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**S. A. SALAM's**  
**Complete Income Tax Law**  
**(8th Edition)**  
**188th Update – March 31, 2026**

Please find enclosed **11** updated pages so as to complete and update your copy of Complete Income Tax Law *8th Edition*. Kindly insert as follows:

Existing Page to be removed	Updated Page to be inserted	Existing Page to be removed	Updated Page to be inserted
<b><i>Pt. I – Income Tax Ordinance</i></b>			
28(11), (12)	28(11) to (12.1)		
244(9) to (12)	244(9) to (12.4)		
<b><i>Pt. II – Income Tax Rules</i></b>			
185, 186	185 to 187		

Yours sincerely,  
Abdul Rab Khan  
Manager

### **Note from the Author**

It gives me great pleasure to complete the 188th update of Complete Income Tax Law *8th Edition*. This update covers:

**-SROs: 89(I)/2026;**

**-Income Tax (Amendment) Act, 2026; and**

**-Income Tax Circular 07 of 2025-26.**

The changes are briefly listed as follows:-

#### ***Part I – Income Tax Ordinance***

1. On page I-28(12) onwards, Income Tax **Circular No.07 of 2025-26** dated March 31, 2026 has been reproduced. This is re: **Clarification Regarding Applicability of Withholding Tax under Section 236C in Respect of Persons Covered under Section 7F of the Income Tax Ordinance, 2001.**

2. On page I-244(9) onwards, Section 134A has been amended by **Income Tax (Amendment) Act, 2026** dated January 26, 2026. This is re: **Alternative Dispute Resolution.**

#### ***Part II – Income Tax Rules 2002***

3. On page II-186, Rule 6 of the Inland Revenue Reward Rules, 2021 has been amended by **SRO 89(I)/2026** dated January 21, 2026. This is re: **Reward for Meritorious Services.**

Your suggestions, comments etc. will be very useful for improvement of the work.

Sheikh Asif Salam  
Chartered Accountant

<sup>1</sup>[7F. **Tax on builders and developers.**- (1) A tax shall be imposed at the rate specified in Division I or II of Part-I of the First Schedule on the taxable profit of every person deriving income from the business of—

- (a) construction and sale of residential, commercial or other buildings;
  - (b) development and sale of residential\* commercial or other plots; or
  - (c) activities as mentioned in (a) and (b) above.
- (2) For the purpose of this section, taxable profit shall be—
- (a) ten percent of gross receipts in respect of activities specified in clause (a) of sub-section (1);
  - (b) fifteen percent of gross receipts in respect of activities specified in clause (b) of sub-section (1); and
  - (c) twelve percent of gross receipts in respect of activities specified in clause (c) of sub-section (1).

**Explanation.**- For the removal of doubt, it is clarified that the provisions of this section shall only apply in respect of income accruing from gross receipts from activities specified in sub-section (1) and shall not be applicable to income or incomes from any other source or under any head of income.

(3) Where a taxpayer, while explaining the nature and source of the amount credited or the investment made, money or valuable article owned or the funds from which the expenditure was made, takes into account any source of income which is subject to tax under this section, the taxpayer shall not be allowed to take credit of any sum as is in excess of taxable profit:

Provided that where taxable income under section 9 is more than the taxable profit under this section, taxpayer shall be entitled to take credit of such taxable income subject to the payment of tax at the rate specified in Division I or II of Part-I of First Schedule.

(4) The provisions of this section shall not apply to a builder or developer established by an Act of the Parliament or a Provincial Assembly or by a Presidential Order and who is engaged in activities for the benefit of its employees or otherwise including activities for the planning and development of and for providing and regulating housing and ancillary facilities in a specified or notified area.]

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<sup>1</sup>Section 7F inserted by Finance Act, 2024 w.e.f. 1 July, 2024.

\*A comma intended appears to have been overlooked while making the amendment.

