

**Government of Pakistan**  
**Revenue Division**  
**Federal Board of Revenue**  
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C.No.4(31) IT-Budget/2023-125413-R

Islamabad, the August 15, 2023

**CIRCULAR NO. 03 OF 2023-24**  
**(Income Tax)**

**Subject: PARTIAL MODIFICATION TO THE INSTRUCTIONS REGARDING MODE AND MANNER FOR PAYMENT OF TAX U/S 7E OF THE INCOME TAX ORDINANCE, 2001 ON SALE OR TRANSFER OF IMMOVABLE PROPERTY**

Board has received many representations as to the mode and manner of furnishing evidence regarding application of section 7E of the Income Tax Ordinance, 2001 (the Ordinance) for the purpose of sale or transfer of immovable property as envisaged in sub-section (2A) of section 236C of the Ordinance.

2. In order to remove any difficulty arising for the implementation of newly introduced sub-section (2A) and in partial modification and addendum to the instructions contained in Circular No.1 of 2023-24 dated 21<sup>st</sup> July, 2023, it is clarified that contents of the Circular will not apply in cases falling in the Jurisdiction of the Honourable Lahore High Court with reference to the Judgment in WP no. 52559 of 2022 dated 06-04-2023 unless the said judgment is reversed, suspended or vacated in an Intra Court Appeal or by the Honourable Supreme Court of Pakistan.

3. Further, wherever expression "tax year 2022" appearing in the Circular No. 1 of 2023-24 dated 21<sup>st</sup> July, 2023, the same may be read as "Tax Years 2022 and onwards".

4. It is further clarified that the conditions regarding obtaining certificate from the Commissioner outlined in Circular No.1 of 2023-24 dated 21<sup>st</sup> July, 2023 will not apply with respect to situations enumerated below. However, transferring authority of immovable property will maintain a proper record of the seller/transferor data along with relevant documents with respect to properties under sale/transfer covered under these specified situations. The aforesaid record of data will be shared by the transferring authority with the concerned Chief Commissioner IR of Regional Tax Office having jurisdiction over the seller/transfer on weekly basis starting from the date of issuance of this circular:

- (i) Provisions of section 7E are applicable only on resident persons as defined in section 82 of the Income Tax Ordinance, 2001. Non-resident individuals including non-resident Pakistanis are not required to pay tax under section 7E, therefore the condition of mode and manner of furnishing of evidence to the transferring authority of immovable property notified through Circular No. 1



of 2023-24 will not apply on non-resident persons. However, non-resident individuals while selling or transferring immovable property, will furnish duly filled attached Form-B along with scanned copy of valid passport and in case of non-resident Pakistanis, in addition to Form-B along with scanned copy of valid passport, copy of CNIC/NICOP/POC to the transferring authority. The transferring authority will transfer the property under sale/transfer, after verifying the credentials declared in the Form-B and strictly ensuring that the non-resident person stay in Pakistan is less than 183 days for each applicable tax year for which non-resident individual claiming non-residency status i.e. 01.07.2021 to 30.06.2022 (tax year 2022) or 01.07.2022 to 30.06.2023 (tax year 2023) and onwards.

(ii) Provisions of sections 7E of the Income Tax Ordinance, 2001 is not attracted to an immoveable property allotted to –

1. Shaheed or dependents of a Shaheed belonging to Pakistan Armed Forces;
2. A person who dies while in the service of the Pakistan Armed Forces or the Federal and Provincial Government.
3. A war wounded person while in the service of the Pakistan armed forces or Federal or Provincial Government;
4. An-ex-serviceman and serving personnel of armed forces or ex-employees or serving personnel of Federal and Provincial Government;

Therefore, where a seller or transferor belongs to aforesaid categories of persons, the condition of mode and manner of furnishing of evidence to the transferring authority notified through Circular No. 1 of 2023 will not apply on such categories of persons. However, the transferring or registering authority shall obtain evidence to the effect that –

- (a) the seller/transferor belongs to aforesaid category of persons;
- (b) property under sale/transfer has been allotted as an original allottees of such immoveable property, duly certified by the official allotment authority.

(iii) Provisions of section 7E are not applicable on a property in the first year of acquisition on which tax under section 236K has duly been paid by the purchaser. In such a case the seller/transferor of property will furnish to the transferring authority Computerized Payment Receipt (CPR) having a unique CPR number, bearing seller or transferor's name, CNIC number and showing the tax paid under section 236K, date of payment as well as tax year. If the CPR evidencing that the property under sale or transfer is acquired during the same tax year, then the tax u/s 7E is not payable to the extent of that tax year and the transferring authority will not require evidence of tax payment under section 7E or Form-A attached to Circular No. 01 of 2023-24 dated 21<sup>st</sup> July,

2023 with respect to said property to the extent of said tax year in case if seller or transferor is appearing in Active Taxpayers' List (ATL).

**Illustration I:** An ATL person has purchased an immovable property on 15.06.2022 on which tax under section 236K has been paid through CPR having a unique CPR number bearing seller or transferor's name, CNIC number and showing the tax paid under section 236K, date of payment and tax year printed on it as 2022. Later on, the said purchaser subsequently disposes of that property on 01.07.2023, the tax liability u/s 7E with respect to said property will be computed in the following manner.

Tax Years	Tax liability u/s 7E
2022	No Tax
2023	1% of Fair Market Value

For the tax year 2023, the transferring authority of immovable property will seek from such ATL person either challan of tax payment u/s 7E or Form-A prescribed vide Circular No. 01 of 2023-24 with respect to such immovable property under sale or transfer.

