

GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE

Islamabad, the 24th August, 2016.

**NOTIFICATION
(Income Tax)**

S.R.O. 787 (I)/2016.- In exercise of the powers conferred by sub-section (1) of section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Board of Revenue is pleased to direct that the following further amendments shall be made in the Income Tax Rules, 2002, the same having been previously published *vide* Notification No. S.R.O. 753(I)/2016, dated the 12th August, 2016, as required by sub-section (3) of the said section, namely:-

In the aforesaid Rules, -

- (1) In CHAPTER II, after PART III, the following new PART IV shall be added, namely:-

**“PART IV
COMPUTATION AND COLLECTION OF TAX
UNDER SECTIONS 7C AND 7D**

13Q. Application.- This Chapter provides for the mode and manner for collection of tax under sections 7C and 7D from builders and developers, the functions and responsibilities of the authorities approving, suspending and temporarily cancelling No Objection Certificates (NOC) to sell and the matters connected and ancillary thereto.

13R. Definitions.- For the purpose of sections 7C and 7D and for this Chapter, -

- (a) “authority” includes:-
- (i) the Chief Executive of a building control authority as defined in respective Federal or Provincial law regarding approval,

construction and completion of buildings and development of land; or

- (ii) the Executive Officer of the Cantonment where the Cantonments Act, 1924 (II of 1924) applies; or
- (iii) the Executive Officer of a municipal corporation or municipal committee responsible for approving land development or building construction plan within municipality; or
- (iv) the District Officer (Revenue) of a district responsible for approving land development or building construction plan within district; or
- (v) a body corporate or council, or any department of such body corporate or council, or any organization or any company which acts for approving the building or land development plans for such area and effects transfer of title of such property; or
- (vi) any Government department or functionary or any organization which acts as an authority for approving the building or land development plans for such area by or under any law.

- (b) "builder" means a builder as defined in the Federal and respective Provincial laws regarding approval, construction and completion of buildings and includes any person engaged in the construction of building or otherwise and disposes of newly constructed or renovated building.

- (c) "building" means a building or part thereof and includes all fittings, fixtures, installations, signs and display structures of the building, but does not include any building notified by the Board.

Explanation.- It is hereby declared and without limiting the generality of this clause that building includes any building whether house, apartment, residential plaza, shopping plaza, office, shop, banglow, villa, duplex or any built up structure under whatever name.

- (d) "developer" means a developer as defined in the Federal and respective Provincial laws regarding development of land for the purposes of residential or commercial plotting and includes any person engaged in developing of plot or plots of any kind either for itself or otherwise but does not include any land development notified by the Board.

- (e) "Inspector General of Registration" means Inspector General of Registration as defined in Part II of Registration Act, 1908 (XVI of 1908) and includes Provincial Inspector Generals of Registration, Registrars and Sub-Registrars of districts and sub districts, towns as notified by the provincial governments.

13S. Advance tax on builders and developers.- Every authority prescribed under sub-rule (a) of rule 13R shall, at the time of approval of a land development plan or of a building construction plan and before issuing final approval, collect advance tax at the rate of five percent of the tax liability computed at the rates specified in Division VIIIA or Division VIIB of Part I of the First Schedule to the Ordinance, from a builder or a developer as the case may be.

13T. Mode and manner for payment and collection of tax from builders.— Every builder after obtaining approval of a building plan or of a revised building plan from the authority and NOC to sell, shall

furnish on line a copy of building plan and evidence of partial payment of five percent tax to the Chief Commissioner along with computation of final tax liability on the basis of covered area as per rates provided in Division VIII A of the First Schedule to the Ordinance. The Chief Commissioner shall, after being satisfied that the rates are applied correctly and after making such inquiry as he thinks fit within fifteen days, shall online issue a schedule of advance tax installments to be paid by the builder in accordance with rule 13U.

13U. Schedule of Installments for builders.-The Chief Commissioner shall, upon online application of the builder as prescribed in rule 13V, online issue the schedule of equal Installments on four-monthly basis within fifteen days of the application:

Provided that the duration of payment of tax shall commence from the date of issuance of NOC to sell till the date of completion of building or building project in the approval plan:

Provided further that provisions of this rule shall not apply if a builder opts to pay the entire tax liability in lump sum.

