From: **Asif Siddiq Kasbati** <asif.s.kasbati@professional-excellence.com>
Date: Sat, Dec 13, 2025 at 11:45 AM
Subject: TLQC3392= Foreign Remittances credible source does not to trigger Section 111(4), even if no PRC

530+ Taxes & Levies Quick Commentary – TLQC 3392

I. BACKGROUND

1. This refers to the related Important TLQCs **in trail blue, italic and double Line** (a) 1962 of 31.8.22 about Notice is prerequisite under Section 111 of IT Ordinance - LHC (b) 1631 of 31.8.21 about IT Exemptions of Foreign Remittances from Section 111(4) – Cir 5

2. We also refer to several Other TLQC including (a) 1466 of 24.4.21 about Section 111 cannot be invoked if Dual Nationality, when mainly offshore & Tie-breaker test - ATIR (b) 1363 of 11.2.21 about Foreign Remittance received via Exchange entities, if PKR received is OK - CIR-Appeals (c) 885 of 2.8.19 about Foreign Remittance received through Exchange Company is OK - FTO

II. EXECUTIVE SUMMARY about captioned recent case

1. IHC adjudicated Income Tax References concerning whether foreign funds remitted from UAE—without encashment into PKR or issuance of a bank encashment certificate—could qualify as an explained source of investment under Section 111 of the ITO, 2001.

2. IHC held that Section 111(4)'s encashment requirement is only a limited carve-out and does not restrict a taxpayer from explaining foreign-sourced funds through normal banking channels. Since the taxpayer (a non-resident) and her UAE-based company, Dialog Broadband FZC, provided a complete and verifiable trail of foreign remittances used to purchase properties in Islamabad, the IHC affirmed that:

- The source and nature of the funds were fully established.
- The Commissioner's refusal to accept the explanation—merely due to non-encashment into PKR—was legally flawed, arbitrary, and without justification.
- Section 111(1) demands a fair, reasonable evaluation; once the explanation is satisfactory, Section 111(4) becomes irrelevant.
- The CIR also failed to initiate proper proceedings under Section 111 before invoking Section 122, further invalidating the demand.

3. The Tribunal's decision annulling the demand was therefore upheld in full. The IHC dismissed all references, confirming that foreign currency remitted through legitimate banking channels into foreign currency accounts cannot be treated as unexplained solely due to lack of encashment, provided the taxpayer establishes a credible financial trail.

III. DETAILS

A. Reference

1. Further KQU 3679 of 1.12.25, **being an important matter**, we would inform you about CIR, Zone-I, RTO VS Anushay Usman, etc - ITR 254/2015 - IHC* (**Attachment 3392.1**) in the ensuing paragraph, with emphasis in **bold** & **Underline**, ours for quick reading.

B. Question raised

1. Through this judgment IHC decided on Income Tax References No.223, 254 & 255 of 2015. The afore-titled reference arises from an order of the ATIR ***("Tribunal")*** dated 5.5.2015 in relation to tax years 2010 and 2011. The question framed for our consideration, which is the only question pressed on behalf of the CIR, Islamabad, is as follows:

Whether on the facts and in the circumstances of the case, foreign exchange remitted from abroad by M/s Dialog Broadband FZC (UAE) and her husband without being en-cashed into Pak rupees and producing any certificate to this effect from a scheduled bank, can be treated as a valid source of investment in terms of Section 111(4)(a) of the Income Tax Ordinance, 2001?

C. Learned Counsel for Appellant / Department Submissions

1. The learned counsel for the Tax Department submitted that the only question before the Court was whether in circumstances where foreign funds had been remitted from outside Pakistan for purchase of a property and had not been en-cashed into Rupees by a scheduled bank in terms of Section 111(4), and had instead been remitted in a foreign exchange account maintained in Pakistan, could the funds be treated as coming from a legitimate source duly explained for purposes of Section 111(1).

