

**Government of Pakistan  
Revenue Division  
Federal Board of Revenue  
Inland Revenue**

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C.No.6(9)S(IR-Operations)/2021/Pt

Islamabad, 16<sup>th</sup> August, 2021


**Circular No. 04 of 2022 – Operations**  
**(Income Tax)**

**Subject: Finance Act, 2021 – Amendment in Section 122 of the Income Tax Ordinance, 2001**

Historically, owing to availability of extended period of time, the completion of proceedings under section 122 of the Income Tax Ordinance, 2001 (hereinafter “the Ordinance”) within desired time has remained a challenge and diverse treatment was meted out viz-a-viz time taken for completion of proceedings across the formations. This varied treatment has commutatively resulted in below par revenue outcomes for the exchequer and increased compliance costs for the taxpayers due to protracted delays in legal actions.

2. The Finance Act, 2021 has brought about a significant amendment in section 122 of the Ordinance whereby a limitation of 120 days has been imposed with regard to the period of time during which amendment of assessment under section 122 of the Ordinance must be completed subsequent to issuance of a show cause notice. The said amendment harmonizes the procedure of amendment of assessment under the Income Tax Ordinance, 2001 with the procedure of assessment under section 11 the Sales Tax Act, 1990 and section 14 of the Federal Excise Act, 2005. The aforementioned amendment is also an effort to restore the true spirit of the Income Tax Ordinance, 2001 where amendment proceedings are entered into after carrying out inquiry or audit, if necessary, and do not remain pending for an indefinite period of time. In case the proceedings cannot be completed within the prescribed time period of 120 days, the Commissioner may extend the time limit for upto another ninety days for recorded reasons. The new provision would apply to the show cause notices issued after July 1, 2021.

3. Accordingly, formations are expected to be cognizant of this important amendment. The Commissioners are required to ensure that necessary guidance is provided to assessing officers in this regard.

  
**Hammad Hussain Jaffri**  
Secretary (IR Operations)

**Circulation:**

- (i) SA to Chairman, FBR, Islamabad
- (ii) SA to Member (Inland Revenue – Operations), FBR, Islamabad
- (iii) Chief Commissioners, LTOs, MTO, CTOs, & RTOs
- (iv) President, Pakistan Tax Bar Association
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