

Section	Subsection	Clause	Amendment of Ordinance, XLIX of 2001 - NEW / inserted Omitted and deleted substituted Gazette Finance Act, 2023
			In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:-

2			Definitions
	29		"income" includes any amount chargeable to tax under this Ordinance, any amount subject to collection 3[or deduction] of tax under section 148, 150, 152(1), 153, 154, 156, 156A, 233, sub-section (5) of section 234 , ¹ section 236Z and any amount treated as income under any provision of this Ordinance and any loss of income;
	41		"permanent establishment" in relation to a person, means a fixed place of business through which the business of the person is wholly or partly carried on, and includes -
		(bb)	virtual business presence in Pakistan including any business where transactions are conducted through internet or any other electronic medium, with or without having any physical presence;" and
		(d)	the furnishing of services, including consultancy services, by any person through employees or other personnel or entity engaged by the person for such purpose.
4C			Super tax on high earning persons.
	(2)		For the purposes of this section, "income" shall be the sum of the following:—
		(iv)	income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under Fourth, Fifth and Seventh and Eight Schedules.
	(5A)		(5A) The provisions of section 147 shall apply on tax payable under this section.
7E			Tax on deemed income. -
	(2)		A resident person shall be treated to have derived, as income chargeable to tax under this section, an amount equal to five percent of the fair market value of capital assets situated in Pakistan held on the last day of tax year excluding the following, namely:-
		(i)	capital assets owned by a local authority, a development authority, builders and developers for land development and construction, subject to the condition that such persons are registered with Directorate General of Designated Non-Financial Businesses and Professions. Provided that the exclusions mentioned at clauses (a), (e), (f) and (g) of this sub-section shall not apply in case of a person not appearing in the active taxpayers' list, other than persons covered in rule 2 of the ² Tenth Schedule.
21			Deductions not allowed.—
			Except as otherwise provided in this Ordinance, no deduction shall be allowed in computing the income of a person under the head "Income from Business" for
		(m)	any salary paid or payable exceeding twenty-five thousand rupees per month to an individual thousand rupees per month other than by a crossed cheque or direct transfer of funds to the employee's bank account or through digital means;

¹ Bonus shares issued by companies

² Rules for persons not appearing in the Active Taxpayer List(ATL)

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			In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:-

37A			Capital gain on disposal of securities.—
	(2)		The capital gain arising on or after the first day of July 2010, from disposal of securities, other than a gain that is exempt from tax under this Ordinance], shall be chargeable to tax at the rates specified in Division VII of Part I of the First Schedule: Provided that this section shall not apply to a banking company and an insurance company. Provided further that this section shall not apply to the disposal of shares - (i) of a listed company made otherwise than through registered stock exchange and which are not settled through NCCPL; (ii) through initial public offer during listing process except where the detail of such disposal is furnished to NCCPL for computation of capital gains and tax thereon under this section, and the provisions of section 37 shall apply on such disposal of shares of a listed company or disposal of shares through initial public offer, accordingly.
39			Income from other sources.
	(1)		Income of every kind received by a person in a tax year, if it is not included in any other head, other than income exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Income from Other Sources", including the following namely:
		(lb)	income arising to the shareholder of a company, from the issuance of bonus shares;
44A			Exemption under Foreign Investment (Promotion and Protection) Act, 2022 (XXXV of 2022).
	(1)		Taxes on income (including capital gains), advance tax, withholding taxes, minimum and final taxes under this Ordinance shall, for the period and to the extent provided in the Second and Third Schedules to the Foreign Investment (Promotion and Protection) Act, 2022 (XXXV of 2022) in respect of qualified investment as specified at Sr. No.1 of the First Schedule to the said Act or investors, be exempt or subject to tax at the rate and in the manner specified under the said Act.
	(2)		All investors and shareholders of the qualified investment, their associates and companies specified in the Second and Third Schedules to the said Act including third party lenders on account of any loan shall also be exempt from taxes and other provisions of this Ordinance or subject to tax at the rate and in the manner specified under the said Act for the period and to the extent provided in the Second and Third Schedules to the said Act.
	(3)		Provisions of this Ordinance relating to Anti-Avoidance, for the period and to the extent specified in the said Act including sections 106, 106A, 108, 109 and 109A, shall not apply to the persons and amounts mentioned in sub-sections (1) and (2).

