RASG IMPACT

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Inside the Issue

RIAZ AHMAD, SAQIB, GOHAR & CO.
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JUDGMENT OF THE MONTH

CM PAK LIMITED V. FEDERATION OF PAKISTAN F.C.P.L.A. NOS. 1276 AND 1277 OF 2026

The Federal Constitutional Court has settled an important question concerning the interaction between super tax under section 4C and tax credits available under section 168 of the Income Tax Ordinance, 2001.

CM Pak Limited had excess taxes of approximately Rs.2.21 billion deducted at source for Tax Year 2022 and sought to adjust these credits against its super tax liability. The tax authorities refused the adjustment, maintaining that super tax was required to be paid separately, while the excess tax could only be claimed through the refund mechanism. The Islamabad High Court upheld the department's position.

Reversing that decision, the Federal Constitutional Court held that section 4C(3) expressly provides that all provisions of Chapter X of the Ordinance shall apply to super tax. Since section 168 forms part of Chapter X, the tax-credit mechanism contained therein cannot be excluded through a restrictive interpretation.

The Court observed that section 4C(3) separately refers to section 137 for the date and manner of payment and thereafter extends the application of all provisions of Chapter X. The latter expression must therefore carry an independent meaning and encompass the complete statutory machinery governing payment, collection, adjustment and credit of tax. Limiting it merely to procedural provisions would render the words "all provisions" redundant.

The Court further clarified that a tax credit under section 168 is conceptually different from a refund under section 170. A taxpayer possessing an available tax credit cannot consequently be compelled to first pay super tax in cash and subsequently pursue a refund where the Ordinance itself permits adjustment.

Accordingly, the petitions were converted into appeals and allowed, and the judgment of the Islamabad High Court was set aside. CM Pak was permitted to seek adjustment of its tax credits against its super tax liability before the competent tax authority.

Why This Judgment Matters

The judgment provides significant relief to taxpayers carrying substantial advance-tax or withholding-tax credits. It establishes that super tax is not isolated from the wider payment and tax-credit framework of the Ordinance merely because it is imposed through a separate charging provision.

However, the judgment does not authorize an automatic adjustment. The existence, availability and quantum of the tax credit must still be established before, and verified by, the competent tax authority.

TECHNICAL UPDATES

FEDERAL INCOME TAX

Amendment In Independent Scrutiny Committee Rules SRO 1286(I)/2026

The Federal Board of Revenue, through S.R.O. 1286(I)/2026 dated August 05, 2026, has further amended Rule 231CB of the Income Tax Rules, 2002 to revise the composition of the independent scrutiny committees in line with the revised organizational structure of the tax authorities i.e. change in name of certain RTOs.

SROs Issued by FBR Regarding Valuation of Immovable Property 2026

Under sub-section (4) of section 68 of the Income Tax Ordinance, 2001, the Federal Board of Revenue issued the following SROs revising the valuation of immovable properties in various localities of Pakistan:

SRO Number	Date Issued	City
SRO 1335(I)/2026	07.08.2026	Islamabad
SRO 1382(I)/2026	17.08.2026	Rawalpindi
SRO 1444(I)/2026	28.08.2026	Quetta

Amendments to AML/CFT Regulations for DNFBPs SRO 1439(I)/2026

The Federal Board of Revenue, through S.R.O. 1439(I)/2026 dated August 27, 2026, has amended the AML/CFT Regulations for DNFBPs, 2020 to strengthen the regulatory framework by replacing “Jewellers” with Dealers in Precious Metals and Dealers in Precious Stones (DPMS).

Additionally, the notification defines DPMS to cover relevant dealers undertaking cash transactions of Rs. 2 million or more, expanding its applicability.

The amendments also clarify the scope of regulated entities, expand the definition of real estate agents, and strengthen requirements for record retention, customer due diligence (CDD), and timely provision of information and transaction records to competent authorities.

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FEDERAL SALES TAX

Temporary Sales Tax Relief Granted to Steel Sector Units

The Federal Board of Revenue, through S.R.O. 1343(I)/2026 dated August 12, 2026 amends S.R.O. 1190(I)/2019 to provide targeted relief under Section 8B of the Sales Tax Act, 1990 for eligible steel sector entities, including melters, re-rollers, and composite units. Subject to compliance with prescribed regulatory conditions, qualifying taxpayers are granted a special exemption from the standard input tax adjustment cap.

