

Government of Pakistan  
(Revenue Division)  
Federal Board of Revenue  
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C.No. 1(12)WHT/2010

Islamabad, the 30th June, 2010

Circular No 07/2010  
(Income Tax)

Subject: **Advance Tax on Transactions in Bank (Section 231AA)**

Through Finance Act 2010, new section 231AA has been introduced in the Income Tax Ordinance, 2001. The provisions of this section are explained as under:

1. Under this section every –

- (i) Banking company;
- (ii) Non-banking financial institution;
- (iii) Exchange company; or
- (iv) Authorized dealer of foreign exchange

is required to deduct adjustable advance tax @ 0.3% on sale of any instrument **against cash** including the following:

- (i) Demand Draft;
- (ii) Pay order;
- (iii) CDR;
- (iv) SDR;
- (v) STDR;
- (vi) RTC; or
- (vii) Any other instrument of bearer nature;

2. The tax is deductible on transfers if made **against cash** including –

- (i) on line transfer;
- (ii) telegraphic transfer;
- (iii) mail transfer; and
- (iv) any other mode of electronic transfer.

3. This tax shall also be charged on payment **if made in cash** on cancellation of any of the instruments referred above.

4. This tax shall only be charged where total amount of payments for transactions referred to above exceeds twenty five thousand rupees in a day.

5. This tax shall not be deductible on –

- (i) payment made through a crossed cheque for purchase of any of the financial instrument as referred above; and

(ii) inter-bank and intra-bank transfers.

6. This tax shall not be applicable on transactions made by –

- (i) the Federal or a Provincial Government;
- (ii) a foreign diplomat or a diplomatic mission in Pakistan; and
- (iii) a person who produces a certificate from the Commissioner that his income during the tax year is exempt.

7. Tax so deducted shall be paid according to the law, to the credit of the person purchasing any of the above mentioned instruments **against cash** and to the credit of the person **receiving cash** on cancellation of any of the instrument referred above.

8. Tax deducted under this section shall be adjustable, and its chargeability is effective from 1<sup>st</sup> July, 2010.

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