The Pakistan Business Council

FOSTERING ECONOMIC GROWTH

(A Company set up under Section 42 of the Companies Ordinance 1984)

Mr. Rashid Mahmood Langrial
Chairman, Federal Board of Revenue
3rd Floor FBR House, Constitution Avenue, '
G-5, Islamabad.

October 8th, 2025

Dear Mr. Langrial

ERROR IN CALCULATION OF TAX CREDIT UNDER SECTION 61 AND SECTION 63 ON FBR IRIS SYSTEM TAX YEAR 2025

The letter is being written on behalf of highly skilled employees working for member companies of the Pakistan Business Council (PBC) as well as other high taxpayers who are also generous donors as well as active investors in Voluntary Pension Funds. PBC is writing to seek your intervention to direct the Federal Board of Revenue (FBR) and PRAL to rectify a significant issue in the tax credit calculation mechanism within the IRIS system.

Specifically, the system fails to correctly compute tax credits for charitable donations under Section 61 and contributions to approved pension funds under Section 63 of the Income Tax Ordinance, 2001 (ITO, 2001). This is contrary to the clear language of the law. **This discrepancy is causing delays in the filing of income tax returns.**

You will recall that the Federal Government, through the Finance Act 2024, introduced a surcharge under Section 4AB of the ITO, 2001. This surcharge when introduced was applicable at the rate of 10% of income tax for individuals and associations of persons whose taxable income exceeded Rs. 10 million. According to Section 2(63) of the ITO, 2001, the term "tax" means any tax imposed under Chapter II and includes............ Therefore, the surcharge levied under Section 4AB of Chapter II of ITO, 2001 clearly falls within the definition of "tax" as defined under section 2(63).

This interpretation is further reinforced by the wording of Section 149, which explicitly refers to "tax under Section 4AB" for the purpose of withholding advance income tax from salaries.

Despite this, the FBR's IRIS system currently excludes the surcharge under Section 4AB when calculating tax credits under Sections 61 and 63. Since both provisions allow tax credit based on the total tax assessed on taxable income—and given that the **surcharge qualifies as "tax" under the law—credits should rightfully be computed on the full amount, including the surcharge.**

In light of the provisions of law as stated above, we urge you to issue necessary directions to FBR and PRAL to correct this anomaly and ensure compliance with the law.

Yours Sincerely

Samir S Amir
(DIRECTOR RESEARCH)

Cc:
Senator Muhammad Aurangzeb Federal Minister for Finance and Revenue
Mr. Bilal Azhar Kayani, Minister of State for Finance
Mr. Haroon Akhtar Khan, SAPM and Minister-in-Charge for Industries and Production

8th Floor, Dawood Centre, M. T. Khan Road, Karachi-Pakistan.
PABX : 35630528-29 Fax : 35630530 Website: pbc.org.pk