

I NCOME TAX ORDINANCE, 2001	
S.No	I mportant points
1	Definition
	<ul style="list-style-type: none"> a. Following definition added <ul style="list-style-type: none"> i. Consumer goods ii. Development REIT Scheme iii. Fast moving consumer goods iv. Imputable income v. PMEX (Pakistan Mercantile Exchange Limited) vi. Rental REIT Scheme vii. whistleblower b. Income <ul style="list-style-type: none"> Bonus shares issued by companies not quoted on stock exchange included in income c. REIT Scheme 2008 removed and REIT Scheme 2015 substituted. d. Small Company threshold increased from 25 million to fifty million
2	Super tax introduced for the rehabilitation of temporarily displaced persons.
3.	<p>Tax on undistributed reserves introduced.</p> <p>a tax shall be imposed at the rate of 10%, on every public company other than a scheduled bank or a modaraba, that derives profits for a tax year but does not distribute cash dividends within six months of the end of the said tax year or distributes dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital, so much of its reserves as exceed hundred per cent of its paid up capital shall be treated as income of the said company.</p>
4	<p>Tax on shipping of a resident persons: -</p> <p>any resident person engaged in the business of shipping, a presumptive income tax shall be charged.</p> <ul style="list-style-type: none"> - ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat chartered and flying Pakistan flag shall pay tonnage tax - ships, vessels and all floating crafts including tugs, dredgers, survey vessels and other specialized craft not registered in Pakistan and hired under any charter other than bare-boat charter shall pay tonnage tax - this section shall not be applicable after 30th June, 2020.
5	<p>Tax on profit on debt:-</p> <ul style="list-style-type: none"> - on every person who receives a profit on debt from any person mentioned in clause (a) to (d) of sub-section (1) of section 151. - This section shall not apply to a profit on debt that is exempt from the under this Ordinance.
6	<p>Salary – following pay, wages or other remuneration included under salary.</p> <ul style="list-style-type: none"> i. Leave pay ii. Payment in lieu of leave iii. Overtime iv. Bonus v. Commission vi. Fees vii. Gratuity, or viii. Work condition supplements (such as for unpleasant or dangerous working conditions)

INCOME TAX ORDINANCE, 2001	
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7	<p>Deductions in computing income chargeable under the head "income from Property" sub-section 1 of clause (h) redefine.</p> <ul style="list-style-type: none"> - Any expenditure, not exceeding 6% of the rent chargeable, paid or payable in the year wholly and exclusively for the purpose of deriving rent chargeable to tax under the head "Income from property" including administration and collection charges.
8	<p>Capital gain on disposal of securities.</p> <ul style="list-style-type: none"> - Capital gain on disposal of securities after July, 2010 from disposal securities threshold "held for a period of less than a year" removed.
9	<p>Exemption and tax concessions in the Second Schedule.</p> <ul style="list-style-type: none"> - Any exemption and tax concessions issued after the approval of "The Economic Coordination Committee of Cabinet". - Any notification issued after Finance Act, 2015, if not earlier rescinded, stand rescinded on the expiry of the financial year in which it was issued.
10	<p>Tax credit for investment in shares and insurance.</p> <ul style="list-style-type: none"> - Threshold increased by Rs. 1,000,000 to Rs. 1,500,000
11	<p>Profit on debt – Tax credit under section 64 Omitted</p> <ul style="list-style-type: none"> - Tax credit for a year in respect of any profit or share in rent and share in appreciation for value of house paid by the person in the year on a loan by a schedule bank or non-banking finance institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government or a statutory body or a public company listed on a registered stock exchange in Pakistan, where the person utilizes for loan for the construction of a new house or the acquisition of a house.
12	<p>Deductible allowance for profit on debt.</p> <ul style="list-style-type: none"> - Every individual shall be entitled to a deductible allowance. - Deductible allowance shall not exceed 50% of taxable income or Rs. 1,000,000, whichever is lower. - Any allowance or part of allowance shall not be carried forward to a subsequent tax year.
13	<p>Tax credit for employment generation by manufacturers.</p> <ul style="list-style-type: none"> - New manufacturing unit sets up between 1st day of July, 2015 and 30th of June, 2018, shall be given tax credit for a period of 10years. - 1% of the tax payable for every 50 employees registered with EOBI and SESSI , - Subject to maximum of 10% of the tax payable. - Manufactured unit registered under the Companies Ordinance, 1984 and having its registered office in Pakistan. - Manufacturing unit not established by the splitting up or reconstruction or reconstruction of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan at any time before 1st July, 2015.

