GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE
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C. No.4(62)ITP/2014 Islamabad, the 21th October, 2015.

Circular No.10 of 2015
(Income Tax)

SUBJECT: **FURTHER CLARIFICATIONS IN CIRCULAR NO. 02 OF 2014 DATED 17.07.2014.**

In para 21 of the subject circular it was clarified that genuineness of gifts, cannot be determined at the stage of registration of immovable properties therefore withholding tax shall apply under Section 236-K of the Income Tax Ordinance, 2001 on the immovable properties transferred by way of gift instrument. However, representations were received in Board wherein it was emphasized that in case of gift no gain or loss shall be recognized on disposal of assets as envisaged in Section 79. Although this legal position has also been narrated in the Circular No. 2 of 2014 yet it asked to withhold tax under Section 236-K for the reason that genuineness of gift would be decided after filing of returns of donor and donee. These directions in the circular are in-conflict with the express provision of non-recognition rules in clause (c) of sub section (1) of Section 79 of the Income Tax Ordinance 2001. Therefore the withholding tax under Section 236-K at the time of registration of immovable properties among family members was agitated and it was requested that bonafide gifts may not suffer from withholding tax. In order to redress the grievances of persons making bonafide gifts the competent authority is pleased to further clarify that the gifts among family members like spouse, father, mother, son, daughter, brother & sister shall be considered as genuine and shall not suffer withholding tax under section 236-K of Income Tax Ordinance, 2001.

(**Dr. Naveed Khalid Khan**)
Secretary (Income Tax Policy)