

[ AS PASSED BY THE NATIONAL ASSEMBLY ]

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BILL

*further to amend the Income Tax Ordinance, 2001*

**WHEREAS**, it is expedient further to amend the Income Tax Ordinance, 2001 (XLIX of 2001), in the manner and for the purposes hereinafter appearing;

It is hereby enacted as follows: –

1. **Short title and commencement.** – (1) This Act shall be called the Income Tax Ordinance (Third Amendment) Act, 2026.

(2) It shall, unless provided otherwise, come into force at once.

2. **Substitution of section 134A, Ordinance No. XLIX of 2001.** – In the Income Tax Ordinance, 2001 (XLIX of 2001), for section 134A, the following shall be substituted, namely: –

**“134A. Alternative Dispute Resolution.** – (1) Notwithstanding anything contained in this Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to–

- (a) the liability of tax of fifty million rupees or above or admissibility of refund, as the case may be;
- (b) the extent of waiver of default surcharge and penalty; or
- (c) other specific relief required to resolve the dispute, may apply, except where criminal proceedings have been initiated, to the Board for the appointment of an alternative dispute resolution committee “Committee” under this section for the resolution of any dispute:

Provided that where the aggrieved person is a state-owned enterprise “SOE”, the limit of tax liability mentioned in clause (a) of sub-section (1) shall not apply and it shall be mandatory for such aggrieved SOE to apply to the Board for the appointment of a Committee for the resolution of any dispute under this section:

Provided further that no suit, prosecution, or other legal proceedings shall lie against the SOE or the Committee in relation to the dispute resolved under this section.

**Explanation.** – State-owned enterprise shall have the same meaning as assigned thereto in the State-Owned Enterprises (Governance and Operations) Act, 2023 (VII of 2023).

(2) The application for alternative dispute resolution under sub-section (1) shall be accompanied by –

- (a) initial proposition for resolution of the dispute; and
- (b) an undertaking that if the applicant accepts the decision of the Committee, it shall be binding on him in all respects and shall on receipt of the decision within fifteen days withdraw any and all pending cases of any kind in respect of the dispute, mentioning details thereof:

Provided that in case of SOE which is, directly or indirectly, wholly owned by the Federal Government, the decision of the Committee shall be final and binding on the Commissioner and the SOE.

(3) The Chairman of the Board, after examination of the application of an aggrieved person, appoint a committee, within fifteen days of receipt of such application by the Board, comprising, –

- (a) a retired judge of a High Court, the Federal Constitutional Court or the Supreme Court having adequate experience in dealing with tax or commercial matters, who shall also be the Chairperson of the Committee, to be nominated by the Chairman of the Board from a panel of three names proposed by the nominee of the taxpayer under clause (c) of this sub-section. In case the Chairman disagrees with the names proposed by the persons nominated by the taxpayer in terms of clause (c), the Chairman of the Board shall require the nominees appointed under clause (b) and (c) to propose one name each of a retired judge of a High Court, the Federal Constitutional Court or the Supreme Court having adequate experience in dealing with tax or commercial matters, whereupon the Chairman shall forward such names to the Federal Minister for Law and Justice for nomination of one of such person as Chairperson of the Committee;
- (b) an officer of the Inland Revenue not below BS 21, other than, the Chief Commissioner Inland Revenue having jurisdiction over the case; and
- (c) a person to be nominated by the taxpayer from amongst –
  - (i) accountants within the meaning of the Chartered Accountants Ordinance, 1961 (X of 196 I); or
  - (ii) cost and management accountants within the meaning of the Cost and Management Accountant Act, 1966 (Act No. XIV of 1966); or
  - (iii) advocates having a minimum of fifteen years' experience in the field of taxation or commercial matters; or
  - (iv) officers of the Inland Revenue who retired in BS 21 or above; or
  - (v) businessmen from a list notified by the Board as recommended by the Federation of Pakistan Chamber of Commerce and Industry:

Provided that the taxpayer shall not nominate a chartered accountant or an advocate if the said chartered accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer.

(4) The Chairman of the Board shall communicate the order of appointment of Committee to the aggrieved person, court of law or Appellate Tribunal or tax authority where dispute is pending and to the Commissioner concerned.

(5) The Committee appointed under sub-section (3) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within ninety days of its appointment.

(6) The decision by the Committee under sub-section (5) shall not be cited or taken as a precedent in any other case or in the same case for a different tax year.

(7) The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed under sub-section (3) shall be deemed to have been stayed on the constitution of Committee till the final decision or dissolution of the Committee, whichever is earlier.

(8) The decision of the Committee under sub-section (5) shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before the court of law or Appellate Tribunal or tax authority in respect of dispute as mentioned in sub-section (1) and has communicated the order of withdrawal to the Commissioner:

Provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the Committee upon the aggrieved person, the decision of the Committee shall not be binding on the Commissioner.

