

GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE

C. No. 1(75)Secy (ITP)/ 2016-79984-2

Islamabad, 9th June, 2016

To All the Chief Commissioners,
Regional Tax Offices and Large Taxpayers Units.

Subject: **Special exemption allowed to growers of agricultural produce.**

Please refer to the subject.

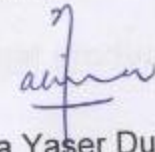
2. I am directed to state that different representatives of flour mills and trade bodies have raised the issue of income tax deduction on purchase of agricultural produce/ wheat from growers/ commission agents and has sought clarification on this matter. The Federal Board of Revenue has already clarified the legal position on this subject through paras 5 and 6 of Circular No 10 of 2011 dated 27th August, 2011 which read as under:

"(5) The person purchasing agricultural produce through a commission agent shall be required to deduct advance tax @10% on the amount of commission paid to the agent and tax u/s 153(1)(a) shall not be deductible on such transactions. The grower making sales through such commission agent shall also not be required to furnish the prescribed certificate.

(6) Exemption provided under sub clause (a) of clause (12) of Part- IV of Second Schedule to the Ordinance, is not available to the traders of agricultural produce and withholding tax shall be deductible from them at the prescribed rates."

3. The above Circular explains that no advance income tax u/s 153(1)(a) be deducted in case the purchase of agricultural produce is made directly from the growers or growers making sales through commission agent. However, withholding tax u/s 233 shall apply on the amount of commission paid to the commission agent. Meanwhile, if the purchase of agricultural produce is made from the traders then the withholding tax u/s 153 shall apply.

4. Kindly, direct all the field formations to follow and implement the directions of the Board as conveyed through Circular No 10 of 2011 in this regard.



(Rabia Yaseer Durrani)
Secretary Income Tax Policy