

INCOME TAX

Amendments are effective from July 01, 2011 specified otherwise.

SECTION	PRESENT POSITION AS ON 30 TH JUNE, 2011	PROPOSED AMENDMENT THROUGH FINANCE BILL, 2011
2(5)	<p>Assessment assessment includes re-assessment and amended assessment and the cognate expressions shall be construed accordingly.</p>	<p><i>It has been proposed to include provisional assessment under the definition of assessment, substituted definition is as under;</i></p> <p>Assessment includes provisional assessment, re-assessment and amended assessment and the cognate expressions shall be construed accordingly</p> <p><i>The proposed amendment is to remove lacuna.</i></p>
2(11C)	<p>Non-existent</p>	<p><i>New sub-clause has been inserted namely;</i></p> <p>Collective Investment Scheme Collective Investment Scheme shall have the same meanings as are assigned under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;</p>

18(1) (d)	<p>Income from Business</p>	<p><i>An explanation has been proposed to insert namely;</i> “Explanation.- For the purposes of this clause, it is declared that the word ‘benefit’ includes any benefit derived by way of waiver of profit on debt or the debt itself under the State Bank of Pakistan, Banking Policy Department, Circular No.29 of 2002 or in any other scheme issued by the State Bank of Pakistan <i>Waiver of debt by State Bank of Pakistan is now brought into Income Tax net, it is worth mentioned that explanation always given retrospective effect.</i></p>
28(1) (g)	<p>Profit on debt, financial cost and lease payments</p> <p>any amount incurred by the Small and Medium Enterprises Bank hereinafter referred to as the SME Bank in the tax year to the State Bank of Pakistan hereinafter referred to as the Bank as the share of the Bank in the profits derived by the Corporation on investments made in small business out of a credit line provided by the Bank on a profit and loss sharing basis</p>	<p><i>The word corporation has been substituted by word SME Bank. The proposed amended clause namely:</i></p> <p>any amount incurred by the Small and Medium Enterprises Bank hereinafter referred to as the SME Bank in the tax year to the State Bank of Pakistan hereinafter referred to as the Bank as the share of the Bank in the profits derived by the “SME BANK” on investments made in small business out of a credit line provided by the Bank on a profit and loss sharing basis.</p>

62	<p>Tax Credit for Investment in shares.</p> <p>(1) A person other than a company shall be entitled to a tax credit for a tax year in respect of the cost of acquiring in the year new shares offered to the public by a public company listed on a stock exchange in Pakistan where the person other than a company is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan.</p> <p>(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: $(A/B) \times C$</p> <p>where – A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part; B is the person's taxable income for the tax year; and</p> <p>C is the lesser of —</p> <p>(a) the total cost of acquiring the shares referred to in sub-section</p> <p>(1) in the year;</p> <p>(b) ten per cent of the person's taxable income for the year; or</p> <p>(c) three hundred thousand rupees.</p>	<p><i>The proposed amended section is as under;</i></p> <p>Tax credit for investment in shares and insurance.</p> <p>(1) A resident person other than a company shall be entitled to a tax credit for a tax year either</p> <p>(i) in respect of the cost of acquiring in the year new shares offered to the public by a public company listed on a stock exchange in Pakistan provided the resident person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan; or</p> <p>(ii) in respect of any life insurance premium paid on a policy to a life insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000(XXXIX of 2000), provided the resident person is deriving income chargeable to tax under the head "salary" or "income from business."</p> <p>(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed</p> <p>according to the following formula, namely: —</p>
----	---	---

	<p>(3) Where –</p> <p>(a) a person has been allowed a tax credit under sub-section (1) in a tax year in respect of the purchase of a share; and</p> <p>(b) the person has made a disposal of the share within twelve months of the date of acquisition, the amount of tax payable by the person for the tax year in which the shares were disposed of shall be increased by the amount of the credit allowed.</p>	<p>$(A/B) \times C$</p> <p>where –</p> <p>A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part; B is the person's taxable income for the tax year; and C is the lesser of –</p> <p>(a) the total cost of acquiring the shares, or the total contribution or premium paid by the person referred to in sub-section (1) in the year;</p> <p>(b) fifteen per cent of the person's taxable income for the year; or</p> <p>(c) five hundred thousand rupees.</p> <p>(3) Where –</p> <p>(a) a person has been allowed a tax credit under sub-section (1) in a tax year in respect of the purchase of a share; and</p> <p>(b) the person has made a disposal of the share within thirty six months of the date of acquisition, the amount of tax payable by the person for the tax year in which the shares were disposed of shall be increased by the amount of the credit allowed.”;</p>
--	---	---

		<p><i>By virtue of the proposed amendment the tax credit is restricted to resident person other than company not only investment in shares but also in respect life insurance premium paid</i></p> <p><i>The tax credit limit has also been enhanced from 10% or 300,000/- to 15% or 500,000/- respectively subject to limitation.</i></p>
63(2)C	<p>Tax Credit for Contribution and approved pension fund C is the lesser of</p> <p>(i) the total contribution or premium referred to in sub-section (1) paid by the person in the year; or twenty per cent of the eligible person's taxable income for the relevant tax year; Provided that an eligible person joining the pension fund at the age of forty-one years or above, during the first ten years ³[starting from July 1, 2006 shall be allowed additional contribution of 2% per annum for each year of age exceeding forty years. Provided further that the total contribution allowed to such person shall not exceed 50% of the total taxable income of the preceding year; or</p>	<p><i>By virtue of amendment thresh-hold limit and other condition done away.</i></p> <p>C is the lesser of</p> <p>(i) the total contribution or premium referred to in sub-section (1) paid by the person in the year; or twenty per cent of the eligible person's taxable income for the relevant tax year; Provided that an eligible person joining the pension fund at the age of forty-one years or above, during the first ten years ³[starting from July 1, 2006 shall be allowed additional contribution of 2% per annum for each year of age exceeding forty years. Provided further that the total contribution allowed to such person shall not exceed 50% of the total taxable income of the preceding year.</p>