INCOME TAX ORDINANCE, 2001	
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14	<p>Miscellaneous provisions relating to tax credits.</p> <ul style="list-style-type: none"> - Tax credit not applicable to following section. <ol style="list-style-type: none"> i. Section 65B ii. Section 65D, or iii. Section 65E, provisions of clause iv. Section 169(2)(d) v. Section 113(1)(d)
15	<p>Tax credit for enlistment</p> <ul style="list-style-type: none"> - Tax credit reduced from 50% to 20%.
16	<p>Tax credit for industrial undertaking established before the first day of July, 2011.</p> <ul style="list-style-type: none"> - Tax credit period and condition substituted. <ol style="list-style-type: none"> i. Tax credit period increased four to five years. ii. Condition, in respect of the tax year in which the plant or machinery installed substituted by beginning from the date of setting up or commencement of commercial production from the new plant or expansion project, whichever is later.
17	<p>Principles of taxation of companies.</p> <ul style="list-style-type: none"> - Dividend paid by resident and non-resident company shall be taxable, instead of only resident company.
18	<p>Tax credit for certain persons. -</p> <ul style="list-style-type: none"> - The income of non-profit organization instead of non-profit organization. - Persons and incomes eligible for tax credit instead of persons.
19	<p>Agreement for the avoidance of double taxation and prevention of fiscal evasion.</p> <ul style="list-style-type: none"> - Substituted and added certain section <ol style="list-style-type: none"> i. Broaden the area ii. The board shall have the powers to obtain and collect information iii. Any information received or supplied, shall be confidential subject to sub-section (3) of section 216.
20	<p>Minimum tax on builders</p> <ul style="list-style-type: none"> - This section shall not have effect till 30th June, 2018.
21	<p>Minimum tax on land developers</p> <ul style="list-style-type: none"> - Where a person derives income from the business of development and sale of residential, commercial or other plots, he shall pay minimum tax at the rate of 2% of the value of land notified by any authority for the purpose of stamp duty.
22	<p>Return of income</p> <ul style="list-style-type: none"> - The approval of the Commissioner in writing for revision of return shall not apply if revised return is filed within 60 days of filing of return.
23	<p>Best Judgement assessment.</p> <ul style="list-style-type: none"> - A special audit panel appointed for the making assessment of income and determination of tax due thereon.
24	<p>Procedure in appeal</p> <ul style="list-style-type: none"> - Stay the recovery of such tax for a further period of thirty days, provided that the order on appeal shall be passed within the said period of thirty day.

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25	<p>Due date for payment of tax</p> <ul style="list-style-type: none"> - Notice to pay tax under an assessment order or an amended assessment order or any other order issued by the commissioner, shall be paid within thirty days instead of fifteen days from the date of service of the notice. - Tax payable as a result of provincial assessment order under section 122C shall be payable immediately after a period of forty five days instead of sixty days from the date of service of the notice.
26	<p>Advance tax paid by the taxpayer</p> <ul style="list-style-type: none"> - Any taxpayer who is required to make payment of advance tax, shall estimate the tax payable for the tax year, at any time before the second installment is due, instead of at any time before the last installment due.
27	<p>Tax on local purchase of cooking oil or vegetable ghee by certain persons: -</p> <ul style="list-style-type: none"> - The manufacturers of cooking oil or vegetable ghee, or both, shall be chargeable to tax @ 2% on purchase of locally produced edible oil - The tax payable shall be final tax.
28	<p>Profit on debt (section 151)</p> <ul style="list-style-type: none"> - Tax deductible under this section shall be final tax redefine.
29	<p>Payment to non-residents - new section added (section 4A)</p> <ul style="list-style-type: none"> - The commissioner may allow in cases where the tax deductible is adjustable, by order in writing, any person to make the payment, without deduction of tax or deduction of tax at a reduced rate.
30	<p>Payments for goods and services and contracts.</p> <ul style="list-style-type: none"> - Tax deductible on transactions for the rendering of or providing of services. <ul style="list-style-type: none"> i. Adjustable, with effect from the tax year 2009, if payments are received by a company; and ii. A minimum tax, if payments are received by a person other than a company. - Tax deductible on the execution of a contract, in respect of a sportsperson shall be final tax with effect from tax year 2013.
31	<p>Export</p> <p>The tax deductible under this section shall be a final tax on the income arising from the transactions referred to in this section.</p> <ul style="list-style-type: none"> - Shall not apply to a person who irrevocably opts not to be subject to final taxation. - This option shall be exercised at the time of filing of return under section 114 - The tax deducted under this sub-section shall be minimum tax.
32	<p>Exemption or lower rate certificate - under section 159</p> <p>Omitted</p>
33	<p>Failure to pay tax collected or deducted.</p> <p>Default surcharge decreased by eighteen to twelve percent per annum.</p>

