From: **Asif Siddiq Kasbati** <asif.s.kasbati@professional-excellence.com>
Date: Sat, Aug 15, 2026 at 12:45 PM
Subject: TLQC2672= Proper Return filing as AI-Driven Faceless Audit & Remarks about Consultants by FBR Chairman

590+ Taxes & Levies Quick Commentary - TLQC 2672

(I) FINANCE ACT WORKSHOP 2: After the earlier Finance Act Workshop, we realised that several interested participants could not attend, partly due to their busy schedules at that time. Moreover, due to the importance of the FIVE Finance Acts, which include over 500 amendments, we recommend attending the **Finance Act Workshop to be held 21.8.26 (ISA) as per details in the trail, after the double line.**

(II) BACKGROUND: (1) TLQC 3668 of 12.8.26 about FBR Reforms including Faceless Audit, Appeal, etc from 1.10.26 & KC Recommendations **in trail, blue, italic and double Line (2)** For List of earlier relevant QCs, please refer to Para III.

(III) UPDATED COMMENTARY

A. General: Further to KQU 4037 of 12.8.26, **being an Important matter**, we would inform you about the following video FBR Chairman addressing FPCCI members to use Tax Consultants for proper legal cum accounts knowledge (and not old contacts bribery experience) due AI based Faceless Audit **(Attachment 2672.1)** in the ensuing paragraph, with emphasis in **bold**, ours for quick reading.

B. Tax Consultant Knowledge: This year, traditional knowledge in tax operations is becoming redundant due to the implementation of AI-driven faceless audits by FBR. Tax consultants are aware of discrepancies in tax liability calculations, which can vary significantly, yet their capacity to address every return is limited. The shift to AI means that consultants must adapt their approach, as the old methods of leveraging personal contacts are no longer sufficient.

C. AI Impact on Taxation: The introduction of AI over the past 12 years has significantly increased India's capacity. With AI now implemented, changes have also been made, including adopting better regulations from the private sector.

D. Changes in Tax System: Recent changes in the tax system involve the introduction of private sector consultants, moving away from traditional practices. The shift towards a faceless auditing process reduces reliance on personal contacts and favors competence over connections. It is recommended that tax consultants leverage their expertise efficiently rather than relying on old methods.

E. Advice for Tax Consultants: The Chairman recommended FPCCI members that its crucial to advise tax consultants to utilize one part of their film experience while avoiding reliance on outdated practices that could lead to surprises and discomfort. Following this guidance helps prevent unnecessary difficulties and ensures effective navigation through legal complexities. With the capacity to recognize potential issues through third-party data, adhering to this advice is essential.

F. Systemic Improvements: The FBR Chairman emphasizes the importance of utilizing tax consultants for proper legal and accounting guidance in light of AI-driven faceless audits. He mentions the past limitations in the system and the introduction of a new perspective to enhance visibility. **He encourages avoiding reliance on prior experiences of bribery and stresses the benefits of adopting new practices for the benefit of all.**

(IV) LIST OF FURTHER TLQCs

(a) 3662 of 7.8.26 about Fast Track FBR reforms & Cashless Economy – Be ready
(b) 3587 of 29.6.26 about Budget 2026-27: Finance Act Gazette plus 1,500 pages & KC Recommendations

(V) 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 Advisory, Statement or **Return Filing or Review services**, or related accounting matters like the above, please feel free to email Mr Amsal at amsal@kasbati.co with CC to info.kasbati@professional-excellence.com. **Your Good self may continue to get other services from your current Tax & Legal Advisors.**

Best regards for Here & Hereafter
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*From: **M Abid** <m.abid.tax.excellence@gmail.com>*
Date: Wed, Aug 5, 2026 at 3:58 PM
Subject: 500+ Changes 1 Day Finance Act Workshop