	iii) five hundred thousand rupees.	(iii) omitted.
65(C)	Tax credit for enlistment. (1) Where a taxpayer being a company opts for enlistment in any registered stock exchange in Pakistan, a tax credit equal to five per cent of the tax payable shall be allowed for the tax year in which the said company is enlisted	<i>Tax credit incentive has been proposed to enhance from 5% to 15% in case of a taxpayer being a company opts for enlistment in any registered Stock Exchange in Pakistan.</i>
65D6565	<i>Non Existent</i>	<i>It is propose to insert new section namely;</i> 65D. Tax credit for equity investment. (1) Where a taxpayer being a company (a) establishes a new industrial undertaking for manufacturing in Pakistan; or (b) invests any amount in the purchase and installation of plant and machinery, for the purposes of balancing, modernization and replacement of the plant and machinery, already installed therein, in an industrial undertaking set up in Pakistan and owned by it, with hundred percent equity owned by it, a tax credit equal to hundred percent of the tax payable shall be allowed to such company on or after first day of July,2011, for a period of five

INCOME TAX

		<p>years or commencement of commercial production, whichever is later.</p> <p>(2) Where any credit is allowed under this section and subsequently it</p> <p>is discovered, on the basis of documents or otherwise, by the Commissioner Inland Revenue that any of the condition specified in this section was not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.</p> <p><i>The incentive in shape of 100% equal to tax payable shall be allow to a new industrial undertaking for manufacturing in Pakistan and has been given to a taxpayer being company and balancing, modernization in existing plant with own source as equity.</i></p> <p><i>This tax credit facility in line with already tax credit allowable under section 65B of the Income Tax Ordinance, 2001 wherein no restriction of 100% investment through equity.</i></p>
--	--	---

111 (1) (d)	<p>Non Existent</p>	<p><i>New sub-clause proposed to be added namely;</i></p> <p>(d) any person has concealed income or furnished inaccurate particulars of income including-</p> <p>(i) the suppression of any production, sales or any amount chargeable to tax; or</p> <p>(ii) the suppression of any item of receipt liable to tax in whole or in part”;</p> <p><i>The proposed amendment is analogous to definite information as defined under section 122(5) and read with section 122(8) of the Income Tax Ordinance 2001, meaning thereby now definite information has also been subject to section 111, in our opinion before it was not intention of legislature to invoke section 111 in case of definite information.</i></p>
113 (2) (c)	<p><i>Minimum tax on the income of certain persons</i> <i>Proviso</i></p> <p><i>Provided that the amount under this clause shall be carried forward and adjusted against tax liability for three tax years immediately succeeding the tax year for which the amount was paid</i></p>	<p>Through amendment in the provision the time limit for unadjusted turnover tax to be carried forwarded has been increased from three to five years. Amended proviso is as under;</p> <p>Provided that the amount under this clause shall be carried forward and adjusted against tax liability for five tax years immediately succeeding the tax year for which the amount was paid.</p>

INCOME TAX

113(3)(a)	<p>Turnover Means,-</p> <p><i>(a) the gross receipts, exclusive of Sales Tax and Federal Excise duty or any trade discounts shown on invoices, or bills, derived from the sale of goods, and also excluding any amount taken as deemed income and is assessed as final discharge of the tax liability for which tax is already paid or payable</i></p>	<p><i>The word gross sales has been inserted to remove ambiguity, the proposed amended sub-clause namely;</i></p> <p>(a) the gross sales or gross receipts, exclusive of Sales Tax and Federal Excise duty or any trade discounts shown on invoices, or bills, derived from the sale of goods, and also excluding any amount taken as deemed income and is assessed as final discharge of the tax liability for which tax is already paid or payable.</p>
114 (1) b(viii)	<p>Return of income Non Existent</p>	<p><i>The newly category of person has been included in the list of filing of compulsory Income Tax Return u/s.114(1A) of the Income Tax Ordinance 2001, the newly proposed sub-clause is as under;</i></p> <p>(viii) is the holder of commercial or industrial connection of electricity where the amount of annual bill exceeds rupees one million..</p>
114(1A)	<p>Non Existent</p>	<p><i>The newly category of person has been included in the list of filing of compulsory Income Tax Return u/s.114(1) of the Income Tax Ordinance 2001, the newly proposed sub-clause is as under;</i></p>

		<p>Every individual whose income under the head ‘Income from business’ exceeds rupees three hundred thousand but does not exceed rupees three hundred and fifty thousand in a tax year is required to furnish return of income for the tax year.”;</p> <p><i>The purpose of amendment is to increase tax base.</i></p>
114(2) (d) (e)	Non Existent	<p><i>The additional requirement has been proposed to furnish along-with return of income which are as under;</i></p> <p>(d) shall be accompanied with due payment of tax as per return of income; and</p> <p>(e) shall be accompanied with a wealth statement as required under section 116.</p> <p><i>In our opinion the proposed amendment has been made to declare return invalid in case of non-compliance of above conditions.</i></p>

