so that entrepreneur who pays the tax on his supplies of goods and services in general passes on the tax, or "shifts" it "forward" to the consumer by adjusting his prices appropriately. Such taxes are said to be shifted "backward" in the case that entrepreneurs are forced to absorb some of new or increased tax.

SHORT-TERM CAPITAL GAINS -- Capital gain derived from the disposal of assets which have been held for a comparatively short period of time.

SIMULTANEOUS TAX EXAMINATION -- A simultaneous tax examination, as defined in Part A of the OECD Model Agreement for the Undertaking of Simultaneous Tax Examinations, means an arrangement between two or more parties to examine simultaneously and independently, each on its own territory, the tax affairs of (a) taxpayers in which they have a common or related interest with a view to exchanging any relevant information which they so obtain.

SINGLE ENTITY APPROACH -- Method of taxing a legal entity that conducts its business through a permanent establishment rather than through a subsidiary company. Under the single entity approach, a head office and a permanent establishment are treated as one taxpayer for tax purposes, even though they may be considered separate entities for purposes of accounting or commercial law.

SINGLE TAXPAYER -- A person who is not married on the last day of the tax year.

SISTER CORPORATION -- See Brother-sister corporation.

SITUS RULE -- Provision of tax law setting out the factors which determine where a particular asset is situated or deemed to be situated for tax purposes.

SIX MONTHS' RULE -- See One hundred and eighty-three (183) days' rule.

SMALL BUSINESS CORPORATION -- Under US tax law, this term refers to a domestic corporation which does not have more than 35 individual shareholders, all of whom are US citizens or residents and which does not have more than one class of stock. Also known as an "S corporation", this form permits income at the corporate level to be taxed only once at the shareholder level.

SMALL BUSINESS RELIEF -- Term used to denote tax concessions which are available only to or principally to small businesses.

SMALL TRADERS, SPECIAL TAX REGIME FOR -- In many countries small traders are subject to a special tax regime, particularly in respect of VAT, in which exemption, lower tax burden or lower administrative burden are granted.

SOAK-UP TAX -- Tax or levy which is conditioned on the availability of a foreign tax credit in another country.

SOCIAL SECURITY CONTRIBUTIONS -- Charges levied on employees, employers or self-

employed or on all persons subject to individual income tax to cover the cost of providing future social security payments.

SOLE PROPRIETORSHIP -- Ownership of all of the assets of an unincorporated business by a single individual. The individual owner is personally liable for all debts of the business.

SOURCE OF INCOME -- The place (or country) where a particular item of income is deemed to originate or where it is deemed to be generated. National rules vary depending on which concept of source is used.

SOURCE PRINCIPLE OF TAXATION -- Principle for the taxation of international income flows according to which a country consider as taxable income those income arising within its jurisdiction regardless of the residence of the taxpayer, i.e. residents and non-residents are taxed on income derived from the country.

SOURCE RULE -- Provision in the national law of a country or in a tax treaty which defined the concept of source for a particular type of income.

SPECULATIVE GAINS -- Gains from the disposal of capital assets which were originally acquired with a view to selling them for more than the cost of acquisition.

SPIN-OFF -- A type of corporate reorganization by which the shares of a new corporation (or the subsidiary company) are distributed to the original shareholders (or the parent's shareholders) without these shareholders surrendering any of their stock in the original (or parent) corporation.

SPLIT-OFF -- A type of corporate reorganization by which the shares of a new corporation (or the subsidiary company) are distributed to the original shareholders (or the parent's shareholders) with these shareholders surrendering part of their stock in the original (or parent) corporation.

SPLIT-UP -- Under a split-up the shareholders of a parent company surrender all their stock in liquidation of that company and in return receive new shares in corporation which the parent controlled or created immediately before the distribution.

SPREAD -- Can be used in many contexts to denote the margins on financial transactions. For example, the spread of an option is the difference between the fair market value of stock at the exercise date and the option price.

STAMP DUTIES -- Duty levied upon the issue of official documents such as passports, deeds, contracts for the transfer of ownership, etc. Usually, stamp duties are "levied" by way of a stamp being fixed to the document in question. Stamp tax.

STATUTE OF LIMITATIONS -- A statute limiting the period within which a specific legal action may be taken, such as the collection of tax, appeal from a decision of the tax authorities or lower court, etc.

STOCK -- Any shares representing ownership in any corporation or certificates of ownership interest in any corporation.

STOCK DIVIDENDS -- Dividend distribution by a company to its shareholders in the form of additional shares in the company.

STOCK EXCHANGE TURNOVER TAX -- Tax levied on the sale of securities on the stock exchange market.

STOCK OPTION -- (1). The right to purchase or sell a stock at a specified price within a stated period (2). Employee stock option.

STRIPPED BOND -- Bond or debenture from which the interest coupons have been removed and sold separately.

SUBPART F -- Term which refers to those sections of the US tax code which provide for the taxation of US shareholders of controlled foreign corporations (CFC) in order to prevent the tax-free accumulation of earnings outside the US.

SUBPOENA -- Latin for "under penalty"; a writ issued under the authority of a court to compel the appearance of a witness or of documents for a tax judicial proceeding.

SUBSIDIARY COMPANY -- Company effectively controlled by another company (i.e. the parent company). A variety of criteria, including share ownership ratio, may be employed to determine whether one company is a subsidiary of another company for tax purposes.

SUBSTANCE OVER FORM DOCTRINE -- Doctrine which allows the tax authorities to ignore the legal form of an arrangement and to look to its actual substance in order to prevent artificial structures from being used for tax avoidance purposes.

SUBSTANTIAL PRESENCE TEST -- Test used to determine residence status based on the number of days, months, etc. of physical presence within a country.

SUPER ROYALTY PROVISION -- The US Income Tax Reform Act of 1986 provides that royalties for the transfer (by sale, license or otherwise) of intangible property to related foreign companies, which have been determined at the time of the transfer on an arm's length basis, may be adjusted in future years by the IRS if they are not commensurate with the income attributable to that intangible. This is called the super royalty provision.

SUPPLEMENTAL ASSESSMENT -- Determination of tax liabilities at the discretion of the tax authorities if an original assessment is incomplete or incorrect in any material respect.

SURCHARGE -- Additional amount which is calculated on and added to the normal charge or levy. In other words, the base on which a surcharge is assessed is the normal or basic amount due. Surtax

SWAP -- Derivative financial instrument in which two parties agree to exchange payments calculated by reference to a notional principal amount. In the classic interest rate swap agreement two parties contract to exchange interest payments based on the same amount of indebtedness of the same maturity and with the same payment dates; one party provides fixed interest rate payments in return for variable rate payments from the other party and vice versa.

SYNDICATE -- A group of individuals who have formed a joint venture to undertake a project that the participants would be unable or unwilling to pursue alone.

-T-

TANGIBLE PROPERTY -- Property with a physical form, e.g. personal property, real property as distinguished from intangible property.

TARIFF -- In general the term "tariff" refers to a list (schedule) or system of levies (taxes, duties, charges) imposed by countries on foreign trade transactions (especially importations).

TAX -- The OECD working definition of a tax is a compulsory unrequited payment to the government.

TAXABLE BASE -- The thing or amount on which the tax rate is applied, e.g. corporate income, personal income, real property.

