RASG IMPACT

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Inside the Issue

- Technical Updates
  - Federal Income Tax Laws
  - Federal Sales Tax Laws
  - Provincial Sales Tax Laws
  - Corporate Laws

- Challenges / Opportunities
  - Accountability Is Not a Value, It Is a System

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TECHNICAL UPDATES

FEDERAL INCOME TAX LAWS

Federal Constitutional Court Upholds Validity of Super Tax under Section 4C

The Federal Constitutional Court has upheld the constitutional validity of Section 4C of the Income Tax Ordinance, 2001 relating to the levy of super tax, overturning various High Court judgments that had declared the provision unconstitutional or discriminatory. The Court held that Parliament possesses the constitutional competence to impose additional tax measures, including sector-specific taxation, in pursuit of fiscal and economic objectives. The judgment also validates the retrospective application of Section 4C from Tax Year 2022 and clarifies that the levy extends to income taxable under different regimes, subject to exclusions specifically provided under the law. The ruling is expected to significantly strengthen the Federal Board of Revenue's position in pending and future super tax litigation matters.

Federal Constitutional Court Declares Section 7E Unconstitutional

In a significant relief for taxpayers and the real estate sector, the Federal Constitutional Court has declared Section 7E of the Income Tax Ordinance, 2001 unconstitutional and void ab initio.

Section 7E imposed tax on deemed income from certain immovable properties based on a prescribed percentage of fair market value, irrespective of actual income generation. The Court held that the provision could not withstand constitutional scrutiny and further observed that it shall be deemed never to have formed part of the Ordinance. Consequently, proceedings, demands and recovery actions initiated under Section 7E may become unsustainable, potentially opening grounds for rectification and refund claims by affected taxpayers.

Clarification on Advance Tax under Section 236C for Section 7F Taxpayers – Circular No. 08 of 2026

The Federal Board of Revenue has through its Circular No. 08 of 2026, clarified that advance tax under Section 236C may create practical issues for builders and developers taxed under Section 7F (which is a special taxation regime introduced for builders and developers), as their income is treated as business income rather than capital gains.

Accordingly, where such taxpayers have paid tax under Section 7F and have no other income to adjust the advance tax, they may apply for exemption under Section 159 against non deduction of tax under Section 236C of the Income Tax Ordinance, 2001. The Commissioner will review applications on a case-by-case basis.

If no decision is made within seven working days of a complete application, the exemption certificate will be automatically issued through IRIS.

Special Procedure for Taxation of Social Media Income Earners, Of The Income Tax Rules, 2002 – S.R.O. 546(I)/2026

the Federal Board of Revenue, through S.R.O. 546(I)/2026 dated April 01, 2026,has proposed a new framework to tax income from remunerative social media content earned by resident individuals.

Taxable income will be calculated as total earnings minus expenses (capped at 30%), with earnings taken as the higher of actual income or a deemed amount based on Rs. 195 per 1,000 views. Taxpayers will be required to pay quarterly advance tax and report such income separately in their returns, with the Commissioner authorized to adjust underreported amounts.

The above framework has currently been issued as a draft for comments.

Waiver of Default Surcharge and Penalties on PIACL Tax Liabilities – S.R.O. 799 (I)/2026

The Federal Government has approved exemption from default surcharge and penalties on PIACL's outstanding tax liabilities of Rs. 8.76 billion to support its privatization process.

While penalties are waived, PIACL must still pay the principal tax amount to the Federal Board of Revenue within four years, after a one-year grace period, in equal installments as per the terms of the share purchase agreement.

SROs Issued by FBR Regarding Valuation of Immovable Property – 2026

Under sub-section (4) of section 68 of the Federal Board of Revenue Income Tax Ordinance, 2001, the Federal Board of Revenue (FBR) issued the following SROs revising the valuation of immovable properties in various cities of Pakistan:

SRO Number	Date Issued	City
SRO 644(I)/2026	16.04.2026	Islamabad
SRO 651(I)/2026	21.04.2026	Faisalabad
SRO 653(I)/2026	21.04.2026	Gujranwala
SRO 650(I)/2026	21.04.2026	Multan
SRO 652(I)/2026	21.04.2026	Bahawalpur
SRO 662(I)/2026	22.04.2026	Sialkot

FEDERAL SALES TAX LAWS

Revision of Sugar Import Tax Relief and Deadline Withdrawal – S.R.O. 663(I)/2026

The Federal Board of Revenue, through S.R.O. 663(I)/2026 dated April 22, 2026, exercising its legal authority under the relevant tax laws, has rescinded S.R.O. 455(I)/2026 dated 5 March 2026 and S.R.O. 527(I)/2026 dated 19 March 2026 with immediate effect.