2. He submitted that in the instant case, funds in foreign currency had been transmitted from the UAE to Pakistan in foreign exchange accounts maintained in Islamabad. Such amounts were used to pay for investment in immovable property in Islamabad.

3. As the funds had not been remitted into a Pakistani Rupee account and no encashment certificate had been issued by the banks in question, the CIR refused to accept the explanation provided by the respondent as to the source of such funds and generated a demand in lieu of such funds in exercise of authority under Section 111. He submitted that the language of Section 111(4) was explicit, which had not been appreciated by the Tribunal when the demand had been set-aside.

D. Learned Counsel for Respondent Taxpayers / Submissions

1. The learned counsel for the respondent submitted that no question of interpretation of Section 111(4) arose in the present matter. The respondent was a foreign resident and had purchased no property in Pakistan.

2. She was the Director of a UAE based company i.e. Messrs Dialog Broadband Pakistan ***("Foreign Entity")*** that had purchased immovable property in Islamabad. Funds for such purpose had been remitted by the Directors of the Foreign Entity from their accounts in UAE as well as from the account of the Foreign Entity into the accounts of sellers from whom immovable properties had been purchased in Islamabad.

3. The details of these transactions have been provided to the CIR, who refused to accept the explanation provided and generated a demand in exercise of authority under Section 111. The order of the CIR generating the demand dated 30.04.2014 was challenged before the CIR (Appeals), who by order dated 28.10.2014 remanded the matter back to CIR with directions to verify the foreign sources of funds and pass a speaking order after affording the respondent an opportunity to be heard.

4. The respondent then challenged the remand order before the Tribunal, which recorded in extensive detail the trail of funds from UAE to the bank accounts of the sellers of properties in Islamabad, which funds had been transferred into foreign currencies through regular banking channels.

5. The Tribunal then concluded that the sources of funds for purchase of properties in Islamabad had been satisfactorily explained by the respondent and consequently annulled the demand.

E. IHC Deliberation

1. Status of Property Ownership and Respondent's Non-Resident Position During Relevant Tax Years

1.1 We have heard the counsels learned for the parties and have perused the record with their assistance. It has been the case of the respondent from the very beginning that the purchase agreement for acquisition of immovable properties in Islamabad is for the benefit of the Foreign Entity.

1.2 The Foreign Entity declared such properties in its audited accounts in the year 2010. The respondent, as a Director of the Foreign Entity, was neither a resident person in Pakistan for purposes at the relevant time nor could have declared such properties as her own in tax years 2010 and 2011 as she was not the owner of such properties.

2. Propriety of Commissioner's Treatment of Foreign-Remitted Funds and Invocation of Section 111

2.1 The record reflects that the CIR initially issued a notice to the respondent under Sections 114(6) and 116 for filing of tax return and wealth statement. The respondent challenged such notices before the FTO, who directed the CIR to conduct an investigation to ascertain the relevant facts. The CIR then issued Show-Cause Notice in terms of Section 122(5) read with 122(9) to the respondent.

2.2 The respondent contended that the properties in question were owned by the Foreign Entity and the funds used for purchase of the properties had been remitted from UAE through formal banking channels to make payments to the sellers of such properties, which explained not just the source of funds but also the financial trail through which the funds were remitted from UAE to Islamabad for payment of consideration for the properties in question.

2.3 The CIR refused to accept such an explanation on the basis that the foreign exchange remittance was not en-cashed in Pakistani Rupees by a scheduled bank and no certificate for purposes of Section 111(4) had been issued. And consequently, the CIR would treat the investment made as unexplained and include the amount in the respondent's income chargeable to tax in terms of Section 111.

3. CIR's Objection Regarding Foreign-Remitted Funds and Requirement of En-Cashment Certificate

3.1 The facts before us are not disputed. It is admitted that funds were remitted in foreign currency from bank accounts in UAE to bank accounts in Islamabad for the benefit of the sellers of the immovable properties in question. It is also not contested that the respondent was a foreign resident in the relevant tax years (which detail otherwise has no relevance to the question before us).

