

## BRIEF NOTE ON SYNCHRONIZED WITHHOLDING ADMINISTRATION AND PAYMENT SYSTEM

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The Synchronized Withholding Administration and Payment System (“SWAPS”) was introduced to the Income Tax Ordinance, 2001 (“ITO”) vide the Finance Act 2022, whereby the FBR would notify any person or class of persons, who are required to deduct or collect tax, to integrate with SWAPS and function as a SWAPS agent. In relation to this, the FBR has now, vide SRO 419(I)/2024 dated 21st March 2024, issued SWAPS Rules which has resulted in further amendments to the Income Tax Rules, 2002 (“ITR”).

### THESE ARE AS UNDER:

#### DEFINITIONS:

**1. Digital Invoice:**

- a. An invoice generated from FBR’s website in a manner prescribed by the FBR.

**2. SWAPS:**

- a. FBR’s web-based portal/ computerized system of the notified SWAPS Agents integrated with the FBR for the purpose of processing payments for goods and services.

**3. SWAPS ID:**

- a. A unique number for identifying transactions conducted by the SWAPS Agent.

**4. SWAPS Payment Receipt:**

1. Proof of payment relating to transactions conducted by a SWAPS Agent.

Further, every SWAPS Agent shall update its IRIS profile upon notification as per Rule 46(1) of the ITR and shall install and integrate the approved electronic device and software for conducting transactions liable to withholding tax, provided that it shall include advance / partial payments whether having any statutory exemption or exemption certificate granted by the Commissioner Inland Revenue (“CIR”).

Moreover, no SWAPS Agent shall carry out the transactions other than through SWAPS, and without receiving a digital invoice. Further, the CNIC, NTN, and IBAN of the withholdee should bear the same title.

It may be noted that Rules with respect to the SWAPS Payments Receipt (“SPR”) were also laid down, and a SPR shall include the following:

1. SWAPS ID and SPR Number;
2. Name, address, NTN and STRN of both the SWAPS Agent and the supplier;
3. Quantity, description of goods, contract or services;
4. Vendor number (if applicable);
5. Digital invoice number of the withholdee;
6. For partial payments- number, date and amount of partial payments;
7. Total amount of transaction, including and excluding taxes and duties;
8. Withholding income tax section and amount;
9. Sales tax section, withholding sales tax schedule, chargeable and charged amount;
10. FED section. Duty chargeable and charged amount;
11. Provincial sales tax section, chargeable and charged amount and
12. Any other data as prescribed from time to time.

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It is pertinent to note that once a SPR is issued, it shall be the only proof that the tax has been collected/ deduct and shall be valid to refer in case of claiming refund or tax credit.

Moreover, penal action as per the ITO will be taken if a person required to be registered is not registered. However, a notified SWAPS Agent may request the CIR through IRIS stating reasons for delay and the CIR may grant extension for a period not exceeding 30 days and not exceeding 90 days in aggregate.

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