

RASG IMPACT

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CHARTERED ACCOUNTANTS

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TECHNICAL UPDATES

FEDERAL INCOME TAX LAWS

Amendments in immovable property valuation – SRO 144(I)/2025

The Federal Board of Revenue of Pakistan has made much anticipated amendments to SRO. 1724(I)/2024, dated 29th October 2024 in connection with valuation of immovable properties of Karachi.

Salient features of these amendments are as under:

- Values in the table are in rupees per square foot of covered area.
- Amenity plots shall be valued at 50% of residential plot values.
- Commercial value is the value per square foot of covered area (including ground and additional floors).
- For industrial built up property, the value is per square feet of the covered area of the ground floor plus covered area of the plot.
- Residential properties with multiple storeys increase in value by 25% for each additional storey.
- Properties not listed in the table are valued at the adjacent highest property rate.
- Mixed-use land is valued based on the average rate.
- Flats are defined as separate residential units.
- Additional storeys in residential buildings with bedrooms and bathrooms incur extra charges.

- Basement rates for commercial properties are 20% of ground floor value.
- High-rise buildings means those having more than five storeys.
- Depreciation reductions will be based on the age of the structure.
- Defence Housing Authority commercial plots facing Khayaban be increased by 15%.
- Commercial properties excluding ground floors be reduced by 25%.
- Residential plots facing Nala, commercial, schools, mosques, or graveyards be reduced by 20%.
- These rules detail the property valuation criteria, including adjustments based on age, location, and type.

SALES TAX LAWS

Amendments to the sales tax rules, 2006

The Federal Board of Revenue has through its SRO 164(I)/2025 dated February 17, 2025

outlines amendments to the following Sales Tax Rules, 2006 making them more understanding:

Rule 150ZBO

Sub-rule 4: The expression "either issued three unverified invoices in a day or five unverified invoices in seven days against a single STRN" has been substituted with a broader description involving unverified invoices, store disconnection from the FBR database, and failure to record invoices during offline periods.

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Accordingly, any store which issues a single unverified sales tax invoice, remains disconnected for forty eight hours from the integrated FBR system or fails to upload invoices pertaining to the disconnection period within twenty four hours shall be punishable for sealing of its premises.

Rule 150ZLQ

This rule has been substituted with a new rule, 150ZEQ, which outlines the procedure for the de-sealing of business premises of integrated tier-1 retailers:

- The Commissioner Inland Revenue will impose a penalty by passing an order under section 33 of the Sales Tax Act.
- A de-sealing order will be issued within 24 hours of penalty payment, provided all required conditions under Chapter XIV-AA of the Sales Tax Rules, 2006, are met.
- The registered person can file an appeal against the de-sealing order.
- After de-sealing, a software audit will be conducted within three working days to verify sales data.
- If sales were under-declared, the Commissioner Inland Revenue will create a demand for the evaded tax.
- If payment is not made, de-sealing will remain in effect for a month, and business premises will be re-sealed after 15 days if defaults persist.

PROVINCIAL SALES TAX LAWS

SINDH

Enhancement of jurisdiction of commissionerate – VII – notification 09 of 2025

The Sindh Revenue Board (SRB) has issued vide its notification No. 09 of 2025 enhanced the jurisdictional authorities of Commissionerate – VII, described as under:

Commissioner-VII:

The following entries replace the previous ones for Commissioner-VII:

- Unit-24A: Handling the withholding of Sindh Sales Tax by all offices and departments of the Federal, Provincial, Local, or District Governments and Cantonment Boards.
- Unit-37: All matters related to the Sindh Workers Welfare Fund (SWWF), Sindh Workers' Profit Participation Fund (SWPPF), and other assigned matters by the Chairman.
- Unit-39: All matters related to the Agricultural Income Tax under the Sindh Agricultural Income Tax Act, 2025, and other assigned matters by the Chairman.

The amendment is effective immediately.

Retrospective effect to the exemption of sst in relation to K-IV project (phase-i)

The Sindh Revenue Board (SRB) on 3rd February 2025 issued a notification No. SRB/3-4/06/2025. It amends a previous notification No.SRB-3-4/43/2023 dated 15th August 2023, which granted an exemption from Sindh Sales Tax on certain services provided to the Water and Power Development Authority (WAPDA) for the K-IV Project (Phase-I). The amendment replaces the phrase "sub-section (1) of section 10" with "section 10" in the original notification. This change broadens the scope of the authority under which the exemption is granted.