116(2)	<p>Wealth statement</p> <p>Every resident taxpayer filing a return of income for any tax year whose last declared or assessed income or the declared income for the year, is five hundred thousand rupees or more shall furnish a wealth statement and wealth reconciliation statement for that year along with such return.</p>	<p><i>The threshold limit to file Wealth Statement has been proposed to enhance 500,000/- to 1,000,000/-</i></p> <p>Every resident taxpayer, being individual, filing a return of income for any tax year whose last declared or assessed income or the declared income for the year, is One Million rupees or more shall furnish a wealth statement and wealth reconciliation statement for that year along with such return. Provided that every member of an association of persons whose share from the income of such association of persons, before tax, for the year is one million rupees or more shall also furnish wealth statement and wealth reconciliation statement for the year along with return of income of the association.</p> <p><i>In addition every member of AOP whose share of income before tax is Rs.1,000,000/- require to file Wealth Statement along-with Reconciliation.</i></p>
116(2A)	<p>Wealth Statement</p> <p>Where a person files a return in response to a provisional assessment under section 122C, he shall furnish</p>	<p><i>It has been proposed that in addition to individual the member of AOP shall also file Wealth Statement in response of provision as-</i></p>

	<p>a wealth statement for that year along with that return and such wealth statement shall be accompanied by a wealth reconciliation statement and an explanation of sources of acquisition of assets specified therein.</p>	<p><i>assessment u/s.122C of the Income Tax Ordinance, 2001.</i></p> <p>Where a person, being an individual or an association of persons, files a return in response to a provisional assessment order under section 122C, such return shall be accompanied by wealth statement along with a wealth reconciliation statement and an explanation of source of acquisition of assets specified therein in the case of an individual and wealth statements of all members in the case of an association of persons and such wealth statements shall be accompanied by wealth reconciliation statements and explanation of source of acquisition of assets specified therein.</p>
--	--	---

127(1)	<p>Appeal to the Commissioner (Appeals).</p> <p>(1) Any person dissatisfied with any order passed by a Commissioner or an Officer of Inland Revenue under section 121, 122, 143, 144, 162, 170, 182, or 205, or an order under sub-section (1) of section 161 holding a person to be personally liable to pay an amount of tax, or an order under clause (f) of sub-section (3) of</p>	<p><i>It has been proposed that in case of provisional assessment order no appeal shall lay before Commissioner Appeals u/s.127 of the Income Tax Ordinance, 2001</i></p> <p><i>In our opinion there is built-in remedy as per proviso of section 122(c) of the Income Tax Ordinance for redressing of grievance therefore, appeal is unwarranted.</i></p>
	<p>section 172 declaring a person to be the representative of a non-resident person or an order giving effect to any finding or directions in any order made under this Part by the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court, or an order under section 221 refusing to rectify the mistake, either in full or in part, as claimed by the taxpayer or an order having the effect of enhancing the assessment or reducing a refund or otherwise increasing the liability of the person, may prefer an appeal to the Commissioner (Appeals) against the order.</p>	
130(8AA)	<p>The Chairman or other member of the Appellate Tribunal authorized, in this behalf by the Chairman may, sitting singly, dispose of any case where the amount of tax or penalty involved does not exceed five million rupees.</p>	<p><i>Through the proposed amendment threshold limit to dispose off case by single bench of Appellate Tribunal has been reduced from 5(M) to 1(M).</i></p> <p><i>The proposed amendment provision is as under;</i></p>

		<p>The Chairman or other member of the Appellate Tribunal authorized, in this behalf by the Chairman may, sitting singly, dispose of any case where the amount of tax or penalty involved does not exceed “ONE” million rupees.</p> <p><i>In our opinion the amendment is procidured in nature and applicable in all pending cases.</i></p>
--	--	--

132(2)	<p>Disposal of Appeal by the Appellate Tribunal</p> <p>The Appellate Tribunal shall afford an opportunity of being heard to the parties to the appeal and, in case of default by any of the party on the date of hearing, the Tribunal may, if it deems fit, dismiss the appeal in default, or may proceed ex parte to decide the appeal on the basis of the available record.</p>	<p><i>It has been proposed that the power of Appellate Tribunal in deciding appeal in case of default by any party restricted to exparte order.</i></p> <p><i>The proposed amendment namely;</i></p> <p>The Appellate Tribunal shall afford an opportunity of being heard to the parties to the appeal and, in case of default by any of the party on the date of hearing, the Tribunal or may proceed exparte to decide the appeal on the basis of the available record</p> <p><i>In our opinion after amendment the appellate tribunal can not dismiss appeal on non-prosecution meaning thereby appeal has to be decided on merit.</i></p>
137(2)	<p>Due date for payment of tax</p> <p>Provided that the tax payable as a result of provisional assessment under section 122C, as specified in the notice under sub-section (2) shall be payable after a period of sixty days from the date of service of the notice.</p>	<p><i>The proposed amendment is to rephrase the language of the provision</i></p> <p>The amended provision is as under; Provided that the tax payable as a result of provisional assessment “order” under section 122C, as specified in the notice under sub-section (2) shall be payable “immediately” after a period of sixty days from the date of service of the notice.</p> <p><i>In our opinion the amendment is to remove lacuna existing in the proviso</i></p>

147(5)(b)	<p>Advance tax payable on capital gain Provided that such advance tax shall be payable to the Commissioner within a period of seven days after the close of each Quarter.</p>	<p><i>The proposed amendment is as under</i></p> <p>Provided that such advance tax shall be payable to the Commissioner within a period of “twenty one” days after the close of each Quarter</p> <p><i>The time period for payment of advance tax on capital gain on securities has been extended from 7 to 21 days.</i></p>
151(3)	<p>Profit on debts Tax deducted under this section shall be a final tax on the profit on debt arising to a taxpayer other than a company from transactions referred to in clauses (a), (b) and (d) of sub-section (1).</p>	<p><i>There has been ambiguity as regard to sub-section-c of Section-151 as to whether it is covered under FTR in case of tax payer other than company. Now through this amendment ambiguity has been removed and proposed amendment made in sub-section-3 of section-151 namely,</i></p> <p>Tax deducted under this section shall be a final tax on the profit on debt arising to a taxpayer other than a company.</p> <p><i>In our opinion now other than company all taxpayer against whom tax deducted u/s.151(1) is subject to FTR.</i></p>

