

INCOME TAX ORDINANCE, 2001

S.No

Important points Finance Act 2018-19 update

1	Definition -		
	Clause 22B	fee for offshore digital services	Any consideration for providing or rendering services by a nonresident person for online advertising including digital advertising space, designing, creating, hosting or maintenance of websites, digital or cyber space for websites, advertising, e-mails, online computing, blogs, online content and online data, providing any facility or service for uploading, storing or distribution of digital content including digital text, digital audio or digital video, online collection or processing of data related to users in Pakistan, any facility for online sale of goods or services or any other online facility
	Clause 23A	Filer	Addition of new board who issued ATL list. AJ&K Council Board of Revenue or Gilgit-Baltistan Council Board of Revenue
	Clause 29	Income	Insert word <u>any</u> to broaden the definition of income.
	Clause 41(e)(i)	Permanent establishment	Increase the liability of agent
	Clause 41(e)(ii)	Permanent establishment	Add : explanation to explain the status of agent
	Clause 41(g)	Permanent establishment	New clause a fixed place of business that is used or maintained by a person if the person or an associate of a person carries on business at that place or at another place in Pakistan and
2	Super tax for rehabilitation of temporarily displaced persons Extend to Tax Year 2015 to 2020.		
3	Tax on undistributed profit <ul style="list-style-type: none"> - Decreased 7.5% to 5% - After tax profit cash distribution profit threshold reduced to 40% to 20% - after tax profit distribution by bonus shares omitted 		
4	Tax on certain payment to non-resident includes <ul style="list-style-type: none"> - fee for offshore digital services. 		
5	Tax on undistributed profit remove from final tax regime slot.		
6	Following income not to be chargeable to tax under "Income from business" <ul style="list-style-type: none"> - Tax on undistributed profit - Tax on return on investments in Sukuks. - Tax on certain payment to non-resident - Tax on shipping and air transport income of a non-resident person - Tax on shipping of a resident person. 		
7	Property of the person under a gift restricted to relatives <ul style="list-style-type: none"> - Relative means an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual 		
8	Income from the issuance of bonus shares removed from "Income from other sources" slot.		
9	Exemption and tax concessions in the Second Schedule restore the power of Government instead of Federal Minister-in-charges and ECC.		

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10	<p>Carry forward business loss</p> <ul style="list-style-type: none"> - exclude losses define under sub-section (4) of section 57. - Loss attributable to deduction allowed threshold fixed <ul style="list-style-type: none"> i. Set off against 50% of the person's balance income ii. 100% set off against balance income if the taxable income for the year is less than ten million rupees.
11	Limitation of set off and carry forward of losses under sub-section 5 of section 59A redefine.
12	Tax credit and investment in shares and insurance, component C threshold increased one and a half million to two million rupees.
13	<p>Tax credit extended to 30th day of June, 2021.</p> <ul style="list-style-type: none"> - Tax credit for investment - Tax credit to newly establishment industrial undertaking - Tax credit for industrial undertakings established before the first day of July, 2011
14	No gain or loss shall be taken to arise on the disposal of an asset by reason of a gift of the assets to a relative as define u/s 85(5).
15	<p>Special provisions relating to bank business,</p> <ul style="list-style-type: none"> - income, profits and gains and tax payable thereon shall be computed subject to the limitations and provisions contained in Chapters VII and VIII
16	<p>Tax credit for certain persons- income includes</p> <ul style="list-style-type: none"> - profit on debt from microfinance bank
17	<p>Gain on disposal of assets outside Pakistan-</p> <ul style="list-style-type: none"> - Assets located in Pakistan of a non-resident company shall be Pakistan-source. - Any share or interest in a non-resident company the asset shall be treated to be located in Pakistan. (condition and threshold apply) - Value shall be the fair market value without reduction of liabilities - The entire assets by the non-resident company are not located in Pakistan, such non-resident company shall be treated to be located in Pakistan. - The person acquiring the asset from the non-resident person shall deduct tax from the gross amount paid as consideration for the asset at the rate of 15%. - Collect advance tax within 30days of the transaction of disposal or alienation of the asset - Tax credit allowed <ul style="list-style-type: none"> i. 20% where fair market value less cost of acquisition of the asset ii. 10% of the fair market value of the asset. - No tax to be payable if the tax has been paid under this section on gain and capital gain.
18	Agreements for the avoidance of double taxation and prevention of fiscal evasion subject to "Recharacterisation of income and deductions"