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34	<p>Furnishing of information by financial institutions including banks.</p> <ul style="list-style-type: none"> - Every financial institution shall make arrangements to provide information regarding non-resident persons to the Board for the purpose of automatic exchange of information under bilateral agreement or multilateral convention. - Subject to the disclosure of information by a public servant, all information under this section shall be used only for tax and related purpose and kept confidential.
35	Under section 169 tax paid also declared as a final tax.
36	<p>Additional payment for delayed refunds.</p> <p>Compensation for delayed refunds rate reduced by 15% to KIBOR plus 0.5% per annum.</p>
37	<p>Notice to obtain information or evidence.</p> <p>Under this notice following point added.</p> <ul style="list-style-type: none"> - or to fulfil any obligation under any agreement with foreign government or governments or tax jurisdiction. <p>Special audit penal appointed also exercise powers as provided in sub-section (4) of this section.</p>
38	<p>Audit</p> <p>The board may appointed special audit panels comprising two or more members from the following and introduced the procedure to adopt.</p> <ol style="list-style-type: none"> i. An officer or officers of IR ii. A firm of chartered accountants iii. A firm of cost and management accountants iv. Any other person as directed by the board.
39	<p>Active taxpayers' list.</p> <p>From tax year 2015 and onwards, Computerized National Identity Card (CNIC) shall be used as National Tax Number (NTN).</p>
40	<p>Offences and penalties.</p> <ul style="list-style-type: none"> - Where any person fails to furnish a statement as required u/s 115, 165 or 165A within due date minimum penalty of Rs. 50,000 reduced to Rs. 10,000 - Any person fails to furnish wealth statement or wealth reconciliation statement penalty increased by Rs. 100 for each day of default to 0.1% of the taxable income per week or Rs. 20,000 whichever is higher.
41	<p>Default surcharge</p> <p>Reduced by 18% to 12%</p>
42	<p>Delegation</p> <ul style="list-style-type: none"> - The commissioner delegation of power directly to a firm of chartered accountants or a firm of cost and management accountant appointed by the board or the commissioner to conduct the audit u/s 177 substituted by. - The commissioner delegate by an order in writing to a special audit penal to conduct the audit u/s 177.
43	<p>Power or function exercised.</p> <p>Special audit panel also exercised this power.</p>

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44	<p>Automatic selection for audit:-</p> <ul style="list-style-type: none"> - A person registered as retailer under rule 4 or rule 6 of the sales tax special procedure rules, 2007 who does not fulfill the parameters mentioned in this section shall be automatically selected for audit of income tax affairs for that tax year. - Audit conducted under this section as per procedure given in section 177. - Provisions of section 177 and 214C for a tax year shall not apply subject to the following condition. <ul style="list-style-type: none"> i. Name of the person registered under rule 4 of the sales tax special procedure rules, 2007 appears in the sales tax active taxpayers' list. ii. Complete return of income tax filed within the due date. iii. The tax payable u/s 137 has been paid. iv. 2% tax on turnover under section 113 has been paid by a person registered under rule (6) of the Sales Tax Special Procedure Rules, 2007. v. 25% higher tax than the previous tax year has been paid registered under rule 6 of sales tax special procedure rules, 2007 and who had declared taxable income in the return for immediately preceding tax year.
45	<p>Reward to whistleblower</p> <p>The Board may sanction reward to whistleblowers in cases of concealment or evasion of income tax, fraud, corruption or misconduct providing credible information leading to such detection of tax.</p>
46	<p>Advance tax on transactions in bank.</p> <ul style="list-style-type: none"> - Every banking company, non-banking financial institution, exchange company or any authorized dealer of foreign exchange shall collect advance tax at the time of sale against cash of any instrument, including Demand Draft, Pay Order, CDR,STDR,SDR,RTC or any other instrument of bearer nature or on receipt of cash on cancellation of any of these instruments.
47	<p>Advance tax on private motor vehicles.</p> <ul style="list-style-type: none"> - Car or jeep replaced by vehicle. - Explain the date of registration. - Motor vehicle includes, car, jeep, van, sports, utility vehicle, pick-up trucks for private use, caravan automobile, limousine, wagon and any other automobile used for private purpose.
48	<p>Tax on motor vehicles</p> <ul style="list-style-type: none"> - Motor vehicle includes, car, jeep, van, sports, utility vehicle, pick-up trucks for private use, caravan automobile, limousine, wagon and any other automobile used for private purpose.