153 (1)	<p>Payments for goods and services. (1) Every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person:-</p> <p>(a) for the sale of goods;</p> <p>(b) for the rendering of or providing of services;</p> <p>(c) on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing services.</p> <p>Shall, at the time of making the payment, deduction tax from the gross amount payable at the rate specified in Division-III of Part-III of the First Schedule.</p>	<p><i>In order to bring harmony with reference to withholding tax u/s.153 of the income Tax Ordinance-2001, spreading in various provision and in second schedule the proposed amendment has been made which read as under;</i></p> <p>Payments for goods, services and contracts. (1) Every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person—</p> <p>(a) for the sale of goods;</p> <p>(b) for the rendering of or providing of services;</p> <p><i>(c) on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing of services, shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division III of Part III of the First Schedule.</i></p>
---------	---	---

153(1A)	(1A) Every exporter or an export house making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person for the rendering of or providing of services of stitching, dying, printing, embroidery, washing, sizing and weaving, shall at the time of making the payment, deduct tax from the gross amount payable at the rate specified in Division IV of Part III of the First Schedule.	Shifted as newly named section-153(2)
153 (2)	The gross amount payable for a sale of goods shall include the sales tax, if any, payable in respect of the sale.	Every exporter or an export house making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person for rendering of or providing of services of stitching, dying, printing, embroidery, washing, sizing and weaving, shall at the time of making the payment, deduct tax from the gross amount payable at the rate specified in Division IV of Part III of the First Schedule.
153(3)	Non-existent	(3) The tax deducted under this section on the income of a resident person or permanent establishment of a non-resident person, shall be, (a) a final tax on transactions referred to in clause (a) of subsection (1), except on,

INCOME TAX

		<p>(i) payments received on account of supply of goods in respect of a company being a manufacturer of such goods; or</p> <p>(ii) payments received on account of sale of goods by a public company listed on a registered stock exchange in Pakistan;</p> <p>(b) a minimum tax on transactions referred to in clause (b) of sub-section (1);</p> <p>(c) a final tax on transactions referred to in clause (c) of subsection (1), except on payments received by a public company listed on a registered stock exchange in Pakistan on account of execution of contracts;</p> <p>(d) a final tax on transactions referred to in sub-section (2).</p>
153(4)	<p>The Commissioner may, on application made by the recipient of payment referred to in sub-section (1) and after making such enquiry as the Commissioner thinks fit allow, by order in writing, any person to make the payment without deduction of tax.</p>	<p>(4) The Commissioner may, on application made by the recipient of a payment referred to in sub-section (1) and after making such inquiry as the Commissioner thinks fit, may allow in cases where tax deductible under sub-section (1) is adjustable, by an order in writing, any person to make the payment,</p> <p>(a) without deduction of tax; or</p> <p>(b) deduction of tax at a reduced rate.</p>

<p>153(5)</p>	<p>5) Sub-section (1) shall not apply to</p> <p>(a) a sale of goods where</p> <p>(i) the sale is made by the importer of the goods;</p> <p>(ii) the importer has paid tax under section 148 in respect of the goods; and</p> <p>(iii) the goods are sold in the same condition they were in when imported;</p> <p>(b) a refund of any security deposit;</p> <p>(ba) a payment made by the Federal Government, a Provincial Government or a Local Government to a contractor for construction materials supplied to the contractor by the said Government or the authority;</p> <p>(bb) a cotton ginner who deposits in the Government Treasury, an amount equal to the amount of tax deductible on the payment being made to him, and evidence to this effect is provided to the prescribed person</p> <p>(c) the purchase of an asset under a lease and buy back agreement by a modaraba, leasing company, banking company or financial institution; or</p>	<p>(5) Sub-section (1) shall not apply to</p> <p>(a) a sale of goods where the sale is made by the importer of the goods and tax under section 148 in respect of such goods has been paid and the goods are sold in the same condition as they were when imported;</p> <p>(b) payments made to traders of yarn by the taxpayers specified in the zero-rated regime of sales tax (as provided under clause (45A) of Part-IV of the Second Schedule);</p> <p>(c) a refund of any security deposit;</p> <p>(d) a payment made by the Federal Government, a Provincial Government or a Local Government to a contractor for construction materials supplied to the contractor by the said Government or the authority;</p> <p>(e) a cotton ginner who deposits in the Government Treasury, an amount equal to the amount of tax deductible on the payment being made to him, and evidence to this effect is provided to the “prescribed person”</p> <p>f) the purchase of an asset under a lease and buy back agreement by a modaraba, leasing company, banking company or financial institution; or</p>
---------------	--	---

INCOME TAX

	(d) any payment for securitization of receivables by a Special Purpose Vehicle to the Originator.	(g) any payment for securitization of receivables by a Special Purpose Vehicle to the Originator.
153(6)	<p>(6) The tax deducted under this section shall be a final tax on the income of a resident person arising from transactions referred to in sub-section(1) or (1A):</p> <p>Provided that sub-section (6) shall not apply to companies in respect of transactions referred to in clause (b) of sub-section (1)</p> <p>Provided further that this sub-section shall not apply to payments received on account of</p> <p>(i) advertisement services, by owners of newspapers and magazines;</p> <p>(ii) sale of goods and execution of contracts by a public company listed on a registered stock exchange in Pakistan and</p> <p>(iii) the rendering of or providing of services referred to in sub-clause (b) of sub-section (1)</p> <p>Provided that tax deducted under sub-clause (b) of subsection (1) of section 153 shall be minimum tax.</p>	<p>(6) Where any tax is deducted by a person making a payment for a Special Purpose Vehicle, on behalf of the Originator, the tax is credited to the Originator.</p>