13V. Application for payment of tax in installments by builders.- The builder shall online apply for the payment of installments under this Chapter through the following application form.-

**APPLICATION FOR ISSUANCE OF SCHEDULE OF
INSTALLMENTS FOR PAYMENT OF TAX U/S 7C OF THE INCOME
TAX ORDINANCE 2001 READ WITH RULE 13T OF INCOME TAX
RULES 2002**

1.	Name of the builder/ owner	
2.	NTN/CNIC (Attach copy of CNIC)	
3.	Name of project/ building (if any)	
4.	Address of the project/ building	

5.	Phone Number	
6.	Mobile Number of builder/ owner	
7.	Email Address	
8.	Name(s), CNIC and office Address(es) of Member(s)/ Director(s) of AOP/ Company (if applicable)	
9.	Category	(commercial/ residential & offices/ dual)
10.	Commercial area of building	
11.	Residential area of building	
12.	Total Area of building	
13.	Total final tax liability	Rs.
14.	Less Tax paid @ 5% on approval	Rs.
15.	Balance tax to be paid in equal four monthly installments	Rs.
16.	Duration of the project in months	Months
17.	Amount of each installment	Rs.
	i. 1st installment due on - / - / -	Rs.
	ii. 2nd installment due on - / - / -	Rs.
	iii. 3rd installment due on - / - / -	Rs.
	iv. 4th installment due on - / - / -	Rs.
	v.	Rs.
	vii.	
	viii.	

I, _____, CNIC No _____, in my capacity as self/Member/Member of Association of Persons/Director or

Principal officer of company do solemnly declare that to the best of my knowledge and belief, the information given in this application under Rule 4 of Part II of the Tenth Schedule to the Income Tax Ordinance 2001 is/ are correct and complete in accordance with the provisions of section 99B read with Tenth Schedule to the Income Tax Ordinance, 2001.

Name _____

CINC _____

Date _____

13W. Responsibilities of the Authority.- The authority shall have the following responsibilities.-

- (i) No approval plan shall be issued unless five percent of the tax has been collected under rule 3;
- (ii) The authority shall inform the Chief Commissioner Inland Revenue in writing about approval of new land development and building construction plans on quarterly basis;
- (iii) The authority shall suspend or temporarily cancel the building plan on the written request of the Chief Commissioner in case of default in payment of installments under these rules;

Provided that the Chief Commissioner shall take this action after consultation in writing with Association of Builders and Developers (ABAD) or Registered Association ; and

- (iv) The authority may revoke temporarily suspension or cancellation under sub-rule (ii) above as the case may be, on the written direction of the Chief Commissioner.

13X. Responsibility of the Inspector General of Registration.-

(1) No transfer of building or built up units to the buyers shall be effected unless the builder shall furnish NOC from the Chief Commissioner for payment of tax due for projects approved on or after 1st July, 2016.

(2) Provisions of sub-rule (1) shall not apply in case a builder pays one hundred and fifty percent of the tax liability to be computed in accordance with Division VIIIA of the First Schedule.

(3) For the purpose of sub-rule (2) the Inspector General of Registration shall be responsible to collect and deposit tax and all the provisions of section 161 shall apply mutatis mutandis.

13Y. Responsibilities of the Builder.- (1) The builder shall online furnish to the Chief Commissioner a copy of approved construction plan and evidence of tax collection by the authority on the last day of the calendar month in which such plan is approved or within a week if the approved plan is issued in the last week of the calendar month.

(2) The builder shall furnish to the Chief Commissioner a copy of tax payment challan within one week of due date of each installment as per the schedule of payment of installment online.

(3) The builder shall be tax withholding agent on making any payment for which tax withholding is provided under Chapter X and Chapter XII to the Ordinance which includes payment on account of salaries to employees, supplies, services and contract.

13Z. Adjustment of withholding taxes by builders.- The builder shall not be entitled to claim adjustment of withholding tax collected or deducted under any other head during the year to the extent of activities which falls under final tax regime.

13ZA. Mode and manner for payment and collection of tax from land developers.— (1) Every land developer after obtaining the approval of the development plan or a revised development plan from the authority and NOC to sell, shall online furnish copy of development plan and evidence of payment of five percent tax to the Chief Commissioner along with computation of final tax liability on the basis of area proposed to be developed as per rates provided in Division VIII B of the First Schedule to the Ordinance. The Chief Commissioner shall, after being satisfied that the rates are applied correctly and after making such inquiry as he thinks fit, shall within fifteen days issue online a schedule of advance tax installments to be paid by the developer in accordance with rule 13ZB.

13ZB. Schedule of Installments for land developers.- The Chief Commissioner shall, upon online application of the developer as

prescribed in rule 13ZC, online issue the schedule of equal Installments on four monthly basis within fifteen days of the application:

Provided that the duration of payment of tax shall commence from the date of issuance of NOC to sell till the date of completion of development project:

Provided further that provisions of this rule shall not apply if a developer opts to pay the entire tax liability in lump sum.

