

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

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

Islamabad, September 30th, 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