153(6A)	6A The provisions of sub-section (6) in so far as they relate to payments on account of supply of goods from which tax is deductible under this section shall not apply in respect of a company being a manufacturer of such goods.	Omitted
153(7)	Non-Existent	<p>(7) In this section, -</p> <p>(i) “prescribed person” means,—</p> <p>(a) the Federal Government;</p> <p>(b) a company ;</p> <p>(c) an association of persons constituted by, or under, law;</p> <p>(d) a non-profit organization;</p> <p>(e) a foreign contractor or consultant;</p> <p>(f) a consortium or joint venture;</p> <p>(g) an exporter or an export house for the purpose of subsection (2);</p> <p>(h) an association of persons, having turnover of fifty million rupees or above in tax year 2007 or in any subsequent tax year; or</p> <p>(i) an individual, having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent year;</p>

INCOME TAX

		<p>(ii) “services” includes the services of accountants, architects, dentists, doctors, engineers, interior decorators and lawyers, otherwise than as an employee</p> <p>(iii) “sale of goods” includes a sale of goods for cash or on credit, whether under written contract or not</p> <p>(iv) “manufacturer” means a person who is engaged in production or manufacturing of goods, which includes</p> <p>(a) any process in which an article singly or in combination with other articles, material, components, is either converted into another distinct article or product is so changed, transferred, or reshaped that it becomes capable of being put to use differently or distinctly.</p> <p>(b) a process of assembling, mixing, cutting or preparation of goods in any other manner; and</p> <p>(v) “turnover” means</p> <p>(a) the gross sales or gross receipts, inclusive of sales tax and federal excise duty or any trade discounts shown on invoices, or bills, derived from the sale of goods</p>
--	--	---

		<p>(b) the gross fees for the rendering of services for giving benefits including commissions.</p> <p>(c) the gross receipts from the execution of contracts; and</p> <p>(d) the company's share of the amounts stated above of any association of persons of which the company is a member".</p>
153(8)	Where any tax is deducted by a person making a payment to a Special Purpose Vehicle, on behalf of the Originator, the tax is credited to the Originator.	Merged with sub-section-5 of section-153 as clause g.
153(9)	<p>(9) In this section, prescribed person means</p> <p>(a) the Federal Government</p> <p>(b) a company</p> <p>(c) an association of persons constituted by, or under, law</p> <p>(cc) a non-profit organization</p> <p>(d) a foreign contractor or consultant</p> <p>(e) a consortium or joint venture</p> <p>(f) an exporter or an export house for the purpose of sub-section (1A)</p>	Re-numbered as 153(7)

INCOME TAX

<p>(g) an association of persons, having turnover of fifty million rupees or above in tax year 2007 or in any subsequent tax year</p> <p>(h) an individual, having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent year.</p> <p>services includes the services of accountants, architects, dentists, doctors, engineers, interior decorators and lawyers, otherwise than as an employee 12</p> <p>sale of goods includes a sale of goods for cash or on credit, whether under written contract or not</p> <p>manufacturer for the purpose of this section means, a person who is engaged in production or manufacturing of goods, which includes-</p> <p>(a) any process in which an article singly or in combination with other articles, material, components, is either converted into another distinct article or produce is so changed, transferred, or reshaped that it becomes capable of being put to use differently or distinctly; or</p> <p>(b) a process of assembling, mixing, cutting or preparation of goods in any other manner.</p>	<p><i>In our opinion after amendment the following position emerges;</i></p> <p><i>Tax deduction u/s.153(1)(b) i.e. on services shall be final minimum tax liability in case of all person including company.</i></p>
--	---

156B (1) (b)	<p>Withdrawal of balance under pension fund.</p> <p>(b) withdrawn, if in excess of 25% of his accumulated balance at or after the retirement age:</p>	<p><i>Amendment is being proposed for the enhancement of 25% to 50%.</i></p>
165 (1)	<p>Statements</p> <p>(1) Every person collecting tax under Division II of this Part or Chapter XII or deducting tax from a payment under Division III of this Part or Chapter XII shall, furnish to the Commissioner a statement in the prescribed form setting out</p>	<p><i>The filing of statement u/s.165 has been proposed for quarterly to monthly basis further the filing of statement shall be through E-filing by 15th day of the month following the month to which the withholding tax pertains, in case of statement u/s.149 filing annually shall also include details of employee drawing salary from Rs.300,000/- to 350,000/- accordingly the amendment has been proposed.</i></p> <p>(1) Every person collecting tax under Division II of this Part [or Chapter XII] or deducting tax from a payment under Division III of this Part [or Chapter XII] shall, furnish to the Commissioner a “monthly” statement in the prescribed form setting out</p>

INCOME TAX

165(1) (a)	(a) the name and address of each person from whom tax has been collected under Division II of this Part or Chapter XII or to whom payments have been made from which tax has been deducted under Division III of this Part or Chapter XII] in each quarter.	(a) the name “ Computerized National Identity Card Number & National Tax Number ” and address of each person from whom tax has been collected under Division II of this Part [or Chapter XII] or to whom payments have been made from which tax has been deducted under Division III of this Part [or Chapter XII] in each “ month ”
165 (2)	<p>(2) Every prescribed person collecting tax under Division II of this Part or Chapter XII or deducting tax under Division III of this Part or Chapter XII shall furnish statements under sub-section</p> <p>(1) as per the following schedule, namely:</p> <p>(a) in respect of the September quarter, on or before the 20th day of October;</p> <p>(b) in respect of the December quarter, on or before the 20th day of January</p> <p>(c) in respect of the March quarter, on or before the 20th day of April</p> <p>(d) in respect of the June quarter, on or before the 20th day of July</p>	“(2) Every prescribed person collecting tax under Division II of this Part or Chapter XII or deducting tax from a payment under Division III of this Part or Chapter XII shall furnish or e-file statements under sub-section (1) by the 15th day of the month following the month to which the withholding tax pertains.”