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49	<p>Telephone and internet users Following users included under this section.</p> <ul style="list-style-type: none"> i. Internet bill of a subscriber; and ii. Prepaid cards for internet.
50	<p>Advance tax on purchase of air ticket</p> <ul style="list-style-type: none"> - This section shall not apply to routes of Baluchistan coastal belt, Azad Jammu and Kashmir, FATA, Gilgit-Baltistan and Chitral.
51	<p>Advance tax on sale or transfer of immovable Property. The advance tax under this section also applicable in the case of Federal Government, Provincial Government or a Local Governments.</p>
52	<p>Advance tax on sales to retailers.</p> <ul style="list-style-type: none"> - Fertilizer sector excluded - Wholesalers sector added.
53	<p>Collection of advance tax by education institutions. Advance tax under this section shall not be collected from a person who is a non-resident.</p>
54	<p>Advance tax on banking transactions otherwise than through cash;</p> <ul style="list-style-type: none"> - Every banking company shall collect advance adjustable tax from a non-filer at the time of sale of any instrument. - Every banking company shall collect advance adjustable tax from a non-filer at the time of transfer of any sum through cheque or clearing, interbank or intra bank transfers through cheques, online transfer, telegraphic transfer, mail transfer, direct debit, payments through internet, payments through mobile phones, account to account funds transfer, third party account to account funds transfers, real time account to account funds transfer, real time third party account to account fund transfer, automated teller machine (ATM) transfers, or any other mode of electronic or paper based funds transfer. - The advance tax under this section threshold, exceed fifty thousand rupees in a day. - Advance tax under this section shall not be collected in the case of Pakistan Real time Interbank Settlement Mechanism (PRISM) transactions or payments made for Federal, Provincial or local Government taxes.
55	<p>Payment to residents for use of machinery and equipment. -</p> <ul style="list-style-type: none"> - Every prescribed person making a payment in full or in part including a payment by way of advance to a resident person for use or right to use following equipment shall deduct tax from the gross amount. <ul style="list-style-type: none"> i. Industrial ii. Commercial and iii. scientific - Every prescribed person making a payment in full or in part including a payment by way of advance to a resident person on account of rent of machinery shall deduct tax from the gross amount. - The tax deducted under this section shall be final tax. - Prescribed person as define in section 153(7).

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56	<p>Collection of advance tax on education related expenses remitted aborad:-</p> <ul style="list-style-type: none"> - Collection of advance tax on the amount of education related expenses remitted abroad. - Following remitting authority shall collect advance tax from the tax payer of education related expenses. <ul style="list-style-type: none"> i. Banks, ii. Financial institution iii. Foreign exchange companies; or iv. Any other person responsible for remitting foreign currency. - Tax collected under this section shall be adjustable. - For the purpose of this section "education related expenses" includes. <ul style="list-style-type: none"> i. Tuition fee ii. Boarding and loading expenses. iii. Any payment for distant learning to any institution or university in a foreign country and iv. Other expense related or attributed to foreign education.
57	<p>Dividend in specie. Every person making payment of dividend in specie shall collect tax from the gross amount of the dividend in specie paid.</p>
58	<p>Collection of tax by Pakistan Mercantile Exchange Limited (PMEX). The Pakistan Mercantile Exchange Limited shall collect advance tax.</p> <ul style="list-style-type: none"> - From its members on purchase of futures commodity contract. - On purchase of futures commodity contracts in lieu of tax on the commission earned by such members. - On sale of futures commodity contracts in lieu of tax on the commission earned by such members. - The tax collected under this section shall be a minimum tax.