PROVINCIAL SALES TAX LAWS

SRB

Reallocation of Appellate Jurisdiction under SRB – SRB-OPS/T&P/15/2025

The Sindh Revenue Board through its SRO No. SRB-OPS/T&P/15/2026 has amended its earlier notification No. SRB OPS/T&P/31/2025dated July 7, 2025 to revise the appellate jurisdiction structure under the Sindh Sales Tax on Services Act, 2011. The change reassigns different SRB operational units and the Audit Wing to specific appellate authorities for hearing appeals against tax-related orders and decisions.

CORPORATE LAWS

Amendment to Circular No. 31 of 2021 – Annual Performance Reporting Requirements– Circular No. 06 of 2026

The Securities and Exchange Commission of Pakistan through its Circular No. 06 of 2026 has amended its earlier Circular No. 31 of 2021 regarding the annual submission of performance information by insurance companies. The updated directive applies to all life and non-life insurers, including family and general takaful operators.

The main purpose of the amendment is to improve data quality by requiring more detailed reporting, particularly gender-based breakdowns of performance information. The revised standardized format must now be used for all submissions.

All affected entities are required to submit this information on an annual basis, with the first submission under the new format due by April 30, 2026, and thereafter every year on the same date.

Powers and Functions of the Commission Delegated to the Commissioner, Insurance Division – S.R.O. 533(I)/2026

The Securities and Exchange Commission of Pakistan, through its S.R.O. 533(I)/2026 dated March 18, 2026, in continuation of its earlier notification S.R.O. 1183(I)/2022 dated July 26, 2022, subject to such conditions and limitations as it may from time to time impose has delegated its authority under the Unit Linked Products and Fund Rules, 2015 to the Commissioner, Insurance Division. This includes the power to grant extensions up to 365 days for insurers to regularize excess exposure limits.

All pending cases relating to this matter have also been transferred to the Commissioner, who will continue proceedings from their existing stage, subject to any conditions imposed by SECP.

Appointment of Auditors for SECP-Regulated Entities – Circular No. 07 of 2026

Securities and Exchange Commission of Pakistan through its Circular No. 7 of 2026 dated April 21, 2026, issued an official notification regarding the appointment of auditors for SECP-regulated entities. It partially modifies Circular No. 16 of 2025 and revises the approved list of auditors eligible to audit organizations supervised by the SECP.

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CHALLENGES / OPPORTUNITIES

Accountability Is Not a Value, It Is a System

Prof. Dr. Muhammad Ovais, Executive Director

Accountability is one of the most commonly used words in organizations. It appears in value statements, leadership messages, performance discussions, training programs, and annual plans. Almost every organization claims to believe in accountability. Yet, many of the same organizations struggle with missed deadlines, weak follow-up, unclear ownership, repeated errors, poor handovers, delayed decisions, and a culture where people wait for reminders before taking action.

This gap exists because accountability is often treated as a **personal value**, while in practice, it must operate as a **management system**.

Values are important. They guide behavior, shape culture, and communicate what the organization stands for. However, values alone do not create consistent performance. People may agree with accountability in principle, but if roles are unclear, priorities are shifting, decisions are delayed, authority is not defined, and consequences are inconsistent, accountability will remain only a slogan. True accountability is not created by asking people to "be more responsible." It is created by designing a work environment where ownership is clear, commitments are visible, progress is reviewed, support is available, and outcomes are followed through.

The Misunderstanding Around Accountability

In many workplaces, accountability is discussed only when something goes wrong. A deadline is missed, a client complains, a report contains errors, or a task remains incomplete. At that point, the question is asked: "Who is accountable?"

This reactive approach creates fear rather than ownership. Employees begin to associate accountability with blame, punishment, or personal criticism. As a result, people protect themselves, avoid difficult tasks, delay communication, or shift responsibility to others. Instead of improving performance, accountability becomes a source of defensiveness.

A mature organization understands that accountability is not about finding someone to blame after failure. It is about creating clarity before work begins.

The right questions are:

- Who owns this task?
- What outcome is expected?
- What is the deadline?
- What authority does the person have?
- What support is required?
- How will progress be reviewed?
- What happens if risks or delays arise?

When these questions are answered at the start, accountability becomes practical and constructive.

Accountability Requires Clear Ownership

No system of accountability can work without clear ownership. Many performance issues arise because tasks are assigned casually, discussed generally, or assumed informally. When everyone is “involved,” often no one feels fully responsible.

Clear ownership means that every important task, decision, process, client commitment, and deliverable must have a named owner. This owner is not simply a participant. The owner is responsible for ensuring that the work moves forward, coordination takes place, risks are reported, and the final outcome is delivered.

This does not mean the owner must do everything personally. Accountability does not eliminate teamwork. Rather, it ensures that teamwork has a point of coordination and responsibility.

Without ownership, tasks become dependent on memory, goodwill, and repeated follow-ups. With ownership, work becomes trackable, manageable, and measurable.