TAXABLE EVENT -- Term used to define an occurrence which affects the liability of a person to tax.

TAXABLE PERIOD -- Taxes are levied by reference to a period of time called the "taxable period". Tax year

TAXABLE YEAR -- The period (usually 12 months) during which the tax liability of an individual or entity is calculated.

TAX AGENT -- Term which refers to a tax adviser who assists the taxpayer in fulfilling his obligations under the legislation.

TAX AVOIDANCE -- See: Avoidance

TAXATION AT SOURCE -- See: Withholding tax

TAX AUTHORITIES -- The body responsible for administering the tax laws of a particular country or regional or local authority.

TAX BASE -- Taxable base

TAX BASIS -- Term used in the US to refer to an amount that represents the taxpayer's investment in an asset.

TAX BILL -- Draft law on a tax matter which, after approval by the government of a country, is submitted to the Parliament for debate.

TAX BURDEN -- For public finance purposes the tax burden, or tax ratio, in a country is computed by taking the total tax payments for a particular fiscal year as a fraction or percentage of the Gross

National Product (GNP) or national income for that year.

TAX CLEARANCE CERTIFICATE -- Document issued to a taxpayer by the tax authorities certifying that the taxpayer has either paid all taxes due or that he is not liable to any taxes. In certain countries a tax clearance certificate must be produced before a person can leave the country.

TAX COMPLIANCE -- Degree to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, filing a return, and paying the tax due in a timely manner.

TAX DEPOSIT CERTIFICATE -- Certificate available for purchase in US to taxpayers liable to income or corporate tax, etc. Liability to taxes may be paid by cashing in the deposit certificate. Interest is credited on the deposit by the Inland Revenue.

TAX CREDIT -- See: Credit, tax

TAX DECLARATION -- See: Return

TAX EQUALITY -- See: Horizontal equity; Vertical equity

TAX EVASION -- See: Evasion

TAX EXILE -- Generally speaking, a natural or legal person who severs all ties which make him fiscally resident in a particular country and moves to another jurisdiction for tax reasons.

TAX EXPENDITURE -- This term denotes special preferences provided in income tax laws which depart from the normal tax structure and which are designed to favour a particular industry, activity or class of taxpayer.

TAX FORECLOSURE -- The process of enforcing a lien against property for non-payment of delinquent property taxes.

TAX FORM -- It is usual to design special forms for taxpayers to declare their taxable income, sales, etc. for tax purposes. Forms are designed to facilitate the task of the tax authorities in assessing and collecting tax, and will usually draw the taxpayer's attention to any relief he may claim, etc. as well as to his statutory duty to make accurate declarations and the penalties that may be imposed if his declaration is incomplete or false.

TAX-FREE ZONE -- Area within the territory of a country in which customs duties and other types of indirect taxes are not applied.

TAX HAVEN -- Tax haven in the "classical" sense refers to a country which imposes a low or no tax, and is used by corporations to avoid tax which otherwise would be payable in a high-tax country. According to OECD report, tax havens have the following key characteristics; No or only nominal taxes; Lack of effective exchange of information; Lack of transparency in the operation of the legislative, legal or administrative provisions.

TAX HOLIDAY -- Fiscal policy measure often found in developing countries. A tax holiday offers a period of exemption from income tax for new industries in order to develop or diversify domestic industries.

TAX HOME -- A taxpayer's regular place of business or post of duty, regardless of where the taxpayer a family home.

TAX INFORMATION EXCHANGE AGREEMENT (TIES) -- Agreement which allows governments to share tax and other information with a view to combating tax evasion, drug trafficking, etc.

TAX LAW, SOURCES OF -- The main domestic sources of tax law are primary legislation, such as acts or laws, and secondary legislation such as regulation, decisions, circulars, orders, etc. The main international sources of tax law are bilateral or multilateral treaties, and one important source for the interpretation of treaties is the OECD model tax treaty and the accompanying commentary. Another model is UN model.

TAX ON TAX -- The charging of tax on tax-inclusive prices.

TAXPAYER IDENTIFICATION NUMBER -- In some countries taxpayers are given an identification number which must be used when filing a tax return and assessing taxes and for all other correspondence between the taxpayer and the tax authorities.

TAX PLANNING -- Arrangement of a person's business and/or private affairs in order to minimize

tax liability.

TAX RELIEF -- Generic term to describe all methods used to reduce tax liability without regard to the particular way it is accomplished.

TAX RETURN -- See: Return

TAX SECRECY -- Obligation usually imposed on tax officials not to reveal particulars about the identity and personal circumstances of taxpayers, or about any of the various aspects governing their tax liability, except in certain strictly limited circumstances.

TAX SHELTER -- (1) An opportunity to use, quite legitimately, a relief or exemption from tax to pay less tax than one might otherwise have to pay in respect of similar activities, or the deferment of tax. (2) The polite term usually given to a contrived scheme to avoid or reduce a liability to taxation.

TAX SPARING CREDIT -- Term used to denote a special form of double taxation relief in tax treaties with developing countries. Where a country grants tax incentives to encourage foreign investment and that company is a resident of another country with which a tax treaty has been concluded, the other country may give a credit against its own tax for the tax which the company would have paid if the tax had not been "spared (i.e. given up)" under the provisions of the tax incentives.

TAX THRESHOLD -- Level (of income, capital, sales, etc.) at which tax commences to be levied.

TAX TREATY -- An agreement between two (or more) countries for the avoidance of double taxation. A tax treaty may be titled a Convention, Treaty or Agreement.

TAX UNIT -- Term used in the context of personal income tax, where taxation may be imposed by reference to separate individuals or to a group of individuals treated as one unit.

TEMPORARY IMPORTATION -- Many countries allow temporary importation without levying customs duties and turnover tax on items which are to be within their borders for only a short time.

TERRITORIALITY PRINCIPLE -- Term used to connote the principle of levying tax only within the territorial jurisdiction of a sovereign tax authority or country, which is adopted by some countries. Residents are not taxed on any foreign-source income.

THIN CAPITALISATION -- A company is said to be "thinly capitalised" when its equity capital is small in comparison to its debt capital.

THIN CORPORATION -- A corporation whose capital is supplied primarily by shareholder loans rather than stock investment.

THREE-FACTOR APPORTIONMENT FORMULA -- A formula used by most US states to apportion total federal business income for out-of-state entities in order to determine the tax due a particular state. The formula equally weights the payroll factor, property factor, and sales factor.

TIEA -- See: Tax Information Exchange Agreement

TIEBREAKER RULE -- Tax treaty provision designed to prevent an individual from being deemed resident, for purpose of the treaty, in both treaty countries. Generally a multi-step procedure will be provided to resolve the problem of dual residence, usually the place of a permanent home available being the first criterion.

TORT -- A private and civil wrong or injury, other than breach of contract, for which a court will provide a remedy in the form of an action for damages.

TRADE -- A business, profession, or occupation. A trade often implies a skilled handicraft, which is pursued on a continuing basis, such as carpentry.

TRADE INTANGIBLE -- A commercial intangible other than a marketing intangible.

TRADEMARK -- Legally registered name, word, symbol or design which identifies the goods or services of a particular manufacturer, business or company.

TRADE OR BUSINESS -- A regular and continuous activity undertaken for a profit, other than that of an investor trading in securities.