This operational relaxation is temporary and remains effective till September 30, 2026.

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PROVINCIAL SALES TAX

SRB

Extension of Return Filing Deadline for Life Insurance Providers

The Sindh Revenue Board has through Circular No. 1/2026, dated August 29, 2026 extended the deadline for filing Sindh Sales Tax Returns (Form SST-03) for registered persons engaged in providing life insurance services under CPC Code 71311.

Accordingly, the returns for the tax periods July 2026 and August 2026, which were originally due on August 18, 2026 and September 18, 2026, respectively, may now be filed on or before September 30, 2026. However, this extension is only for filing of the returns and does not extend the deadline for payment/deposit of Sindh Sales Tax, which remains due according to the original prescribed dates.

The Circular further clarifies that no further extension will be granted and the extended filing period cannot be used to seek extension or adjournment in pending litigation matters.

CORPORATE LAWS

Consolidated Framework for Investor Onboarding Circular 19 of 2026

The Securities and Exchange Commission of Pakistan, through its Circular No.19 of 2026 dated August 25, 2026 has introduced a consolidated Investor Onboarding Framework to simplify and standardize customer onboarding, reduce duplication in due diligence requirements, and promote a risk-based approach. The framework applies to regulated intermediaries, capital market infrastructure institutions, CKO and Asaan Connect, and facilitates digital onboarding, centralized KYC, and secure sharing of customer information with consent.

The framework also standardizes customer information and documentation requirements, strengthens AML/CFT and sanctions screening, and requires enhanced due diligence for high-risk customers, including video KYC where applicable.

For account opening, specific eligibility criteria, investment/transaction limits, and simplified due diligence requirements have been prescribed for different account types and insurance products. The maximum onboarding TAT is one working day for Sahulat/Sehl Accounts and two working days for Normal Accounts.

In addition, Circular No. 6 of 2023 (previous centralized digital onboarding mechanism for all asset classes) has been repealed, while existing regulatory requirements remain applicable. Regulated intermediaries are required to align their forms and online systems with the new framework within three months.

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CHALLENGES / OPPORTUNITIES

Your Data May Trigger the Next Assessment: How FBR's CRM is redefining Tax Scrutiny

Mohammed Kamil Gohar - FCA, BFP, ACA (England and Wales)

For decades, tax risk was viewed primarily through the lens of legislation. Businesses focused on interpreting the law, calculating the correct liability and defending the position adopted in their returns.

That remains essential, but it is no longer the complete picture.

FBR's introduction of mandatory Compliance Risk Management (CRM)-based selection for assessment proceedings signals a deeper change in Pakistan's tax administration. The significance of CRM lies not merely in how a case is selected, but in what may increasingly influence that selection: the data already available to the tax authority.

FBR does not presently have routine access to the complete books of account of every business. Its visibility is largely constructed from the information submitted through income tax returns, sales tax returns, withholding statements, electronic invoices, customs records and third-party reporting.

Individually, these declarations provide only a partial view of a business. Collectively, however, they can reveal inconsistencies.

Turnover declared for income tax may not align with sales reported for sales tax. Withholding statements may not correspond with the expenses appearing in financial statements. Electronic invoices may reflect transaction values or classifications that differ from periodic declarations. Imports, inventory movements and reported sales may not follow a commercially coherent pattern.

None of these differences necessarily establishes a tax default. There may be entirely legitimate accounting, legal or commercial explanations. But in a risk-based system, an unexplained mismatch does not need to prove non-compliance, it only needs to make the taxpayer appear unusual enough to warrant scrutiny.

This changes the order in which tax risk emerges.

Previously, a tax officer might examine a taxpayer's records and then identify an issue under the law. Increasingly, technology may first identify an inconsistency in the data, leading to selection, after which the taxpayer must explain the accounting treatment, documentation and legal position behind it.

The Distance Between FBR and the Books is Narrowing

The present CRM framework should be understood as part of a continuing digital evolution rather than an isolated administrative measure.