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	(4)		Rates of depreciation, initial allowance and pre-commencement expenditure under sections 22, 23 and 25 as on the 20th day of March, 2022 shall continue to be applicable for thirty years as provided in the Third Schedule to the said Act in respect of persons mentioned in sub-sections (1) and (2).
			For the purpose of this section, the terms defined under the Second and Third Schedules to the said Act shall apply mutatis mutandis to this Ordinance.
³ 651			<u>Tax credit for construction of house.</u>
	(1)		<u>For tax years 2024 to 2026, a person, being an individual, shall be entitled to a tax credit for a tax year in respect of construction of a new house, provided that the said house is completed during the said tax year and completion certificate is furnished along with return.</u>
	(2)		<u>The amount of tax credit allowed under sub-section (1) shall be lesser of –</u>
		(a)	<u>ten percent of tax assessed to the person for the tax year; or</u>
		(b)	<u>one million rupees.</u>
	(3)		<u>For the purpose of this section, new house means a residential house, layout plan of which is approved by the concerned authority on or after the 1st day of July, 2023.</u>
85			Associates.
	(1)		<u>Subject to sub-section (2), two persons shall be associates where the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person.</u> Subject to sub-section (2), two persons shall be associates where – (i) the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person; (ii) one person sufficiently influences, either alone or together with an associate or associates, the other person; Explanation. - For the purpose of this section, two persons shall be treated as sufficiently influencing each other, where one or both persons, directly or indirectly, are economically and financially dependent on each other and, decisions are made in accordance with the directions, instructions or wishes of each other for common economic goal; or (iii) one person enters into a transaction, directly or indirectly, with the other who is a resident of jurisdiction with zero taxation regime.”; and
	(5)		<u>In this section, “relative” in relation to an individual, means</u> <u>(a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or</u> <u>(b) a spouse of the individual or of any person specified in clause (a).</u> In this section, – (i) “relative” in relation to an individual, means —

³ Omitted by Finance Act 2023

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			(a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or (b) a spouse of the individual or of any person specified in clause (a); (ii) jurisdiction with zero taxation regime means jurisdiction as may be prescribed.
99D			Additional tax on certain income, profits and gains.
	(1)		Notwithstanding anything contained in this Ordinance or any other law for the time being in force, for any of the last three tax years preceding the tax year 2023 and onwards, in addition to any tax charged or chargeable, paid or payable under any of the provisions of this Ordinance, an additional tax shall be imposed on every person being a company who has any income, profit or gains that have arisen due to any economic factor or factors that resulted in windfall income, profits or gains.
	(2)		The Federal Government may, by notification in the official Gazette,
		(a)	specify sector or sectors, for which this section applies;
		(b)	determine windfall income, profits or gains and economic factor or factors including but not limited to international price fluctuation having bearing on any commodity price in Pakistan or any sector of the economy or difference in income, profit or gains on account of foreign currency fluctuation;
		(c)	provide the rate not exceeding fifty percent of such income, profits or gains;
		(d)	provide for the scope, time and payment of tax payable under this section in such manner and with such conditions as may be specified in the notification; and
		(e)	exempt any person or classes of persons, any income or classes of income from the application of this section, subject to any conditions as may be specified in the notification.
		(f)	The Federal Government shall place before the National Assembly the notification issued under this section within ninety days of the issuance of such notification or by the 30th day of June of the financial year, whichever is earlier.
100B			Special provision relating to capital gain tax.—
	(1)		Capital gains on disposal of listed securities and tax thereon including super tax under section 4C , subject to section 37A, shall be computed, determined, collected and deposited in accordance with the rules laid down in the Eighth Schedule.

Section	Subsection	Clause	Amendment of Ordinance, XLIX of 2001 - NEW / inserted Omitted and deleted substituted Gazette Finance Act, 2023
			In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:-