TRADITIONAL TRANSACTION METHODS -- The comparable uncontrolled price method, the resale price method, and the cost plus method.

TRANSACTIONAL NET MARGIN METHOD -- A transactional profit method that examines the net profit margin relative to an appropriate base (e.g. costs, sales, assets) that a taxpayer realizes

from a controlled transaction (or transactions that it is appropriate to aggregate under the principles of OECD TP guideline Chapter I)

TRANSACTIONAL PROFIT METHOD -- A transfer pricing method that examines the profits that arise from particular controlled transactions of one or more of the associated enterprises participating in those transactions

TRANSACTION TAXES -- Tax that uses a specific type of transaction as its object, e.g. sales tax, immovable property transfer tax, etc.

TRANSFER PRICING -- A transfer price is the price charged by a company for goods, services or intangible property to a subsidiary or other related company. Abusive transfer pricing occurs when income and expenses are improperly allocated for the purpose of reducing taxable income.

TRANSFER PRICING ADJUSTMENT -- Adjustment made by the tax authorities after making a determination that a transfer price in a controlled transaction between associated enterprises is incorrect or where an allocation of profits fails to conform to the arm's length principle

TRANSFER TAX -- Tax levied on the transfer of goods and rights, e.g. purchase and/or sale of securities and immovable property.

TRANSPORTATION TAX -- Tax levied on vehicles, ships and aircraft using public highways, rivers, and airports maintained by the government.

TREATY ON EUROPEAN UNION (EU) -- The treaty on European Union was signed on 7 February 1992 and entered into force on 1 November 1993. This treaty creates a single economic and monetary union (EMU). The main characteristics of this union will be a single currency and a more federal political structure. By virtue of the Union Treaty, the former European Economic Community has been extended with additional goals and powers in order to become a single market in a European Union. The member states of the EU are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. On May 2nd 2004, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia newly joined the EU.

TREATY OVERRIDE -- Term broadly used to refer to the subsequent enactment of legislation which conflicts with prior treaty obligations. As a general rule, the provisions of a tax treaty implemented domestically prevail over other domestic legislation. However, in some countries the relations is governed by the "last in time" rule.

TREATY SHOPPING -- An analysis of tax treaty provisions to structure an international transaction or operation so as to take advantage of a particular tax treaty. The term is normally applied to a situation where a person not resident of either the treaty countries establishes an entity in one of the treaty countries in order to obtain treaty benefits.

TRUST -- A trust is a legal arrangement whereby the owner of property (i.e. settlor) transfers ownership to a person(s) (i.e. trustee) who is to hold and control the property according to the owner's instructions, for the benefit of a designated person or persons (i.e. the beneficiaries). Legal title to the trust property is vested in the trustee, while equitable title belongs to the beneficiaries.

TRUSTEE -- See: Trust

TURNKEY CONTRACT -- Broadly, a contract to construct a complete project; for example, a factory, plant or installation, from the bare site to the stage where the user only need to "turn the key" to put the project to immediate use.

TURNOVER -- Volume of business of an enterprise as set forth in the profit and loss account. It is usually measured by reference to the gross receipts, or gross amounts due, from the sale of goods or services, etc. supplied by the entity.

TURNOVER TAX -- General term used to refer to the different forms of consumption and sales taxes.

-U-

UNCONTROLLED TRANSACTION -- Transaction between independent and unrelated

enterprises.

UNDER-CAPITALISATION -- See: Thin capitalisation

UNDERLYING TAX -- Tax which is charged on corporate income out of which dividends are paid, but which does not appear as a direct deduction or withholding from the dividend itself.

UNDERLYING TAX CREDIT -- See: Credit, underlying tax

UNDISTRIBUTED PROFITS TAX -- Annual tax imposed, in addition to the normal corporate income tax, on the undistributed portion of the profits or surplus of a corporation.

UNDUE HARDSHIP -- A substantial financial loss that would result to a taxpayer from making payment on the due date of the amount of taxes with respect to which the extension is desired. Undue hardship is a condition precedent to the granting of an extension of time to make a tax payment.

UNEARNED INCOME -- Term used to describe investment income such as dividends, interest and royalties.

UNILATERAL RELIEF -- Granting of relief from the effects of international double taxation on the basis of domestic legislation rather than the provisions of a tax treaty.

UNIMPROVED PROPERTY -- Land that has received no development, construction, or site preparation (i.e. raw land).

UNITARY TAX SYSTEM -- Under a unitary tax system, the profits of the various branches of an enterprise or the various corporations of a group are calculated as if the entire group is a unity. A formula is used to apportion the net income of the whole group to the various parts of the group. Usually a combination of property, payroll, turnover, capital invested, manufacturing costs, etc. are formula factors.

UNLIMITED LIABILITY -- Liability of an investor which extends to the full extent of his personal assets, as in the case of a sole proprietor or general partner.

UPSTREAM DIVIDEND -- Dividends flowing from a subsidiary company to its parent company.

USEFUL LIFE -- Period during which it is estimated that a depreciable asset will provide useful service to the business in which it is used.

USE TAX -- Tax on goods which are used within the taxing jurisdiction although the goods were purchased in another jurisdiction

-V-

VALUATION PRINCIPLES -- Tax law principles regarding valuation of business and non-business assets, and inventory.

VALUE ADDED TAX (VAT) -- Specific type of turnover tax levied at each stage in the production and distribution process. Although VAT ultimately bears on individual consumption of goods or services, liability for VAT is on the supplier of goods or services. VAT normally utilizes a system of tax credits to place the ultimate and real burden of the tax on the final consumer and to relieve the intermediaries of any final tax cost.

VENTURE CAPITAL -- Form of capital investment for the establishment of a new business or new product development in an existing business, often in exchange for equity.

VERTICAL EQUITY -- Doctrine which holds that differently situated taxpayers should be treated differently, i.e. taxpayers with more income and/or capital should pay more tax.

VIENNA CONVENTIONS -- There are three multilateral "Vienna Conventions" which are relevant for taxation purposes. Among them, the Convention of 23 May 1969 on the Law of Treaties is particularly related to the interpretation of tax and other treaties. This convention contains generally accepted rules applying to tax treaties, the conclusion of treaties, their observance, application and interpretation, etc..

There are also Vienna Conventions on Diplomatic and Consular Relations, which address taxation and other issues in that context.

VOTING STOCK -- Shares in a corporation that entitle the shareholder to voting and proxy rights.

-W-

WAGE TAX Tax -- levied at source as a withholding on wages; taxes thus withheld are usually offset against final income tax liability (if any).

WEAR AND TEAR -- Decline in value through the ordinary use of an asset. Income tax systems usually allow deductions in calculating the profits of a business using buildings, plant and machinery which are subject to wear and tear in the course of the business.

WHITE PAPER -- Government document announcing government policy and practice on a specific issue or issues.

WILL -- A legal document that serves as a key vehicle of transfer at death.

WINDING UP -- The process of liquidating a corporation.

WITHDRAWALS -- When income or goods are withdrawn from a business by the entrepreneur to his private household (without a consideration), the income or the value of such goods normally constitutes a taxable event in the hands of the recipient for income tax purposes. Similarly, a withdrawal of goods or services for private use constitutes a taxable transaction for VAT purposes in most countries using such a system.