**S. 7F.- Tax on Builders and Developers.** Following is an extract from FBR's Circular No. 01 of 2024-25, dated July 29, 2024:-

“Section 7F has been introduced regarding taxation of builders and developers. The taxable profit shall be 10 percent of the gross receipts from activities of construction and sale of residential, commercial or other buildings, 15 percent of the gross receipts from activities of development and sale of residential, commercial or other plots and 12 percent of the gross receipts in case both the activities above are involved. Tax shall be imposed on the taxable profit as per rates specified in Division I or Division II, as the case may be, for such persons.

Through an explanation, it has been clarified that the provisions of section 7F shall only apply to activities from construction and sale of residential commercial or other buildings and activities from development and sale of residential, commercial or other plots. Any other head of income or income from any other source is excluded from the purview of this section.

Such builders and developers while explaining the nature and source of any amount credited or investment made, money or valuable article owned or funds from which the expenditure was made, shall be allowed to take credit up to the amount of taxable profit under this section. Credit of amount in excess of taxable profit can only be taken if taxable income under section 9 is more than the taxable profit and tax has been paid on such taxable income at the rate specified in Division I or II of Part I of the First Schedule.

Builders and developers established by an Act of the Parliament or a Provincial Assembly or by a Presidential Order for benefit of their employees or specific housing projects are excluded from the purview of section 7F.

As per sub-section (1) of section 147, persons deriving incomes subject to tax under sections 5, 6 and 7, salary income subject to deduction of tax at source and incomes subject to final tax are not liable to pay advance tax. Section 7F has not been mentioned in exclusions from payment of advance tax in sub-section (1) of section 147. Therefore, builders and developers falling under the purview of section 7F shall discharge their advance tax liability on taxable profit for a tax year in four quarterly advance tax instalments. As the advance tax liability for the tax year 2025 is likely to be more than the advance tax liability computed under sub-section (4), builders and developers shall estimate their advance tax liability as per provisions of sub-section (4A) of section 147. The advance tax for a quarter will be computed by applying the rates specified in Division I or II of Part-I of the First Schedule to quarterly taxable profit computed as a percentage of gross receipts i.e., 10 % of the gross receipts from activities of construction and sale of residential, commercial or other buildings, 15 % of the gross receipts from activities of development and sale of residential, commercial or other plots and 12% of the gross receipts in case both the activities above are involved. The due dates for payment of quarterly advance tax for individuals and AOPs/companies will be same as specified in sub-sections (5) and (5A) of section 147 of the Ordinance respectively. Moreover, provisions of sub-sections (7) to (10) of section 147 will apply mutatis mutandis on quarterly advance tax payable under this section.

A statement of computation will be submitted by a builder or a developer on each due date for the quarters specifying computation of advance tax on the basis of taxable profit for each quarter, gross amount of receipts either in cash or deposited in bank and business bank accounts detail duly certified by a Chartered Accountant or a Cost and Management Accountant.”

**S. 7F.- Clarification Regarding Applicability of Withholding Tax under Section 236C in Respect of Persons Covered under Section 7F.** Following is an extract from FBR's Circular No. 07 of 2025-26, dated March 31, 2026:-

“It has been brought to the notice of the Federal Board of Revenue (FBR) that concerns have been raised regarding the applicability of withholding tax under section 236C of the Income Tax Ordinance, 2001 (“the Ordinance”) to persons engaged in construction and development activities who are subject to tax under the special regime introduced through section 7F of the Ordinance.

2. Under section 7F, a special tax regime has been prescribed for certain categories of builders and developers, whereby their income is determined as a fixed percentage of gross receipts. It has been represented that tax under section 236C is generally adjustable against capital gains arising from such sales. However, in the case of such builders and developers, profits and gains are chargeable under the head “Income from Business” through the special procedure described in section 7F. Consequently, any deduction under section 236C creates an additional liquidity burden on such taxpayers, especially in cases where the taxpayer does not have any other taxable income during the tax year.

