

# SENATE OF PAKISTAN



## REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE



### REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE ON THE PRIVATE MEMBER BILL TITLED "THE INCOME TAX (AMENDMENT) BILL, 2025"

PRESENTED BY

SENATOR SALEEM MANDVIWALLA

CHAIRMAN

## SENATE SECRETARIAT

### REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE ON THE PRIVATE MEMBER BILL TITLED "THE INCOME TAX (AMENDMENT) BILL, 2025" REFERRED BY THE HOUSE ON 17<sup>TH</sup> FEBRUARY, 2025.

I, Senator Saleem Mandviwalla, Chairman Senate Standing Committee on Finance and Revenue have the honor to present the report of the Committee on the Private Member Bill titled "The Income Tax (Amendment) Bill, 2025" referred by the house on 17<sup>th</sup> February, 2025 to the Committee for Consideration and report.

2. The Committee comprises of the following honorable Members:-

1.	Senator Saleem Mandviwalla	Chairman
2.	Senator Farooq Hamid Naek	Member
3.	Senator Sherry Rehman	Member
4.	Senator Mohsin Aziz	Member
5.	Senator Syed Shibli Faraz	Member
6.	Senator Anusha Rahman Ahmad Khan	Member
7.	Senator Shahzaib Durrani	Member
8.	Senator Fesal Vawda	Member
9.	Senator Ahmed Khan	Member
10.	Senator Manzoor Ahmed	Member
11.	Senator Syed Faisal Ali Subzwari	Member
12.	Minister for Finance and Revenue	Ex-Officio Member

3. The Committee considered the Bill in its meetings held on 26<sup>th</sup> February, 16<sup>th</sup> & 23<sup>rd</sup> April, 2025 at 2:00 p.m. in Committee Room No.1, Parliament House, Islamabad. The meetings were attended by the following Members:-

#### 26<sup>th</sup> February, 2025

1.	Senator Saleem Mandviwalla	Chairman
2.	Senator Farooq H. Naek	Member
3.	Senator Fesal Vawda	Member
4.	Senator Syed Shibli Faraz	Member
5.	Senator Anusha Rehman	Member
6.	Senator Zeeshan Khanzada	Mover

**16<sup>th</sup> April, 2025**

1. Senator Saleem Mandviwalla	Chairman
2. Senator Sherry Rehman	Member
3. Senator Mohsin Aziz	Member
4. Senator Anusha Rehman Khan	Member
5. Senator Fesal Vawda	Member
6. Senator Zeeshan Khanzada	Mover

**23<sup>rd</sup> April, 2025**

1. Senator Saleem Mandviwalla	Chairman
2. Senator Sherry Rehman	Member
3. Senator Syed Shibli Faraz	Member
4. Senator Fesal Vawda	Member
5. Senator Manzoor Ahmed	Member

**Discussion on 26-02-2025**

4. Senator Zeeshan Khanzada (Mover) informed the Committee that the rules for appointing members to the Appellate Tribunal Inland Revenue (ATIR) require candidates to be either a High Court advocate, a chartered accountant, or an in-service Inland Revenue officer (BS-20 or BS-21). He highlighted that appointing a serving Inland Revenue officer creates a conflict of interest and suggested selecting a retired officer instead, as they possess the necessary experience. While the FBR argued that retired officers may lack updated knowledge, he stated that the income tax tribunal already has lawyers to provide guidance on new laws.

5. Senator Farooq H. Naek opposed appointing retired officers to government positions, arguing that hiring former FBR officers would hinder promotions for serving officers. He called the proposal discriminatory, as it applies only to the income tax tribunal and not the customs tribunal. He warned that placing retired officers in tribunals could lead to corruption.

6. Additionally, he pointed out a conflict in the bill, where Section 130(iii)(C) and (D) require members to retire upon superannuation, while Section 130(v) allows them to serve until age 62. He concluded that passing this bill would be a disservice to the FBR.

