

Government of Pakistan
Revenue Division
Federal Board of Revenue

C.No.1(26)WHT/2006.

Islamabad, August 15, 2008.

CIRCULAR NO.09/2008
(INCOME TAX)

SUBJECT: CLARIFICATION REGARDING WITHHOLDING TAX UNDER SECTION 231A ON CASH WITHDRAWAL FROM BANKS

Several communications have been received in the Board seeking clarification regarding application of provisions of Section 231A of the Income Tax Ordinance 2001, with reference to paragraph No.26 of Circular No.1 of 2005 (Income Tax) dated July 5 2005. The issue has been examined in the Board.

2. Sub-Section (1) of Section 231A read with Division VI of Part IV of the 1st Schedule clearly provides that tax was to be deducted @ 0.2% of the cash amount withdrawn. In this regard a Circular letter C.No.1(26)WHT/2006 dated 29th April 2008 was issued by the Board wherein it was clarified that withholding tax on Cash Withdrawal under the provisions of section 231A shall be made on total amount of payment where the said amount exceeds Rs.25000. The matter was further explained through numerical example as under:

<u>Amount of Cash Withdrawal</u>	<u>Tax to be withheld @ 0.2%</u>
Rs.25,000/-	Nil
Rs.25,500/-	Rs.51/-
Rs.30,000/-	Rs.60/-

3. In view of above, it is once again clarified that where cash amount withdrawn exceeds Rs.25,000, tax is required to be deducted on the whole amount and not the amount exceeding Rs.25,000. Earlier explanation offered through paragraph No.26 of Circular No.1 of 2005 (Income Tax) dated July 5 2005 and all other instructions/circulars, in contradiction to above clarification may be treated as withdrawn.

4. The rate of withholding tax under section 231A has been enhanced from 0.2% to 0.3%, through Finance Act, 2008.

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