(9) Subject to sub-section (10), the Commissioner shall also withdraw the appeal, if any, pending before any court of law or Appellate Tribunal or tax authority in respect of dispute as mentioned in sub-section (1) within thirty days of the communication of the order of withdrawal by the aggrieved person to the Commissioner.

(10) The aggrieved person shall make the payment of income tax and other taxes and within such time as decided by the Committee under sub-section (5) and all decisions and orders made or passed shall stand modified to that extent.

(11) If the Committee fails to decide within the period of ninety days under sub-section (5), the Chairman of the Board shall dissolve the Committee by an order in writing and the matter shall be decided by the court of law or Appellate Tribunal or tax authority, as the case may be:

Provided that in case of SOE, except an SOE, which is, directly or indirectly, wholly owned by the Federal Government, either party may prefer an appeal to the Federal Constitutional Court or the Supreme Court, as the case may be, within a period of sixty days against a decision of the Committee or where no decision is made, upon receiving order of dissolution of the Committee.

(12) All petitions filed by the SOEs, directly or indirectly, wholly owned by the Federal Government, against the decision of the Committee made prior to commencement of the Income Tax (Third Amendment) Act, 2025 (Act No. of 2025) and pending before the Federal Constitutional Court, the Supreme Court or a High Court shall, upon commencement of the Income Tax (Third Amendment) Act, 2025 (Act No. of 2025), abate.

(13) Notwithstanding anything contained in sub-section (12), petitions filed by SOEs, which are not wholly owned by the Federal Government, against the decision of the Committee made prior to commencement of the Income Tax (Third Amendment) Act, 2025 (Act No. of 2025) and pending before a High Court, shall upon commencement of the Income Tax (Third Amendment) Act, 2025 (Act No. of 2025) abate:

Provided that such SOEs may prefer an appeal to the Federal Constitutional Court or the Supreme Court, as the case may be, against the decision of the Committee, within a period of sixty days from commencement of the Income Tax (Third Amendment) Act, 2025 (Act No. of 2025).

(14) The Chairman of the Board shall communicate the order of dissolution of the Committee to the aggrieved person, the Commissioner concerned and the court of law or Appellate Tribunal or tax authority, where the case was previously pending.

(15) On receipt of the order of dissolution, the court of law or Appellate Tribunal or tax authority, as the case may be, shall decide the case within ninety days of the communication of the said order.

(16) The Board may, from time to time, prescribe the amount to be paid as remuneration to the Chairperson of the Committee, which remuneration shall be paid by the

Board and the taxpayer equally within a period of fifteen days from the constitution of the Committee under sub-section (3).

(17) The taxpayer shall be responsible for remuneration of a nominee under clause (c) of sub-section (3).

(18) Notwithstanding anything contained in this section: -

(a) the Federal Constitutional Court, the Supreme Court or a High Court, on its own motion or on the application of either party, may refer the dispute pending before it to the Board for resolution by the Committee to be appointed under sub-section (3):

Provided that where both parties agree to refer the dispute for resolution by the Committee, the court of law or Appellate Tribunal or tax authority seized of the dispute shall record the consent of both the parties and shall refer the dispute to the Board for appointment of the Committee under sub-section (3):

Provided further that all disputes of SOEs pending before any court of law or Appellate Tribunal or tax authority shall stand transferred to the Board for resolution by the Committee to be appointed under sub-section (3) upon commencement of the Income Tax (Third Amendment) Act, 2025 (Act No. of 2025); and

(b) whenever any dispute is referred or transferred under clause (a) for resolution by the Committee, the Board shall within fifteen days from the date of such order or transfer, appoint the Committee under sub-section (3).

(19) The provisions of the Income Tax (Third Amendment) Act, 2025 (Act No. of 2025) shall be subject to the provisions of section 6 of the General Clauses Act, 1897 (X of 1897) provided that the applicant including a SOE may make a fresh application for reconstitution of the Committee in accordance with the provisions of the Income Tax (Third Amendment) Act, 2025 (Act No. of 2025), if the Committee has not rendered its decision prior to its enactment.

(20) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.

### **STATEMENT OE OBJECTS AND REASONS**

The purpose of Income Tax (Third Amendment) Bill 2025 is to strengthen the Alternative Dispute Resolution (ADR) mechanism for resolving tax disputes. It addresses inadequacies in the earlier mechanism such as appointment of the Chairperson of ADR Committee. The bill aims to ensure impartiality and enhance efficiency in the ADR process, besides reducing litigation burden on courts. More aptly, the purpose of the bill is to make ADR a viable option for cost effective resolution of tax disputes.

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