

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

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

Islamabad, June 28, 2013

**Circular No. 5 of 2013
(International Taxes)**

Subject: Introducing New Online System of Issuance of Exemption Certificates u/s 152 (5) of the Income Tax Ordinance, 2001 – Guidelines Regarding

Section 152 of the Income Tax Ordinance, 2001 (hereinafter “the Ordinance”) commands every resident person and Permanent Establishment (PE) of a non-resident person obligated to remit outside Pakistan incomes earned under various heads by non-resident persons to (a) either withhold tax at the applicable rate from the amount of income due for remittance and deposit the same into the national exchequer; or (b) furnish to the Commissioner a notice in writing under subsection (5) thereof, if such person intends to make the payment to a non-resident person without deduction of tax.

2. Presently, the person intending to make payment to a non-resident recipient, MANUALLY issues a notice to the Commissioner divulging therein, most of the times, sketchy, half-baked, and incomplete information. There is credible evidence to suggest that the manual system of issuing notice/exemption certificates, regularly results in significant revenue hemorrhage in a variety of ways and due to multiple reasons. This way the exemption 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 order to arrest the situation, a new alternative ONLINE system of issuance of exemption certificates has been conceived, developed and is being rolled out.

(A) Administrative Guidelines

4. Salient features of the new online system are asunder: -

- (a) The person intending to make a particular payment would lodge a Notice through a prescribed electronic form, inter alia, divulging therein: -
 - (i) Total amount involved / Nature (Category) of income;
 - (ii) Full particulars of the Payer;
 - (iii) Full particulars of the remitting bank;
 - (iv) Full particulars of the Recipient;
 - (v) Full particulars of the Transaction i.e. performance of the economic cause giving rise to the intended Payment;
 - (vi) Full particulars of the recipient bank; &
 - (vii) Basis/arguments for claiming Exemption.
- (b) Commissioner would make an institutional decision on the Notice after making necessary enquiries by officers holding jurisdiction over the case.
- (c) Commissioner shall make his decision on the request for exemption available online within the prescribed time limit of 30 days.
- (d) The exemption certificate will be valid for a 30-day period to transact the intended remittance.
- (e) The payer/remitter will present a copy of the exemption certificate to officer of the designated bank who would log-in at www.fbr.gov.pk enter the (unique) Exemption Certificate No. to verify its validity and veracity. The exemption certificate will not be available for verification after its pre-determined life of 30 days.
- (f) Throughout, FBR would virtually MONITOR the process as regards a notice/application lodged, incremental progress achieved by the Commissioner towards its disposal, due diligence and rigor of analysis conducted, and robustness of arguments/grounds recorded by the Commissioner in the order towards accepting or rejecting the exemption claimed.
- (g) PRAL, operating as back-end managers of the entire process, would keep storing all data of Notices/requests made, exemptions allowed, moneys remitted, on person-wise, head-wise, and country-wise basis to be retrieved, analyzed and transmitted internationally by the Board.
- (h) FBR though omnipresent throughout would intervene only where it is compellingly felt that a decision has not been made within the time specified; or it has not been made in accordance with the applicable law.

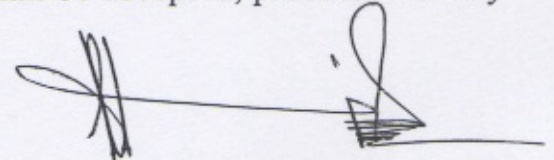
(B) Technical Guidelines

5. An all-embracing online link shall be available to all Commissioners through WAN and ITMS. DBAs appointed in all LTUs and RTOs would assist the Commissioners in this effort. After login, sequence of options will be as follows: -

- (i) Direct Taxes → Exemptions Certificate on Payment to Non Residents.

- (ii) All Requests relevant concerning the RTO at all levels i.e. filed, under-process, rejected, partially-approved, approved, will appear in the Grid by default.
- (iii) Commissioners will have all possible options to shortlist relevant records.
- (iv) After clicking on the view link against the row that is required to be processed, the complete application filed giving all possible information in prescribed format in read-only mode will be displayed.
- (v) An additional box to process the application in edit mode will be displayed.
- (vi) Commissioner will have the option to accept or reject the request in the light of particulars given by the applicant with an additional input box being available to record the reasons of the approval or rejection decision thereof.
- (vii) Pin-code will be used as digital signature in addition to login Id and password. Valid Pin-code is mandatory to submit the decision taken by the competent authority.
- (viii) Applicant will have option to print the final decision (Exemption Certificate) for onward presentation before the bank authorities. Exemption Certificate will have all necessary particulars of both the payer and the non-resident recipient as provided at the time of submission of online application, a unique serial number, and a bar-code printed thereon to minimize the chances of its misuse.

6. The new online system comes into force on July 1st, 2013, and no Notice/Application u/s 152(5) lodged manually shall be accepted, processed or any exemption certificate issued after that date.



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(International Taxes)

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