Authority Must Match Responsibility

One of the most common failures in accountability systems is assigning responsibility without giving authority.

Employees are told to deliver results, but they are not given the power to make decisions, access resources, obtain information, or coordinate with relevant people.

This creates frustration. The person is blamed for outcomes they could not fully control.

A strong accountability system ensures alignment between **responsibility, authority, and resources**. If someone is accountable for a result, they must know what decisions they can make, what approvals are needed, what budget or tools are available, and where escalation is required.

Accountability without authority is unfair. Authority without accountability is risky. A well-designed system balances both.

Commitments Must Be Visible

In weak accountability cultures, commitments are often verbal and informal. People agree in meetings, but there is no proper record of who committed to what. Later, confusion arises. Different people remember different versions of the same discussion.

A system-based approach converts commitments into visible records. This may include action trackers, meeting minutes, task boards, project plans, dashboards, performance scorecards, or simple follow-up sheets.

The purpose is not bureaucracy. The purpose is clarity.

When commitments are visible, people do not need constant reminders. Priorities become clear. Deadlines become real. Managers can review progress without relying on assumptions. Teams can identify bottlenecks early.

Visibility turns accountability from a personal expectation into an organizational discipline.

Progress Reporting Must Be Honest and Regular

Accountability is not only about final results. It is also about progress reporting. A responsible person does not wait until the deadline to disclose that work is delayed. They communicate early, clearly, and honestly.

In many organizations, people hide delays because they fear criticism. This creates bigger problems. By the time the issue becomes visible, the deadline is already missed, the client is already dissatisfied, or the opportunity to correct the situation has passed.

An effective accountability system encourages early reporting of risks, delays, dependencies, and support needs. Managers should not punish people for raising problems early. Instead, they should treat early reporting as a sign of maturity.
The real concern is not that a problem occurred. The real concern is when the problem was known but not reported.

Consequences Must Be Consistent

Accountability cannot exist without consequences. However, consequences do not always mean punishment. They include recognition, coaching, support, correction, escalation, reassignment, and, where necessary, disciplinary action.

The key is consistency.

If high performers are ignored and poor performance is tolerated, accountability weakens. If some people are questioned while others are excused for the same behavior, trust declines. If missed deadlines have no follow-up, deadlines lose meaning. If commitments are not reviewed, commitments become optional.

A fair accountability system recognizes good performance and addresses poor performance. It does not overreact, but it also does not ignore.

People respect systems that are fair, transparent, and consistently applied.

Leadership Sets the Standard

Accountability begins with leadership. Employees observe what leaders tolerate, what they follow up on, how they respond to mistakes, and whether they honor their own commitments.

If leaders demand punctuality but arrive late, accountability suffers. If leaders ask for progress reports but do not review them, the system loses credibility. If leaders change priorities

Leaders do not create accountability through speeches. They create it through discipline, consistency, and personal example.

A leader who owns decisions, admits mistakes, honors commitments, gives clear direction, and follows up respectfully builds a culture where accountability feels normal.

Accountability Is a Design Choice

Organizations often say they have a "people problem" when, in reality, they have a system problem. Employees may be capable and willing, but the environment may be unclear, inconsistent, and poorly managed.

A practical accountability system includes:

- Clear roles and responsibilities
- Defined decision rights and authority levels
- Documented commitments and deadlines
- Regular progress reviews
- Transparent performance indicators
- Early escalation mechanisms
- Fair recognition and corrective action
- Leadership discipline and follow-through

When these elements are missing, accountability depends on individual personality. Some people will still perform well because they are naturally disciplined. Others will struggle because the system does not guide them. This creates uneven performance across teams.

When accountability is designed into the system, performance becomes less dependent on individual style and more embedded in the way the organization works.

From Blame Culture to Ownership Culture

The purpose of accountability is not to create fear. It is to create ownership.

A blame culture asks, "Who failed?"

An ownership culture asks, "What was expected, what happened, what did we learn, and what will we improve?"

This shift is powerful. It allows organizations to address problems without damaging trust. It encourages employees to take initiative, report honestly, and learn from experience. It also helps managers move from emotional reactions to structured performance management.

Ownership culture does not mean avoiding responsibility. It means handling responsibility professionally.

Conclusion

Accountability is too important to be left as a statement on the wall. It must be translated into systems, structures, routines, and leadership behaviors.

An organization cannot simply declare accountability as a value and expect people to become accountable. It must define ownership, align authority, make commitments visible, review progress, support honest reporting, apply consequences fairly, and ensure leaders model the behavior they expect from others.

In the end, accountability is not about pressure. It is about clarity. It is not about blame. It is about ownership. It is not only a personal quality. It is an organizational system.

When accountability becomes a system, performance improves, trust increases, decisions become faster, and people begin to act not because they are being watched, but because they understand what they own and why it matters.

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