111			Unexplained income or assets.
	(4)		Sub-section (1) does not apply to any amount of foreign exchange remitted from outside Pakistan through normal banking channels not exceeding ⁴ five million Rupees rupee equivalent of one hundred thousand United States dollars 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.
113			Minimum tax on the income of certain persons. -
	(2)		Where this section applies:
		(c)	where tax paid under sub-section (1) exceeds the actual tax payable under Part I, clause (1) of Division I, or Division II of the First Schedule, the excess amount of tax paid shall be carried forward for adjustment against tax liability under the aforesaid Part of the subsequent tax year: Provided that if tax is paid under sub-section (1) due to the fact that no tax is payable or paid for the year, the entire amount of tax paid under sub-section (1) shall be carried forward for adjustment in the manner stated aforesaid: Provided further that the amount under this clause shall be carried forward and adjusted against tax liability for three tax years immediately succeeding the tax year for which the amount was paid. Explanation. - For the removal of doubt it is clarified that the aforesaid Part referred to in this clause means clause (1) of Division I or Division II of Part I of the First Schedule.
134A ⁵			Alternative Dispute Resolution.
	(1)		Notwithstanding any other provision of this Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to -
		(a)	the liability of tax of one hundred million rupees or above against the aggrieved person or admissibility of refund, as the case may be;
		(b)	the extent of waiver of default surcharge and penalty; or
		(c)	any other specific relief required to resolve the dispute, may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an appellate authority, except where criminal proceedings have been initiated.
	(2)		The application for dispute resolution under sub-section (1) shall be accompanied by an initial proposition for resolution of the dispute, including an offer of tax payment.
	(3)		The Board may, after examination of the application of an aggrieved person, appoint a committee, within fifteen days of receipt of such application in the

⁴ 5 MILLION threshold restore and USD 100,000 withdrawn by Finance Act, 2023

⁵ This year also law changed

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			In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:-

			Board, comprising, -
		(i)	a retired judge not below the rank of a judge of a High Court, who shall also be the Chairperson of the Committee, to be nominated by the Board from a panel notified by the Law and Justice Division for such purpose;
		(ii)	the Chief Commissioner Inland Revenue having jurisdiction over the case; and
		(iii)	a person to be nominated by the taxpayer from a panel notified by the Board comprising - (a) chartered accountants, cost and management accountants and advocates having a minimum of ten years' experience in the field of taxation; (b) officers of the Inland Revenue Service who stood retired in BS 21 or above; or (c) reputable businessmen as nominated by the Chambers 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 Board shall communicate the order of appointment of Committee to the aggrieved person, court of law or the appellate authority where the dispute is pending and to the concerned Commissioner.
	(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 forty-five days of its appointment extendable by another fifteen days for the reasons to be recorded in writing.
	(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 any appellate 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.

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			In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:-

	(9)		Subject to sub-section (10), the Commissioner shall also withdraw the appeal, if any, pending before any court of law or an appellate 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 sixty days under sub-section (5), the Board shall dissolve the Committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending under litigation.
	(12)		The Board shall communicate the order of dissolution to the aggrieved person, court of law or the appellate authority and to the Commissioner.
	(13)		On receipt of the order of dissolution, the court of law or the appellate authority shall decide the appeal within six months of the communication of the said order.
	(14)		The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (ii) of sub-section (3).
	(15)		The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.
146D			Recovery of liability outstanding under other laws.
	(1)		Where any outstanding liability in or under any other statute or law for the time being in force ⁶ enacted through an Act of Parliament, in respect of any defaulter is -
		(a)	treated as Income Tax arrears in that law;
		(b)	required to be recovered or collected by Commissioner (Inland Revenue); or
		(c)	is referred to Commissioner (Inland Revenue) for the recovery - the Commissioner (Inland Revenue) shall recover the said liability and deposit the receipts in the designated account specified in that law.

⁶ Recovery restrict through an Act of Parliament, Commissioner directly not issue any notice to the taxpayers.

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			In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:-

147			Advance tax paid by the taxpayer.—
	(4)		Where the taxpayer is an association of persons or a company, the amount of advance tax due for a quarter shall be computed according to the following formula, namely:- (A x B/C) -D Where - A is the taxpayer's turnover for the quarter : Provided that where the taxpayer fails to provide turnover or the turnover for the quarter is not known, it shall be taken to be one-fourth of one hundred and ten percent of the turnover of the latest tax year for which a return has been filed; B is the tax assessed to the taxpayer for the latest tax year. Explanation.- For removal of doubt it is clarified that tax assessed includes tax under sections 4C, 113 and 113C.
			Tax liability under sections 4C, 113 and 113C shall also be taken into account while working out payment of advance tax liability under this section.
147	(4B)		Where the taxpayer is an individual having latest assessed income of one million rupees or more as determined under sub-section (2), the amount of advance tax due for a quarter shall be computed according to the following formula, namely: (A/4) - B Where - A is the tax assessed to the taxpayer for the latest tax year or latest assessment year under the repealed Ordinance; and B is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section 149. Explanation. - For removal of doubt, it is clarified that tax assessed includes tax liability under section 4C.
	(5C)		Notwithstanding anything contained in this section, every person deriving income from the business of - (i) construction and disposal of residential, commercial or other buildings; or (ii) development and sale of residential, commercial or other plots for itself or otherwise, shall be liable to pay adjustable advance tax on Project-by-Project basis, as may be prescribed, for the tax year as per the rates specified in Part IIB of the First Schedule in four equal installments: Provided that such advance tax shall be payable to the Commissioner in accordance with sub-sections (5) and (5A): Provided further that the provisions of sub-sections (7) to (10) shall mutatis mutandis apply.