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19	<p>Transaction between associates</p> <ul style="list-style-type: none"> - Bound to furnish the record to the Board - The Commissioner can be noticed in the course of any proceeding for <ol style="list-style-type: none"> i. maintain a master file and a local file containing documents and information ii. keep and maintain any other information and document in respect of transaction with its associate iii. keep the files, documents, information and reports specified in clauses (a) to (c) for the period as may be prescribed.
20	Recharacterisation of income and deductions - Scope of Commissioner power extended.
21	<p>Controlled foreign company - new section inserted</p> <ul style="list-style-type: none"> - Income attributable to controlled foreign company - Controlled foreign company means a non-resident company <ol style="list-style-type: none"> i. more than 50% of the capital or voting rights directly or indirectly by one or more persons resident in Pakistan; ii. more than 40% of the capital or voting rights directly or indirectly by a single resident person in Pakistan; iii. tax paid, to any tax authority outside Pakistan is less than 60% of tax payable on the said income under this Ordinance; iv. non-resident company does not derive active business income; v. the shares of the company are not traded on any stock exchange; - A company shall be treated to have derived active income of - <ol style="list-style-type: none"> i. more than eighty percent of income of the company does not include income from dividend, interest, property, capital gains, royalty, annuity payment, supply of goods or services to an associate, sale or licensing of intangibles and management, holding or investment in securities and financial assets; and ii. Principally derives income under the head "income from business" in the country or jurisdiction of which it is a resident - attributable income computed as $A \times (B/100)$ where A= income of a controlled foreign company under sub-section (2) B= percentage of capital or voting rights, whichever is higher, held by the person, directly or indirectly, in the controlled foreign company - attributable income treated as zero, if the capital or voting rights of the resident person is less than 10%. - Income shall not be tax again when the same income is received in Pakistan by the resident taxpayer.

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22	<p>Unexplained income or assets- sub-section 2 redefine</p> <ul style="list-style-type: none"> - In the tax Year investment, money, valuable article or expenditure is situated or incurred in Pakistan or concealed income is Pakistan-source; - In the tax year immediately preceding the tax year, investment, money, valuable article or expenditure is situated or incurred in Pakistan or concealed income is Pakistan-source; - Commissioner notice shall not be rejected on the basis that the source does not relate to the tax year immediately preceding tax year. - No question asked if foreign exchange remitted from outside Pakistan through normal banking channel not exceeding ten million rupees in a tax year.
23	<p>Return of Income</p> <ul style="list-style-type: none"> - every resident person being an individual required to file foreign income and assets statement under section 116A. - a return of income, shall be accompanied with a foreign income and assets statement as required under section 116A
24	<p>Foreign income and assets statement</p> <ul style="list-style-type: none"> - threshold for foreign income and assets statement is USD 10,000 = > foreign income USD 100,000 = > foreign assets - Particular provide in the prescribed form and verified in the prescribed manner <ol style="list-style-type: none"> i. Total foreign assets and liabilities as on the last day of tax year. ii. Foreign assets transferred during the tax year. iii. Complete particulars of foreign income and expenditure. - The Commissioner have power to noticed who has failed to do so.
25	<p>Best Judgement assessment- on commissioner noticed for filing of ITR u/s 114(4)</p> <ul style="list-style-type: none"> - Assessment order issued within two years instead of years from the end of tax year in which such notice is issued.
26	<p>Appeal to the Appellate Tribunal</p> <ul style="list-style-type: none"> - Stay order for the payment of tax expired within 180days.
27	<p>Alternative dispute resolution - redefine</p> <ul style="list-style-type: none"> - Committee includes a retired judge of a High Court for the resolution of the hardship or dispute; - The aggrieved person and the Board shall withdraw the appeals pending before the Appellate Authority. - The committee shall not commence the proceedings unless the order of withdrawal by the Appellate Authority is communicated to the Board. - The committee dissolved within 75days if the order not communicated from the appointment of committee. - The committee shall decide the dispute by majority within 120days. - The decision of the committee shall be binding on the Board and the aggrieved person. - The committee fails to decide within 120days, the Board shall dissolve the committee and the matter shall be decided by Appellate Authority. - The Board shall communicate the order of dissolution to the Appellate Authority. - The appeal shall decide within 6 months of the communication of the order of dissolution.