Electronic invoicing has already moved FBR closer to transaction-level information. As digital reporting expands and accounting systems become more standardized, it is reasonable to expect tax-risk systems to become progressively more connected with the records from which tax declarations originate.

The next stage may involve prescribed digital ledgers, system-based extraction of accounting information or integration between CRM and enterprise accounting records. Instead of comparing only the final figures declared in returns, future risk models may be capable of analyzing transaction patterns, ledger movements, unusual journal entries and differences between books and tax filings.

The practical consequence is significant: the accounting record itself may increasingly become part of the tax position.

Businesses that wait for such access to become mandatory will be addressing years of accumulated data weaknesses under regulatory pressure. Incomplete vendor records, inconsistent classifications, unsupported adjustments and unreconciled balances cannot always be corrected through a year-end exercise.

Tax Risk is Becoming an Enterprise Issue

This development also challenges the traditional view that taxation belongs exclusively to the tax department.

The quality of a tax declaration depends upon information generated across the business. Procurement determines how vendors are onboarded. Sales teams influence customer and transaction classifications. Human resources generates payroll information. Supply-chain functions maintain inventory and movement records. Finance translates these activities into accounting entries, while technology determines how the information is captured and retained.

A weakness anywhere in this chain can ultimately appear as a tax mismatch.

Tax governance must therefore extend beyond filing deadlines. Management needs confidence that material declarations reconcile with the books, differences between reporting platforms can be explained, transaction classifications are consistently applied and supporting documents can be retrieved when required.

The objective is not simply to file an accurate return. It is to create an evidentiary chain connecting the commercial transaction, accounting treatment, tax declaration and legal position.

From Tax Defence to Tax Readiness

The emerging environment requires businesses to look beyond periodic tax compliance and examine whether the data underlying their declarations is complete, consistent and capable of being substantiated.

This is where we step in. Through a comprehensive Tax Data Integrity check, businesses can become enhance tax readiness. By bringing together technical tax knowledge with an understanding of accounting systems, documentation and business processes, our team can assist management in reconciling regulatory declarations with the underlying books and identifying inconsistencies before they develop into more significant tax exposures.

Where differences arise, the focus should extend beyond correcting the reported figure. It is equally important to determine whether the difference results from a tax exposure, timing issue, accounting treatment, data error or weakness in the underlying process.

This may involve reviewing information reported through income tax, sales tax, withholding and electronic-invoicing systems; tracing material figures to the accounting records; assessing supporting documentation; and helping management strengthen the controls and responsibilities surrounding tax data.

The objective is not simply to prepare businesses for a particular notice or assessment. It is to develop a more sustainable state of tax readiness; one in which material declarations can be reconciled, differences can be explained, and tax positions can be supported through reliable records and contemporaneous documentation.

As tax administration becomes increasingly data-driven, it is important for a business to understand not only what the law requires, but also whether their data, systems and processes are prepared to demonstrate compliance.

In the emerging tax environment, legislation will continue to determine what a business owes. But data will increasingly determine what the tax authority sees, what it questions and whom it selects.

Businesses must be prepared for both.

Are Your Policies Working or Just Existing?

Prof. Dr. Muhammad Ovais, Executive Director

Organizations often take pride in having comprehensive policy manuals, detailed Standard Operating Procedures (SOPs), process maps, forms, checklists, and approval matrices. These documents may be professionally written, approved by senior management, and stored neatly on shared drives or document-management systems.

Yet one important question is often overlooked:
Are these policies actually controlling how work is performed, or are they simply existing as documents?

A policy has little value if employees do not know it exists, cannot understand it, find it impractical, or routinely work around it. The real purpose of a policy is not documentation. **Its purpose is to influence decisions, control risk, establish accountability, and guide consistent behavior.**

The difference between a documented organization and a well-controlled organization lies in implementation.

Why Organizations Accumulate Policies

As organizations grow, policies naturally multiply. New regulations emerge, auditors recommend additional controls, incidents result in corrective procedures, departments develop their own practices, and management introduces new requirements.

Over time, the result can be a large library covering procurement, finance, human resources, information technology, compliance, operations, risk management, cybersecurity, workplace conduct, quality, safety, and many other areas.