7. Senator Shibli Faraz disagreed with Senator Farooq Naek, stating that if retired judges can serve in election tribunals under a law passed by Parliament, the same principle should apply to this case.

8. FBR representatives supported Senator Farooq H. Naek's argument, emphasizing that serving officers should be appointed to the tribunal as they have promotional prospects. They stated that the law allows a grade 20 officer with at least two years of service remaining to become a tribunal member. They argued that the promotion prospects, integrity, and efficiency of serving officers are more important than appointing retired officers and requested the Committee to reconsider the bill.

9. Mr. Jam Muhammad Aslam, Additional Draftsman from the Ministry of Law, clarified that the existing law allows in-service officers to assist income tax tribunal members with technical matters. He stated that the Law Ministry's official position is to keep the law unchanged. Most importantly, he stated that, under Article 73 of the Constitution, this matter qualifies as a money bill and cannot be introduced in the Senate.

10. The Committee members criticized the ambiguity in classifying a bill as a money bill. In response, the Additional Draftsman, Law Ministry, read from the Constitution to clarify its definition. After discussion, the Chairman Committee deferred the bill.

#### **Discussion on 16<sup>th</sup> April 2025**

11. At the outset Mr. Najeeb Memon, Member Tax Policy, Federal Board of Revenue (FBR), briefed the Committee that Inland Revenue Services (IRS) cadre officers with 25–30 years of experience are appointed to Grade 21 positions in the Appellate Tribunal Inland Revenue (ATIR) purely on merit, based on seniority and professional competence, with no justification for including retired officers.

12. The Chairman Committee clarified that the objection was not to the status of the money bill but to the content and implications of the proposed amendments. Senator Zeeshan Khanzada, mover of the bill, added that his concern was not about officer promotions but about the conflict of interest created when serving officers sit in tribunals and pass judgments against FBR.

13. He maintained that retired officers, who are equally competent, should be appointed within a year or two of retirement, and proposed that in two-member tribunals, one technical and one judicial, the technical member should be a retired officer, not a serving one.

14. In response, Member FBR (Tax Policy) clarified that the accounting member, posted from the IRS service, proceeds on a three-year deputation to the Law and Justice Division, during which they are neither under FBR's administrative control nor bound by any moral or ethical obligation to FBR, thus negating concerns of conflict of interest.

15. Mr. Abid Ali, Additional Draftsman, Ministry of Law and Justice, stated that the proposed amendment should be introduced through the Finance Bill, not as a Private Member's Bill, to align with the nature of the change being proposed.

16. The Chairman Committee inquired why the amendment could not be introduced as a Private Member's Bill. Additional Draftsman, Ministry of Law and Justice, explained that under Article 73 of the Constitution, tax law changes must be made through a Money Bill, as the provision falls within the Income Tax Ordinance.

16. Senator Mohsin Aziz questioned the classification of the proposal as a Money Bill, noting it involved no additional expenditure. Senator Zeeshan Khanzada supported this, arguing that the legal and procedural context differs from typical tax provisions. Senator Anusha Rehman agreed, clarifying that the proposal amends job roles without creating new positions, altering structure, or impacting the budget.

17. Additional Draftsman, Ministry of Law and Justice reiterated that Clause 2(A) under Article 73 of the Constitution classifies the regulation of any tax, including its imposition, abolition, remission, alteration, or regulation, as falling under the scope of a Money Bill. He maintained that the amendment in question falls within the realm of tax regulation.

18. Senator Anusha Rehman argued that the bill pertains to the functioning of the Appellate Tribunal and not tax regulation, thus should not be classified as a Money Bill. Senator Mohsin Aziz agreed, stating the amendment substitutes personnel without financial or structural changes.

19. Senator Sherry Rehman highlighted that while the amendment affects the tax ordinance, its intent differs. She recommended that the Ministry of Law and Justice find a way to implement the proposal without classifying it as a Money Bill, noting no opposition to the bill's purpose.