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3. The matter has been examined, and it is hereby clarified that persons who have discharged their tax liability under section 7F of the Ordinance, and who do not have any other income chargeable to tax under the Ordinance (against which such tax collection can be adjusted), may seek exemption from the collection of advance tax under section 236C.
  4. Such persons may apply to the concerned Commissioner Inland Revenue under section 159 of the Ordinance for the issuance of an exemption certificate authorizing the non-collection of tax under section 236C on their transactions involving the sale of immovable property.
  5. Commissioners Inland Revenue are directed to examine such applications on a case-to-basis, ensuring that the applicant fulfills all conditions precedent to such exemption, and to decide the matter in accordance with the law.
  6. The prescribed timelines for the Commissioner and Chief Commissioner regarding the issuance of exemption certificates shall apply ipso facto.”



<sup>1</sup>**134A. Alternative Dispute Resolution.**- (1) Notwithstanding anything contained in this Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to-

- (a) the liability of tax of fifty million rupees or above or admissibility of refund, as the case may be;
- (b) the extent of waiver of default surcharge and penalty; or
- (c) other specific relief required to resolve the dispute, may apply, except where criminal proceedings have been initiated, to the Board for the appointment of an alternative dispute resolution committee "Committee" under this section for the resolution of any dispute:

Provided that where the aggrieved person is a state-owned enterprise "SOE", the limit of tax liability mentioned in clause (a) of sub-section (1) shall not apply and it shall be mandatory for such aggrieved SOE to apply to the Board for the appointment of a Committee for the resolution of any dispute under this section:

Provided further that no suit, prosecution, or other legal proceedings shall lie against the SOE or the Committee in relation to the dispute resolved under this section.

*Explanation.*—State-owned enterprise shall have the same meaning as assigned thereto in the State-Owned Enterprises (Governance and Operations) Act, 2023 (VII of 2023).

(2) The application for alternative dispute resolution under sub-section (1) shall be accompanied by—

- (a) initial proposition for resolution of the dispute; and
- (b) an undertaking that if the applicant accepts the decision of the Committee, it shall be binding on him in all respects and shall on receipt of the decision within fifteen days withdraw any and all pending cases of any kind in respect of the dispute, mentioning details thereof:

Provided that in case of SOE which is, directly or indirectly, wholly owned by the Federal Government, the decision of the Committee shall be final and binding on the Commissioner and the SOE.

<sup>1</sup>S. 134A substituted by Income Tax (Amendment) Act, 2026 dated January 26, 2026. Earlier it was substituted by Finance Act, 2023 dated June 26, 2023, was substituted by Finance Act, 2022 dated June 30, 2022, was substituted by Finance Act, 2020 dated June 30, 2020, was substituted by Finance Act, 2018 dated May 23, 2018 and was inserted by Finance Act, 2004, w.e.f. July 1, 2004.

## Sec. 134A

(3) The Chairman of the Board, after examination of the application of an aggrieved person, appoint a committee, within fifteen days of receipt of such application by the Board, comprising,—

- (a) a retired judge of a High Court, the Federal Constitutional Court or the Supreme Court having adequate experience in dealing with tax or commercial matters, who shall also be the Chairperson of the Committee, to be nominated by the Chairman of the Board from a panel of three names proposed by the nominee of the taxpayer under clause (c) of this sub-section. In case the Chairman disagrees with the names proposed by the persons nominated by the taxpayer in terms of clause (c), the Chairman of the Board shall require the nominees appointed under clause (b) and (c) to propose one name each of a retired judge of a High Court, the Federal Constitutional Court or the Supreme Court having adequate experience in dealing with tax or commercial matters, whereupon the Chairman shall forward such names to the Federal Minister for Law and Justice for nomination of one of such person as Chairperson of the Committee;
- (b) an officer of the Inland Revenue not below BS 21, other than, the Chief Commissioner Inland Revenue having jurisdiction over the case; and
- (c) a person to be nominated by the taxpayer from amongst—
  - (i) accountants within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961); or
  - (ii) cost and management accountants within the meaning of the Cost and Management Accountant Act, 1966 (Act No. XIV of 1966); or
  - (iii) advocates having a minimum of fifteen years' experience in the field of taxation or commercial matters; or
  - (iv) officers of the Inland Revenue who retired in BS 21 or above; or
  - (v) businessmen from a list notified by the Board as recommended by the Federation of Pakistan Chamber of Commerce and Industry:

Provided that the taxpayer shall not nominate a chartered accountant or an advocate if the said chartered accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer.

(4) The Chairman of the Board shall communicate the order of appointment of Committee to the aggrieved person, court of law or Appellate Tribunal or tax authority where dispute is pending and to the Commissioner concerned.

(5) The Committee appointed under sub-section (3) shall examine the issue and may, if it deems 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 by majority, within ninety days of its appointment.

(6) The decision by the Committee under sub-section (5) shall not be cited or taken as a precedent in any other case or in the same case for a different tax year

(7) The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed under sub-section (3) shall be deemed to have been stayed on the constitution of Committee till the final decision or dissolution of the Committee, whichever is earlier.

(8) The decision of the Committee under sub-section (5) 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 Appellate Tribunal or tax authority in respect of dispute as mentioned in sub-section (1) 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.

(9) Subject to sub-section (10), the Commissioner shall also withdraw the appeal, if any, pending before any court of law or Appellate Tribunal or tax authority in respect of dispute as mentioned in sub-section (1) within thirty days of the communication of the order of withdrawal by the aggrieved person to the Commissioner.

(10) The aggrieved person shall make the payment of income tax and other taxes and within such time as decided by the Committee under sub-section (5) and all decisions and orders made or passed shall stand modified to that extent.

(11) If the Committee fails to decide within the period of ninety days under sub-section (5), the Chairman of the Board shall dissolve the Committee by an order in writing and the matter shall be decided by the court of law or Appellate Tribunal or tax authority, as the case may be:

Provided that in case of SOE, except an SOE, which is, directly or indirectly, wholly owned by the Federal Government, either party may prefer an appeal to the Federal Constitutional Court or the Supreme Court, as the case may be, within a period of sixty days against a decision of the Committee or where no decision is made, upon receiving order of dissolution of the Committee.

(12) All petitions filed by the SOEs, directly or indirectly, wholly owned by the Federal Government, against the decision of the Committee made prior to commencement of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026) and pending before the Federal Constitutional Court, the Supreme Court or a High Court shall, upon commencement of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026), abate.

(13) Notwithstanding anything contained in sub-section (12), petitions filed by SOEs, which are not wholly owned by the Federal Government, against the decision of the Committee made prior to commencement of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026) and pending before a High Court, shall upon commencement of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026) abate:

Provided that such SOEs may prefer an appeal to the Federal Constitutional Court or the Supreme Court, as the case may be, against the decision of the Committee, within a period of sixty days from commencement of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026).

(14) The Chairman of the Board shall communicate the order of dissolution of the Committee to the aggrieved person, the Commissioner concerned and the court of law or Appellate Tribunal or tax authority, where the case was previously pending.

(15) On receipt of the order of dissolution, the court of law or Appellate Tribunal or tax authority, as the case may be, shall decide the case within ninety days of the communication of the said order.

(16) The Board may, from time to time, prescribe the amount to be paid as remuneration to the Chairperson of the Committee, which remuneration shall be paid by the Board and the taxpayer equally within a period of fifteen days from the constitution of the Committee under sub-section (3).

(17) The taxpayer shall be responsible for remuneration of a nominee under clause (c) of sub-section (3).