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			In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:-

152			Payments to non-residents.—
	(5A)		The Commissioner on receipt of notice shall, within thirty days, pass an order accepting the contention or making the order under sub-section (6). Provided that the Commissioner shall be deemed to have issued the exemption certificate upon the expiry of thirty days and the certificate shall be automatically processed and issued by Iris subject to the condition that in computing the said period of thirty days, there shall be excluded days taken for adjournment by the applicant: Provided further that the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard.
154			Exports.
	(3B)		Every direct exporter and an export house registered under the Duty and Tax Remission for Exports Rules, 2001 provided in Sub-Chapter 7 of Chapter XII of the Customs Rules, 2001 and Export Facilitation Scheme, 2021 shall, at the time of making payment for a firm contract to an indirect exporter defined under the said rules, deduct tax at the rates specified in Division IV of Part III of the First Schedule.
154A			Export of Services.—
	(2)		The tax deductible under this section shall be a final tax on the income arising from the transactions referred to in this section, upon fulfillment of the following conditions -
		(a)	return has been filed;
		(b)	withholding tax statements for the relevant tax year have been filed if required under the Ordinance; and
		(c)	sales tax returns under Federal or Provincial laws have been filed, if required under the law; Provided that this condition shall not apply in case of an exporter mentioned in clause (a) of sub-section (1) of this section.
164A			Payment of tax collected or deducted by SWAPS agents.- Settlement of transactions liable to Withholding Tax by SWAPS agents
168			Credit for tax collected or deducted.
	(3)		No tax credit shall be allowed for any tax collected or deducted that is a final tax under—
		(k)	sub-section (7) of section 236Z.
169			Tax collected or deducted as a final tax.
	(1)		This section shall apply where —
		(b)	the tax required to be deducted is a final tax under sub-section (1E) of section 152, 152A, sub-section (4) of section 154, sub-section (2) of section 154A sub-section (3) of section 156, sub-section (2) or section 156A, sub-section (7) of section 236Z on the income from which it was deductible.

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			In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:-

218			Service of notices and other documents
	(2)		Subject to this Ordinance, any notice, order or requisition required to be served on any person (other than a resident individual to whom sub-section (1) applies) for the purposes of this Ordinance shall be treated as properly served on the person if -
		(b)	sent by registered post or courier service to the person's registered office or address for service of notices under this Ordinance in Pakistan, or where the person does not have such office or address, the notice is sent by registered post to any office or place of business of the person in Pakistan; <u>or</u>
230J			International Centre of Tax Excellence. -
	(1)		There shall be established an Institute to be known as International Centre of Tax Excellence.
	(2)		The functions of the Institute shall be to help contribute to the development of tax policy, prepare model national tax policy, deliver interdisciplinary research in tax administration and policy, international tax cooperation, revenue forecasting, conduct international seminars, workshops and conferences on the current issues faced by tax authorities in the field of international taxation, capacity building of Inland Revenue Officers, tax analysis, improve the design and delivery of tax administration for maximizing revenue within existing provisions to close the tax gap or any other function as directed by the Board or the Federal Government.
	(3)		There shall be a Nominating Committee comprising the Minister-in-Charge, Secretary Revenue Division and Secretary Finance which shall be responsible for recommending a panel to the Federal Government for the appointment of an Executive Director and independent members of the Executive Committee.
	(4)		There shall an Executive Committee comprising Chairman, Federal Board of Revenue, Member (IR-Policy), Member (IR Operations) and two independent members to be appointed by the Federal Government. Executive Director shall act as Secretary of the Executive Committee.
	(5)		The Nominating Committee shall apply the prescribed criteria for making recommendations of the panel for Executive Director and independent members of the Executive Committee.
	(6)		Executive Director and independent members of the Executive Committee shall be appointed by the Federal Government.
	(7)		Executive Director shall also be the Chief Executive of the Institute and shall work to ensure efficient functioning and day to day administrative functions of the Institute and shall be independent in the discharge of its functions specified under sub-section (8).
	(8)		Executive Committee, for every fiscal year, shall assign the requirements of the Board to be undertaken by the Institute, during the year.

