

GOVERNMENT OF PAKISTAN  
REVENUE DIVISION  
FEDERAL BOARD OF REVENUE  
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Islamabad, the 28<sup>th</sup> January, 2016.

**NOTIFICATION**  
**(Income Tax)**

**S.R.O. 52(I)/2016.**— 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 by sub-section (1) of section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), is hereby published for the information of all persons likely to be affected thereby and, as required by sub-section (3) of the said section, notice is hereby given that objections or suggestions thereon, if any, may be sent to the Federal Board of Revenue within seven days of publication of the draft 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 considered by the Federal Board of Revenue.

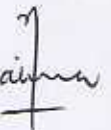
**DRAFT AMENDMENT**

In the aforesaid Rules, after rule 231E, the following new rule shall be inserted, namely:-

**"231F.- Selection and conduct of audit.**-(1) This rule shall apply to selection of cases for audit by the FBR under section 214C of the Income Tax Ordinance, 2001 (XLIX of 2001).

(2) The following steps shall be followed for selection of cases for audit through a computer ballot on random and parametric selection basis for tax years mentioned therein, namely:-

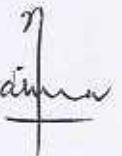
- (a) data of all returns (e-filed and manually filed) shall be utilized as a basic data;
- (b) the Board shall decide the cases of persons or classes of persons which are to be excluded from audit selection and such exclusions shall be publicized each year through FBR's web-portal for information, prior to the process of balloting or selection;
- (c) cases falling under exclusions shall be identified and such cases shall be excluded from the data to be used for balloting;



- (d) the data of the remaining cases shall be utilized for computer ballot for audit selection;
- (e) for each tax year cases for audit shall be selected in accordance with the predetermined percentage, to be publicized through FBR's web-portal, and prior to the balloting process, each year;
- (f) immediately after computer ballot, the lists of selected case shall be generated and placed on FBR's web-portal;
- (g) the whole balloting system for audit selection shall be based only on the NTN/ CNICs of the filers;
- (h) the NTNs and CNICs of the cases selected for audit shall be communicated to concerned RTOs and LTUs as per their respective jurisdictions;
- (i) for the purpose of selection of cases on parametric basis, risk parameters for persons or classes or persons to be used for balloting, wherever necessary, shall be determined by the Board, as under:-
  - (I) risk parameters for persons or classes of persons to be used for balloting shall be determined by the Board;
  - (II) audit selection parameters may be based upon the following:-
    - (A) financial ratios for the year viz a viz the history of the case;
    - (B) financial ratios viz a viz industrial, sectoral or national ratios;
    - (C) industrial comparisons or bench marks;
    - (D) quantum of losses or refunds beyond certain thresholds; or
    - (E) compliance history; and
- (j) computer balloting process in both categories of selection for audit shall be held in the presence of representatives from Chambers of Commerce and Industries and representatives of Tax Bar Associations.

(3) The cases selected for audit by the Board shall be processed as per the procedures given below:-

- (I) Commissioner Inland Revenue concerned shall issue intimation letter to the taxpayer about the selection of his case for audit with the following details:-
  - (A) section under which selection has been made;
  - (B) tax year for which the case has been selected for audit;
  - (C) mode of selection whether Random or Parametric;



- (D) compliance requirements on the part of taxpayer e.g.-
- (a) provision of prescribed books of accounts;
  - (b) supporting information and documents, etc;
  - (c) computerized data, access to computerized data or provision of attested hard copies of computerized data.
- (4) On completion of examination of books of accounts, data or information under this rule the discrepancies, if found, shall be intimated to the taxpayer for obtaining taxpayers' explanation, in the form of audit report, seeking taxpayer's explanation on these points.
- (5) Explanations of the taxpayer, where found not acceptable, shall be intimated to the taxpayer, through a notice under section 122(9) of the Income Tax Ordinance, 2001 about the amendment in assessment alongwith the rationale or basis of such amendment and necessary amendment in assessment order shall be passed under section 122 of the said Ordinance after affording adequate opportunity of hearing to the taxpayer.

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[F.No.4(7)IT-Budget/2016]



(Rabia Yaser Durrani)  
Secretary (Income Tax Policy)