- (18) Notwithstanding anything contained in this section:-
- (a) the Federal Constitutional Court, the Supreme Court or a High Court, on its own motion or on the application of either party, may refer the dispute pending before it to the Board for resolution by the Committee to be appointed under sub-section (3):

Provided that where both parties agree to refer the dispute for resolution by the Committee, the court of law or Appellate Tribunal or tax authority seized of the dispute shall record the consent of both the parties and shall refer the dispute to the Board for appointment of the Committee under sub-section (3):

Provided further that all disputes of SOEs pending before any court of law or Appellate Tribunal or tax authority shall stand transferred to the Board for resolution by the Committee to be appointed under sub-section (3) upon commencement of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026); and

- (b) whenever any dispute is referred or transferred under clause (a) for resolution by the Committee, the Board shall within fifteen days from the date of such order or transfer, appoint the Committee under sub-section (3).

(19) The provisions of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026) shall be subject to the provisions of section 6 of the General Clauses Act, 1897 (X of 1897) provided that the applicant including a SOE may make a fresh application for reconstitution of the Committee in accordance with the provisions of the Income Tax (Amendment) Act, 2026 (Act No. IX of 2026), if the Committee has not rendered its decision prior to its enactment.

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

**S. 134A-Substitution.**— Before substitution by Income Tax (Amendment) Act, 2026, it read as follows:—

**“134A. Alternative Dispute Resolution.**— <sup>1</sup>[(1) Notwithstanding any other provision of this Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to-

- (a) the liability of tax of fifty million rupees or above against the aggrieved person or admissibility of refund, 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, except where criminal proceedings have been initiated, to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application:

Provided that where the aggrieved person is a state-owned enterprise (SOE), the limit of tax liability of fifty million rupees or above mentioned in clause (a) of sub-section (1) shall not apply and it shall be mandatory for such aggrieved SOE to apply to the Board for the appointment of a committee for the resolution of any dispute under this section:

Provided further that no suit, prosecution, or other legal proceedings shall lie against the SOE or the committee in relation to the dispute resolved under this section.

*Explanation.*— State-owned enterprise shall have the same meaning as assigned thereto in the State-Owned Enterprises (Governance and Operations) Act, 2023 (VII of 2023).

- (2) The application for dispute resolution under sub-section (1) shall be accompanied by-
  - (a) an initial proposition for resolution of the dispute, including an offer of tax payment; and
  - (b) an undertaking that the applicant shall accept the decision of the Committee which shall be binding on him in all respects and shall on receipt of the decision immediately withdraw any and all pending litigation or cases of any kind in respect of the dispute, mentioning details thereof:

Provided that if the applicant is an SOE, it shall withdraw any and all such pending litigation and cases immediately and mention the details thereof in the undertaking:

Provided further that the SOE may file an appeal to the Appellate Tribunal or a reference to the High Court or a petition for leave to appeal the Supreme Court, as the case may be, where sub-section (1) is applicable.]

- (3) The Board may, after examination of the application of an aggrieved person, appoint a committee, within fifteen days of receipt of such application in the Board, comprising,—
  - (i) a retired judge not below the rank of a judge of a High Court, who shall also be the Chairperson of the Committee, to be nominated by the Board from a panel notified by the Law and Justice Division for such purpose;
  - (ii) the Chief Commissioner Inland Revenue having jurisdiction over the case; and

<sup>1</sup>S. 134A(1) & (2) substituted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024.

**S. 134A(1), (2)-Substitution.**— Before substitution by Tax Laws (Amendment) Act, 2024, these read as follows:—

“(1) Notwithstanding any other provision of this Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to—

- (a) the liability of tax of one hundred million rupees or above against the aggrieved person or admissibility of refund, 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.

(2) The application for dispute resolution under sub-section (1) shall be accompanied by an initial proposition for resolution of the dispute, including an offer of tax payment.”

