**Government of Pakistan**
**Revenue Division**
**Federal Board of Revenue**
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C.No. 4(5)IT-Budget/2022-78512-R Islamabad, the 7th April, 2022

**Circular No. 13 of 2022**
**(Income Tax)**

**Subject:** **Explanation of Important Amendments Introduced in the Income Tax Ordinance, 2001, Via the Income Tax (Amendment) Ordinance, 2022**

The Income Tax (Amendment) Ordinance, 2022, (hereinafter "the Amendment Ordinance") has brought about certain amendments in the Income Tax Ordinance, 2001 (hereinafter "the Ordinance"). Some significant amendments are explained as under: -

### (A) Insertion of Section 59C in the Ordinance

**2.** In order to initiate revival of sick industrial units, a new section 59C has been inserted in the Ordinance under which an acquiring company is allowed to adjust loss for the latest tax year and brought forward assessed business losses, excluding capital loss, of acquired company ('sick industrial unit') by way of acquisition of its majority share capital. The acquiring company can adjust said losses for a period of three tax years upto tax year 2026. Failure to revive sick industrial unit by tax year 2026 shall entail acquiring company to reverse the adjustment of loses in the preceding three tax years and offer income for tax which was set-off due to adjustment of loses of the acquiring company in Tax Year 2027.

**3.** The acquiring company is entitled to adjust above said losses in proportion to share capital acquired subject to the conditions referred in sub-section (2) of the section 59C of the Ordinance. Any leftover loss of acquired company by the end of tax year 2026 will not be available to the acquiring company for further set-off of losses in Tax Year 2027 against its own income, however, the acquired company can carry forward its losses in accordance with section 57 of the Ordinance. The benefit under this section shall not be available to any scheme of amalgamation or merger.

**4.** The definition of a sick industrial unit, whose losses are available for adjustment under this scheme, has been provided in this section. Revival of sick industrial unit require attaining maximum production capacity that was obtained before such company went sick. Such revival will be certified by the Engineering

Development Board and the acquired company is required to file said certificate along with return of income for tax year 2026.

**(B) Insertion of Section 65H in the Ordinance**

**5.** In order to provide incentive for industrial promotion, section 65H has been inserted in the Ordinance whereby all non-resident Pakistani citizens having non-resident status for more than five years and resident Pakistani citizens can avail the benefit of one hundred percent one-time tax credit equal to the amount invested as equity from foreign exchange remitted into Pakistan through normal banking channel in a dedicated rupee account opened by a company incorporated on or after 1st March, 2022 to establish an industrial undertaking. The said industrial undertaking is required to commence its commercial production by 30th June, 2024 and tax credit shall be available for adjustment against tax payable for the year in which commercial production commence and can be carried forward, if unadjusted, upto a period of maximum five years.

**6.** The resident person can remit foreign exchange into Pakistan out of declared assets in terms of section 116 or 116A of the Ordinance. The minimum equity investment to avail benefit under this section shall be Rs. 50 million and procedure for remittance of foreign exchange into Pakistan shall be laid down by State Bank of Pakistan.

**7.** The scheme offered under this section will not be applicable to a company or an industrial undertaking established by splitting up or reconstitution of a company or an industrial undertaking already in existence or by transfer of machinery or plant from an industrial undertaking established at any time before 1st March, 2022.

**(C) Insertion of Section 100F in the Ordinance**

**8.** In order to promote industrialization in the country, immunity from probe under section 111 of the Ordinance has been granted on equity investment made by eligible persons in a new company formed for establishing an industrial undertaking or to an existing company being an industrial undertaking (for investment in expansion and modernization) after paying an amount of tax equal to five percent on such investment and upon fulfilling other conditions as mentioned in this section. The amount of undeclared funds for investment has to be credited into a dedicated bank account of such company before due date of filing of statement i.e. 30th September, 2022 and can only be used either for purchase or import of plant and machinery including IT hardware through a letter of credit or software and IT services, or for construction of building and structure in case of new industrial undertaking and for construction of only manufacturing premises in case of existing unit.

**9.** The term modernization has been defined in this section which includes acquisition or upgradation of IT hardware, software and IT services.

**10.** The minimum qualifying equity investment to avail benefit under this section is Rs. 50 million. The tax paid under this section is not refundable or adjustable against any other tax liability of the company and the declarant will be entitled to incorporate the amount of declared funds in his wealth statement, financial statements or books of accounts as the case may be.

**11.** The industrial undertaking established under the provision of this section, as the case may be, will have to commence its commercial production by the 30th June, 2024 and a certificate issued by the Engineering Development Board to that effect is required to be furnished by the company with income tax return for tax year 2024. In case of misrepresentation or suppression of facts, statement filed under sub-section (1) will be treated as void ab-initio and all the provisions of Income Tax Ordinance, 2001 will apply accordingly. It is emphasized that investment opportunity offered to investors under this section is not an amnesty scheme. Rather, it is a conditional tax concession.

**12.** This is an explanatory Circular and in case of any conflict between the Circular and the letter of the law, the latter would prevail.

**Naveed Mukhtar**
Secretary (Income Tax Budget)

**Circulation:**

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