3.2 The only submission of the CIR before us is that where foreign currency is remitted from outside Pakistan, it cannot be treated as an explanation of a taxpayer's income or the source of the amount credited or used for an asset procured by the taxpayer unless the funds are remitted into a Pakistani Rupee account and such amount is then en-cashed for purposes of utilization, and a certificate confirming encashment of such amount is issued by the bank.

4. Scope and Proper Application of Section 111: Requirement of a Fair, Reasoned Assessment by the Commissioner

4.1 The Commissioner's argument is completely misconceived. What the Tax Department is concerned with is that a taxpayer offers taxable income to the revenue to be taxed in accordance with provisions. Section 111 is not a charging Section.

4.2 It is a machinery provision that guides the Tax Department's determination of when certain income or assets are to be determined as being unexplained. Section 111(1) lists the circumstances in which a question with regard to the source of an income or asset may arise and provides where such circumstances exist, and

"The person offers no explanation about the nature and source of the amount credited or the investment, money, valuable article or funds from which the expenditure was made… or the explanation offered by the person is not in the Commissioner's opinion satisfactorily…"

4.3 The Commissioner shall include such unexplained income or the value of the assets procured in the person's income chargeable to tax. The trigger for purposes of Section 111, as provided in sub-clause (1), is that the taxpayer either offers no explanation about nature or source of the amount in question, or the explanation is found to be unsatisfactory by the Commissioner. In forming such a judgment, the Commissioner must act in a just, fair and reasonable manner, as required by Article 24A of the General Clauses Act, 1897 ("General Clauses Act"). Where a taxpayer provides an explanation as to the source of any funds or assets that are in question, and such explanation is not unreasonable, the Commissioner ought to accept such explanation.

4.4 The judgment to be formed by the Commissioner for purposes of Section 111(1) can never be whimsical or arbitrary and the Commissioner's satisfaction or lack thereof must be rooted in relevant considerations after proper application of the mind. Where such explanation has been provided, Section 111(4) has no application whatsoever.

5. Nature and Limited Scope of the Carve-Out Under Section 111(4)

5.1 Section 111(4) provides the following:

Sub-section (1) does not apply to any amount of foreign exchange remitted from outside Pakistan through normal banking channels not exceeding five million Rupees in a tax year that is en-cashed into rupees by a scheduled bank and a certificate from such bank is produced to that effect.

5.2 This subsection is in the nature of a carve-out or exception to the principle stated in Section 111(1). In other words, where the amount in question is not in excess of five million Rupees and such amount has been remitted in the form of foreign exchange from outside Pakistan through normal banking channels into a Pakistani Rupee account, from which the amount is en-cashed and the bank provides a certificate confirming the same, such amount is immune from any further inquiry by the Commissioner.

5.3 This carve-out would apply even where the taxpayer has provided no explanation about the nature or source of the amount credited to his account or where the Commissioner is otherwise not satisfied with the explanation provided by the taxpayer for purposes of Section 111(1). However, the carve-out or the immunity provision in Section 111(4) has no application where a taxpayer otherwise provides a reasonable explanation as to the source of his funds or assets.

6. Commissioner's Refusal to Accept Established Source of Funds as a Colourable and Legally Unsupported Exercise of Authority

6.1 In the instant case, the source of funds is not in dispute. Details of the bank accounts through which such funds have been remitted from the UAE to Islamabad were provided by the respondent and have been recorded by the Tribunal in the impugned order.

6.2 The details of the quantum of funds remitted have also been provided, which matches with the consideration paid for purchase of immovable properties in question. In view of the details, as recorded in the impugned order of the Tribunal, there remain no questions regarding the source or nature of funds in question, as has been correctly held by the Tribunal. In these circumstances, the CIR breached the requirement of Section 111(1) by insisting that he would not recognize or accept the explanation provided by the respondent. Such refusal is tantamount to colorable exercise of authority and was devoid of legal reasoning.

