

Government of Pakistan
Revenue Division
Federal Board of Revenue
Inland Revenue

C.No. 3(3)/2022-S(CM)/81818-R

Islamabad, the 11th April, 2022

Subject:- **FTO Findings / Recommendations in Complaint No. 2538/ISB/IT/2021 - Clarification Regarding Low Paid Employees**

I am directed to refer to the subject noted above.

2. The Honourable FTO vide order in complaint No. 2538/ISB/IT/2021 dated 24-02-2022 has held that in order to determine employer-employee relationship for the purpose of taxation under Income Tax Ordinance, 2001, the basic parameter is the existence of a "Master-Servant Relationship" between persons and Regular/Adhoc/Temporary/Daily Wages all are different shades and forms of employment and the law does not create any distinction among all these forms.

3. In view of above findings and further recommendations made by Honourable FTO, it is clarified that **if** on a case to case basis the relationship between payer and payee is found to be that of an employer and an employee respectively, then income of such low paid employee under any of the forms of employment i.e. Regular, Adhoc, Temporary or Daily Wages would be treated as Salary Income under section 12 of Income Tax Ordinance, 2001.


(Tariq Iqbal)

Secretary (Law & Clarification)

Distribution:-

- i. Special Assistant to Secretary Revenue Division / Chairman FBR.
- ii. Member IR (Operations), FBR (HQ), Islamabad for necessary action.
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