

# Pakistan

Pakistan is taking steps to implement the aspects of the terms of reference (OECD, 2021<sup>[1]</sup>) (ToR) for the transparency framework and to commence administrative preparations to ensure that it establishes an information gathering process (ToR I.A) and information on rulings will be identified and exchanged in a timely manner (ToR II.B). Pakistan receives two recommendations on these points for the year in review.

In the prior year report, Pakistan had received the same two recommendations. As they had not been fully addressed, the recommendations remain in place.

Pakistan can legally issue five types of rulings within the scope of the transparency framework.

In practice, Pakistan issued rulings within the scope of the transparency framework as follows:

Type of ruling	Number of rulings
Past rulings	0
Future rulings in the period 1 April 2017 – 31 December 2017	0
Future rulings in the calendar year 2018	1
Future rulings in the calendar year 2019	0
Future rulings in the calendar year 2020	0
Future rulings in the calendar year 2021	0
Future rulings in the year in review	0

As no exchanges took place, no peer input was received in respect of the exchanges of information on rulings received from Pakistan.

## Information gathering process (ToR I.A)

906. Pakistan can legally issue the following five types of rulings within the scope of the transparency framework: (i) preferential regimes;<sup>1</sup> (ii) cross-border unilateral APAs and any other cross-border unilateral tax rulings (such as an advance tax ruling) covering transfer pricing or the application of transfer pricing principles; (iii) rulings providing for unilateral downward adjustments; (iv) permanent establishment rulings; and (v) related party conduit rulings.

### **Past rulings (ToR I.A.1.1, I.A.1.2, I.A.2.1, I.A.2.2)**

907. For Pakistan, past rulings are any tax rulings within scope that are issued either (i) on or after 1 January 2015 but before 1 April 2017; and (ii) on or after 1 January 2012 but before 1 January 2015, provided they were still in effect as at 1 January 2015.

908. Pakistan confirms that no past rulings have been issued. Therefore, Pakistan is not required to ensure the implementation of the obligations relating to the transparency framework for past rulings.

### **Future rulings (ToR I.A.1.1, I.A.1.2, I.A.2.1)**

909. For Pakistan, future rulings are any tax rulings within scope that are issued on or after 1 April 2017.

910. Pakistan can issue future rulings based on Section 206A of the Income Tax Ordinance 2001 and Section 231A of the Income Tax Rules 2002. There is a prescribed application form included in the Schedule to Section 231A of the Income Tax Rules 2002. The rulings that have been issued so far are available on the website of the Federal Board of Revenue.<sup>2</sup> The taxpayer can apply for a ruling to the Advance Ruling Committee, which is chaired by the Federal Board of Revenue.

911. Pakistan is currently taking steps to put a process in place to ensure the implementation of the obligations relating to the transparency framework.

### **Review and supervision (ToR I.A.3)**

912. Pakistan did not yet have a review and supervision mechanism under the transparency framework for the year in review.

913. Pakistan is recommended to ensure that it has put in place an effective information gathering process to identify all relevant future rulings and all potential exchange jurisdictions and to implement a review and supervision mechanism, as soon as possible (ToR I.A).

## Exchange of information (ToR II.B)

### **Legal basis for spontaneous exchange of information (ToR II.B.1, II.B.2)**

914. Pakistan has the necessary domestic legal basis to exchange information spontaneously. Pakistan notes that there are no legal or practical impediments that prevent the spontaneous exchange of information on rulings as contemplated in the Action 5 minimum standard.

915. Pakistan has international agreements permitting spontaneous exchange of information, including: (i) the *Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol* (OECD/Council of Europe, 2011<sup>[2]</sup>) ("the Convention") and (ii) bilateral agreements in force with 66 jurisdictions.<sup>3</sup>

### **Completion and exchange of templates (ToR II.B.3, II.B.4, II.B.5, II.B.6, II.B.7)**

916. Pakistan is currently taking steps to put a process in place to complete the templates on all relevant rulings, to make them available to the Competent Authority for exchange of information, and to exchange them with relevant jurisdictions.

917. During the year in review, no exchanges took place and no data on the timeliness of exchanges is reported.

### **Conclusion on section B**

918. Pakistan is recommended to develop a process to complete the templates for all relevant rulings and to ensure that the exchanges of information on rulings occur in accordance with the form and timelines under the transparency framework going forward (ToR II.B).

### **Statistics (ToR IV.D)**

919. As there was no information on rulings exchanged by Pakistan for the year in review, no statistics can be reported.

### **Matters related to intellectual property regimes (ToR I.A.1.3)**

920. Pakistan does not offer an intellectual property regime for which transparency requirements under the Action 5 Report (OECD, 2015<sup>[3]</sup>) were imposed.

### **Summary of recommendations on implementation of the transparency framework**

<b>Aspect of implementation of the transparency framework that should be improved</b>	<b>Recommendation for improvement</b>
Pakistan is taking steps to put the necessary information gathering process in place.	Pakistan is recommended to ensure that it has put in place an effective information gathering process to identify all relevant past and future rulings and all potential exchange jurisdictions and to implement a review and supervision mechanism, as soon as possible. This recommendation remains unchanged since the prior year's peer review report.
Pakistan is taking steps to put a process in place to complete the templates on relevant rulings, to make them available to the Competent Authority for exchange of information, and to exchange them with relevant jurisdictions.	Pakistan is recommended to develop a process to complete the templates for all relevant rulings and to ensure that the exchanges of information on rulings occur in accordance with the form and timelines under the transparency framework going forward. This recommendation remains unchanged since the prior year's peer review report.

## References

- OECD (2021), *BEPS Action 5 on Harmful Tax Practices - Terms of Reference and Methodology for the Conduct of the Peer Reviews of the Action 5 Transparency Framework*, OECD Publishing, Paris, <https://www.oecd.org/tax/beps/beps-action-5-harmful-tax-practices-peer-review-transparency-framework.pdf>. [1]
- OECD (2015), *Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance, Action 5 - 2015 Final Report*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/9789264241190-en>. [3]
- OECD/Council of Europe (2011), *The Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264115606-en>. [2]

## Notes

<sup>1</sup> Export regime on IT.

<sup>2</sup> <https://www.fbr.gov.pk/advance-ruling-issued/132245/157>.

<sup>3</sup> Participating jurisdictions to the Convention are available here: [www.oecd.org/tax/exchange-of-tax-information/convention-on-mutual-administrative-assistance-in-tax-matters.htm](http://www.oecd.org/tax/exchange-of-tax-information/convention-on-mutual-administrative-assistance-in-tax-matters.htm). Pakistan also has bilateral agreements with Austria, Azerbaijan, Bahrain, Bangladesh, Belarus, Belgium, Bosnia and Herzegovina, Brunei Darussalam, Bulgaria, Canada, China (People's Republic of), Czechia, Denmark, Egypt, Finland, France, Germany, Hong Kong (China), Hungary, Indonesia, Iran, Ireland, Italy, Japan, Jordan, Kazakhstan, Korea, Kuwait, Kyrgyzstan, Lebanon, Libya, Malaysia, Malta, Mauritius, Morocco, Nepal, Netherlands, Nigeria, Norway, Oman, Philippines, Poland, Portugal, Qatar, Romania, Saudi Arabia, Serbia, Singapore, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Syria, Tajikistan, Thailand, Tunisia, Türkiye, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom, United States, Uzbekistan, Viet Nam, and Yemen.



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