WITHHOLDING TAX -- Tax on income imposed at source, i.e. a third party is charged with the task of deducting the tax from certain kinds of payments and remitting that amount to the government. Withholding taxes are found in practically all tax systems and are widely used in respect of dividends, interest, royalties and similar tax payments. The rates of withholding tax are frequently reduced by tax treaties.

WORLD WIDE INCOME -- Criterion for the income tax liability of a resident company or individual of a certain country. In many countries a resident company or individual is subject to corporate/individual income tax on its worldwide income, subject to double taxation relief.

WORKING CAPITAL -- Funds invested in a company's cash, accounts receivable, inventory, and other current assets (gross working capital). The term usually refers to net working capital, that is, current asset minus current liabilities.

WRITTEN DOWN VALUE -- The value of an asset which is depreciable for income tax purposes, determined by deducting from the total cost, including installation, etc. the deduction that have been made for wear and tear or depreciation in previous tax years.

-Z-

ZERO COUPON BOND -- Long-term bond on which interest is not payable on a regular basis, but rather upon maturity of the bond. It is sold at a deep discount from its face value.

ZERO RATE -- The term is used in relation to VAT, where the rate of tax which is in principle levied but at a rate of 0% so that in effect no tax is payable, but will result in refunds of input tax credits.

THE SALES TAX ACT, 1990 (MCQs)

Right answers are given in BOLD.

1. How many chapters are there in the Sales Tax Act, 1990?
A. **X** B. XII
C. XIV D. None of the above
2. How many sections are there in the Sales Tax Act, 1990?
A. 77 B. 70
C. 75 D. 76
3. The unpaid Sales Tax is termed as
A. **Arrears** B. Balance
C. Debt D. Credit
4. Section 3 of the Sales Tax Act, 1990 deals with;
A. Arrears B. Associates
C. **Scope of Tax** D. None of the Above
5. Section 2 of the Sales Tax Act, 1990 deals with;
A. **Definitions** B. Short title
C. Scope of Tax D. Arrears
6. The value of the Sales Tax on taxable supplies and imported goods is suggested as;
A. 15% B. 17%
C. 20% D. 25%
7. On what type of goods the tax is leviable?
A. Supply of goods B. Imported goods
C. **Both A and B** D. None of the above
8. Section 4 of the Sales Tax Act deals with
A. **Zero rating** B. Tax rate
C. Manner of payment D. None of the above
9. Which of the following goods fall under the definition of zero rating?
A. Exported goods B. Supply of stores
C. Goods notified by the Federal Govt.
D. **All of the above**
10. What is the mode of payment of the Sales Tax?
A. **In the manner of customs duty** B. Deferred payment
C. At the spot D. None of the above
11. The time and manner of payment of sales tax is provided under section
A. 3 B. 4
C. 5 D. 6

12. The method of deduction from input tax and output tax is provided in section _____ of the Sales Tax Act, 1990.
A. 5 B. 6
C. 7 D. 8
13. A registered person shall not be entitled to deduct input tax in absence of
A. Tax invoice in his name B. Bill of entry
C. Treasury Challan in his name D. **All of the above**
14. Tax credit is not allowed in which of the following cases?
A. In case of goods used or to be used for any purpose other than for taxable supplies made or to be made
B. In case of sales tax not deposited in the treasury
C. In case of goods or services specified by the Federal Government
D. In case of fake invoices
E. In case of purchases against which input tax is not verifiable in the supply chain
F. **All of the above**
15. Who will be responsible to pay in case of joint and several liabilities of registered persons in supply chain where tax is unpaid?
A. **Jointly** B. Only the supplier
C. The receiver D. None of the above
16. For how much percentage a registered person, other than public listed companies listed on Pakistan Stock Exchange, shall be allowed to adjust input tax?
A. Up to 50% B. Up to 70%
C. Up to 80% D. **Up to 90%**
17. Refund of input tax will be made in case of
A. **Input tax payment exceeds the output tax**
B. Late payment of input tax
C. Both of the above
D. None of the above
18. The refund of input tax is provided under which of the following sections?
A. 7 B. 8
C. 9 D. **10**
19. The exemption from tax is provided under section _____ of the Sales Tax Act.
A. 9 B. 10
C. 12 D. **13**
20. Chapter III of the Sales Tax deals with _____.
A. **Registration** B. Recovery
C. Penalties D. None of the above
21. A registered person can be de-registered, blacklisted and suspended in which of the following cases?
A. Fake invoices B. Tax fraud
C. **Both A and B** D. None of the above

22. Chapter IV of the Sales Tax Act, 1990 deals with _____.
- A. Book keeping and invoicing requirements
B. Registration
C. Penalties
D. None of the above
23. A registered person can maintain which of the following records at his business premises?
- A. Record of supplies
B. Record of goods purchased
C. Record of goods imported
D. Record of zero rated and exempt supplies
E. All of the above
24. Tax invoices are made under which of the following sections of the Sales Tax Act, 1990?
- A. 10
B. 15
C. 20
D. 23
25. For how much time the tax record is maintained under the Sales Tax Act, 1990?
- A. 5 years
B. 6 years
C. 7 years
D. 10 years
26. Samples of goods are drawn under which of the following sections of the Sales Tax Act?
- A. 20
B. 22
C. 23
D. 25-A
27. Chapter V of the Sales Tax Act, 1990 deals with
- A. Registration
B. Penalties
C. Returns
D. None of the above
28. When the tax return is made?
- A. At due date
B. At the start of the fiscal year
C. At the end of the fiscal year
D. None of the above
29. Tax returns are made under which of the following sections of the Sales Tax Act?
- A. 25
B. 26
C. 27
D. 28
30. Special returns are made under section _____.
- A. 25
B. 26
C. 27
D. 28
31. Special returns indicate information regarding
- A. Quantity
B. Supplied goods
C. Payment of arrears
D. All of the above
32. Final return is made under which of the following sections of the Sales Tax Act?
- A. 25
B. 26
C. 27
D. 28

33. A final return is made in which of the following cases?
- A. In case of de-registration
B. In case of suspension
C. In case of black-listing
D. None of the above
34. Chapter VI of the Sales Tax Act, 1990 deals with
- A. Appoint of tax officers
B. Returns
C. Penalties
D. None of the above
35. How many classes of officers are there under the Sales Tax Act, 1990?
- A. 7
B. 9
C. 8
D. 12
36. The power of appointment of tax officers vests with;
- A. Federal Government
B. Federal Board of Revenue
C. Prime Minister
D. None of the above
37. Who is the authority of the Directorate General of Training and Research?
- A. Director General
B. Federal Government
C. Board of Revenue
D. None of the above
38. Directorate General of valuation is established under which section of the Sales Tax Act?
- A. 30
B. 30-A
C. 30-B
D. 30-D
39. Who is appointed to conduct a special audit?
- A. Officer(s) of Inland Revenue
B. A firm of chartered accountants
C. Cost and Management Accountant
D. All of the above
40. An auditing officer is appointed under which of the following sections of the Sales Tax Act, 1990?
- A. 30
B. 31
C. 32
D. 33
41. Chapter VII of sales Tax Act deals with
- A. Offences and Penalties
B. Appeals
C. Returns
D. None of these
42. What is a penalty under the Sales Tax Act, in case of failure to furnish a return within the due date?
- A. Rs. 5,000
B. Rs. 15,000
C. Rs. 10,000
D. None of these
43. The person who fails to issue an invoice when required shall be made to pay _____ as a fine.
- A. Rs. 5,000
B. Rs. 1,0000
C. 3% of the amount
D. Whichever is higher of A and C
44. The penalty specified for a person who issues an invoice without authority is
- A. Rs. 5000
B. Rs. 10000
C. 1 year imprisonment
D. None of the above

