

SEPTEMBER 4, 2024

# THE IMPACT!

August, 2024

- Federal Income Tax
- Federal Sales Tax
- Provincial Sales Tax
- Corporate Laws

**RIAZ AHMAD, SAQIB, GOHAR CO.**  
CHARTERED ACCOUNTANTS

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## THE IMPACT!

### Preamble:

Riaz Ahmad, Saqib, Gohar & Co. Chartered Accountants is pleased to present herewith its monthly technical updates encompassing the broadened scope under the banner of "The Impact" for the month of August, 2024. This document aims to provide an update with respect to the changes in the Income Tax Ordinance, 2001 (the Ordinance), Sales Tax Act, 1990, Provincial Sales Tax on Services, Company Laws and related rules therein, introduced through various SROS/Circulars issued during the month of August, 2024.

***Disclaimer: This memorandum is prepared to the best of our knowledge and belief. It is intended to provide only a general outline of the matters covered in the document. It should neither be regarded as comprehensive nor sufficient for decision making purposes nor should it be used in place of professional advice. Riaz Ahmad, Saqib, Gohar & Co. Chartered Accountants does not accept any responsibility for any loss arising due to any action taken or not taken by the readers of this publication.***



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### UPDATES PERTAINING TO FEDERAL INCOME TAX LAWS –

#### DRAFT OF FURTHER AMENDMENTS IN INCOME TAX RULES, 2002 – SRO 1290(I)/2024:

The Federal Board of Revenue has through its SRO 1290(I)/2024 dated August 24, 2024, Proposed further draft amendments in the Income Tax Rules, 2002.

A brief summary of the draft amendments are as under:

#### Mandatory ADR for State-Owned Enterprises:

- **ADR to be utilized Irrespective of Tax Liability:** The amendments mandate state-owned enterprises to utilize ADR regardless of the amount of tax liability. This ensures a consistent approach for resolving disputes involving such entities.
- **Obligation to Apply:** State-owned enterprises are obligated to apply to the Board for the appointment of a committee if they have a dispute

#### Additional Requirements for Applications:

- **Initial Proposition and Offer:** Applicants must now submit an initial proposition for resolving the dispute and an offer of tax payment. This demonstrates a willingness to compromise and contributes to a more efficient resolution process.
- **Undertaking:** Applicants must also provide an undertaking to accept the committee's decision and withdraw

any pending litigation. This strengthens the binding nature of the ADR process.

#### Changes to Committee Composition and Remuneration:

- **Retired Officers:** The committee now includes retired officers of the Inland Revenue Service, broadening its expertise and experience.
- **Secretariat Support:** The committee member appointed under section 134A(3)(ii) will provide secretariat support, streamlining administrative tasks.

#### Binding Nature of Decisions:

- **Conditionality:** The decision of the committee becomes binding on the Commissioner only if the applicant withdraws the pending appeal and communicates the withdrawal within 60 days. This ensures that the applicant fully commits to the ADR process.

Overall, these amendments are designed to enhance the efficiency and effectiveness of ADR in tax disputes, particularly for state-owned enterprises. They introduce additional requirements for applicants, streamline the committee's operations, and expedite the decision-making process.

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### **EXEMPTION ON IMPORT OF MEDICINES FOR SPECIFIED PERSONS – SRO 1320(I)/2024:**

The Federal Board of Revenue has through its SRO 1320(I)/2024 dated August 28, 2024 provided exemption on import of medicine from tax deduction under Section 148 of the Income Tax Ordinance, 2001 for the usage of certain specified patients as mentioned in the aforementioned SRO.

### **ELECTRONIC RETURN FORM – SRO 1321(I)/2024:**

The Federal Board of Revenue has through its SRO 1321(I)/2024 dated August 28, 2024, added a new Part- II-ZB after Part-II-ZA in the Second schedule, wherein, Electronic return form for tax year 2024 and onwards for traders who were non-filers for tax year 2023 has been issued.

### **UPDATES PERTAINING TO FEDERAL SALES TAX LAWS –**

#### **ADDITION OF RULE 18A IN THE SALES TAX RULES, 2006 – SRO 1130(I)/2024**

The Federal Board of Revenue has through its SRO 1130(I)/2024 dated August 01, 2024 amended the Sales Tax Rules, 2006 while making addition of a new rule 18A.

The above referred rule exempts several persons from the requirement of allowing claim of input tax only after the

supplier has filed its sales tax return after paying due tax. This exemption has been provided against invoices issued by gas transmission and distribution companies, electricity distribution companies, independent power producers, WAPDA, petroleum exploration and production companies, and in certain cases where the supplier has paid the sales tax liability within 6 days from the month in which the return was required to be filed.

### **EXPLANATION ON AMENDMENTS INTRODUCED THROUGH FINANCE ACT, 2024 – CIRCULAR NO. 03 OF 2024-25:**

The Federal Board of Revenue has through its Circular 03 of 2024-25 dated August 05, 2024 issued explanatory notes with regards to amendments in the Sales Tax Act, 1990 and Federal Excise Act, 2005 through the Finance Act, 2024.

### **ESTABLISHMENT OF CHECK POST – SRO 1193(I)/2024:**

The Federal Board of Revenue has through its SRO 1193(I)/2024 dated August 08, 2024 established a check post at Thakot Bazar for the purpose of inspecting goods being supplied from tax-exempt areas (FATA/PATA) to taxable areas i.e. for example in Karachi.

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### **EXTENSION IN DUE DATE FOR FILING OF RETURN – CIRCULAR 174500-R:**

The Federal Board of Revenue had through its Circular 174500-R dated August 16, 2024 extended the due date for filing of Sales Tax and Federal Excise Return for the tax period of July, 2024 upto August 23, 2024.

### **AMENDMENTS IN CORPORATE LAWS**

#### **AMENDMENTS TO THE COMPANIES REGULATIONS, 2024 – SRO 1221(I)/2024:**

The Securities and Exchange Commission of Pakistan has through its SRO 1221(I)/2024 dated August 06, 2024 issued amendments to the Companies Regulations, 2024.

The said amendments introduce new applications for changes in Director/CEO of a company licensed under Section 42 of the Companies Act, 2017 and a separate application for changes in object clause of the aforementioned companies.

#### **AMENDMENTS TO THE FOURTH SCHEDULE TO THE COMPANIES ACT, 2017 – SRO 1278(I)/2024:**

The Securities and Exchange Commission of Pakistan has through its SRO 1278(I)/2024 dated August 15, 2024, made alterations to the Fourth Schedule to the Companies Act, 2017.

The amendment introduces new disclosure requirements on those listed companies and their subsidiaries who are not engaged in shariah non-compliant activities.

These disclosures include but not limited to information pertaining to shariah compliant borrowings as well as shariah compliant investments made.

This enhances transparency, aids investor decision-making, and reinforces regulatory compliance. However, it may also present challenges in terms of implementation and consistency.

However, at the same time it presents regulatory challenges and the need for such companies to develop in-house expertise with respect to shariah laws in order to ensure proper compliance.

#### **UPDATED LIST OF APPROVED AUDITORS – CIRCULAR 15 OF 2024:**

The Securities and Exchange of Pakistan has through its circular 15 of 2024 dated August 15, 2024 has issued an updated approved list of auditors for the purpose of securities brokers, insurance, reinsurance companies, takaful operators and so on.

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