This growth is not necessarily a problem. The problem arises when documents are created faster than the organization can absorb, communicate, implement, and monitor them.

Several common situations contribute to this problem:

- Policies are written primarily to satisfy audit, certification, regulatory, or client requirements.
- SOPs are developed by consultants or specialists without sufficient involvement of the employees who actually perform the work.
- Documents describe an ideal process rather than the real operational process.
- Multiple procedures address the same activity, creating duplication and confusion.
- Policies are approved but never properly communicated or explained.
- Employees continue following informal practices because they are easier or faster.
- Documents are not updated when systems, structures, roles, or business processes change.

Eventually, organizations may possess hundreds of pages of documentation while operational behavior remains largely unchanged.

The Policy-Practice Gap

The real risk is **the gap between documented requirements and actual practice.**

For example, a procurement policy may require three quotations above a certain threshold, but employees may regularly obtain only one. An IT access procedure may require documented authorization, while access is frequently granted through informal email or verbal requests. A leave policy may define approval authorities, yet employees continue obtaining approvals outside the stated hierarchy.

In these situations, the organization technically has controls, but those controls may not be functioning.

This creates a dangerous illusion of governance.

Management may believe a risk has been controlled simply because a procedure exists. Auditors may find that the required policy has been developed. But when an incident occurs, the organization discovers that the documented control was never embedded into daily operations.

A policy that is consistently ignored is not an effective control.

Why Employees Do Not Follow Policies

Employees do not always ignore procedures because of negligence. Frequently, the design of the documentation itself contributes to non-compliance.

Policies may be too long, too legalistic, too complicated, or disconnected from the way employees actually work. Some procedures contain excessive approvals, unnecessary forms, or outdated requirements that make compliance difficult.

Another common problem is lack of ownership.

When employees perceive policies as documents belonging to the Compliance, HR, Quality, or Internal Audit department, they may not recognize their own responsibility for implementation.

Policies work best when operational departments understand that **they own the process while governance functions provide oversight and assurance.**

There is also a leadership dimension. Employees quickly notice whether senior managers themselves respect organizational procedures. If exceptions are routinely granted without documentation, approvals are bypassed, or senior employees operate outside established controls, formal policies gradually lose credibility.

From Documentation to Operational Control

Organizations therefore need to shift their focus from policy development to policy effectiveness.

The first step is simplification.

A good policy should clearly answer a small number of fundamental questions:

1. **What is required?**
2. **Who is responsible?**
3. **Who can approve?**
4. **What evidence must be retained?**
5. **What happens when something goes wrong or falls outside the normal process?**

If employees cannot quickly find these answers, the document may be too complicated.

The second step is to connect policies directly with workflows.
Where possible, critical controls should be embedded into ERP systems, HR systems, procurement platforms, workflow applications, access-management tools, or other operational systems.

For example, instead of merely stating that purchases above a particular value require higher approval, the system should automatically route such transactions to the appropriate authority.

Instead of relying on employees to remember segregation-of-duties requirements, system permissions should prevent incompatible activities.

This is where documentation becomes **operational control.**

Make Compliance the Easy Way to Work

One of the strongest indicators of good governance is when following the approved process is easier than bypassing it.

Organizations should therefore examine policies from the employee's perspective.

Can the required form be completed quickly? Are approval authorities clear? Are templates available? Can employees easily locate the latest procedure? Does the process create unnecessary duplication? Are there conflicting instructions in different documents?

Removing unnecessary complexity can significantly improve compliance.

Many organizations would benefit more from **20 practical, actively used procedures than 100 elaborate procedures that employees rarely consult.**

Measure Whether Policies Are Actually Working

Policy effectiveness should also be monitored.

Organizations can periodically test questions such as:

- Are employees aware of the policies relevant to their roles?
- Are required approvals being obtained?
- Are defined records actually maintained?

- Are exceptions being documented and escalated?
- Are employees repeatedly bypassing particular controls?
- Are policies aligned with current systems and organizational structures?
- Are recurring audit findings pointing to weaknesses in implementation?

Operational data can provide powerful evidence. Repeated exceptions, delayed approvals, missing documentation, policy violations, and recurring corrective actions may indicate that a policy is either poorly designed or poorly implemented.