45. The person who fails to notify the changes of material nature in the particulars of registration of taxable activity will have to pay _____ rupees as penalty.
 A. 5000 B. 10000
 C. 15000 D. 20000
46. The penalty suggested for a person who fails to deposit the amount of tax is Rs. ____
 A. 5000 B. 10000 or 5% of the amount
 C. 12000 D. 13000
47. In case a person repeats erroneous calculation in the return during a year whereby amount of tax less than the actual tax due will be liable to pay _____ as fine.
 A. Rs. 5000 B. 3 percent
 C. Rs. 10000 D. A or B, whichever is higher
48. When person fails to make an application for registration before making taxable supplies will have to pay as _____ penalty.
 A. Rs. 10,000 B. Rs. 5000
 C. 5% of tax involved D. A or C, whichever is higher
49. A person who commits, causes to commit or attempts to commit the tax fraud, or abets or connives in commissioning of tax fraud will have to pay _____ as a penalty.
 A. Rs. 25000 B. 100% of amount involved
 C. Rs. 30000 D. A or B, whichever is higher
50. If a person violates an embargo placed on removal of goods in connection with recovery of tax, will be liable to pay _____ as penalty.
 A. Rs. 25,000 B. 10% of amount involved
 C. A or B, whichever is higher D. None of the above
51. Any person who obstructs the authorized officer in the performance of his official duties will have to pay _____ as a penalty.
 A. Rs. 20000 B. Rs. 25000
 C. 100% of the amount involved D. B or C, whichever is higher
52. Where any officer of the Inland Revenue acts or omits or attempts to act or omit in a manner causing loss to the sales tax revenue will be punished with imprisonment on conviction up to
 A. 3 Years B. 5 Years
 C. 6 Years D. 8 Years
53. Where any person repeats an offence, he will be liable to pay _____ as penalty.
 A. Twice the amount of penalty
 B. The amount provided for the offence only
 C. Rs. 5000
 D. None of the above
54. Default surcharge is paid in case;
 A. Registered person does not pay the tax due in time
 B. Refunds or makes an adjustment not admissible

- C. Incorrectly applies for zero percent rate
 D. All of the above
55. Default surcharge is paid at the rate of
 A. Twelve percent per annum in case a person pays erroneously
 B. Two percent per month in case of tax fraud
 C. Both of the above
 D. None of the above
56. Default Surcharge is provided under which of the following sections of the sales Tax Act?
 A. 30 B. 32
 C. 33 D. 34
57. An Inland Revenue officer has the power to summon any person to tender evidence or produce document under which of the following sections of sales Tax Act, 1990?
 A. 34 B. 35
 C. 37 D. 38
58. Which officer of the Inland Revenue is authorized to arrest and prosecute?
 A. Officer not below an Assistant Commissioner
 B. Any officer
 C. Commissioner
 D. No officer
59. An officer of the Inland Revenue is authorized to arrest and prosecute under which of the following sections of the sales Tax Act, 1990?
 A. 37 B. 37A
 C. 38 D. 40
60. After making an arrest, to whom the sales tax officer is bound to intimate immediately?
 A. Deputy Commissioner B. Commissioner
 C. Special Judge D. High Court
61. When there is no special judge within a reasonable distance, before whom the arrested person will be produced?
 A. Nearest Commissioner B. Nearest judicial magistrate
 C. Nearest Civil court D. None of the above
62. What is the stipulated period within which an arrested person will have to be produced before the judge?
 A. 10 hours B. 20 hours
 C. 24 hours D. 48 hours
63. Who is authorized to appoint a special judge?
 A. Commissioner Inland Revenue B. Federal Government
 C. High Court D. Supreme judicial council

64. On whose request a special judge takes cognizance of offences within his jurisdiction?
 A. On a report made by an Inland Revenue Officer
 B. Upon his own knowledge
 C. Upon receiving a complaint
 D. All of the above
65. Search warrants are made under which section of the Sales Tax Act, 1990?
 A. 35 B. 40
 C. 45 D. 48
66. Chapter viii of the Sales Tax Act, 1990 is regarding:
 A. Appeals B. penalties
 C. Returns D. None of the above
67. Any aggrieved person by an order passed under section 10,11,25,36 or 66 can prefer an appeal to
 A. Commissioner Inland Revenue (Appeals) B. Federal Board of Revenue
 C. High Court D. None of the above
68. What is the limitation period in case the appeal lies to the Commissioner?
 A. 30 days B. 60 days
 C. 90 days D. None of the above
69. An appeal to the Appellate Tribunal is made within the time period of;
 A. 30 days B. 60 days
 C. 90 days D. 120 days
70. Within how many days of the communication of order of the Appellate Tribunal an aggrieved person may prefer an application to the High Court?
 A. 30 days B. 60 days
 C. 90 days D. 120 days
71. An alternate dispute resolution method is provided under section _____ of the sales Tax Act, 1990?
 A. 40 B. 45
 C. 47 D. 47A
72. For what kind of disputes an aggrieved person may apply to the FBR for the appointment of a committee for the resolution of dispute?
 A. Liability of tax against the aggrieved person
 B. The extent of waiver of default surcharge and penalty
 C. Both A & B
 D. Neither A nor B
73. Chapter IX of the sales Tax Act, 1990, deals with
 A. Penalties B. Recovery of arrears
 C. Miscellaneous D. None of the above

74. Recovery of arrears is made under which section of the Sales Tax Act, 1990?
 A. 40 B. 45
 C. 47 D. 48
75. Chapter X of the sales Tax Act, 1990 deals with
 A. Recovery of arrears B. Returns
 C. Miscellaneous D. None of the above
76. Under section 50 of the Sales Tax Act, who is authorized to make rules?
 A. Federal Board of Revenue B. Federal Govt.
 C. High Court D. All of the above
77. A bar to the civil suits against the orders passed by the Inland Revenue officers is provided in which section of the Sales Tax Act, 1990
 A. 50 A B. 50 B
 C. 51 D. 52
78. e-intermediaries are appointed under which section of the Sales Tax Act?
 A. 50 B. 51
 C. 52 D. 52 A
79. Who is liable to pay the tax liability of a deceased/ registered person?
 A. Successors B. The Government
 C. Both A and B D. None of the above
80. Where the responsibility to pay the tax lies in case a registered person in declared bankrupt?
 A. To the estate B. The tax in written off
 C. Both of the above D. None of the above
81. Who has the authority to rectify the mistakes in orders passed?
 A. By whom the order is passed B. Commissioner
 C. FBR D. None of the above
82. A delayed refund is made under which of the following sections of the Sales Tax Act?
 A. 64 B. 65
 C. 66 D. 67
83. When the limitation period starts for an appeal?
 A. From the date of order B. From the date of service of order
 C. Both of the above D. None of the above
84. Who has the authority to select the tax auditors?
 A. FBR B. Federal Govt.
 C. Commissioner D. None of the above
85. Condonation of time limit is made by the board under which of the following sections of the sales Tax Act?
 A. 70 B. 72
 C. 73 D. 74

THE FEDERAL EXCISE ACT, 2005 (MCQs)

Right answers are given in BOLD.