- (iii) a person to be nominated by the taxpayer from a panel notified by the Board comprising—
- (a) chartered accountants, cost and management accountants and advocates having a minimum of ten years' experience in the field of taxation;
  - (b) officers of the Inland Revenue Service who stood retired in BS 21 or above; or
  - (c) reputable businessmen as nominated by the Chambers of Commerce and Industry:

Provided that the taxpayer shall not nominate a chartered accountant or an advocate if the said chartered accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer

(4) The Board shall communicate the order of appointment of Committee to the aggrieved person, court of law or the appellate authority where the dispute is pending and to the concerned Commissioner.

(5) The Committee appointed under sub-section (3) shall examine the issue and may, if it deems 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 by majority, within forty-five days of its appointment extendable by another fifteen days for the reasons to be recorded in writing.

(6) The decision by the Committee under sub-section (5) shall not be cited or taken as a precedent in any other case or in the same case for a different tax year.

(7) The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed under sub-section (3) shall be deemed to have been stayed on the constitution of Committee till the final decision or dissolution of the Committee, whichever is earlier.

(8) The decision of the Committee under sub-section (5) 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 in respect of dispute as mentioned in sub-section (1) 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.

(9) Subject to sub-section (10), the Commissioner shall also withdraw the appeal, if any, pending before any court of law or an appellate authority in respect of dispute as mentioned in sub-section (1) within thirty days of the communication of the order of withdrawal by the aggrieved person to the Commissioner.

(10) The aggrieved person shall make the payment of income tax and other taxes and within such time as decided by the Committee under sub-section (5) and all decisions and orders made or passed shall stand modified to that extent.

(11) <sup>1</sup>[Subject to sub-section (11A), if] the Committee fails to decide within the period of sixty days under sub-section (5), 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 under litigation.

<sup>2</sup>[(11A) In the case of a state-owned enterprise, if the Committee fails to decide within a period of sixty days, the Board shall reappoint a Committee under sub-section (3), that shall decide the dispute in accordance with sub-section (5) of this section.

(11B) Sub-section (11) shall apply, in case of a state-owned enterprise, if the reappointed Committee fails to decide the matter within a further period of sixty days.]

(12) The Board shall communicate the order of dissolution to the aggrieved person, court of law or the appellate authority and to the Commissioner.

<sup>1</sup>Substituted for "If" by Finance Act, 2025 in force from July 1, 2025.

<sup>2</sup>S. 134(11A) & (11B) inserted by Finance Act, 2025 in force from July 1, 2025.

<sup>1</sup>[(13) On receipt of the order of dissolution, the court of law or the Appellate Tribunal shall decide the appeal within ninety days of the communication of the said order.]

(14) 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 (ii) of sub-section (3).

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

<sup>1</sup>S. 134A(13) substituted by Tax Laws (Amendment) Act, 2024 dated May 03, 2024.

**S. 134A(13)-Substitution.**– Before substitution by Tax Laws (Amendment) Act, 2024, it read as follows:–

“(13) On receipt of the order of dissolution, the court of law or the appellate authority shall decide the appeal within six months of the communication of the said order.”

**S. 134A.- Revamping of Alternate Dispute Resolution Mechanism.**– Following is an extract from FBR’s Circular No. 2 of 2023 dated July 26, 2023, explaining the amendment made by the F. Act, 2023:-

“Through the Finance Act, 2023, the mechanism of alternate dispute resolution has been revamped. Major highlights and departure points from previous regime are highlighted as under:

- (a) Previously, the initial proposition for resolution of the dispute including an offer of tax payment required to be filed with application for dispute resolution could not be retracted by a taxpayer. Through Finance Act, 2023, now a taxpayer is only required to offer an initial proposition for resolution of the dispute including an offer of tax payment;
- (b) The Board will appoint the committee within 15 days of receipt of application for dispute resolution instead of previous 45 days;
- (c) The third member of the dispute resolution committee which previously was appointed through consensus between the Chief Commissioner and taxpayer nominated member from the panel has been replaced with a retired judge not below the rank of a judge of a High Court, who will also be the Chairperson of the dispute resolution committee, to be nominated by the Board from a panel notified by the Law and Justice Division;
- (d) Previously, both taxpayer and Commissioner were required to withdraw pending appeals before appellate fora in respect of the dispute. Now no such requirement of withdrawal of appeal is binding on both taxpayer and the Commissioner for the resolution of the dispute. The Board will only communicate the order of appointment of Committee to the aggrieved person, court of law or the appellate authority where the dispute is pending and to the concerned Commissioner;
- (e) Dispute resolution committee will decide the dispute within 45 days extendable by 15 days for reason to be recorded in writing. Previously, the dispute resolution committee was bound to decide the dispute within 120 days;
- (f) Recovery of tax payable by the taxpayer in connection with the dispute will be deemed to be stayed from the constitution of the committee till decision or dissolution of committee. Previously, the deemed stay was applicable from withdrawal of appeal from appellate fora till decision or dissolution of committee;
- (g) The decision of the committee will be binding on commissioner after the aggrieved person has withdrawn his appeal and communicate the same to Commissioner within 60 days of such decision instead of previous binding nature of decision to both Commissioner and aggrieved person;

<sup>1</sup>[ ]

(iii) For purposes of clause (v) of Rule 2, Chairman, FBR <sup>2</sup>[ ] will be the Competent Authority.

**5. <sup>3</sup>[Reward in Respect of Tax Sought to be Evaded]**

<sup>4</sup>[(i)] The amount of reward for an officer/member of staff of entities as designated in <sup>5</sup>[sub-rule] (iv) of Rule 2, would be as under:-

(a)	Officer/ member of staff detecting the tax evasion	Lesser of 20% of the tax sought to be evaded or 2 years' salary as at the time of detection/filing of the detection report.
(b)	Officer/ member of staff completing the adjudication/ assessment	Lesser of 20% of the tax sought to be evaded or 2 years' salary as at the time of completion of adjudication/ assessment.

<sup>4</sup>[(ii)] If no appeal/revision has been filed against the assessment, the whole of the admissible reward shall be paid immediately after expiry of limitation for filing of appeal/revision.

<sup>4</sup>[(iii)] In case an appeal has been filed against the assessment order the admissible reward claim would be processed as follows:-

- (c) 50% upon confirmation at 1st appeal forum; &
- (d) 50% upon completion of appellate process on point of fact i.e. Appellate Tribunal Inland Revenue (ATIR).

<sup>4</sup>[(iv)] The reward will be paid only if the tax sought to be evaded has been recovered at least to the extent of 50% of the tax sought to be evaded.

<sup>4</sup>[(v)] In case detection and assessment have been made by the same officer, he shall be entitled to a reward of the lesser of 20% of the tax sought to be evaded or 3 years' salary as at the time of detection/filing of the detection report.

<sup>4</sup>[(vi)] In case there are more than one claimants of reward on account of detection or assessment, the reward would be apportioned as per the recommendation of the Chief Commissioner or Director General concerned.

<sup>4</sup>[(vii)] An Informer/Whistleblower in terms of clause (v) of rule 2 shall be entitled to a reward at the rate of 20% up to a maximum of RS.5 million of the tax sought to be evaded in a single case.

<sup>1</sup>Sub-rule (ii) deleted by SRO 687(I)/2023 dated June 14, 2023. Before omission it read as follows:-

“(ii) For purposes of sub-clauses (b) and (c) of clause (ii) of Rule 2, Chairman FBR/Secretary (Revenue Division) will be the Competent Authority.”

<sup>2</sup>Words “/Secretary (Revenue Division)” deleted by SRO 687(I)/2023 dated June 14, 2023.

<sup>3</sup>Substituted for “Amount of Reward” by SRO 687(I)/2023 dated June 14, 2023.