13ZC. Application for payment of tax in installments by land developers: The developer shall online apply for payment of installments under these rules through the following form.-

**APPLICATION FOR ISSUANCE OF SCHEDULE OF
INSTALLMENTS FOR PAYMENT OF TAX U/S 7D OF THE INCOME
TAX ORDINANCE 2001 READ WITH RULE 13ZA OF INCOME TAX
RULES 2002**

1.	Name of the developer	
2.	NTN/CNIC (Attach copy of CNIC)	
3.	Name of land development project (if any)	
4.	Address of the project	
5.	Phone Number	
6.	Mobile Number of developer/ owner	
7.	Email Address	
8.	Name(s), CNIC and office Address(es) of Member(s)/ Director(s) of AOP/ Company (if applicable)	
9.	Category	(commercial/ residential and offices/ dual)

10.	Commercial area of project (Sq. yd)	
11.	Residential area of project (Sq. yd)	
12.	Total development area	
13.	Final tax liability	Rs.
14.	Less Tax paid @ 5% on approval	Rs.
15.	Balance tax to be paid in equal four monthly installments	Rs.
16.	Duration of the project in months	Months
17.	Amount of each installment	Rs.
	i. 1st installment due on - / - / -	Rs.
	ii. 2nd installment due on - / - / -	Rs.
	iii. 3rd installment due on - / - / -	Rs.
	iv. 4th installment due on - / - / -	Rs.
	v.	Rs.
	vii.	
	viii.	

I, _____, CNIC No _____, in my capacity as self/Member/Director of Association of Persons/ company do solemnly declare that to the best of my knowledge and belief, the information given in this application under Rule 4 of Part II of the Tenth Schedule to the Income Tax Ordinance 2001 is/ are correct and complete in accordance with the provisions of section 99B read with Tenth Schedule to the Income Tax Ordinance, 2001.

Name _____
CINC _____
Date _____

13ZD. Responsibilities of the Authority.- The authority shall have the following responsibilities:

- (i) No approval of development plan shall be issued unless five percent of the tax has been collected under Rule 13W;
- (ii) The authority shall suspend or temporarily cancel the development plan on the written request of the Chief Commissioner in case of default in payment of installments under these rules:

Provided that the Chief Commissioner shall take this action after consultation with ABAD or Registered Association.

- (iii) The authority may revoke suspension or cancellation made under rule (ii) above as the case may be, on the written request of the Chief Commissioner.

13ZE. Responsibility of the Inspector General of Registration.-

(1) No transfer of developed units to the buyers shall be effected unless the developer shall furnish NOC from the Chief Commissioner for payment of tax dues on all plans approved after 1st July 2016.

(2) Provisions of sub-rule (1) shall not apply in case a developer pays one hundred and fifty percent of the tax liability to be computed in accordance with rule Division VIII B of the Ordinance.

(3) For the purpose of sub-rule (2) the Inspector General of Registration shall be responsible to collect and deposit tax and all the provisions of section 161 shall apply mutatis mutandis.

13ZF. Responsibilities of the Land Developer.- (1) The developer shall online furnish to the Chief Commissioner a copy of approved land development plan and evidence of tax collection by it on the last day of the calendar month in which such plan is approved or within a week if the approved plan is issued in the last week of the calendar month.

(2) The developer shall furnish to the Chief Commissioner a copy of tax payment challan within one week of due date of each installment as per the schedule of payment of installment.

(3) The developer shall be tax withholding agent on making any payment for which tax withholding is provided under Chapter X and Chapter XII to the Ordinance which includes payment on account of salaries to employees, supplies, services and contract, etc.

13ZG. Adjustment of withholding taxes.- The land developer shall not be entitled to claim adjustment of withholding tax collected or deducted under any other head during the year to the extent of activities which falls under final tax regime.


13ZH. General provisions for builders and developers.- (1) If a building or a land development project is stopped by any court order or by any government agency during construction of building or land development, the payment of subsequent installments shall stand suspended till the time the stay order is vacated.

(2) If a builder or a developer fails to pay three consecutive installments within due time, the Commissioner shall issue a notice in writing and copy thereof shall be endorsed to Association of Builders and Developers ABAD or Registered Association. In case of no response or unsatisfactory reply, a committee of three members shall be constituted by the Chief Commissioner which shall comprise one member from ABAD or Registered Association. The committee shall unanimously decide further action as deemed fit.

(3) If a building or land development project is disposed off during construction or development, the seller and purchaser shall jointly submit an application in writing to the Chief Commissioner. The Chief Commissioner shall issue NOC after satisfying that the due tax was paid by the seller. The remaining installments of tax shall be paid by the successor-purchaser of the under construction building or under developed land on the terms of schedule of payment of installments issued earlier to the predecessor-seller by the Chief Commissioner. There after all the provisions of this schedule shall apply to the successor-purchaser.

(4) The Commissioner shall exercise all powers relating to provisions containing recovery of tax, advance tax, default surcharge and prosecution as laid down in Chapter X and in Chapter XII to the Ordinance, in case of any default of non-payment, short payment or late payment of any tax collected or collectable, paid or payable under this Chapter."

[F.No.1(42)Rules&SROs/2016]


(Syed Hassan Sardar)
Secretary (Rules & SROs)