- The Federal Excise Act, 2005 has how many chapters?
A. V B. VI
C. VII D. VIII
- The Federal Excise act has how many sections?
A. 45 B. 30
C. 48 D. 49
- When the federal Excise Act was enforced?
A. 1st July, 2005 B. 1st July, 2007
C. 1st July, 2009 D. None of the above
- What is an adjudicating authority?
A. Authority competent to pass any order or decision under this act.
B. Authority competent to levy taxes
C. Authority competent to make rules
D. All of the above
- The term adjustment under the federal excise act, 2005 means;
A. Non deduction of amount of duty B. Deduction of amount of duty
C. Both of the above D. None of the above
- An officer of Inland Revenue means;
A. An officer appointed by the FPSC
B. An officer appointed by the FBR
C. An officer appointed by the commissioner
D. None of the above
- The term "KIBOR" is an abbreviation of;
A. Karachi Inter Bank Offered Rate
B. Karachi Inter Board offered Rate
C. Karachi Inter Information Bureau Rate
D. None of the above
- Chapter II of the federal Excise Act 2005 deals with;
A. Definitions B. Levy, collection and Payment of duty
C. Offences and penalties D. None of the above
- On which type of goods and services excise duties are levied?
A. Goods purchased or manufactured in Pakistan

- B. Goods imported into Pakistan.
C. Goods specified by the Federal Govt.
D. Service provided in Pakistan
E. All of the above
- After how much time a return is filed and payment of duty is made?
A. 1 month B. 2 months
C. 3 months D. 6 months
- A revised return is filed by a registered person with the approval of commissioner Inland Revenue within _____ days of filing of returns to correct any omission or wrong declaration.
A. 100 B. 120
C. 130 D. 150
- Zero rate of duty is charged on which of the following types of goods?
A. Goods exported out of Pakistan B. Goods imported into Pakistan
C. All Manufactured goods D. None of the above
- A drawback of duty is paid on which of the following types of goods?
A. Goods exported out of Pakistan B. Goods manufactured in Pakistan
C. Both A and B D. None of the above
- Who is liable for payment of duty in the care of private companies or business enterprises or in case of sale of business ownership?
A. Every owner person B. Every partner
C. Director of the Company D. All of the above
- A person who collects or has collected excess duty which is not payable as duty, is liable to pay the amount collected to;
A. The Federal Govt. B. FBR
C. National Fund D. None of the above
- Determination of value for the purpose of duty is made;
A. On the basis of determined value when goods are liable to duty
B. At the rate dependent on the charges where services are liable to duty
C. On the value determined in accordance with section 25 of the customs act 1969 when goods are chargeable to duty on the import stage
D. On the basis of retail price fixed by the manufacturer in case the goods are chargeable on the basis of retail price
E. All of the above
- What are the steps provided in the Federal Excise Act for the recovery of unpaid duty or erroneously refunded duty?
A. Service of Notice B. Determination of amount payable
C. Both of the above D. None of the above

18. How the recovery of short paid amounts is made?
 A. By stopping removal of any goods from his business premises
 B. By attaching his business bank accounts
 C. By selling his goods
 D. Both A and B
19. For how much period a registered person is required to maintain the records of his goods purchased, manufactured and cleared?
 A. 6 years
 B. 7 years
 C. 8 years
 D. 9 years
20. A registered person is required to issue an invoice with serial number at the time of _____.
 A. Clearance of goods
 B. Sales of goods
 C. Both A and B
 D. None of the above
21. Chapter III of the Federal Excise Act, 2005 deals with;
 A. Levy, collection and payment of duty
 B. Offences and penalties
 C. Appeals
 D. None of the above
22. What penalty is prescribed under section 19 of the Federal Excise Act, for a person who does not file his returns?
 A. Rs. 5000
 B. Rs. 10000
 C. Rs. 15000
 D. None of the above
23. Where a person files the return within 15 days after the due date he is liable to pay _____ rupees for each day.
 A. 50
 B. 100
 C. 150
 D. 200
24. A person who destroys, damages, erases or manipulates the date of a computer without the permission of the Commissioner to benefit himself is liable to a penalty which may extend to;
 A. Rs. 75000
 B. 10 times of the duty involved
 C. A or B, whichever is higher
 D. None of the above
25. A person who obstructs any Inland Revenue officer or other public servant in execution of his duty shall be liable to the fine of _____.
 A. Rs. 50,000
 B. 5 times of duty involved
 C. Rs 100,000
 D. A or B, whichever is higher
26. Who shall be deemed to be guilty of offence committed by a company, firm or other body of persons?
 A. Director
 B. Manager

- C. Any officer similar to A or B or partner
 D. All of the above
27. When the goods are chargeable to duty on the basis of retail price and the retail price is not indicated. What will be the rate for cigarettes?
 A. 500% ad valorem
 B. 10% ad valorem
 C. Both A and B
 D. None of the above
28. An appointment of special judges for trial of offences under section 20 of the Federal Excise Act is made by;
 A. FBR
 B. Federal Government
 C. Commissioner Inland Revenue
 D. None of the above
29. What is the qualification of a special Judge specified in the Federal Excise Act?
 A. A person qualified to be a Sessions Judge
 B. A person qualified to be a Judge of High Court
 C. A person qualified to be a Judge of the supreme court of Pakistan
 D. None of the above
30. How a special Judge takes a cognizance of the offence under his jurisdiction?
 A. Upon a complaint in writing
 B. Upon a suo moto action
 C. On the recommendation of FBR
 D. None of the above
31. Who is authorized to transfer a case at any stage from one special Judge to another?
 A. The Federal Board of Revenue
 B. The Federal Govt.
 C. The commissioner Inland Revenue
 D. All of the above
32. An appeal against an order made by the Special Judge lies to;
 A. The federal appellate tribunal
 B. High court of the province
 C. Supreme Court
 D. None of the above
33. What is the time limit of an appeal to the High Court against the order of a Special Judge?
 A. 30 days
 B. 60 days
 C. 90 days
 D. 120 days
34. Within how much time a person arrested should be produced before the Special Judge?
 A. 24 hours
 B. 48 hours
 C. 90 hours
 D. 120 hours
35. What type of register an Inland Revenue officer empowered to hold an inquiry is required to maintain?
 A. Register of arrests
 B. Register of Arrests and Detention
 C. Register of relation
 D. None of the above

36. Chapter IV of the Federal Excise Act deals with;
 A. Searches, Arrests and seizures B. Appeals
 C. Supplemental provisions D. None of the above
37. How the searches and arrests are to be made?
 A. In accordance with code of criminal procedure
 B. In accordance with code of civil procedure
 C. Both of the above
 D. None of the above
38. Cigarettes for the reasons of counterfeiting are seized under which of the following sections of the Federal Excise Act?
 A. 22 B. 23
 C. 24 D. 27
39. Who is authorized to make appointments under section 29 of the Federal Excise Act?
 A. The Federal Government B. FBR
 C. Commissioner D. All of the above
40. How many categories of officers are made under the Federal Excise Act?
 A. 12 B. 11
 C. 8 D. 13
41. What is the stipulated period when the appeal lies to the commissioner?
 A. 30 days B. 60 days
 C. 90 days D. 120 days
42. When the appeal lies to the Appellate Tribunal, it can be made within;
 A. 30 days B. 60 days
 C. 90 days D. 120 days
43. A reference to the High Court is made within _____ days?
 A. 90 days B. 120 days
 C. 4 weeks D. 8 weeks
44. The alternate remedy dispute resolution is made under which of the following sections?
 A. 35 B. 36
 C. 37 D. 38

INCOME TAX ORDINANCE 2001

Chapter III

Right answers are given in BOLD.