20. Member FBR (Tax Policy) informed the Committee that preparations for the upcoming budget were underway and suggested incorporating the proposal into that process to avoid controversy regarding the nature of the bill. He emphasized that the amendment relates to tax regulation, as ATIR decisions affect taxpayer liabilities, stressing the need for proper tribunal appointments. Mr. Imdadullah Bosal, Secretary Finance, agreed with the suggestion, given the upcoming budget, and requested the Committee engage with the Chairman FBR before proceeding.

21. Senator Mohsin Aziz emphasized the need to protect the Committee's legislative mandate, insisting the matter should proceed as a bill. Senator Anusha Rehman noted the absence of Chairman FBR and questioned the practicality of expecting serving officers to handle both tribunal duties and official responsibilities.

22. The Chairman Committee directed that the Chairman FBR attend the next meeting on 23<sup>rd</sup> April. Senator Zeeshan Khanzada supported this, emphasizing the need for further deliberation and consideration of taxpayers' perspectives, not just that of the FBR.

#### Discussion on 23<sup>rd</sup> April 2025

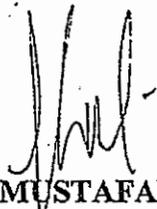
23. Mr. Jam Aslam, Additional Draftsman, Ministry of Law and Justice, recalled that in the previous meeting, the Ministry had opined that under Article 73 of the Constitution, it was for the Speaker to determine whether the bill qualified as a money bill. Accordingly, the Committee had agreed to send a letter to the Speaker seeking clarification on the matter. Senator Shibli Faraz observed that despite the constitutional provision, ambiguity remains regarding the classification of such bills, which has caused confusion in the past. He stressed the need for definitive clarity in this case.

24. Mr. Jam Aslam further elaborated that the nature of a bill is determined at the time of its introduction. If introduced as ordinary legislation, the Speaker's opinion holds significance, whereas Article 73 clearly outlines the criteria for a bill to be deemed a money bill.

25. The Chairman Committee noted that the classification is usually determined at the time a bill is laid by the government. However, since this is a private member's bill and has come directly to the Committee, it was decided that the matter would be formally referred to the Speaker for a determination on whether the bill qualifies as a money bill.

26. After detailed discussion and deliberations the Committee unanimously recommends to the House that the bill may be referred to the Speaker of the National Assembly for a definitive ruling on its status as a Money Bill or otherwise.

27. The Bill as introduced in the Senate is annexed at "A".



(IFFAT MUSTAFA)  
Secretary Committee



(SENATOR SALEEM MANDVIWALLA)  
Chairman Committee

**[TO BE INTRODUCED IN THE SENATE]**

**A**

**BILL**

*further to amend the Income Tax Ordinance, 2001*

**WHEREAS** it is expedient further to amend the Income Tax Ordinance, 2001 (Ordinance No. XLIX of 2001), for the purposes hereinafter appearing;

It is hereby enacted as follows:-

**1. Short title and commencement. - (1).**- This Act may be called the Income Tax (Amendment) Act, 2025.

(2) It shall come into force at once.

**2. Amendment of section 130 of the Income Tax Ordinance, 2001.**— In the Income Tax Ordinance, 2001 (Ordinance No. XLIX of 2001), in section 130, in sub section (3),-

- (i) in clause (d), for the phrase, "an officer" a phrase ", a retired officer" shall be substituted and for the word, "in", the word "of" shall be substituted; and
- (ii) in clause (e), for the phrase, "an officer", a phrase ", a retired officer" shall be substituted and for the word, "in" occurring for the first time, the word "of" shall be substituted.

**STATEMENT OF OBJECTS AND REASONS**

The members of Appellate Tribunal exercise quasi-judicial powers and are required to be neutral. Being part of the service and acting as member of Appellate Tribunal Inland Revenue creates conflict of interest. In order to avoid bias and serve the true spirit of justice, there is need of this Bill.

2. The Bill has been designed to achieve the above purpose.

**SENATOR ZEESHAN KHAN ZADA  
MEMBER-IN-CHARGE**