**Illustration II:** An ATL person has purchased an immovable property on 15.02.2023 on which tax under section 236K has been paid through CPR having a unique CPR number bearing seller or transferor's name, CNIC number and showing the tax paid under section 236K, date of payment and the tax year printed on it as 2023. Later on, said purchaser subsequently disposes of that property on 01.07.2023. In this scenario, no tax liability u/s 7E is payable by seller or transferor for tax year 2023 with respect to such immovable property and the transferring authority will not seek from the seller or transferor evidence of payment of tax u/s 7E or the Form-A attached to Circular No. 01 of 2023-24 dated 21<sup>st</sup> July, 2023 against such immovable property.

- (iv) Excluding the farmhouses and the land annexed thereto constructed on agriculture land, self-owned agriculture property where agriculture activities are carried out by person do not attract the provision of section 7E of the Ordinance. Therefore, where immovable property under sale or transfer is agriculture property excluding farmhouse(s), as evidenced through the property documents, the transferring authority, with respect to that agriculture property under sale or transfer, will execute transfer without seeking from the seller or transferor evidence of payment of tax u/s 7E or the Form-A attached to Circular No. 01 of 2023-24 dated 21<sup>st</sup> July, 2023.

However, where one or more than one farmhouse has been constructed on an agriculture property, then the conditions outlined in circular No. 1 of 2023-24 dated 21<sup>st</sup> July, 2023 will *mutatis mutandis* apply on such farmhouse(s). A farmhouse house has been defined as

“A house constructed on a total minimum area of 2000 square yards with a minimum covered area of 5000 square feet used as a single dwelling unit with or without an annex:

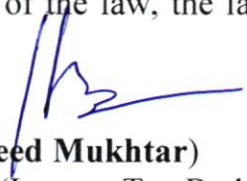
Provided that where there are more than one dwelling units in a compound and the average area of the compound is more than 2000 square yards for a dwelling unit, each one of such dwelling units shall be treated as a separate farmhouse.”

- (v) Section 7E of the Ordinance does not apply on immoveable property owned by a local authority, a development authority and builders and developers for land development and construction, subject to the condition that such persons are registered with Directorate General of Designated Non-Financial Business and Professions (DNFBP). Therefore, where the seller or transfer is a local authority, development authority and builders or developers for land development and construction, such seller or transferor will furnish to the transferring authority of immovable property a certificate of aforesaid registration with DNFBP as well as furnish certificate from the authority concerned to the affect that the property under sale or transfer is being sold or transferred after development or construction. The transferring authority after obtaining these aforesaid certificates will execute the transfer without seeking from the such seller or transferor evidence of payment of tax u/s 7E or the Form-A attached to Circular No. 01 of 2023-24 dated 21<sup>st</sup> July, 2023.

5. Other contents of the circular shall remain the same unless further substituted or amended subsequently.

6. This explanatory Circular, which is being issued for facilitating the sale of property or transfer transactions, will be valid for an interim period till development of an automated system for this purpose.

7. In case of any conflict between this Circular and the letter of the law, the latter would prevail.

  
(Naveed Mukhtar)  
Secretary (Income Tax Budget)

Circulation:

- (i) SA to Revenue Secretary/ Chairman, FBR,
- (ii) SA to Member (Inland Revenue - Policy), FBR
- (iii) SA to Member (Inland Revenue - Operations), FBR
- (iv) SA to Member (IT), FBR
- (v) All Chief Commissioners Inland Revenue, LTOs, MTO, CTOs & RTOs
- (vi) President Pakistan Tax Bar Association
- (vii) Webmaster for placement on FBR website

**Form of Declaration of Non-Residency by Non-Resident Pakistanis  
[Section 7E read with section 236C(2A)]**

To The Concerned Transferring/Registering/Attesting Authority [Name],  
Address

Sir,

Whereas [Name of seller/transferor] was non-resident in Pakistan in respect of the Tax Year(s) \_\_\_\_\_ ending on [Insert: Date.....], and that my period of stay in Pakistan during:

- (i) 01.07.2021 to 30.06.2022 consist of [Insert total number of days in aggregate]; and
- (ii) 01.07.2022 to 30.06.2023 consist of [Insert total number of days in aggregate] or my stay outside Pakistan during the period 1.07.2022 to 30.06.2023 in other country [Insert name of the County] consist of [Insert total number of days in aggregate] and by virtue of that stay in that other country [Insert name of the County], was held to be resident of that other country [Insert name of the County] by its taxation authority.

2. My Particulars of entry into or exit from Pakistan as per the stamp affixed in my passport [Enter Passport Number] for the period 01.07.2021 to 30.06.2022 and 01.07.2022 to 30.06.2023 are given as under:

Period from 01.07.2021 to 30.06.2022	Period from 01.07.2022 to 30.06.2023
Insert: From..... To .....] (insert multiple entries if more than one entry into and exit from Pakistan during the above period)	Insert: From..... To.....] (insert multiple entries if more than one entry into and exit from Pakistan during the above period)

3. Relevant particulars are as under, namely: -

- (a) Name of the Seller/Transferor: -----
- (b) CNIC / NICOP / POC No (please retain a copy): -----
- (c) Complete address of the immovable Property under sale/transfer: -----

**Verification**

I \_\_\_\_\_ son/daughter/wife of Mr. \_\_\_\_\_ solemnly declare that to the best of my knowledge and belief, the information given in this declaration and the annexures and statements accompanying it is correct.

2. I also declare that to the best of my knowledge, I have not concealed any fact or information which could be relevant for the purpose of this declaration.

3. I further declare that I am making this declaration in my capacity as (designation) and that I am competent to make this declaration and verify it.

Date \_\_\_\_\_  
Place \_\_\_\_\_

Signatures: \_\_\_\_\_  
Name: \_\_\_\_\_