1. Chapter III of the income Tax Ordinance, 2001 deals with;
 A. **Tax on taxable income** B. Penalties
 C. Both of the above D. All of the above
2. How many sections are there in chapter III of the income Tax Ordinance?
 A. **9-65G** B. 9-70
 C. 9-100 D. 9-120
3. For the imposition of tax, how many heads of income have been specified?
 A. **5** B. 6
 C. 7 D. 8
4. What kind of income is specified for levying the income tax?
 A. Salary B. Income from property
 C. Income from business D. Capital gains
 E. Income from other sources **F. All of the above**
5. What kind of salary is taxable under the Income Tax ordinance 2001?
 A. Any pay, wages or other remunerations
 B. The amount of any expenditure incurred by an employee
 C. An amount of any profit
 D. **All of the above**
6. The value of a right or option to acquire shares under an employee share scheme granted to an employee shall _____.
 A. **not be chargeable as tax**
 B. be chargeable as tax
 C. be chargeable with certain restrictions
 D. None of the above
7. The rent received or receivable by a person for a tax year, other than rent exempted shall;
 A. not be chargeable to tax
 B. be chargeable with certain restrictions
 C. **be chargeable to tax** D. None of the above

8. Taxation regarding income from property is provided in which of the following sections of the income tax ordinance?
A. 7 B. 8
C. 10 D. 15
9. The taxable income from other sources includes;
A. income from property
B. rent received by the lease of building together with plant and machinery
C. provision of amenities, utilities or other services connect with the renting
D. Both B and C
10. 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 which of the following expenditures or allowances?
A. In respect of repairs to a building
B. Premium paid to insure the building
C. Any local rate, tax, charge or cess in respect of property
D. Any ground rent
E. Any profit
F. share in rent and share towards appreciation in the value of property when property is acquired with the capital contributed by House Building Finance Corporation
G. Amount of profit or interest paid on mortgage when property is subject to mortgage or other capital charge
H. Any expenditure for collecting the rent
I. Any expenditure for legal services
J. All of the above
11. Section 18 of the Income Tax Ordinance deals with;
A. Income from property B. Income from business
C. Income from other means D. None of the above
12. Which type of taxable income falls within the category of "income from business"?
A. The profits and gains of any business
B. Income derived by trade, professional or similar association for the sale of goods or provision of services
C. Any management fee derived by a management company
D. All of the above
13. Section 19 of the income Tax ordinance deals with;
A. Deduction B. speculation business
C. Income form business D. None of the above

14. The speculation business shall be treated as;
A. Part of the other business B. Separate form any other business
C. Distinct form any other business D. Both b and C
15. In speculation business;
A. Actual delivery or transfer of the commodity is made
B. Actual delivery or transfer of the commodity is not made
C. Both A and B
D. None of the above
16. A deduction is allowed for which kind of expenditure?
A. Expenditures incurred for the purposes of business
B. Expenditures incurred for the purposes of leasing
C. Expenditures incurred for the purposes of Construction of business premises.
D. None of the above
17. Which of the following sections is related to depreciation?
A. 20 B. 21
C. 22 D. 23
18. A person shall be allowed a deduction for the depreciable assets used in his business in a tax year. Where a person disposes of his depreciable assets during a tax year the depreciation deduction shall be;
A. allowed B. not allowed
C. partly allowed D. none of the above
19. What shall be the cost of a depreciable asset being a passenger transport vehicle not plying for hire?
A. Up to Rs 2 million B. Up to Rs 2.5 million
C. Up to Rs 3 million D. Up to Rs 4 million
20. What will be the status of a depreciable asset that has been exported out of Pakistan?
A. Disposed of B. Relocated
C. Displaced D. Banned
21. Depreciable asset means any tangible movable, immovable 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
C. Is used wholly or partly by the person in deriving income from business chargeable to tax.
D. all of the above

22. Initial allowance is provided under which of the following sections of the Income Tax Ordinance?
 A. 20 B. 21
 C. 22 D. 23
23. An initial allowance is allowed for a person who places his eligible depreciable asset into service in Pakistan for the _____ time in a tax year.
 A. First B. Second
 C. Third D. Fourth
24. The deduction shall only be against the leased rental income regarding the assets of:
 A. a leasing company B. an investment bank
 C. modaraba or a scheduled bank D. All of the above
25. Within how many days a liquidator shall have to give written notice to the Commissioner about his taking the possession of the property?
 A. 10 B. 14
 C. 20 D. 30
26. Within how much time, the Commissioner shall notify back the liquidator regarding the amount sufficient for a tax year or the amount payable?
 A. 1 month B. 2 month
 C. 3 month D. None of the above
27. Accelerated depreciation allowance is available for installing any plan, machinery and equipment for generation of;
 A. Alternate energy B. Nuclear energy
 C. Coal energy D. thermal energy
28. For what kind of intangibles an amortization deduction is allowed to a person in a tax year?
 A. That is wholly or partly used by a person in a tax year in deriving income from business
 B. That have a normal useful life exceeding one year
 C. The have a normal useful life not exceeding one year
 D. Both A and B
29. Pre-commencement expenditures are allowed under which of the following sections of the Income Tax ordinance?
 A. 22 B. 23
 C. 24 D. 25

30. A person shall be allowed deductions for;
 A. Pre-commencement expenditures B. scientific research expenditures
 C. Employee training and facilities D. All of the above
31. Deductions shall be allowed in case/cases of;
 A. Bad debts
 B. Profits on non-performing debts of a banking company or development Finance Institution
 C. Transfer to participatory reserves
 D. All of the above
32. What type of methods of accounting has been provided in the Income Tax Ordinance?
 A. Cash-Basis accounting B. Accrual basis accounting
 C. Both A and B D. None of the above
33. Section 37 of the Income Tax ordinance deals with;
 A. Long term contracts B. Capital gains
 C. Accrual-basis accounting D. Cash- Basis accounting
34. For what kind of capital assets, no loss has been recognized in the Income Tax Ordinance?
 A. A painting, sculpture, drawing or other work of art
 B. Jewelry
 C. a rare manuscript, folio or book
 D. A postage stamp or first day cover
 E. A coin or medallion
 F. An antique
 G. All of the above
35. Income from other sources is chargeable to tax and includes;
 A. Dividend
 B. Royalty
 C. Profit on debt
 D. Ground rent
 E. Rent from the sub-lease of land or building
 F. Income from the lease of any building together with plant or machinery
 G. Any annuity or pension
 H. Any prize bond
 I. The fair market value of any benefit
 J. All of the above