Dear Learned Professionals

*Watch short Clip as to **"Even if your Goodself have attended Post Budget & Finance Seminars & Conference, Why to attend 500+ changes via 5 Finance Acts In-Depth Study 2 Days Long Tax Excellence / KC Workshop"** by Mr Asif Kasbati, FCA, FCMA & LB **Click here**. Watch High Quality & Detailed Study Workshop old but gold **Sample** video and Register for 2026 5 Finance Act Workshop today due to limited seats* Click here*

2. Workshop on 21 August Friday (with Several Panelists) from 9am to 6pm Karachi Physically & Online from all over Pakistan. *Pages 1 & 2 are pasted below. For Full Brochure Click here* ***with Images of High Quality Physical & Online Workshop on pages 2 & 3.***

3. Tentative Registration Link: Click here For details call UAN *0331 1118 786* ***Quick Registration:*** *Fill registration form and send back to us XLS and signed form us via email all the address in CC to get Invoice & Pay for seat Reservation, as Limited seats*

4. Participants, Electronic Media & Penalists Views - Please Click on the Link for the following VIDEOs

(a) Finance Act Workshop some of the Participants Views *- click on respective links*

i. Mr Khalid Petiwala (Renowned Tax Professor & Consultant at ICAP) attended Kasbati Workshops on Finance Act, PostBudget, etc Workshops and explaining the necessity of attending Workshops by Professionals

ii. Mr Arif Sattar (Senior Tax Consultant) comments on Tax Excellence Post Budget/Finance Act Workshop, "Comprehensive material & Clarified all Qs well and Suggesting ITP & other professional to attend"

iii. Comments by Mr M.Zeeshan Khan (Tax Manager of Be Energy) Suggesting to attend Finance Act, etc owing to High Quality

(b) For Serveral Other Workshop Participants' Views Click on link

(c) Electronic Media & Penalists Views - refer to above link

i. AAJ TV Reporting about Mr Asif Kasbati Workshops, etc for Tax Awareness to Maximum

ii. Mr Ashfaq Tola, SAFA President, Ex RRMC Chairman, Minister & ICAP President

iii. Mr Ali Almani, Advocate, Partner Fazle Ghani & Co (Headed by Mr Makhdoom Ali Khan - Advocate SCP & Ex Attorney General of Pakistan)

iv. Mr Arshad Shehzad (Advocate High Court)

v. Mr Owais Mukati (ICAP Tax Committee Member) & Mr Mehmood Bikya (Ferguson Partner & Vice President, Karachi Tax Bar Association)

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*From: **Asif Siddiq Kasbati** <asif.s.kasbati@professional-excellence.com>*
Date: Thu, Aug 13, 2026 at 2:47 PM
Subject: TLQC3668= FBR Reform Implementation including Faceless Audit, etc from 1.10.26 & KC Recommendations

(I) FINANCE ACT WORKSHOP 2:** After the earlier Finance Act Workshop, we realised that several interested participants could not attend, partly due to their busy schedules at that time. Moreover, due to the importance of the FIVE Finance Acts, which include over 500 amendments, we recommend attending the **Finance Act Workshop to be held 21.8.26 (ISA) as per details in the trail, after the double line.

***(II) BACKGROUND:** Refer to our earlier several TLQCs including several **(a)** TLQC 3648 of 1.7.26 about FST Independent Case Scrutiny Committees New Rule 62A by SRO 1169 **(b)** 3662 of 7.8.26 about Fast Track FBR reforms & Cashless Economy – Be ready **(c)** TLQC 3587 of 29.6.26 about Budget 2026-27: Finance Act Gazette plus 1,500 pages & KC Recommendations*

(III) RELEVANT SECTION 122E & COMMENTS - AS EXPLAINED IN FINANCE ACT WORKSHOP HELD ON 28.7.26

A. FACELESS AUDIT AND ASSESSMENT – NEW SECTION 122E - FB & FA same

***122E. Faceless audit and assessment.** (1) Notwithstanding anything to the contrary contained in any other provision of this Ordinance, any audit under sections 177 or 214C, any order made under section 111, any assessment under this Part and rectification under section 221, with respect to the cases referred to in sub-section (2), may be made in a faceless manner as may be prescribed by the Board.*

(2) The faceless assessment under sub-section (1) shall be made in respect of such persons or class of persons, or incomes or class of incomes, or cases or class of cases, as may be specified by the Board.