Internal audits should therefore go beyond checking whether a policy exists. They should examine whether the policy **produces the intended control outcome.**

Ownership Must Be Clear

Every important policy should have a clearly identified owner responsible for keeping it current and monitoring implementation.

Document ownership, however, should not be confused with process ownership.
A compliance function may maintain the policy framework, but operational managers must remain accountable for ensuring that their teams follow the requirements.

Senior management also has an important role. Policies become part of organizational culture when leaders consistently follow the same governance rules, they expect others to follow.

When exceptions are necessary, they should be formally justified, approved, and recorded rather than handled informally.

The Real Test of a Policy

The real test of a policy is not whether it has been written, reviewed, approved, signed, or uploaded to a document-management system.

The real test is whether it changes behavior.

An effective policy should influence how employees approve transactions, manage risks, protect information, interact with clients, procure goods, recruit employees, handle complaints, respond to incidents, and make decisions.

Organizations should therefore periodically ask a simple but powerful question:
If this policy disappeared tomorrow, would the way people work actually change?

If the answer is no, the organization may have documentation, but not an operational control.

Strong governance is achieved when policies move beyond paper and become part of everyday decision-making. The objective should not be to create more policies, but to create **fewer, clearer, better-integrated, measurable, and consistently applied controls.**

Because ultimately, a policy that merely exists adds pages to a manual.

A policy that works protects the organization.

LIFE AT RASG

Celebrating Excellence
Recognizing Commitment
Inspiring the Future

At RASG, we believe that achievement deserves recognition, dedication deserves appreciation, and every milestone should inspire us to aim even higher.

Our Celebrating Excellence at RASG gathering brought our people together to recognize outstanding contributions, celebrate professional achievements, and acknowledge those who continue to make a meaningful difference.

A special highlight was the recognition of Ali Waris, who was honored with his appointment as a RASG Ambassador under the RASG Ambassador and Mentorship Program (RAMP), along with the presentation of his Ambassador Certificate and recognition cheque.

Beyond awards and certificates, the occasion represented something bigger: a culture where performance is valued, people are appreciated, and excellence becomes a shared ambition.

At RASG, we do not simply celebrate success. We celebrate the people who make success possible.

Recognize
Reward
Inspire
Rise Together

Is Parcham Ke Saaye Tale, Hum Aik Hain

اس پرچم کے سائے تلے ہم ایک ہیں

A beautiful Independence Day celebration across RASG Karachi, Lahore, and Islamabad, reflecting one spirit, one team, and one love for Pakistan.

Together as RASGians, we celebrate unity, pride, and our commitment to serve Pakistan with integrity and excellence.

Pakistan Zindabad.

Key Contacts

Corporate Office: Karachi

RASG Tower,
7C, Zulfiqar Commercial Street 4,
Phase VIII - A, DHA, Karachi.
Phone: 92 21 3493 2629, 34946112
Email: rasgkhi@rasgco.com

Lahore

Building No. 35 - D / E, Ali Block,
New Garden Town, Lahore.
Phone: 92 42 35940246-7
Email: rasglhr@rasgco.com

Islamabad

Office Nos. 06, 07 & 18, 3rd Floor,
Plot No. 08, Pak Land Business Centre,
I – 8 Markaz, Islamabad.
Phone: 92 51 2804245-6
Email: rasgisld@rasgco.com

GOHAR MANZOOR
Founder and Managing Partner
Email: gohar@rasgco.com

MUHAMMAD ALI RAFIQUE
National Partner - Audit
Email: muhd.ali@rasgco.com

MUHAMMAD KAMAL GOHAR
National Partner - Advisory
Email: kamal@rasgco.com

MOHAMMED KAMIL GOHAR
National Partner - Taxation and Strategic Advisory
Email: kamil@rasgco.com

BABAR HABIB
Partner
Email: baber@rasgco.com

FAREED HUSSAIN SIDDIQUE
Director - Taxation
Email: fareed@rasgco.com

PROF. DR. MUHAMMAD OVAIS
Executive Director
Email: ovais@rasgco.com

info@rasgco.com **www.rasgco.com**

rasgco **company/rasgco**

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