36. An "Agricultural Income" is _____ from tax under the income Tax Ordinance.
 A. Exempted
 B. Not exempted
 C. Partially exempted
 D. None of the above
37. The income of foreign diplomats, individuals having privileges under the United Nations is _____ from the tax.
 A. Not exempted
 B. Exempted
 C. Partially exempted
 D. None of the above
38. What conditions are attached to the tax exemption of the salaries of foreign government officials?
 A. The employees should be citizens of the foreign country
 B. They should not have the citizenship of Pakistan
 C. Services performed by them should be similar to those of employees of the Federal Govt.
 D. They are granted similar exemptions as the Federal Government employees are granted in such foreign country
 E. All of the above
39. What kind of income is exempted from tax?
 A. Any president's honor awarded to a person
 B. Profit on debt
 C. Scholarships
 D. Federal, Provincial and Local Government Income
 E. Foreign-source income of short term resident individuals
 F. Foreign-source income of returning expatriates
 G. All of the above
40. A person is entitled to deductible allowances in a tax year in case he has paid;
 A. Zakat
 B. Workers welfare fund
 C. Workers participation Fund
 D. All of the above
41. A person is entitled to a credit on charitable donations he has paid such donations to
 A. Any board of education, university etc. established under the federal or provincial law
 B. Any educational institution, hospital or relief fund
 C. Any non-profit organization or any person eligible for tax credit
 D. All of the above
42. Chapter X Part IV of the Income Tax Ordinance, 2001 deals with;
 A. Collection and recovery of Tax
 B. Tax exemptions
 C. Penalties and offences
 D. All of the above

43. What is the due date for payment of tax?
 A. 1st July every year
 B. Date for furnishing the tax returns
 C. Any time in a tax year
 D. None of the above
44. Who is authorized to make the recovery of tax out of property and through arrest of tax payer?
 A. Commissioner
 B. Deputy Commissioner
 C. Assistant Commissioner
 D. All of the above
45. When the tax liability passes on to taxpayer's estate?
 A. In case of denial of payment
 B. In case of bankruptcy
 C. In case of death
 D. All of the above
46. Where a person is likely to leave Pakistan during the currency or shortly after the expiration of a tax year with no intention of returning shall have to notify the Commissioner _____ before leaving the country.
 A. 15 days
 B. 20 days
 C. 25 days
 D. 30 days

MISCELLANEOUS MCQs

Right answers are given in BOLD.

- The Central Board of Revenue was created on
A. 02 April 1924
B. **01 April 1924**
C. 04 March 1920
D. 01 April 1921
- The Central Board of Revenue was created under:
A. Federal Board of Revenue Act 1920
B. Federal Board of Revenue Act 1922
C. **Central Board of Revenue Act 1924**
D. None of the above
- The main functions of Federal Board of Revenue include:
A. to formulate and present proposals related to income tax
B. to formulate and present proposals related to sales tax
C. To formulate and present proposals related to Federal Excise Duty
D. **All of the above**
- The Federal Board of Revenue derives its powers from which of the following enactments?
A. Sales Tax Act 1990
B. Income Tax rules 2002
C. Sales Tax rules 2006
D. Federal Excise rules 2005
E. **All of the above**
- What are the sources of revenue in Pakistan?
A. Federal Taxes
B. Provincial Taxes
C. **both A & B**
D. none of them
- The Federal Taxes include;
A. Direct and Indirect Taxes
B. Income Tax
C. Custom duties
D. **All of the above**
- The components of income tax include;
A. **Collection on demand (COD), withholding tax and Advance Tax/Payments with returns**
B. tax on demand, voluntary payments and sales tax
C. agriculture tax, withholding tax and customs duties
D. All of the above
- Workers Welfare tax is charges at the rate of;
A. 1%
B. 1.5%
C. **2%**
D. 2.5%
- The workers Profit Participation Fund is paid by companies at the rate of;
A. **5%**
B. 10%
C. 20%
D. 12%

- Custom Duties are levied to which of the following acts?
A. Income Tax Ordinance 2001
B. Federal Excise Act 2005
C. **Customs Act 1969**
D. None of them
- The Federal Excise Duties are levied on _____
A. domestic production
B. imports and services
C. **both a and b**
D. none of the above
- Which of the following taxes come under the head of Provincial Taxes?
A. Property Tax
B. Excise Duties
C. Stamp Duties
D. **All of the above**
- Direct Taxes comprise about _____ % of Pakistan's total tax revenue.
A. 59%
B. 70%
C. **38%**
D. 80%
- The current expenditures of the government include;
A. Defence
B. Debt Servicing
C. General Administration & Social Services
D. **All of the above**
- The total outlay of the Federal Budget FY 2021-2022 is _____
A. **Rs. 8.5 trillion**
B. Rs. 7.5 trillion
C. Rs. 8 trillion
D. Rs. 9 trillion
- The total expenditures of the current fiscal years is estimated around
A. Rs. 7.89 trillion
B. **Rs. 8.487 trillion**
C. Rs. 4.3 trillion
D. Rs. 3.395 trillion
- Pakistan's budgetary allocation to defence is about _____
A. **Rs. 1.4 trillion**
B. 900 billion
C. Rs. 1.8 trillion
D. 800 billion
- The public sector development programme has been earmarked with Rs. _____ in the budget 2021-2022.
A. 2.5 trillion
B. 800 billion
C. **2.1 trillion**
D. 600 billion
- The government has vowed to take the GDP growth of Current Fiscal Year to _____
A. 4.8%
B. 10%
C. **6.2%**
D. 5.7%
- The minimum wages of the labor has been increased to Rs. _____ in budget 2021-2022.
A. Rs. 13,000/-
B. **Rs. 14,000/-**
C. Rs. 20,000/-
D. Rs. 10,000/-

21. According to Economic Survey of Pakistan, Pakistan's current GDP growth is,
A. 4 % B. 4.21 %
C. 3.94 % D. 5 %
22. According to the latest Labour Force Survey (2017-2018) the un-employment rate of Pakistan estimated during the year 2020-2021 was
A. 5.92 % B. 9.81 %
C. 7.83 % D. 9.56 %
23. Pakistan's literacy rate is estimated about _____
A. 50 % B. 60 %
C. 65 % D. 30 %
24. In Public Sector GFCF, the electricity generation, distribution and gas distribution has registered a growth of _____ % during the current fiscal year.
A. 5 % B. 7 %
C. 12 % D. 8 %
25. Investment to GDP ratio has reached to _____ % FY-2020-2021.
A. 15.2 % B. 20 %
C. 15 % D. 21 %
26. The current per capita income of Pakistan is
A. \$1200 B. \$ 1400
C. \$1516 D. \$1542.5
27. Headquarter of FBR is situated in _____
A. Islamabad B. Lahore
C. Quetta D. Karachi
28. The current Chairman of FBR is:
A. Mr. Asim Ahmad B. Ansar Javed
C. Ali Arshad Hakeem D. Tariq Bajwa
29. The portfolio of Finance Secretary is held by
A. Salman Siddiq B. Kamran Afzal
C. Yusuf Khan D. Abdul Wajid Rana
30. Current Finance Minister of Pakistan is
A. Sheikh Rasheed B. Khawaja Asif
C. Shaukat Tarin D. Ch. Nisar Ali Khan
31. FBR Stands for
A. Federal Board of Revenue B. Finance Board of Revenue
C. Federal Bureau of Revenue D. None of them