A new paragraph (2A) is added, stating that the notification will take effect retrospectively from 15th July 2021 whereby the exemption will apply to services provided from this earlier date. However, it clarifies that no refunds of Sindh Sales Tax already paid or deposited by service providers or recipients will be allowed, whether through adjustment or otherwise.

CHALLENGES / OPPORTUNITIES

Taxing Foreign Rental Income

Mohammed Kamil Gohar, National Partner - Taxation

A major issue being faced by taxpayers is the burning question of taxation of foreign rental income in Pakistan. This section of the document specifically addresses the dispute regarding whether such income should be taxable in Pakistan or in the Country in which such rental income is earned. The key points of this discussion is as under:

1. Foreign Rental Income and Taxation:

- Income from foreign properties is typically taxable under Section 15 of the Income Tax Ordinance, 2001. However, many Pakistani taxpayers already pay taxes on their foreign rental income in the countries where the property is located.
- The Federal Board of Revenue (FBR) has been issuing notices to taxpayers, questioning why their foreign rental income should not be taxed in Pakistan.

2. Double Taxation Treaties:

- Pakistan has signed bilateral treaties with 66 countries to avoid double taxation, based on the OECD convention.
- Article 06 of these treaties specifies that income from immovable property may be taxed in the country where the property is located but does not explicitly state that it should be taxed in both the source country and the country of the taxpayer's residence.

- The word "may" rather than "shall" in the treaty has led to disputes, as the FBR argues that it still has the right to tax the income in Pakistan, while others believe the foreign country should have primary taxing rights.

3. Uncertainty and legal complexities:

- The constant changes in Pakistan's taxation laws, through amendments, notifications, and circulars, have led to uncertainty, making it difficult to reach a final interpretation on this issue.
- The FBR's stance is that foreign rental income should be taxed in Pakistan, while taxpayers argue that international treaties and judicial interpretations favor the taxation of income in the country where the property is situated
- Courts in neighboring countries and various Pakistani tribunals have ruled that foreign rental income can only be taxed in the country where the property is located.
- In particular, the Lahore bench of the Hon'ble Appellate Tribunal Inland Revenue has ruled that foreign rental income (e.g., from UAE properties) should only be taxed in the country where it arises (Case Ref. ITA No 4299/LB/2022 & ITA No. 2460/LB/2024).

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- The above judgment was supported by taking the interpretation of the word “may” as determined by the Hon’ble Supreme Court of Pakistan in its judgment cited as 2007 PLD 277. Moreover, it is also a settled matter that where there are two different interpretations of one matter, then the interpretation which favors the taxpayer should be considered. This principle has been laid down by the Hon’ble Supreme Court of Pakistan vide its judgment cited as 2017 SCMR 140
- However, a contradictory ruling from the Islamabad bench of the Appellate Tribunal suggests that both Pakistan and the foreign jurisdiction may have the right to tax such income (Case Ref. ITA No 1524/IB/2021).

5. Potential Solution:

- We suggest seeking clarification from the OECD at the government level to resolve the issue, saving time and resources, and providing certainty for businesses and taxpayers in Pakistan.
- In conclusion, the issue remains unresolved, with the potential for further legal battles unless the matter is clarified by higher courts or through international clarification.

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Challenges in the Field of IT Governance

Prof. Dr. Muhammad Ovais, Executive Director

IT governance is essential for aligning technology strategies with business objectives, ensuring compliance, mitigating risks, and optimizing resources. However, organizations face several challenges in implementing and maintaining effective IT governance frameworks. Key challenges include:

1. **Rapid Technological Evolution** – Emerging technologies such as AI, cloud computing, and blockchain require continuous adaptation of governance frameworks to ensure security and compliance.
2. **Cybersecurity Risks and Data Protection** – Increasing cyber threats and stricter data protection regulations demand robust security policies and proactive risk management.
3. **Compliance with Regulatory Requirements** – Organizations must navigate complex and evolving regulatory landscapes, such as GDPR, HIPAA, and local cybersecurity laws, which require continuous updates to policies and procedures.
4. **Alignment with Business Objectives** – Ensuring IT strategies support overall business goals can be challenging, especially when balancing innovation with risk management.
5. **Resource and Budget Constraints** – Limited IT budgets and skilled personnel impact the ability to implement and sustain comprehensive governance frameworks.