165 (3)	Board may prescribe a statement requiring any person to furnish information periodically in respect of any transactions in the prescribed form and verified in the prescribed manner:	Board may prescribe a statement requiring any person to furnish information in respect of any transactions in the prescribed form and verified in the prescribed manner.
165 (6)	Non-existent	<p>Every person deducting tax from payment under section 149 shall furnish to the Commissioner an annual statement in the prescribed form and manner:</p> <p>Provided that annual statement shall also be filed where the income exceeds rupees three hundred thousand but does not exceed rupees three hundred and fifty thousand in a tax year.”;</p>
168 (3)	<p>Credit for tax collected or deducted</p> <p>No tax credit shall be allowed for any tax collected or deducted that is a final tax under clauses (a), (b) and (d) of sub-section (1) of section 151, sub-section (1B) of section 152, sub-section (6) of section 153, sub-section (4) of section 154, section 155 sub-section (3) of section 156, sub-section (2) of section 156A,</p>	<p><i>The proposed amendment has been made to rearrange the different provision attracts final tax regime in chronological order.</i></p> <p><i>The amendment provision is as unde;</i></p> <p>“(3) No tax credit shall be allowed for any tax collected or deducted that is a final tax under:-</p> <p>(a) sub-section (7) of section 148</p> <p>(b) sub-section (3) of section 151</p> <p>(c) sub-section (1B) and (1BB) of section 152</p>

INCOME TAX

	<p>Section-233, clauses (a) and (b) of sub-section (1) of section 233A or sub-section (5) of section 234 7or section 234A.</p>	<p>(d) clauses (a),(c)and (d) sub-section (3) of section 153</p> <p>(e) sub-section (4) of section 154</p> <p>(f) sub-section (3) of section 156</p> <p>(g) sub-section (2) of section 156A</p> <p>(h) sub-section (3) of section 233</p> <p>(i) sub-section (5) of section 234</p> <p>(j) sub-section (3) of section 234A.”</p>
169 (1) (b)	<p>Tax collected or deducted as a final tax</p> <p>(b) the deduction of tax is a final tax under clauses (a), (b) and (d) of sub-section (1) of section 151, sub-section (1B) or sub-section (1BB) of section 152, sub-section (6) of section 153, section 153A, sub-section (4) of section 154, sub-section (3) of section 156, sub-section (2) of section 156A or sub-section (1) and (3) of section 233 on the income from which it has been deducted.</p>	<p><i>The corresponding amendment in relevant provision attracting FTR has been made which is as under;</i></p> <p>(b) the deduction of tax is a final tax under “sub-section-3 of Section-151”, sub-section (1B) or sub-section (1BB) of section 152, “clauses(a), (c) and (d) of sub-section 3” of section 153, section 153A, sub-section (4) of section 154, sub-section (3) of section 156, [sub-section (2) of section 156A or sub-section (1) and (3) of section 233 on the income from which it has been deducted.</p>

<p>176(5)</p>	<p>Notice to obtain information or evidence</p> <p>(5) This section shall have effect notwithstanding any rule of law relating to privilege or the public interest in relation to the production of accounts, documents, or computer-stored information or the giving of information.</p>	<p><i>The drafting correction has been made</i></p> <p>(5) This section shall have effect notwithstanding any “law or rules” relating to privilege or the public interest in relation to the production of accounts, documents, or computer-stored information or the giving of information.</p>
<p>182(1) in the table, against Sr. # 1, Column-3</p>	<p>Offences and Penalties</p> <p>Such person shall pay a penalty equal to 0.1% of the tax payable for each day of default subject to a minimum penalty of five thousand rupees and maximum penalty of 25% of the tax payable in Respect of that tax year.</p>	<p><i>An explanation has been added through proposed amendment whereby tax payable considered as tax chargeable for the purpose of workout penalty u/s.182 of the Income Tax Ordinance, 2001, the proposed explanation is as under;</i></p> <p>Such person shall pay a penalty equal to 0.1% of the tax payable for each day of default subject to a minimum penalty of five thousand rupees and maximum penalty of 25% of the tax payable in respect of that tax year</p> <p>“Explanation.- For the purposes of this entry, it is declared that the expression “tax payable” means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under sections 120, 121, 122 or 122C.</p>

INCOME TAX

		<p><i>In our opinion tax chargeable means gross tax liability on income of a tax year without adjustment of tax credit, if any.</i></p> <p><i>This amendment has been brought to undo settle issue by superior court in favour of taxpayer.</i></p>
206 A(4)	Non-Existent	<p><i>Circular</i></p> <p><i>Through the proposed amendment explanation regarding the applicable of section 206A has been clarified as under;</i></p> <p>(4) This section shall not apply to a non-resident taxpayer having a permanent establishment in Pakistan.”</p> <p><i>In our opinion the non-resident person having permanent establishment in Pakistan is at par with resident person, therefore to rationalize the issue the amendment has been made.</i></p>
	<p>Jurisdiction of Income tax authorities</p> <p>(1) Subject to this Ordinance, the Chief Commissioners, the Commissioners and the Commissioners (Appeals) shall perform all or such functions and exercise all or such powers under this Ordinance as may be assigned to them in respect of such persons or classes of persons or such areas as the Board may direct.</p>	<p>(1) Subject to this Ordinance, the Chief Commissioners, the Commissioners and the Commissioners (Appeals) shall perform all or such functions and exercise all or such powers under this Ordinance as may be assigned to them in respect of such persons or classes of persons or such areas as the Board may direct;</p>

