

**GOVERNMENT OF PAKISTAN  
REVENUE DIVISION  
FEDERAL BOARD OF REVENUE  
INLAND REVENUE**

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F. NO. 3(61)(Int. Taxes)/2013

Islamabad, September 30<sup>th</sup>, 2020

**Circular No. 05 of 2020  
(International Taxes)**

**Subject: Introducing New Online System of Issuance of Exemption/Reduced Rate Certificates u/s 152(4A), 152(4B), 152(5) and 159 of the Income Tax Ordinance, 2001 – Guidelines Regarding**

Sub Sections (1),(1A),(1AA),(1AAA),(1C),(1D),(2)& (2A) of Section 152 of the Income Tax Ordinance, 2001 (hereinafter “the Ordinance”) commands every resident person and Permanent Establishment (PE) of a non-resident person to withhold tax at the applicable rate and deposit the same into the national exchequer. Sub sections 4(B) and (5) of Section 152 mandates every resident person and PE of a non-resident person to furnish to the Commissioner a notice in writing if such person intends to make the payment to a non-resident person without deduction of tax. Similarly, under section 152(4A) and 159 of the Ordinance, every recipient/payee being a non-resident person or PE of a non-resident applies for issuance of exemption or lower rate certificate.

2. Presently, the person (resident person and PE of a non-resident person) intending to make payment to a non-resident recipient and the person receiving payment (non-resident person and PE of a non-resident person), files a notice/application to the Commissioner divulging therein, most of the times sketchy, half-baked, and incomplete information. There is credible evidence to suggest that the current system of filing of notice/application and consequential issuance of exemption/reduced rate certificates, regularly results in significant revenue hemorrhage in a variety of ways and due to multiple reasons. This way the exemption/reduced rate certificates issued (since neither ever contested nor audited), are never put to an independent scrutiny, which factor stonewalls the entire transaction – whether right or wrong – for all times to come, which scenario, on the one hand, militates against the State interest, and, on the other, fails us on our commitments made to Pakistan’s partners of Avoidance of Double Taxation Agreements (ADTAs), under which we are obliged to share with them all critical information regarding all incomes that get generated in Pakistan but not taxed for any reasons or taxed at a reduced rate.

3. In this regard, SRO No. 923(I)/2020 dated 29.09.2020 has already been issued. In order to arrest the situation, a new ONLINE system of issuance of exemption/reduced rate certificates subject to the fulfillment of requirements/conditions of the relevant substantive provisions of the Ordinance and SRO No. 923(I)/2020 dated 29.09.2020 has been conceived, developed and is being rolled out.

**(A) Administrative Guidelines**

4. Salient features of the new online system are as under: -

- a) The person intending to make a particular payment or receiving a particular payment

would lodge a Notice/Application through a prescribed electronic form, inter alia, divulging therein: -

- i. Total amount involved / Nature (Category) of income;
  - ii. Full particulars of the Payer;
  - iii. Full particulars of the Payee;
  - iv. Full particulars of the remitting bank;
  - v. Full particulars of the Transaction i.e. performance of the economic cause giving rise to the intended Payment;
  - vi. Full particulars of the recipient bank; and
  - vii. Basis/arguments for claiming Exemptions/Reduced Rate Certificate.
- b) Commissioner would make an institutional decision on the Notice/application after making necessary enquiries by the officers holding jurisdiction over the case.
- c) Commissioner shall make his decision on the request for exemption/reduced rate available online within the prescribed time limit of 30 days.
- d) Commissioner shall specify the relevant period of validity in the exemption/reduced rate certificate regarding transaction and intended remittance.
- e) The payer (remitter)/payee (remittee) will present a copy of the exemption/reduced rate certificate to officer of the designated bank who would log-in at [www.fbr.gov.pk](http://www.fbr.gov.pk), enter the (unique) exemption/reduced rate Certificate No. to verify its validity and veracity.
- f) Throughout, FBR would virtually MONITOR the process as regards a notice/application lodged, incremental progress achieved by the Commissioner toward its disposal, due diligence and rigor of analysis conducted, and robustness of arguments/grounds recorded by the Commissioner in the order towards accepting or rejecting the notice/application.
- g) PRAL, operating as back-end managers of the entire process, would keep storing all data of Notices/Applications made, exemptions allowed, moneys remitted, on person-wise, head-wise, and country-wise basis to be retrieved, analyzed and transmitted internationally by the Board.
- h) FBR though omnipresent throughout would intervene only where it is compellingly felt that a decision has not been made within the time specified; or it has not been made in accordance with the applicable law.

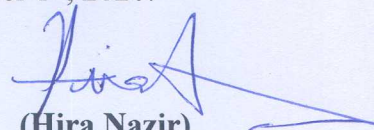
#### **(B) Technical Guidelines**

5. An all-embracing online link shall be available to all Commissioners through WAN and Iris. DBAs appointed in LTOs and RTOs would assist the Commissioners in this effort. After login, the sequence of options will be as follows: -

- i. Direct Taxes → Exemptions/Reduced Rate Certificate on Payment to Non Resident by a resident person or PE of a non-resident person.
- ii. Direct Taxes → Exemptions/reduced rate certificate on receipt of payment by a non-resident or PE of a non-resident person.

- iii. All Requests relevant concerning the LTOs/RTOs at all level i.e. filed, under-process, rejected, partially-approved, approved, will appear in the Grid by default.
- iv. Commissioners will have all possible options to shortlist relevant records.
- v. After clicking on the view link against the row that is required to be processed, the complete application filed giving all possible information in prescribed format in read-only mode will be displayed.
- vi. An additional box to process the application in edit mode will be displayed.
- vii. Commissioners will have the option to accept or reject the request in the light of particulars given by the applicant with an additional input box being available to record the detailed reasons of the approval or rejection decision thereof.
- viii. Pin-code will be used as digital signature in addition to login ID and password. Valid Pin-code is mandatory to submit the decision taken by the competent authority.
- ix. Applicant will have the option to print the final decision (Exemption/reduced rate Certificate) for onward presentation before the bank authorities. Exemption/reduced rate Certificate will have all necessary particular of both the payer and the payee/recipient as provided at the time of submission of online notice/application, a unique serial number, and bar-code printed thereon to minimize the chances of its misuse.

6. The new online system comes into force w.e.f. October 1<sup>st</sup>, 2020. No Notice/Application u/s 152(4A), 152(4B), 152(5) and 159 lodged otherwise shall be accepted, processed or any exemption/reduced rate certificate issued w.e.f. October 1<sup>st</sup>, 2020.

  
(Hira Nazir)  
Secretary  
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