(3) The provisions of section 177 shall apply to the audit conducted in faceless manner under this section:

Provided that where opportunity of being heard is to be provided to the taxpayer during the course of this audit or a statement under oath is required to be obtained from a taxpayer or any other person under section 176 of this Ordinance, the same shall be done through E-hearing under section 227E of this Ordinance:

Provided further that the identity of the officer, including facial and voice identity, conducting such E-hearing shall be kept confidential.

COMMENTS

1 General: *FA introduced new section 122E to provide a statutory framework for faceless audits and assessments. Under the proposed provisions, audits, amended assessment proceedings and rectifications may be conducted in a faceless manner as prescribed by the Board. The proposed section further empowers the Board to specify the persons or classes of persons, incomes or classes of incomes, and cases or classes of cases that shall be subject to faceless audit and assessment proceedings.*

The section also provides that where an opportunity of being heard is required to be provided to the taxpayer during an audit, or where a statement under oath is required under section 176, the same shall be conducted through E-hearing in accordance with section 227E. Furthermore, the identity of the officer conducting such E hearing, including the officer's facial and voice identity, shall remain confidential.

2 Scope of the Provision: *The section extends faceless proceedings to: (a) audits under sections 177 and 214C; (b) proceedings under section 111; (c) assessments under Part V; and (d) rectification proceedings under section 221.*

3. section issue: *The breadth of the provision is significant because **section 111** proceedings often involve complex factual inquiries relating to source of funds, foreign remittances, asset ownership structures, inheritance matters and business transactions. Such matters frequently require extensive interaction between taxpayers and tax authorities, which may not always be effectively conducted through a purely faceless process.*

4. E-Hearing: *A fundamental aspect of tax administration is the taxpayer's right to be heard by the authority making the decision. While the provision permits E-hearings, the complete anonymity of the officer conducting the proceedings raises concerns regarding procedural fairness and accountability.*

The right to fair trial and due process is recognized under constitutional principles. A system in which:

The decision-maker remains anonymous hearings are conducted remotely; and the taxpayer is unable to identify the officer responsible for the proceedings, may invite constitutional scrutiny unless supported by adequate procedural safeguards.

5. significant reform aimed at modernizing tax administration and reducing direct interaction between taxpayers and tax authorities. While the objective is commendable and consistent with international trends in digital governance, successful implementation will depend upon the existence of strong procedural safeguards, transparency measures and effective protection of taxpayer rights.

Particular attention should be given to preserving principles of natural justice, ensuring accountability of decision-makers and maintaining confidence in the integrity of the tax administration process.

6. Issue: *Faceless administration should not result in automated decision-making without adequate human oversight. Tax assessments and audit determinations frequently involve subjective evaluation of facts and evidence that cannot be effectively addressed through algorithmic or template-based processes. Appropriate safeguards should therefore be introduced to ensure individualized consideration of each case.*

B. FACELESS APPEALS - SECTION 129A - FB & FA same

129A. Faceless appeals. - *(1) Notwithstanding anything contained in this Ordinance, any appeal filed under section 127 may be processed through the National faceless center as may be prescribed by the Board.*

Comment: *FA inserted a new section 129A to introduce a faceless appeals mechanism under the Ordinance. Under the proposed provision, appeals filed before the Commissioner Inland Revenue (Appeals) under section 127 of the Ordinance may be processed through a National Faceless Center, in the manner to be prescribed by the Board. The existing provisions relating to appellate proceedings contained in sections 127, 128 and 129 shall continue to apply to such appeals. Unlike audits and assessments, appellate proceedings involve adjudication of disputes between taxpayers and the tax administration. The Commissioner (Appeals) performs a quasi-judicial function and is expected to independently evaluate facts, evidence, legal arguments, judicial precedents and procedural objection*

