ORDER SHEET

THE HIGH COURT OF SINDH KARACHI

ITRA No. 42 of 2026

DATE	**ORDER WITH SIGNATURE OF JUDGE(S)**

Fresh Case.

1. For orders on CMA No.439 of 2026.
2. For hearing of Main Case.

20-05-2026

Mr. Faheem Raza, Advocate for the Applicant.

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1] Exemption granted subject to all just exceptions.

2] In view of the operative part of the impugned order, which reads as follows:

> "9.1. We have heard the learned AR and reviewed the record. The main question is whether the amount of Rs.72,549,699/- shown in the wealth reconciliation as "Others" is a taxable income under section 39 of the Income Tax Ordinance, 2001. The taxpayer submits that this amount is only the exchange difference that arose when money already held in foreign currency accounts was converted into local currency. The taxpayer explains that no new money came in, no benefit was received from any person, and the conversion was only a change in the form of the same asset. The taxpayer also relies on earlier Tribunal decisions which held that such exchange movement is capital in nature and therefore not taxable.
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> 9.2. We note that the AdCIR treated this amount as realized gain and taxed it as "income from other sources." The AdCIR relied on some decisions where realized exchange gain or loss was treated as a taxable event. After reviewing the facts, we find that the foreign currency was already the taxpayer's personal asset. The change from USD and Euro to PKR did not create any new inflow. It only changed the shape of an existing asset. For this reason, the movement cannot be treated as income. To be income, there must be a gain that comes from an outside source or from a business, service, or investment activity however in the instant case is none. It is observed that exchange difference on personal bank balances has been treated earlier by this Tribunal as capital in nature. Nothing on record shows that the foreign currency was held for business use or for any income producing activity. It is established that it was part of the taxpayer's personal funds and the conversion of personal funds from one currency to another does not fall within section 39. Therefore, we hold that the amount of Rs.72,549,699/- is not taxable. The addition made by the AdCIR is not sustainable.
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> 10. For reasons recorded hereinabove, the impugned order passed by the Additional Commissioner Inland Revenue, Zone-IV, LTO Karachi is modified.
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> 11. Resultantly, the appeal is disposed of in above manner."

Learned counsel remained unable to distinguish or displace the findings, nor could he demonstrate that the conclusion could not reasonably be rested thereupon. No question has been articulated meriting interference in reference jurisdiction, therefore, the reference application is dismissed in *limine*.

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

JUDGE

JUDGE

*SHABAN**