

Government of Pakistan
Revenue Division
Federal Board of Revenue
Inland Revenue Wing

C.No.4(4)ITP/2009.PT-I-142122-R

Islamabad, 6th October, 2011

Circular No. 14 of 2011
(Income Tax)

Subject: Exemption under Clause (126F) of Part I of Second Schedule to the Income Ordinance, 2001 – Clarifications Regarding

Clause (126F) was inserted in Part I of Second Schedule to the Income Tax Ordinance, 2001, through Finance Act, 2010, to grant fiscal relief to the taxpayers whose businesses were adversely affected during the on-going strife in the Khyber Pakhtunkhwa (KPK), Federally Administered Tribal Areas (FATA), and the Provincially Administered Tribal Areas (PATA), for a period of three years w.e.f. Tax Year 2010. In follow up thereto, a number of communications were issued by the Board to define and clarify the parameters of Clause (126F) including SROs, Circulars, and letters, which being prone to varying interpretations, may have caused certain degree of confusion in some respects.

2. Queries have been received in the Board as regards the availability of exemption under Clause (126F) with reference to the location of the taxpayer, the location of the business, and other allied matters. In supersession of all earlier clarifications issued by the Board, in order to streamline the operation of Clause (126F), and ensure its standardized implementation across the board, the instructions as contained in the succeeding paragraphs will henceforth apply.

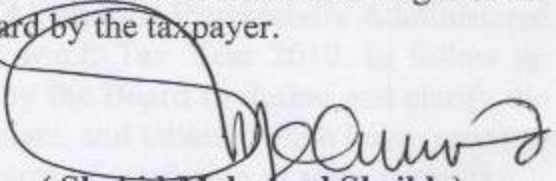
3. The word “located” as used in Clause (126F) can possibly have more than one dimension. The relevant scenarios along with the corresponding exemption/taxable status are outlined below: -

Sr.#	Situation	Exemption/Taxability
(i)	The taxpayer is located inside the affected and moderately affected areas (hereinafter ‘the specified areas’), and his business is also carried on inside the specified areas.	Exempt

(ii)	The taxpayer is located outside the specified areas but his business is carried on within the specified areas.	Exempt
(iii)	The taxpayer is located inside the specified areas, but his business is carried on outside the specified areas.	Taxable
(iv)	The taxpayer is located outside the specified areas, but his business is partly carried on inside the specified areas.	Exempt to the extent of the income attributable to the business operations carried on inside the specified areas.

4. Thus, it is apparent that the provisions of Clause (126F) have to be applied keeping in view the facts of each case.

5. Accordingly, the field formations may decide each case on merit in the light of the above instructions upon filing of a claim in this regard by the taxpayer.


 (Shahid Mehmood Sheikh) - -
 Secretary-IR (Exemptions/Rules)

Sr#	Situation	Exemption/Taxability
(i)	The taxpayer is located inside the affected and moderately affected areas (hereinafter "the specified areas"), and his business is also carried on inside the specified areas.	Exempt