

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

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No. 1(19)S(ITP)/2026

Islamabad, the 31<sup>st</sup> March, 2026

**Circular No. 07 of 2025-26 IR-Policy**  
**(Income Tax)**

**Subject: Clarification Regarding Applicability of Withholding Tax under Section 236C in Respect of Persons Covered under Section 7F of the Income Tax Ordinance, 2001**

It has been brought to the notice of the Federal Board of Revenue (FBR) that concerns have been raised regarding the applicability of withholding tax under section 236C of the Income Tax Ordinance, 2001 (“the Ordinance”) to persons engaged in construction and development activities who are subject to tax under the special regime introduced through section 7F of the Ordinance.

2. Under section 7F, a special tax regime has been prescribed for certain categories of builders and developers, whereby their income is determined as a fixed percentage of gross receipts. It has been represented that tax under section 236C is generally adjustable against capital gains arising from such sales. However, in the case of such builders and developers, profits and gains are chargeable under the head “Income from Business” through the special procedure described in section 7F. Consequently, any deduction under section 236C creates an additional liquidity burden on such taxpayers, especially in cases where the taxpayer does not have any other taxable income during the tax year.

3. The matter has been examined, and it is hereby clarified that persons who have discharged their tax liability under section 7F of the Ordinance, and who do not have any other income chargeable to tax under the Ordinance (against which such tax collection can be adjusted), may seek exemption from the collection of advance tax under section 236C.

4. Such persons may apply to the concerned Commissioner Inland Revenue under section 159 of the Ordinance for the issuance of an exemption certificate authorizing the non-collection of tax under section 236C on their transactions involving the sale of immovable property.

5. Commissioners Inland Revenue are directed to examine such applications on a case-to-case basis, ensuring that the applicant fulfills all conditions precedent to such exemption, and to decide the matter in accordance with the law.

6. The prescribed timelines for the Commissioner and Chief Commissioner regarding the issuance of exemption certificates shall apply ipso facto.

  
**(Muhammad Amin Qureshi)**  
Secretary (Income Tax Policy)

- (1) SA to Chairman, FBR
- (2) SA to Member (Inland Revenue – Policy), FBR
- (3) SA to Member (Inland Revenue – Operations), FBR
- (4) SA to Member (IT), FBR
- (5) All Chief Commissioners Inland Revenue
- (6) President Pakistan Tax Bar Association
- (7) Webmaster for placement on FBR’s Web portal