

GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE

Islamabad, the 5th June, 2017.

**NOTIFICATION
(Income Tax)**

S.R.O. 421 (I)/2017.- The following draft of certain further amendments in the Income Tax Rules, 2002, which the Federal Board of Revenue proposes to make in exercise of the powers conferred by sub-section (1) of section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), is hereby published for information of all persons likely to be affected thereby and, as required by sub-section (3) of said section 237, notice is hereby given that objection and suggestions thereon, if any, may be sent to the Federal Board of Revenue within seven days of publication of the draft amendments in the official Gazette.

Any objection or suggestion, which may be received from any person, in respect of the said draft, before the expiry of the aforesaid period, shall be considered by the Federal Board of Revenue, namely:-

DRAFT AMENDMENTS

In the aforesaid Rules,-

(1) after Chapter VI, the following new Chapter shall be inserted, namely:-

“CHAPTER - VIA

DOCUMENTATION AND COUNTRY-BY-COUNTRY REPORTING REQUIREMENTS

**PART-I
PRELIMINARY**

27A. Application of this chapter:- (1) This chapter applies for the purposes of sub-sections (3) to (5) of section 108.

(2) The purpose of this Chapter is to prescribe documents, information, files and reports which certain taxpayers are required to keep, maintain and furnish to the Commissioner under sub-sections (3) to (5) of section 108.

(3) Nothing in this Chapter shall preclude a taxpayer accounting for income chargeable under the Ordinance, from -

- (a) maintaining any books of account, documents or records in addition to those prescribed in these rules; or
- (b) maintaining the books of account, documents or records in the manner prescribed keeping in view the head of the income of the taxpayer and, wherever applicable, the nature of the taxpayer's business.

(1) **Definitions.**- In this Chapter,—

- (a) “consolidated financial statements” mean the financial statements of an MNE group in which the assets, liabilities, income, expenses and cash flows of the ultimate parent entity and the constituent entities are presented as those of a single economic entity;
- (b) “competent authority agreement” means an agreement,
 - (i) that is between authorised representatives of those foreign jurisdictions that are parties to an international agreement with Pakistan; and
 - (ii) that provide legal authority for the automatic exchange of country-by-country reports between the party jurisdictions;
- (c) “constituent entity” means,-
 - (i) any separate entity of an MNE group that is included in the consolidated financial statements of the MNE group for financial reporting purposes or would be so included if equity

interests in such business unit of an MNE group were to be traded on a stock exchange;

- (ii) any such entity that is excluded from the MNE group's consolidated financial statements solely on size or materiality grounds; and
- (iii) any permanent establishment of any separate entity of the MNE group included in sub-clauses (i) or (ii) provided the entity prepares a separate financial statement for such permanent establishment for financial reporting, regulatory, tax reporting or internal management control purposes;

(d) "country-by-country report" means a report in respect of an MNE group, containing—

- (i) the aggregate information in respect of the amount of revenue, profit or loss before income tax, amount of income tax paid, amount of income tax accrued, stated capital, accumulated earnings, number of employees and tangible assets not being cash or cash equivalents, with regard to each country or territory in which the group operates;
- (ii) the details and identification of each constituent entity of the group including the country or territory in which such constituent entity is incorporated or organised or established and the country or territory where it is resident;
- (iii) detailed description of the nature and details of the main business activity or activities of each constituent entity; and

(e) "entity" includes a company;

(f) "fiscal year" means-

- (i) a tax year, in a case where the ultimate parent entity or surrogate parent entity is resident of Pakistan; and