7. Foreign Currency Remittances and Maintenance of Foreign Currency Accounts: No Basis for Deeming Funds Unexplained Under Section 111

7.1 Section 111 does not provide that where the origin of funds in foreign currencies is known and when such funds are remitted through foreign banking channels from a foreign bank to a scheduled bank in Pakistan, the funds will be deemed to be unexplained income merely because they have been remitted into a foreign currency account maintained with a scheduled bank in Pakistan.

7.2 Bank account holders in Pakistan choose to have funds remitted in foreign currency accounts in Pakistan, if they maintain one, as there is often a delta between the market rate offered for foreign currency and the rate at which scheduled banks en-cash foreign currency in Pakistani Rupees. It is to avoid the loss due to the gap between open market rates for foreign currency and the rates afforded by scheduled banks that a taxpayer in Pakistan would logically prefer to have payments remitted to a foreign currency account should he/she have the option to do so.

7.3 This rational choice does not delegitimize the nature and source of the funds in question merely because they have been remitted into a foreign currency account maintained in Pakistan as opposed to a Pakistani Rupee account. There is nothing in Section 111 or elsewhere in the provisions of ITO that provides otherwise.

7.4 The laws of Pakistan allow citizens to maintain foreign currency accounts and receipt of funds in such accounts does not render the funds remitted questionable, so long as the citizen/taxpayer can explain the nature and source of such funds. Section 111(4) then provides a carve-out that prohibits the Commissioner from seeking any explanation with regards to funds remitted from outside Pakistan to the extent that the conditions prescribed in Section 111(4) are satisfied.

8. Tribunal's Findings Upheld: CIR's Action Under Section 111 Legally Unsustainable and Procedurally Defective

8.1 In view of the above, IHC agreed with the Tribunal that the respondent satisfactorily explained the source of funds and provided an explanation regarding their nature and origin that ought to have been accepted by the CIR. The action of the CIR in rejecting such an explanation and generating a demand in terms of Section 111 was not sustainable in the eyes of law and was correctly set aside by the Tribunal.

8.2 Even otherwise, we have noted that the CIR did not issue a separate notice in terms of Section 111 and did not proceed to undertake proceedings under such section before issuing a notice in terms of Section 122. On this score too any demand generated through exercise of authority under Section 111 would not have been sustainable in view of the law laid down by the Supreme Court in CIR, Lahore vs. M/s Millat Tractors Limited, Lahore and others (2024 SCMR 700).

9. Decision Tribunal's Order Sustained and References Dismissed

9.1 For the reasons, we answer the question made for our consideration accordingly, the result of which in the instant case is that the impugned order of the Tribunal suffers from no infirmity and no demand could be generated against the respondent in terms of Section 111. The references are accordingly dismissed.

IV. Further Details & Services

Should you require any clarification or explanations in respect of the above or otherwise, or require Income Tax, Federal & Provincial Sales Tax or Withholding Tax Statement, Advisory, Return Filing or Review services, please feel free to email Mr Amsal at amsal@kasbati.co with CC to info.kasbati@professional-excellence.com, asif.s.kasbati@professional-excellence.com.

Best regards for Here & Hereafter

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*From: **Asif Siddiq Kasbati** <kasbati.commentaries@gmail.com>*
Date: Wed, Aug 31, 2022 at 3:53 PM
Subject: TLQC1962 = Notice is prerequisite under Section 111 of IT Ordinance - LHC

Dear Learned Professional

*You may have seen KQU1703 whereby we shared the link of the "IT Order u/s 133(1) of the ITO, 2001 in the case of Commissioner Inland Revenue, Zone-II, Lahore Vs Shazia Zafar, etc - ITR 59534/21 - LHC" along-with several other updates and now give our **Commentary** thereon being an **Important** matter as your Goodself may have missed out the same owing to likely busy schedule.*

EXECUTIVE SUMMARY
*The LHC issued its Judgment in ITR No 59534 of 2021 (**Attachment 1962.1**) in the case of Commissioner Inland Revenue Vs Shazia Zafar which decided the instant Reference Application, along with connected 22 Reference Applications.*

*The following questions of law were raised before the LHC (**KC understands that these questions are for the period prior to addition of Explanation by Finance Act, 2021.**)*

1. Whether the ATIR has erred in law by deleting the additions made under Section 111 of the Income Tax Ordinance while holding that a separate and specific notice is required for addition under Section 111 when there is no specific provision in the Ordinance requiring separate notice under Section 111?

