

Government of Pakistan
Revenue Division
Federal Board of Revenue

Islamabad, the 8th November, 2019

**NOTIFICATION
(Income Tax)**

S.R.O. 1320(I)2019.- The following draft of certain further amendments in the Income Tax Rules, 2002, which the Federal Board of Revenue proposes to make in exercise of the powers conferred under sub-section(1) of section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), is hereby published for information of all persons likely to be affected thereby and as required by sub-section (3) of the said section 237, notice is hereby given that objections or suggestions thereon if any may for consideration by the Federal Board of Revenue be sent within seven days of its publication in the official Gazette.

Any objections or suggestions, which may be received from any person, in respect of the said draft, before the expiry of the aforesaid period, shall be taken into consideration by the Federal Board of Revenue, namely;-

DRAFT AMENDMENT

In the aforesaid Rules,-

in Chapter VII, after Part III, the following Part and rules thereunder shall be inserted, namely:-

“PART IV

**SPECIAL INSTRUCTIONS REGARDING BOOKS OF ACCOUNTS, DOCUMENTS AND
RECORDS TO BE MAINTAINED BY DESIGNATED PERSONS (DPs) AND REPORTING
OF SUSPICIOUS TRANSACTIONS**

33A. Application.- This part shall apply to designated persons (DP).

33B. Definitions.- For the purpose of this part,-

- (a) “beneficial owner” means, the natural person who ultimately owns or controls a customer or the natural person on whose behalf a transaction is being conducted and includes the person who exercises ultimate effective control over a person or a legal arrangement:

"Explanation.- For the purposes of this definition, the expression "ultimately owns or controls" or "ultimate effective control" refers to a situation in which the ownership or control is exercised through a chain of ownership or by means of control other than direct control and includes beneficial owners of a beneficiary under a life or other investment linked insurance policy or scheme or any other instrument availed by the customer in financial services market;

(b) "customer or client" means a natural person who transacts or attempts to transact with a designated person;

(c) "designated person" or "DP" means

- (i) jewellers; and
- (ii) real estate agents;

(d) "jeweller" means a person engaged in sale of jewellery, precious stones and metals including all articles made wholly or mainly of gold, platinum, diamonds of all kinds, precious or semi-precious stones, pearls whether or not mounted, set or strung and articles set or mounted with diamonds, precious or semi-precious stones or pearls;

(e) "real estate agent" means-

- (i). any person, who negotiates or acts on behalf of a person in a transaction of transfer of his plot, apartment or building, as the case may be, in a real estate project, by way of sale, with another person or transfer of plot, apartment or building, as the case may be, of any other person to him and receives remuneration or fees or any other charges for his services whether as commission or otherwise and includes a person who introduces, through any medium, prospective buyers and sellers to each other for negotiation for sale or purchase of plot, apartment or building, as the case may be, and includes property dealers, brokers and middlemen by whatever name called;
- (ii). any person responsible for registering, recording or attesting transfer of any immovable property including a person responsible for registering, recording or attesting transfer for local authority, housing

authority, housing society, co-operative society and registrar of properties; and

(iii). ICT and provincial land revenue authorities including boards of revenue;

(f) "suspicious transaction report or STR" shall have the same meaning as assigned to it in clause (y) of section 2 of Anti-Money Laundering Act, 2010 (VII of 2010); and

(g) "risk" means risk of money laundering or terrorist financing.

33C. Documents and records to be maintained by designated person.-

(1) Where the value of transaction, inclusive of all applicable taxes, duties, rates and cess exceeds,-

(a) Rs.2,000,000 in case of immovable property; and

(b) Rs.1,000,000 in other cases,

the DP shall obtain and maintain the following documents relating to its buyers and sellers, namely:-

(a) In the case of an individual any of the following documents:-

(i) copy of computerized National Identity Card (CNIC) issued by National Database and Registration Authority (NADRA);

(ii) copy of National Identity Card for Overseas Pakistanis (NICOP) issued by NADRA;

(iii) copy of Pakistan Origin Card (POC) issued by NADRA;

(iv) copy of Alien Registration Card (ARC) issued by NADRA; and

(v) copy of passport, having valid visa on it or any other proof of legal stay along with the passport (foreign nationals only);

(b) if the DP has reason to believe that the customer is not the beneficial owner:-

(i) in case of an individual, copy of any of the documents mentioned in clause (a); and

- (ii) in case of an AOP or company, computerized National Identity Card of the managing partner or chief executive officer, as the case may be, on whose behest the sale or purchase is being made; and
- (iii) National Tax Registration Certificate in case of AOPs and companies;
- (c) business licence issued under section 181D in case of customers who show income from business as their source of funds; and
- (d) copy of the banking instrument used for payment.

