

Government of Pakistan
Revenue Division
Federal Board of Revenue

Islamabad, the ^{31st} May, 2021.

NOTIFICATION
(Income Tax)

S.R.O. 636 (I)/2021.- 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) read with sub-section (2A) of section 177, is hereby published for information of all persons likely to be affected thereby and, as required by sub-section (3) of the said section 237, notice is hereby given that objections or suggestions thereon, if any, may for consideration of the Federal Board of Revenue be sent within fifteen days of publication of the draft amendments in the official Gazette. Objections or suggestions 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, after rule 231F of Income Tax Rule, 2002, following new rule shall be added namely:-

“231FA. Procedure for E-Audit. - (1) The provisions of this rule shall apply for the conduct of audit proceedings electronically under sub-section (2A) of section 177 of Income Tax Ordinance, 2001 (XLIX of 2001).

(2) **Definitions.**- in this rule, unless there is anything repugnant in subject or context,-

(a) “Adjudication Officer” means an officer of Inland Revenue to whom a case is assigned for assessment on the basis of audit under this rule;

- (b) "Audit Officer" means an officer of Inland Revenue to whom a case is assigned for conducting e-audit under these rules;
- (c) "Automated Case Selection System" means an algorithm for randomized allocation of cases by using suitable technological modes;
- (d) "Competent Authority" means the Board in case of selection of audit under section 214C and Commissioner Inland Revenue having jurisdiction in case of selection under section 177 of the Ordinance;
- (e) "e-audit" means the audit proceedings of registered person conducted through electronic means including video links, or any other facility as may be specified by the Board from time to time; and
- (f) "IRIS" means a web based computer programme for operation and management of Inland Revenue taxes and laws administered by the Board.

(3) Where a case has been selected under section 177 or section 214C of the Ordinance, as the case may be, and the competent authority may issues direction to conduct e-audit, the following procedure shall be adopted, namely:—

- (a) the cases selected for e-audit under sub-rule (1) shall be processed through Automated Case Selection System which will create an assignment for issuing notices through IRIS to the taxpayer against selection of cases for audit;
- (b) for issuance of notices, Automated Case Selection System will configure the:-
 - (i) list of officers of Inland Revenue to whom the case can be assigned; and
 - (ii) list of the cases to be marked across the jurisdiction; and thereafter, intimate to the concerned Commissioner IR

where the case has been assigned by the Automated Case Selection System.

- (c) the concerned Commissioner Inland Revenue where the case has been assigned by the Automated Case Selection System shall serve a notice under sub-section (1) of section 177 of Income Tax Ordinance, 2001, specifying the reasons for selection of his case for audit;
- (d) a taxpayer shall produce the record or documents including books of accounts maintained under Income Tax Ordinance, 2001 through **IRIS** or electronic data carrier notified by the Board.
- (e) a taxpayer shall not be required to appear either personally or through authorized representative in connection with any proceedings under e-audit before the officer of Inland Revenue. In case of any explanation required by the taxpayer or officer of Inland Revenue, requests for personal hearing, shall be made through **IRIS** and may be allowed to do so in assigned Jurisdiction and such hearings shall be conducted exclusively through video links from personal computer system or any of the nearest Tax Facilitation Centre situated at the premises of the different Tax Offices, as the case may be;
- (f) an Audit Officer to whom the case is assigned, after considering all the information, documents or evidence, if finds no discrepancy and have no conclusive proof against taxpayer may close the audit and send it to the Automated Case Selection System;
- (g) after examination of record and after obtaining taxpayers' explanation on all the issues raised, if the Audit Officer to whom the case is assigned, does not agree with the declared version and proposes order for assessment of tax, shall prepare an audit report, containing audit

observations/ findings and forward the report to taxpayer through **IRIS** and Automated Case Selection System simultaneously;

- (h) the Automated Case Selection System will once again configure and assign the case to any Adjudication Officer across the jurisdiction to make an order for assessment of tax under section 122, including imposition of penalty and default surcharge in accordance with sections 182 and 205 of the Ordinance, if required, as pointed out in the audit report;
- (i) notwithstanding anything contained in the Income Tax Rules, 2002, the Jurisdiction assigned under clause (i) of sub-rule (3) above, by the Automated Case Selection System shall be deemed to have been made under the powers conferred by section 209 of the Income Tax Ordinance, 2001 till such time proceedings under clause (k) are finalized for the purpose of section 122 and section 177 of Income Tax Ordinance, 2001;
- (j) the adjudication officer to whom the case is assigned under clause (i) of sub-rule (3) above, shall after a notice under section 122(9) of the ordinance through **IRIS** to show cause to such person, make an order for assessment of tax as pointed out in the audit report and issue Assessment Order accordingly under section 122 of the Income Tax Ordinance, 2001 and send it to the Automated Case Selection System:

Provided that in case the taxpayer applies electronically for agreed assessment under section 122D in the prescribed form to the committee constituted under section 122D (5), and the committee may,—

- (i) accepts or modifies the offer, and the taxpayers agrees to that offer, the Adjudication /officer shall pass the amended assessment order accordingly; or

- (ii) rejects or unable to reach on consensus, the case will be referred back to Adjudication officer for passing amended order under section 122 on the basis of available record and reply of the taxpayer; and
- (k) the Automated Case Selection System, shall forward the assessment order passed under section 122 of the Ordinance for initiating recovery proceedings, if any under section 137 of the Income Tax Ordinance, 2001 to the jurisdiction where such person is originally registered.”.

[F.No.1(117)R&S/2020]


(Tariq Iqbal)
Secretary (Rules & SROs)