209(1)		<p>Provided that the Board or the Chief Commissioner, as the case may be, may transfer jurisdiction in respect of cases or persons from one Commissioner to another</p>
236A(1)	<p>Advance tax at the time of sale by auction</p> <p>(1) Any person making sale by public auction, of any property or goods (including property or goods confiscated or attached) either belonging to or not belonging to the Government, local Government, any authority, a company, a foreign association declared to be a company under sub-clause (vi) of clause (b) of sub-section (2) of section 80, or a foreign contractor or a consultant or a consortium or Collector of Customs or Commissioner of Income Tax or any other authority, shall collect advance tax, computed on the basis of sale price of such property and at the rate specified in Division VIII of Part IV of the First Schedule, from the person to whom such property or goods are being sold.</p>	<p><i>Now auction by tender has also been brought to withholding tax net u/s.236A of the Income Tax Ordinance 2001, the amended section is reproduced below;</i></p> <p>Advance tax at the time of sale by auction.</p> <p>(1) Any person making sale by public “auction” or auction by tender” of any property or goods (including property or goods confiscated or attached) either belonging to or not belonging to the Government, local Government, any authority, a company, a foreign association declared to be a company under sub-clause (vi) of clause (b) of sub-section (2) of section 80, or a foreign contractor or a consultant or a consortium or Collector of Customs or Commissioner of “Inland Revenue” or any other authority, shall collect advance tax, computed on the basis of sale price of such property and at the rate specified in Division VIII of Part IV of the First Schedule, from the person to whom such property or goods are being sold.</p>

<p style="text-align: center;">236B</p>	<p>Advance tax on purchase of air ticket.</p> <p>(1) There shall be collected advance tax at the rate specified in Division IX of Part IV of the First Schedule, on the purchase of gross amount of domestic air ticket.</p> <p>2) The person preparing air ticket shall charge advance tax under sub-section (1) in the manner air ticket charges are charged.]</p>	<p><i>The proposed amendment made to allow adjustment of tax deducted on purchase of air ticket vide newly added sub-clauses namely;</i></p> <p>in section 236B, after sub-section (2), the following new sub-sections shall be inserted, namely:□</p> <p>“(3) The advance tax collected under sub-section (1) shall be adjustable.</p> <p>(4) The advance tax under this section shall not be collected in the case of,□</p> <p>(a) the Federal Government or a Provincial Government;</p> <p>(b) a person who produces a certificate from the Commissioner Inland Revenue that income of such person during the tax year is exempt.”;</p>
--	---	---

RATE OF TAX FOR INDIVIDUALS-(2010-11)
FIRST SCHEDULE
PART-I Division 1 Sub-Clause (1)

TABLE S. No.	Taxable Income.	Rate of tax.
1.	Where taxable income does not exceed Rs.300,000	0%
2.	Where the taxable income exceeds Rs.300,000 but does not exceed Rs.500,000	7.50%
3.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.750,000	10.00%
4.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,000,000	15%
5.	Where the taxable income exceeds Rs.1,000,000 but does not exceed Rs.1,500,000	20.00%
6.	Where the taxable income exceeds Rs.1,500,000	25%

Provided further that Internally Displaced Persons Tax (IDPT), treated as income tax, on the tax payable on the taxable income of one million rupees or more, shall be levied at the rate of 5% of such tax, for tax year 2009.

RATE OF TAX FOR INDIVIDUALS-(2011-12)**FIRST SCHEDULE****PART-I Division 1 Sub-Clause (1)**

TABLE S. No.	Taxable Income.	Rate of tax.
1.	Where taxable income does not exceed Rs.350,000	0%
2.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.500,000	7.50%
3.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.750,000	10.00%
4.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,000,000	15%
5.	Where the taxable income exceeds Rs.1,000,000 but does not exceed Rs.1,500,000	20.00%
6.	Where the taxable income exceeds Rs.1,500,000	25%

(1A) Where the income of an individual chargeable under the head salary exceeds fifty percent of his taxable income, the rates of tax to be applied shall be as set out in the following table namely: -

RATE OF TAX FOR SALARY INDIVIDUALS(2010-11)
PART-I Division 1 Sub-Clause (1)

TABLE S.No.	Taxable Income.	Rate of tax.
1.	Where the taxable income does not exceed Rs.300,000,	0%
2.	Where the taxable income exceeds Rs.300,000 but does not exceed Rs.350,000,	0.75%
3.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.400,000,	1.50%
4.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.450,000,	2.50%
5.	Where the taxable income exceeds Rs.450,000 but does not exceed Rs.550,000,	3.50%
6.	Where the taxable income exceeds Rs.550,000 but does not exceed Rs.650,000,	4.50%
7.	Where the taxable income exceeds Rs.650,000 but does not exceed Rs.750,000,	6.00%
8.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.900,000,	7.50%
9.	Where the taxable income exceeds Rs.900,000 but does not exceed Rs.1,050,000,	9.00%
10.	Where the taxable income exceeds Rs.1,050,000 but does not exceed Rs.1,200,000,	10.00%

INCOME TAX

11.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,450,000,	11.00%
12.	Where the taxable income exceeds Rs.1,450,000 but does not exceed Rs.1,700,000,	12.50%
13.	Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs.1,950,000,	14.00%
14.	Where the taxable income exceeds Rs.1,950,000 but does not exceed Rs. 2,250,000	15.00%
15.	Where the taxable income exceeds Rs.2,250,000 but does not exceed Rs.2,850,000,	16.00%
16.	Where the taxable income exceeds Rs.2,850,000 but does not exceed Rs.3,550,000,	17.50%
17.	Where the taxable income exceeds Rs.3,550,000 but does not exceed Rs.4,550,000,	18.50%
18.	Where the taxable income exceeds Rs.4,550,000.	20.00%

