

C. No. 1(23)Secy(ITC)2020/224253-X

Islamabad, the 9th December, 2020

CLARIFICATION CIRCULAR NO.06
(INCOME TAX)

SUBJECT: DEDUCTION - PROFIT ON DEBT OF NON RESIDENT RECIPIENTS
CLARIFICATION REGARDING.

In order to incentivize remittances by Pakistani citizens residing abroad but holding Rupee Account with a Schedule Bank in Pakistan, profit on debt to the extent of deposit made exclusively from foreign exchange is exempt from tax under Clause 79 of Part-I of Second Schedule to Income Tax Ordinance, 2001.

2. Sub-section 2 of section 159 of Income Tax Ordinance, 2001 requires withholding agents to deduct full amount of tax in case the taxpayer fails to produce certificate for exemption from tax under section 159(1) of Income Tax Ordinance, 2001. In case the taxpayer produces it, then bank being withholding agent, will comply with the certificate.

3. To qualify for relief under this clause, the account holder is required to be Pakistan citizens living abroad and profit on debt may be in no way attributable to local deposit in same account.

(Said Iqbal)

Secretary (Income Tax Clarification)