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	(9)		The Executive Committee shall prescribe rules for recruitment of the employees of the Institute and Executive Director shall act in accordance with the rules. At least fifty per cent of the employees shall be serving or retired Inland Revenue officers having at least 5 years of experience of tax policy or tax administration.
	(10)		The remuneration and term of employment of the employees of the Institute shall be as prescribed by the Federal Government.
	(11)		The Board may establish a committee to monitor the establishment of the Institute including appointment of the Project Director for the purpose.
	(12)		The Board may, provide such data to the Institute as is necessary for processing and analysis and for discharging its obligations under subsection (8): Provided that such data shall be anonymized before transmission to the Institute and identifying particulars of the taxpayers shall be kept confidential and provisions of sub-section (7) of section 216 shall apply accordingly.
	(13)		The Executive Committee may by notification in the official gazette make rules for carrying out the purposes of this section.
231AB			Advance tax on cash withdrawal.
	(1)		Every banking company shall deduct advance adjustable tax at the rate of 0.6% of the cash withdrawal from a person whose name is not appearing in the active taxpayers' list on the sum total of the payments for cash withdrawal in a day, exceeding fifty thousand rupees. Explanation. - For removal of doubt, it is clarified that the said fifty thousand rupees shall be aggregate cash withdrawals in a single day.
231C			Advance tax on foreign domestic workers.
	(1)		Any authority issuing or renewing domestic aide visa to any foreign national as a domestic worker at the time of issuing or renewing such visa shall collect from the agency, sponsor or the person as the case may be, employing the services of such foreign national a tax of two hundred thousand rupees.
	(2)		The tax collected or collectible under this section shall be adjustable advance tax for the tax year to which it relates on the income of such agency, sponsor or a person, as the case may be, employing the services of such foreign national.";

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236C			Advance Tax on sale or transfer of immovable Property.
	(1)		Any person Subject to sub-section (2A), any person responsible for registering, recording or attesting transfer of any immovable property shall at the time of registering ,recording or attesting the transfer shall collect from the seller or transferor advance tax at the rate specified in Division X of Part IV of the First Schedule;
	(2A)		Notwithstanding anything contained in any other law, for the time being in force, any person responsible for registering, recording or attesting transfer of any immovable property shall not register, record or attest transfer unless the seller or transferor has discharged its tax liability under section 7E and evidence to this effect has been furnished to the said person in the prescribed mode, form and manner.
236Z			Bonus shares issued by companies.
	(1)		Notwithstanding anything contained in any law for the time being in force, every company, issuing bonus shares to the shareholders of the company, shall withhold ten percent of the bonus shares to be issued.
	(2)		Bonus shares withheld under sub-section (1) shall only be issued to a shareholder, if the company collects from the shareholder, tax equal to ten percent of the value of the bonus shares issued to the shareholder including bonus share withheld, determined on the basis of day-end price on the first day of closure of books in the case of listed company and the value as prescribed in case of other companies.
	(3)		Tax under sub-section (2), shall be deposited by the company, within fifteen days of closure of books, whether or not tax has been collected by the company under sub-section (2).
	(4)		A company liable to deposit tax under this section shall be entitled to collect and recover the tax deposited from the shareholder, on whose behalf the tax has been deposited, before the issuance of bonus shares.
	(5)		If a shareholder neither makes payment of tax to the company nor collects its bonus shares, within fifteen days of the date of issuance of bonus shares, the company may proceed to dispose of its bonus shares to the extent it has paid tax on its behalf under this section.
	(6)		Issuance of bonus shares shall be deemed to be the income of the shareholder and the tax collected by a company under this section or proceeds of the bonus shares disposed of and paid under this section shall be treated to have been paid on behalf of the shareholder.
	(7)		Tax paid under this section shall be final tax on the income of the shareholder of the company arising from issuing of bonus shares.