2. Whether ATIR has overlooked the scheme of law that Section 111 cannot be read in isolation without making reference to Section 122(1), 122(5)(ii) and 122(9)?

*3. Whether the ATIR fell in error by failing to appreciate that in view of insertion of the "**Explanation**" in section 111 vide Finance Act, 2021 the issuance of a separate notice under section 111 was not required for amendment of an assessment under section 120?*

*LHC answered the above 3 questions in **negative for the 3 questions** i.e. against the Applicant / Department and in favour of Respondent / Taxpayers.*

LHC also indicated that Explanation added by Finance Act, 2021 is prospectively applicable.

1. Submissions of Legal Advisors of Applicant / Department
1.1 ATIR was not justified to annul the additions made by learned fora below on the ground of non-issuance of separate notice under Section 111 of the Ordinance of 2001 to the taxpayer.

1.2 ATIR has failed to appreciate that respondent-taxpayer could not explain the sources of investment and that notice under Section 122(9) was issued, therefore, there was no need to issue separate notice under Section 111, as also specifically provided in Explanation to Section 111.

1.3 That even non issuance of notice under Section 111 would not declare the proceedings conducted under said provisions of law as illegal and without jurisdiction and non-issuance of separate notice under Section 111 has not caused any prejudice to respondent / taxpayers as substantial compliance of said provisions of law has been made.

2. Defense of Learned Counsel of Respondent / Taxpayers

*That compliance of mandatory provisions of Section 111 was not made, hence, ATIR has rightly annulled the impugned additions and **"Explanation"** added to Section 111, by way of Finance Act, 2021, which is affecting substantive existing rights of taxpayers, must be given prospective effect.*

3. LHC Deliberation

3.1 Before dilating upon the proposed questions / issues involved in these cases, it would be expedient to reproduce provisions of Section 111(1), as under:-

111. Unexplained income or assets.-- (1) Where--

(a) any amount is credited in a person"s book of account;

(b) a person has made any investment or is the owner of any money or valuable article;

(c) a person has incurred by expenditure; or

(d) any person has concealed income or furnished inaccurate particulars of income including--

(i) the suppression of any production, sales or any amount chargeable to tax; or

(ii) the suppression of any item of receipt liable to tax in whole or in part, and the person offers no explanation about the nature and source of the amount credited or the investment, money, valuable article, or funds from which the expenditure was made suppression of any production, sales, any amount chargeable to tax and of any item of receipt liable to tax or the explanation offered by the person is not, in the Commissioner's opinion, satisfactory, the amount credited, value of the investment, money, value of the articles, or amount of expenditure suppressed amount of production, sales or any amount chargeable to tax or of any item of receipt liable to tax shall be included in the person's income chargeable to tax under head "Income from Other Sources" to the extent it is not adequately explained.

Provided that where a taxpayer explains the nature and source of the amount credited or the investment made, money or valuable article owned or funds from which the expenditure was made, by way of agricultural income, such explanation shall be accepted to the extent of agricultural income worked back on the basis of agricultural income tax paid under the relevant provincial law.

Explanation.—For the removal of doubt, a separate notice under this section is not required to be issued if the explanation regarding nature and sources of amount credited or the investment of money, valuable article, or the funds from which expenditure was made has been confronted to the taxpayer through a notice under sub-section (9) of section 122 of this Ordinance.

