Pakistan Knitwear & Sweater Exporters Association
1014-16, Park Avenue, PECHS Block 6
Shahrah-e-Faisal, Karachi-75350
Tel: 34544035 SG: 34544039, email: kho@paksea.com

Circular to members # 60/2024-25
October 19, 2026

Tax audit, assessment
FBR implements faceless system

BUSINESS RECORDER

The Federal Board of Revenue (FBR) has implemented a comprehensive framework for conducting tax audits, income tax assessments and related income tax and sales tax recovery proceedings against the taxpayers through the National Faceless Centre (NFC) with the help of artificial intelligence from October 15, 2026.

According to SRO 1828(I)/2026 issued on Friday, in exercise of the powers conferred by sub-rule (2) of rule 233 of the Income Tax Rules, 2002, the Federal Board of Revenue is pleased to notify that the provisions of Chapter XX of the said Rules, shall come into force for every person or case, with effect from October 15, 2026.

Through SRO 1825(I)/2026, the Revenue Division has notified the enforcement of the provisions of Chapter VIAC of the Sales Tax Rules, 2006.

According to the notification, the provisions of Chapter VIAC shall apply to all persons or cases from October 15, 2026.

The FBR had inserted Chapter XX, comprising Rules 233 to 245, into the Income Tax Rules, 2002, to prescribe procedures for designated tax cases under Section 122E of the Income Tax Ordinance, 2001. The framework provides for electronic handling of proceedings, segregation of official functions and quality-control reviews to strengthen transparency and procedural oversight.

Under Rule 233, the framework applies to cases designated under Section 122E of the Income Tax Ordinance, 2001, rather than automatically covering every taxpayer. Rule 236 specifies the proceedings covered by the framework, including audits under Sections 177 and 214C, proceedings under Section 111 and assessments under Chapter X of the Ordinance.

The rules require the audit, assessment and quality-control functions to be assigned to separate officers or units for the same case and tax year. This functional separation is intended to ensure that different stages of proceedings are handled independently within the prescribed administrative framework.

Under Rule 238, notices, orders and other communications are required to be generated through the FBR's computerised system and carry a Digital Identification Number (DIN). The requirement establishes an electronic channel for official communications and documentation in cases processed through the faceless mechanism.

Rule 239 requires taxpayers and their authorised representatives to submit replies, documents and evidence electronically through their designated IRIS accounts. The provision makes electronic submission a central component of compliance with the prescribed procedures.

The framework also provides for physical verification where necessary. Under Rule 241, such verification may be carried out through the Field Operations Wing, subject to due authorisation. Rule 244 further provides for the transfer of cases to another tax authority in specified circumstances, including situations involving physical records, repeated verification or other requirements necessitating special handling.

Quality-control arrangements have also been incorporated into the framework. Under Rule 242, audit reports, adjudication notices and assessment orders will be subject to quality-control review under the prescribed procedures.

Meanwhile, Rule 243 prescribes the faceless procedures for proceedings relating to penalties under Section 182 and default surcharge under Section 205 of the Income Tax Ordinance, 2001. These provisions bring penalty and default-surcharge matters within the procedural framework applicable to the relevant designated cases.

The rules, introduced through SRO 1828(I)/2026 has established the procedural framework for designated tax proceedings to be handled through the National Faceless Centre. The mechanism combines electronic communication and document submission with functional separation, quality-control review and provisions for physical verification or transfer of cases where warranted.

Nadia Iqbal Soomro
Deputy Secretary
021-34544035 Ext: 103