

ORDER SHEET  
IN THE HIGH COURT OF SINDH AT KARACHI

Income Tax Appeal No.951 of 2000  
alongwith  
Income Tax Appeal Nos.146, 147, 150 & 153 of 1998  
Income Tax Appeal Nos.981 & 982 of 1999

DATE	ORDER WITH SIGNATURE OF JUDGE
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- For hearing of main case

07.11.2025

Mr. Nadir Khan Burdi, advocate for the appellants  
M/s. Faheem Ali Memon, Muhammad Aqeel Qureshi,  
advocates for the respondents

The question common to all these references is as follows:-

"Whether in view of the decision of the Supreme Court of Pakistan, reported in PLD 1961 SC-88 and the Supreme Court of AZ&K, reported in PLD 1985 SC(AZ&K) 62, the Income Tax Officer and the Tribunal were justified in holding AZ&K to be a foreign country?"

Learned counsel places notification dated 04.05.2002 issued by the Government of Pakistan Revenue Division, which states as follows:-

“GOVERNMENT OF PAKISTAN  
REVENUE DIVISION  
CENTRAL BOARD OF REVENUE  
C.No.1(13)WHT/2000

Islamabad, May 04, 2002.

CIRCULAR NO. 06 OF 2002.  
(INCOME TAX)

SUBJECT: ALLOWANCE OF CREDIT FOR DEDUCTION/COLLECTION  
OF TAX AT SOURCE IN AZAD JAMMU & KASHMIR/PAKISTAN

Azad Jammu and Kashmir Council Secretariat and various tax payers of Pakistan and AJ&K have pointed out that the assessees of AJ&K and Pakistan are not being allowed credit for the taxes paid/deducted at source in Pakistan or AJ&K under various provisions of Income Tax Ordinance, 1979. Moreover, issuance of exemption certificates by tax authorities of Pakistan and AJ&K and acceptance thereof by both has also been agitated.

- These matters have been examined in the Board in consultation with the authorities of AJ&K Council and taxpayers for settling the modalities to resolve the problem of exemption certificate and allowing credit to the tax payers for ultimate adjustment of the tax paid.
- After considering the suggestions made for the purpose of resolving these problems and to implement the decision taken in the inter-Ministerial meeting it has been decided that henceforth;
  - Competent tax authorities of Pakistan and AJ&K will issue the exemption certificate to their tax payers in suitable cases as per the provisions of

law/rules, under various provision of Income Tax Ordinance, 1979, and both authorities would accept these certificate as such.

- ii) Credit of taxes paid in Pakistan and AJ&K will be allowed by the respective tax authorities on basis of original challans of payment and after necessary verification.

4. The above instructions are circulated to concerned tax authorities of Pakistan and Azad Jammu & Kashmir Council for information and necessary action.

(Agha Muhammad Shah)  
Secretary(WHT)  
Tele: 9201448"

In view of the foregoing, it is jointly sought that the impugned order be *set aside* and the matter be remanded back to the learned Tribunal for adjudication afresh. It is further sought that the aforementioned question be reconciled by the learned Tribunal at the very onset prior to adjudication on the remaining issues/merits of the case. Order accordingly.

A copy of this decision may be sent under the seal of this Court and signature of the Registrar to the learned Appellate Tribunal, as required per section 133(8) of the Income Tax Ordinance, 2001.

Office is instructed to place copy of this order in the connected ITAs listed above.

Judge

Judge