

Government of Pakistan
Revenue Division
Federal Board of Revenue

**

MEMORANDUM OF UNDERSTANDING

Subject:- **OUT SOURCING OF TAX AUDIT IN CORPORATE CASES**

This memorandum of understanding (MOU) is between **Federal Board of Revenue (FBR)**, an attached department of the Revenue Division of Federal Ministry of Finance & Economic Affairs, Government of Pakistan one part, and the **Institute of Chartered Accountants of Pakistan**, a body created under the Chartered Accountants Ordinance, 1961 on other parts.

Whereas the legislature has enacted Income Tax Ordinance, 2001, Sales Tax Act, 1990, Federal Excise Act, 2005 for charge, levy, imposition and collection of proper taxes and duty, due under the respective laws, and the laws are based on Internationally accepted 'self assessment procedures' which as necessary corollary require an effective 'Audit' function, as a part of the scheme of the self assessment to make the scheme meaningful and to create deterrence,

Whereas Government of Pakistan considers a vibrant sustainable growth in 'Tax to GDP' ratio require an effective Audit function,

Whereas the Institute of Chartered Accountants of Pakistan (Institute), sole regulator of Accounting Profession, is a public service body that has to play an effective role in all spheres of economic life in particular relating to 'accounting' and 'audit' functions,

NOW, Government of Pakistan through FBR, and the Institute has decided to enter into this MOU for development of Tax Audit Framework and its implementation so it is hereby agreed that:

- (1) Institute shall prepare a comprehensive 'Tax Audit Framework' for the conduct of 'Tax Audit' function by FBR.

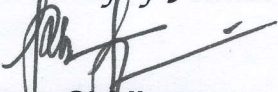
That framework at this stage shall be for 'Company Cases' only;

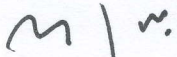
- (2) Institute shall endeavour in all manners that its members and firms participate and collaborate in conducting that function;
- (3) Institute shall 'Advise' on regular basis, on technical matters relating to Tax Audit and allied subjects;
- (4) Institute shall assist to the extent possible in devising audit strategy and mechanism for 'Non-Company Cases' for FBR also; and the FBR shall Implement Tax Audit Framework in consultation with the institute to the extent the FBR deems it fit, and shall ensure and endeavour that implementation of tax audit function is in the national interest and in line with policies and procedure as laid by the Institute;

The MOU shall be effective from July 1, 2009 FBR and shall determine in consultation with the Institute the date of implementation of 'Tax Audit Plan'.


This memorandum has been signed at Islamabad on 19th day of June, 2009.

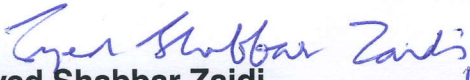
Signed on behalf of Federal Board of Revenue


Mr. Salman Siddique
Secretary Revenue Division


Mr. Irfan Nadeem
Member (Direct Taxes)

Signed on behalf of the Institute of Chartered Accountants of Pakistan.


Mr. Asad Ali Shah
President


Syed Shabbar Zaidi
Council Member & Chairman Taxation Committee