2. The faceless appeal framework should therefore be designed in a manner that preserves judicial independence and avoids any perception that appellate functions are being centralized within the administrative hierarchy of the tax authority. The proposed section refers to a "National Faceless Centre" to be prescribed by the Board. It remains unclear whether:

- *a) the Centre will merely provide administrative support;*
- *b) appeals will continue to be decided by Commissioners (Appeals);*
- *c) appeals will be allocated electronically to independent appellate officers; or*
- *d) centralized administrative structures will influence adjudication.*

3. The legislation should expressly ensure that the independence of appellate decision-making is preserved. Further, the proposed provision leaves the entire operational framework to be prescribed by the Board. Given the importance of appellate proceedings, k procedural safeguards should preferably be incorporated within the statutory framework itself.

4. The concept of Faceless Appeals represents a significant step towards modernization of Pakistan's tax dispute resolution system and may improve efficiency, accessibility and consistency in appellate proceedings.

5. However, because appellate proceedings involve the adjudication of rights and liabilities by a quasi-judicial authority, the faceless framework must be accompanied by robust safeguards that preserve transparency, accountability, independence and principles of natural justice. With appropriate procedural protections, the proposed reform has the potential to strengthen both tax administration and taxpayer confidence in the appellate process.

C. COMMON AMENDMENTS OF FACELESS AUDIT and OTHER ISSUES

Sr.	***Particulars***	***STA - U/S***	***ITO – U/S***	***FED – U/S***
1	*Faceless Audit and Assessment*	*11H*	*122E*	*7A*
2	*Faceless Audit*	*25*	*177*	*7A*
3	*Faceless Jurisdiction*	*30AA*	*209B*	*7A*
4	*Directorate General (Field Compliance) Inland Revenue*	*30DDDB*	*228A*	*7A*
5	*National Faceless Center*	*32C*	*227D*	*7A*
6	*Faceless Appeals – Commissioner Appeals*	*45C*	*129A*	*7A*
7	*Algorithmic Settlement Mechanism*	*47AA*	*134B*	*46*

8	*Independent Case Scrutiny Committee*	*47AAA*	*133A*	*34AA*

(IV) UPDATED COMMENTARY

*Further to KQU 4034 of 11.8.26, **being an Important matter**, we would inform you about <u>PM directs to accelerate implementation of FBR reforms</u> **(Attachment 3668.1)** in the ensuing paragraph, with emphasis in **bold** & **<u>Underline</u>**, ours for quick reading.*

2. PM Mr Shehbaz Sharif has directed to further accelerate the implementation of FBR reforms.

3. He was chairing a weekly review meeting in Islamabad on the ongoing reforms in the FBR.

4. The PM welcomed the growing confidence of the business community in the ongoing tax reforms. He directed the Chairman FBR and senior officers to stay in Karachi as well as Lahore for two days every month.

5. The PM directed the FBR to accelerate enforcement measures to achieve the prescribed revenue target.

6. He appreciated the FBR's action against illegal cigarette manufacturing factories in Chakwal and Swabi.

7. The PM directed the timely completion of the proposed faceless system for Inland Revenue. He said the complete rollout of the faceless system should be ensured by 2027.

8. The meeting was informed that the first phase of the faceless Inland Revenue system will become operational from 1.10.26.

9. It was informed that the AI and modern technology-based faceless system is an important part of the FBR's recent digitization reforms. It includes a National Faceless Audit Wing for the audit of tax returns and a Faceless Assessment Unit for assessments.

V. 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 Advisory, Statement or **Return Filing or Review services**, or related accounting matters like the above, please feel free to email Mr Amsal at <u>amsal@kasbati.co</u> with CC to <u>info.kasbati@professional-excellence.com</u>. **Your Good self may continue to get other services from your current Tax & Legal Advisors.***

Best regards for Here & Hereafter
Asif S Kasbati (FCA, FCMA & LLB)