*3.2 It is conspicuous from glance of section 111 of IT Ordinance 2001 that if the instances / categories of unexplained income and assets, detailed therein, emerge to the Commissioner, he is required to invite explanation from the taxpayer, confronting the information collected that its case comes within the head(s) specified in subsection (1), before adjudging the matter. Albeit, the specific word **"notice"** is not introduced in the said provisions of law but words **"…the person offers no***

explanation…" and "…or the explanation offered by the person is not, in the Commissioner's opinion, satisfactory…" *connote that notice is the proper mechanism to call for explanation from the taxpayer.*

3.3 Notice and corresponding non satisfactory elucidation are prerequisites to make addition under Section 111 of the Ordinance of 2001 otherwise the addition would be legally unsustainable owing to non-compliance of said provision of law. This view is reinforced by the decisions in the cases reported as Commissioner Inland Revenue v. Muhammad Shafique ***(2015 PTD 1823 - Attachment 1962.2),*** *Commissioner Inland Revenue, Zone-I, Regional Tax Office, Sukkur v. Messrs Ranipur CNG Station, Ranipur* ***(2017 PTD 1839 - Attachment 1962.3),*** *Commissioner Inland Revenue, RTO, Faisalabad v. Faqir Hussain and another* ***(2019 PTD 1828 - Attachment 1962.4)*** *and Commissioner Inland Revenue, Multan Zone v. Falah ud Din Qureshi* ***(2021 PTD 192 - Attachment 1962.5)****.*

3.4 It suffices to say that the issue regarding issuance of separate notice under Section 111 was laid to rest by this Court much prior to insertion of the ***Explanation by Finance Act 2021. It is also well-settled that all fiscal statutes shall apply prospectively unless specifically and expressly provided otherwise.***

4. SCP Conclusion & Decision
LHC answered the proposed questions in ***negative*** *i.e. against the Applicant / Department and in favour of Respondent / Taxpayers.*

Should you require any clarification or explanations in respect of the above or otherwise, please feel free to email us.

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From: ***Asif Siddiq Kasbati*** *<kasbati.commentaries@gmail.com>*
Date: Tue, Aug 31, 2021 at 4:40 PM
Subject: TLQC1631=IT Exemptions of Foreign Remittances from Section 111(4) – Cir 5

Dear Learned Professionals

Background
This refers to our following QCs (in trail, in blue, in italic and after double line) related to this Commentary:

(a) TLQC 1363 dated 24.3.21 whereby we sent our Commentary Foreign Remittance received via Exchange entities, etc.

(b) TLQC 885 about FTO Order wherein it was held that Foreign Remittance received through Exchange Company is OK.

(c) BFQC 106 dated 10.8.2021 about Foreign Exchange Instructions on Commercial Remittances revised vide FE Circular 7.

Current Controversy
*A controversy has loomed for quite some time as innovations in banking, money transfer mechanisms, and development of newer products for cross-border transactions have outflanked the letter of the law as now Money Services Business (**MSBs**), Exchange Companies (**ECs**), and Money Transfer Operators (**MTOs**) perform almost identical to those of scheduled banks. In some situations, IRS Field Formations have refused concession vis-à-vis foreign remittances remitted via ECs, that is, Money Gram, Western Union and Ria France etc relying on Appellate Tribunal Inland Revenue's judgement reported as ITA.No.794/LB of 2012 dated October 10, 2013 (reported as 2015 PTD 125 -* ***Attachment 1631.1****). It has been held that the afore-mentioned four conditions are mandatory to claim the benefit of foreign remittances under the ITO, 2001. However, SBP while responding to Federal Tax Ombudsman (**FTO**)'s memorandum vide letter No.EPD/8302/EPP16(37)-Misc-2019, dated 08.04.2019, have categorically taken the position that foreign exchange remitted into Pakistan via MSBs, ECs, and MTOs, such as, Western Union, Money Gram and Ria France etc, does constitute "foreign exchange remitted through normal banking channels" for all legal purposes.*

