

Government of Pakistan
Federal Board of Revenue
(Revenue Division)

Circular No.11 of 2008
INCOME TAX.

No.F.4 (83)ITP/2008

Islamabad, the September 04, 2008

Subject: **PAYMENT OF TAX BY COTTON GINNERS UNDER
CLAUSE (bb) OF SUB-SECTION (5) OF SECTION 153
OF THE INCOME TAX ORDINANCE, 2001.**

The Textile Industry etc., on the purchase of cotton lint from the cotton ginner, being "prescribed person" is obliged under sub-section (9) of section 153 of the Income Tax Ordinance, 2001 (hereinafter read as "the Ordinance") to withhold tax under sub-section (1) of the aforesaid section, as per reduced rate notified by the Board vide SRO No.600(I)/91 dated July 2, 1991 (as amended from time to time), deposit the same in the government treasury and provide a copy of the said challan to the Cotton Ginner. Pakistan Cotton Ginner's Association (PCGA) has held a meeting with the Board on August 9, 2008 and apprised that they are facing acute problems in the verification of tax withheld by the textile industry.

2. It has, therefore, been decided that henceforth, in accordance with the provisions of clause (bb) of sub-section (5) of section 153 of the Ordinance, the tax deductible on the amount of cotton lint supplied by the cotton ginner to the textile industry shall

be paid by cotton ginners themselves and a copy of the paid challan be presented to the buyer of the cotton lint at the time of payment on account of sales/supplies. In addition to filing of the statement under section 165 of the Ordinance read with rule 56 of the Income Tax Rules, 2002, the buyer's legal responsibility being "prescribed person" under sub-section (9) of section 153 of the Ordinance would be discharged, when he would record the bank scroll number, date of payment and other necessary details on the invoice of payment. In case, the details are not recorded on the invoice of payment, the tax paid is not corresponding to the payment made on account of supplies/sales of lint and necessary evidence of payment is not kept by the "prescribed person", he would be treated assessee in default and necessary proceedings under section 161 of the Ordinance and other provisions of the Ordinance shall be initiated against him by the taxation authorities holding jurisdiction upon the case of buyer.

(Ali Husnain)
Secretary (Income Tax Policy)
Ph : 9205561