(2) Copies of documents mentioned in sub-rule (1) shall be stamped as "Original seen" by the DP after viewing the original document.

(3) The DP shall, wherever possible, keep a list of all such customers where the business transaction was refused or needed to be closed either on account of failure of the customer to provide the relevant documents under sub-rule (1) or the original documents for viewing as required under sub-rule (2).

(4) Without prejudice to the requirements of sub-rules (1), (2) and (3), the DP shall make arrangements for conducting reliable independent source verification of the customer in order to mitigate risk associated with a transaction.

(5) Without prejudice to Parts I, II and III of this Chapter, designated persons shall maintain sale and purchase registers as specified in Schedule I and Schedule II.

33D. Furnishing of Information.- The sale and purchase register for the immediately preceding calendar month shall be uploaded by the DP on the IRIS online system within fifteen days of the end of the preceding calendar month for transactions, which—

- (a) exceed the limits prescribed as per sub-rule (1) of rule 33C; and
- (b) are reportable under rule 33E.

33E. Reporting of suspicious transactions.- (1) The DP shall mark a transaction as suspicious in the IRIS online system if the DP has reason to believe that the transaction or a pattern of transactions of which the transaction is a part –

- (a) involves funds derived otherwise than from the business activity or assets declared to the income tax authorities;
- (b) is designed to evade any requirement of the Ordinance or to conceal the beneficial owner or his activity;

- (c) has no apparent economic or lawful purpose after examining the available facts, including the background and possible purpose of the transaction; or
 - (d) involves financing of terrorism, including fund collected, provided, used or meant for, or otherwise linked or related to, terrorism, terrorist acts or organizations and individuals concerned with terrorism
- (2) Without limiting the generality of sub-rule (1), a transaction shall be marked as suspicious if the buyer or seller—
- (a) frequently changes bank accounts;
 - (b) uses a bank account other than an account maintained in the name of beneficial owner;
 - (c) makes or receives payment in cash or primarily in cash; or
 - (d) maintains a creditor or debtor account with the DP and instructs the DP to adjust the balance of his account against a creditor debtor account of another buyer or seller.
- (3) The DP shall not disclose the facts to the customer in relation to suspicious transactions.

33F Monitoring and Compliance.- (1) The record to be maintained and furnished by the DP under these rules shall be subject to spot inspection by income tax authorities who may be assisted by other law enforcement agencies under section 178 of the Ordinance.

(2) Where the record is not maintained in the prescribed form, the business licence of the DP shall be suspended forthwith, pending further investigation into the matter.

(3) An officer carrying out investigation under sub-rule (2) shall have authorization under section 175 and 176 of the Income Tax Ordinance 2001.

(4) Where a DP fails to comply with any of these rules he shall be liable to penalty under Part X and prosecution under Part XI of Chapter X of the Ordinance.

(5) On conclusion of investigation, the officer may submit a report to the Commissioner and make recommendations, inter alia, regarding,—

- (a) cancellation or reinstatement of the business licence; or
- (b) referral of the matter to specialized external investigating agencies for further investigation under their respective laws.

Sale and purchase registers for real estate agent

SCHEDULE I

(See Rule 33C(5))

S.No	Invoice		Customer			Beneficial Owner					Business Activity
	No.	Date	Name	CNIC	Address	Name	IND/AOP/Company	CNIC / NTN	Address	%age share in ownership	
1	2	3	4	5	6	7	8	9	10	11	12

Source of Funds	Purpose of Sales / Purchase	Description of property	Location	UOM	Area	Value	Mode of Payment	Banking Instrument No.	Bank Name	Branch	A/c Holder Name	STR
13	14	15	16	17	18	19	20	21	22	23	24	25

Sale and Purchase register for jewelers
Schedule II
(See Rule 33C (5))

S.No	Invoice		Customer			Beneficial Owner					Business Activity
	No.	Date	Name	CNIC	Address	Name	IND/AOP/Company	CNIC / NTN	Address	%age share in ownership	
1	2	3	4	5	6	7	8	9	10	11	12

Source of Funds	Purpose of Sales / Purchase	Description of Item	UOM	Quantity	Value	Mode of Payment	Banking Instrument No.	Bank Name	Branch	A/c Holder Name	STR
13	14	15	16	17	18	19	20	21	22	23	24

..

[F.No.1(59)R&S/2019]

(Syed Hassan Sardar)
Secretary (Rules & SROs)