The SBPs' aforementioned position legitimizing remittances via MSBs, ECs, and MTOs, and equating them with "scheduled banks" as laid down in section 111(4) of ITO, 2001, was challenged through a precise reference bearing 4 C.No.1(1)TP/2017(A), dated March 31, 2021, mainly on four grounds. First, that all four conditions (Para 6 above) are to be concomitantly fulfilled and that, prima facie, "prefunded non-resident rupee account and the foreign currency account of Overseas MSB, ECs, MTOs, etc, locally maintained with the Pakistani banks, and the subsequent replenishment through SWIFT cannot substitute the strict conditions of Section 111(4) of the ITO, 2001." Second, as per section 2(m) of the SBP Act, 1956, a "scheduled bank" means a bank for the time being included in the list of banks maintained under sub-section (1) of section 37 of the SBP Act, 1956, and that MSBs, ECs and MTOs were not scheduled banks as per section 37(1) read with section 111(4) of the ITO, 2001. Third, Hon'ble Supreme Court of Pakistan in case law titled as Army Welfare Sugar Mills Ltd. & Others vs. Federation of Pakistan reported and reported as 1992-SCMR-1652 has laid down a couple of fundamental principles of claiming exemption, namely, that (a) the onus of proof is on the one who claims exemption, and (b) that "a provision relating to grant of tax exemption is to be construed strictly against the person asserting and in favor of the taxing officer." Fourth, it is for the Supreme Court and High Courts to interpret law and not the regulators like SBP to do the same.

The SBP vide Memorandum No. EPD 30-4-2021-97865, dated May 7, 2021, held their ground and have responded to FBR's afore-cited observations by stating that "to claim exemption under aforementioned clause of ITO, 2001, a taxpayer receiving home remittances" via MSB and ECs "strictly fulfills all the conditions set in section 111(4)(a) of the ITO, 2001." The SBP have also gone on to item wise address the question of fulfillment or non-fulfillment of the four cardinal conditions laid down in the ITO, 2001, under the currently prevailing banking regulations and practices.

Updated Status

*You may have seen KQU # 1206 dated 31.8.21 (Morning) whereby we shared the link of "Foreign Remittances - Exemption - Circular 5 of 2022 dated 30.8.21" along with several other updates and now give our **Commentary** on the same in ensuing paragraphs being an **Important** matter.*

Commentary

*The FBR vide Circular 5 dated 30.8.21 (**Attachment 1631.1**) accepted the stance on Foreign Remittances that amounts received through Foreign Currency Account of Overseas Money Service Bureaus (**MSB**), Exchange Companies (**ECs**), and Money Transfer Operators (**MTOs**) fulfil the below four conditions to avail exemption. The FBR also directed Field Formations to withdraw all Departmental Appeals filed against the taxpayers on the issue of Exemption available to Foreign Remittances and dispose of all cases of Foreign Remittances exemption claims under lenient interpretation of the section 111(4) of the Income Tax Ordinance (**ITO**), 2001.*

Q. No	***Conditions***	***SBP's Views/Comments***
1	*Amount should be in foreign exchange.*	*Home remittances amount is received from Money Service Bureaus/Exchange Companies in Pakistan in foreign exchange.*
2	*Amount should be remitted from outside Pakistan through normal banking channels.*	*Foreign exchange is received by Pakistani banks in their nostro accounts through the normal banking channel from overseas jurisdictions.*
3	*Amount should be encashed by a scheduled bank.*	*Foreign exchange is surrendered (encashed) in the interbank market and home remittances are paid in PKRs.*
4	*Certificate of encashment in respect of the amount should be produced by the concerned bank.*	*An encashment certificate is issued by a bank that has received foreign exchange from abroad on behalf of the beneficiaries in the matter.*

*It has been held that the afore-mentioned **Four Conditions** are mandatory to claim the benefit of Foreign Remittances.*

Best regards
Asif
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