6. **Shadow IT and Decentralized Decision-Making** – Unapproved technology usage and lack of centralized oversight increase security risks and compliance issues.

7. **Stakeholder Engagement and Awareness** – Lack of awareness among executives and employees about IT governance policies leads to poor adoption and compliance.

8. **Managing Third-Party Risks** – Dependence on vendors, cloud providers, and external partners introduces additional risks that require careful contract management and monitoring.

9. **IT Performance Measurement and Accountability** – Defining and tracking IT governance metrics is complex, making it difficult to evaluate effectiveness and drive continuous improvement.

10. **Change Management and Cultural Resistance** – Implementing IT governance often requires significant cultural and process changes, leading to resistance from employees and stakeholders.

Addressing these challenges requires a strategic approach that combines strong leadership, automation, risk-based decision-making, and continuous improvement.

The author is a governance specialist and available for inquiries at ovais@rasgco.com.

Disclaimer: This technical details have been prepared to the best of our knowledge and understanding. It provides a general overview of the matters discussed and is not intended to be comprehensive or sufficient for decision-making purposes. It should not be used as a substitute for professional advice. Riaz Ahmad, Saqib, Gohar & Co. Chartered Accountants does not accept any responsibility for any loss resulting from actions taken or not taken based on the contents of this publication.

LIFE AT RASG

RASG at ICAP Finance Fair 2024 – Riyadh, KSA

"RASG actively participated in the ICAP Finance Fair 2024, held on December 3rd and 4th, 2024, at Radisson Blu Hotel, Riyadh, Saudi Arabia. The event provided an excellent platform for networking, knowledge-sharing, and exploring cross-border business opportunities between Saudi Arabia and Pakistan's financial sectors.



As a leading professional services firm, RASG showcased its expertise in audit, tax advisory, Information Technology, financial consultancy, and corporate services, emphasizing its commitment to delivering value-driven solutions to businesses in the region.

Key Highlights of RASG's Participation:

- Industry Insights – Engaged with top finance professionals and corporate leaders, discussing the evolving financial landscape and regulatory frameworks in Saudi Arabia.
- Networking and Collaborations – Strengthened connections with businesses and investors seeking financial advisory services, fostering potential partnerships.
- Showcasing Expertise – Demonstrated RASG's strategic capabilities tailored for the Saudi and GCC markets.
- Recognition and Visibility – Enhanced brand presence as a trusted partner in professional advisory services.



The ICAP Finance Fair 2024 was a successful initiative, and RASG's participation reinforced its role in bridging the financial expertise of Pakistan and Saudi Arabia, paving the way for future collaborations and growth opportunities.

Mastering Emotional Intelligence: A Key to Workplace Success!

Our recent training on "**Emotional Intelligence in the Workplace**" was a transformative experience for our team. Participants engaged in an insightful journey to:

- **Enhance Self-Awareness** – Understanding and managing emotions effectively.
- **Develop Self-Regulation** – Making thoughtful, balanced decisions.
- **Strengthen Social Skills** – Building meaningful professional relationships.



The session was filled with interactive activities, practical tools, and engaging discussions, equipping our employees with essential skills to thrive both personally and professionally.

A big thank you to all who participated and contributed! Let's continue fostering a workplace culture rooted in **empathy, collaboration, and emotional intelligence.**

Big Congratulations to Faizan Hanif and Muhammad Abu Bakar!



Faizan Hanif and Abu Bakar, our dedicated trainee students, have achieved an extraordinary milestone by qualifying as a Chartered Accountant (CA) during their articleship. This remarkable accomplishment is a testament to their unwavering commitment, resilience, and hard work.

At RASG, we take immense pride in fostering an environment where students can thrive and achieve their goals. Faizan Hanif and Abu Bakar success reflects our continuous commitment to nurturing talent, guiding students, and empowering them to excel in their professional journeys.

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