<sup>4</sup>Sub-rule (1) to (7) renumbered as (i) to (vii) by SRO 687(I)/2023 dated June 14, 2023.

<sup>5</sup>Substituted for “sub-clauses (a) to (c) of clause” by SRO 687(I)/2023 dated June 14, 2023.

**6. Reward for Meritorious Services-**

- (i) FBR, <sup>1</sup>[during or] at the close of every financial year, may give rewards to officers/ officials in recognition of the meritorious services rendered by them during the <sup>2</sup>[relevant period].
- <sup>3</sup>[(ii) The amount of reward for meritorious services shall not be more than twenty-four salaries during the financial year in the case of each employee.]

**7. Reward for Extraordinary Performance-**

- (i) A Competent Authority may sanction reward for extraordinary performance under exceptional circumstances.
- (ii) The amount of reward for extraordinary performance in no case will be less than <sup>4</sup>[3] and more than 24 salary in each single case i. e. each officer/staff involved in the assigned task <sup>5</sup>[:]

<sup>6</sup>[Provided that where the case falls under sub-clause (c) of clause (viii) of rule 2, the amount shall be such as specified or directed by the Prime Minister.]

<sup>7</sup>[**8. Contribution to Inland Revenue Common Pool Fund 2023:** An amount equal to 5% of the rewards sanction under Rule 5 in respect of officers in BS-17 & above and 2.5% of the rewards sanction under Rule 5 in respect of officials in BS-16 & below shall simultaneously be processed, approved and deposited in the Inland Revenue Common Pool Fund 2023.]

**9.** Inland Revenue Operations, FBR, will administer these rules at the head office, and may issue instructions and guidelines for their implementation across the board.

**10.** While these rules cover all unfiled reward claims on past and future case, all pending reward claims already filed shall continue to be governed by existing applicable rules as at the time of notification of these rules.

<sup>1</sup>Words inserted by SRO 687(I)/2023 dated June 14, 2023.

<sup>2</sup>Substituted for “year” by SRO 687(I)/2023 dated June 14, 2023.

<sup>3</sup>Rule 6(ii) substituted by SRO 89(I)/2026 dated January 21, 2026. Before substitution it read as follows:-

“(ii) The amount of reward for meritorious services in no case will be less than <sup>1</sup>[1] and more than <sup>1</sup>[18] salaries in each single case.”

<sup>1</sup>Substituted for “3” & “6” by SRO 687(I)/2023 dated June 14, 2023.

<sup>4</sup>Substituted for “12” by SRO 687(I)/2023 dated June 14, 2023.

<sup>5</sup>Full stop substituted by SRO 1911(I)/2024 dated November 20, 2024.

<sup>6</sup>Proviso inserted by SRO 1911(I)/2024 dated November 20, 2024.

<sup>7</sup>Rule 8 substituted by SRO 687(I)/2023 dated June 14, 2023. Before substitution it read as follows:-

**“8. Inland Revenue Welfare Fund-**

- (i) An Inland Revenue Welfare Fund shall be established for the welfare of the eligible persons as defined in sub-clause (a) of clause (i) of Rule 2, under direct control and management of Member (Inland Revenue), Federal Board of Revenue.
- (ii) An amount equal to 10 per cent of the reward sanctioned under Rule 5 shall simultaneously be processed, approved and deposited in the Inland Revenue Welfare Fund.”

11. The Reward Rules, 1980, Circulated vide Order C. No. 63(88)IT-IV/75-pt., dated March 29, 1980; The Sales Tax Reward Order issued vide C. No. 7(2)STC/98, dated November 30th, 1998; The Unified Reward Rules, 2006, circulated vide S.R.O. 1213(1)/2006, dated December 5, 2006 (to the extent applicable to IRS/Inland Revenue Wing), and SRO 398(1)/2016, dated May 5, 2016, shall stand rescinded.

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*(Pages II-188 to II-212 stand deleted due to updating)*