

**GOVERNMENT OF PAKISTAN
(REVENUE DIVISION)
FEDERAL BOARD OF REVENUE
[INLAND REVENUE]**

F.No.7(1)(Int.Taxes)/2012 - 125897-R

Islamabad, September 20, 2012

**Circular No. 6 of 2012
(International Taxes)**


Subject: Exchange of Information - SAARC Limited Multilateral Agreement on Avoidance of Double Taxation & Mutual Administrative Assistance in Tax Matters - Instructions Regarding

The SAARC Limited Multilateral Agreement on Avoidance of Double Taxation & Mutual Administrative Assistance in Tax Matter (hereinafter "the SAARC-LMA"), to which Pakistan is a signatory, was signed during the 13th SAARC Summit held in Dhaka, on November 12-13, 2005, and entered into force on December 27, 2006. Upon completion of the requisite formalities concerning ratification by all the Member States, the Secretary General, SAARC's Secretariat, Kathmandu, Nepal, vide Notification No. SAARC/ETF/98/Taxation/2006, dated April 19, 2010, notified that the Agreement shall have effect in the Member States from the date of commencement of their respective fiscal year following the issuance of the Notification.

2. Accordingly, the SAARC-LMA has come into effect in each of the SAARC state as per the date mentioned in column 4 of the table below: -

#	SAARC Member State	Fiscal Year	Date of Effectiveness
I	Bangladesh	1 st July - 30 th June	1 st July, 2010
II	Bhutan	1 st July - 30 th June	1 st July, 2010
III	India	1 st April - 31 st March	1 st April, 2011
IV	Maldives	1 st January - 31 st December	1 st January, 2011
V	Nepal	16 th July - 15 th July	16 th July, 2010
VI	Pakistan	1 st July - 30 th June	1 st July, 2010
VII	Sri Lanka	1 st April - 31 st March	1 st April, 2011

3. Article 5 of the SAARC-LMA empowers and obligates the Member States, inter alia, to "exchange such information, including documents and public documents or certified copies thereof, as is necessary for carrying out the provisions of this Agreement or the domestic laws of the Member States concerning taxes covered by this Agreement insofar as the taxation thereunder is not contrary to this Agreement." Article 6 of the SAARC-LMA also empowers the Member States to approach each other to seek assistance for the recovery of revenue claims from the persons residing in other SAARC States. The SAARC-LMA can be accessed at: www.fbr.gov.pk.


Web Mkt

4. Circular No. 4 of 2012 was issued to sensitize and educate the field formations in the conceptual framework and mechanics of information exchange for tax purposes at the international level and to underscore its importance in a rapidly globalizing world. Para 5 of Circular No. 4 of 2012 exclusively deals with the requirements and methodology of a good information exchange reference.

5. Accordingly, all field officers while examining the cases of taxpayers with income-generating sources or business connections in any of the SAARC countries must bear in mind that they need to invoke Article 5 of the SAARC-LMA to seek all legitimate tax information about their taxpayers from within any of the SAARC members – as long as the information that they are seeking is covered by Article 5 supra and has value in terms of expected additional revenues. Such an effort could be of substantial value in respect of artists, players, IT experts, consultants, local textile industry entrepreneurs branching out into regional countries (e.g. Bangladesh), and portfolio investors into Indian and other regional stock markets. It must be remembered that legally information pertaining to a period after the SAARC-LMA had come into effect in a particular state could only be requested. Thus, from now on, invoking Article 5 of the SAARC-LMA be taken as a mandatory checklist point of all audits, instead of a luxury to be resorted to only at will and option.

6. Minimum time that is needed to process information exchange references at the international level is six months. Keeping in view the legal requirements of both the SAARC-LMA, and the domestic tax laws – particularly those pertaining to the statutory time limitations – well-crafted information exchange references be forwarded to Board for onward taking up the matter with our SAARC-LMA partners.



Muhammad Ashfaq Ahmed
Secretary
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