RATE OF TAX FOR SALARY INDIVIDUALS (2011-12)**PART-I Division 1 Sub-Clause (1)**

TABLE S.No.	Taxable Income.	Rate of tax.
1.	Where the taxable income does not exceed Rs.350,000	0%
2.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.400,000	1.50%
3.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.450,000	2.50%
4.	Where the taxable income exceeds Rs.450,000 but does not exceed Rs.550,000	3.50%
5.	Where the taxable income exceeds Rs.550,000 but does not exceed Rs.650,000	4.50%
6.	Where the taxable income exceeds Rs.650,000 but does not exceed Rs.750,000	6.00%
7.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.900,000	7.50%
8.	Where the taxable income exceeds Rs.900,000 but does not exceed Rs.1,050,000	9.00%
9.	Where the taxable income exceeds Rs.1,050,000 but does not exceed Rs.1,200,000	10.00%
10.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,450,000	11.00%
11.	Where the taxable income exceeds Rs.1,450,000 but does not exceed Rs.1,700,000	12.50%

INCOME TAX

12.	Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs.1,950,000	14.00%
13.	Where the taxable income exceeds Rs.1,950,000 but does not exceed Rs.2,250,000	15.00%
14.	Where the taxable income exceeds Rs.2,250,000 but does not exceed Rs. 2,850,000	16.00%
15.	Where the taxable income exceeds Rs.2,850,000 but does not exceed Rs.3,550,000	17.50%
16.	Where the taxable income exceeds Rs.3,550,000 but does not exceed Rs.4,550,000	18.50%
17.	Where the taxable income exceeds Rs.4,550,000	20.00%

SECOND SCHEDULE

EXEMPTION AND TAX CONCESSION

The following amendments have been proposed in the Schedule which are listed below:

PART-I

Following Clauses are proposed to be omitted;

- In clause (61)
- sub-clauses (xi)

Bank of Commerce and Credit International Foundation for Advancement of Science and Technology;

- sub clause (xxv)

BCCI Foundation;

- Clause 74A

Any profit on debt, payable to National Bank of Pakistan, on foreign currency loan of US \$ 100 million, given to Pakistan State Oil Company Limited (PSO) under agreement executed at Bahrain on the 29th May, 2001, approved by the Federal Government vide Finance Division's letter No.F.3(3)EF(B-III)/2001, dated the May 29, 2001

- Clause 93

Profits and gains derived by a taxpayer from the running of any computer training institution or computer training scheme, recognized by a Board of Education or a University or the University Grant Commission, as the case may be, set up between the first day of July, 1997, and the thirtieth day of June, 2005, both days inclusive, for a period of five years beginning with the month in which such institution is set up:

- Clause 114A

Any income chargeable under the head —capital gains derived by a person from sale of ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft upto tax year ending on the thirtieth day of June, 2011.

Following new clauses is proposed to be added.

- (107A) Any income derived by the Islamic Development Bank from its operations in Pakistan in connection with its social and economic development activities.

PART-II

- A proviso has been added in clause 5A as under
(Provided that tax deducted on profit on debt from debt instruments, Government securities including treasury bills and Pakistan Investment Bonds shall be final tax on profit on debt payable to a non-resident person having no permanent establishment in Pakistan and

the investments are exclusively made through a Special Rupee Convertible Account maintained with a Bank in Pakistan).

PART-III

- Clause 4 has been substituted as follows:-

(In respect of old and used automotive vehicles, tax under section 148 shall not exceed the amount specified in Notification No. S.R.O. 577(I)/2005, dated the 6th June, 2005)

PART-IV

- Clause 11 has been amended as under:-

National Investment (Unit) Trust or a collective investment scheme authorized or registered under the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 or a real estate investment trust approved and authorized under the Real Estate Investment Trust Rules, 2006, **or a pension fund registered under the Voluntary Pension System Rules, 2005** or any other company in respect of turn-over representing transactions in shares, or securities listed on a registered stock exchange.

- A new Clause has been added namely:

“(38C) The provisions of section 151, 152, 153 and 233 shall not apply to the Islamic Development Bank”.

- Clause 47D shall be substituted as under:

“(47D) The provisions of clause (a) of sub-section (3) of section 153 shall not apply to cotton ginners”

SEVENTH SCHEDULE

In Rule 1 Sub Rule (c) shall be amended as under;

Provisions for advances and off balance sheet items shall be allowed upto a maximum of 1% of total advances; 2[and provisions for advances and off-balance sheet items shall be allowed at 5% of total advances for consumers and small and medium enterprises (SMEs) (as defined under the State Bank Prudential Regulations)] provided a certificate from the external auditor is furnished by the banking company to the effect that such provisions are based upon and are in line with the Prudential Regulations. Provisioning in excess of 1% ***“of total advances for a banking company and 5% of total advances for consumers and small and medium enterprises (SMEs) would be allowed to be carried over to succeeding years”***

“Provided that if provisioning is less than 1% of advances, for a banking company then actual provisioning for the year shall be allowed; Provided further that if provisioning is less than 5% of advances for consumers and small and medium enterprises (SMEs) then actual provisioning for the year shall be allowed and this provisioning shall be allowable from the first day of July, 2010.”

In Sub Rule 6 following new proviso shall be added as under;

“Provided further that the “Dividend” received by a banking company from its asset management company shall be taxed at the rate of 20%.