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28	<p>Due date for the payment of tax</p> <ul style="list-style-type: none"> - Any order issued by Commissioner for the payment of tax, the due dates shall be <ol style="list-style-type: none"> i. Individual <ul style="list-style-type: none"> 15th day of September for September quarter 15th day of December for December quarter 15th day of March for March quarter 15th day of June for June quarter ii. Association of persons or a company <ul style="list-style-type: none"> 25th day of September for September quarter 25th day of December for December quarter 25th day of March for March quarter 25th day of June for June quarter iii. Capital Gain on sale of securities shall be 21days after the close of each quarter.
29	<p>Recovery of tax from persons holding money on behalf of a taxpayer.</p> <ul style="list-style-type: none"> - Stay payment of tax reduced to 10% from 25%.
30	<p>Advance tax paid by the taxpayer.</p> <ul style="list-style-type: none"> - Taxpayer is an association of persons or a company. <ol style="list-style-type: none"> i. Taxpayer failed to provide turnover or ii. The turnover for the quarter is not known, iii. It shall be taken 1/4th of 110% of the turnover of the latest tax year for the return has been filed. - Taxpayer including a banking company - Estimated turnover of the remaining quarters along with reasons for any decline in estimated turnover, documentary evidence of estimated expenses or deductions which may result in lower payment. - Commissioner may reject the estimate, where an estimate of the amount of tax payable is not accompanied by details mentioned above.
31	<p>Imports</p> <ul style="list-style-type: none"> - Goods where goods are sold in the same conditions as they were when imported; - Removed by final tax regime - Shall be minimum tax for the tax year on the import of .
32	<p>Payment to non-residents</p> <ul style="list-style-type: none"> - Fee for offshore digital services; - Non-resident in Pakistan shall deduct tax - from gross amount paid @ 5% - tax deductible shall be a minimum tax - sub-section 5 shall not apply to a payment on account of <ol style="list-style-type: none"> i. an import of goods where title to the goods passes outside Pakistan and is supported by import documents, except where- ii. the supply is made in connection with the overall arrangement

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33	<p>Payments for goods , services and contracts</p> <ul style="list-style-type: none"> - threshold for services sector increased upto Rs. 30,000 - threshold for sales of goods increased upto Rs. 75,000 - prescribed persons means <ol style="list-style-type: none"> i. AOP / IND fifty million turnover time scale extended to any of the preceding tax years; ii. Builders and developer included in the definition of prescribed persons.
34	<p>Furnishing of information by banks.</p> <ul style="list-style-type: none"> - A list of person containing particulars of <ol style="list-style-type: none"> i. Cash withdrawals exceeding Rs. 50,000 in a day ii. Tax deductions thereon for filer and non-filers aggregating to Rs. One million or more in a month. iii. Deposit aggregating threshold increased to ten million or more in a month. iv. Credit card bills aggregating threshold increased to two hundred thousand or more in a month.
35	<p>Credit for tax collected or deducted</p> <ul style="list-style-type: none"> - Where a company is the member of AOP - Taxed in accordance with section 92 and - amount of tax collected from an AOP or deducted from a payment made to the said AOP, - the company shall be allowed a tax credit. - according to the formula (A/B) X C Where - <ul style="list-style-type: none"> A. = is the amount of share of profits before tax received by the company as a member from the association of persons B. = is the taxable income of the association of persons; and C. = C.is the amount of tax withheld in the name of the association of persons. - No tax credit allowed for which credit has been allowed under sub-section (2A) to a company being a member of AOP.
36	<p>Audit.</p> <ul style="list-style-type: none"> - Special audit panels including a foreign expert or specialist. - a tax audit expert deployed under an audit assistance programme of an international tax organization or a tax authority outside Pakistan.
37	<p>Offences and penalties</p> <ul style="list-style-type: none"> - fails to furnish statements under section 115, 165, 165A or 165B <ol style="list-style-type: none"> i. penalty Rs. 5,000 and already paid tax required and statement filed within 90days. ii. Otherwise Rs. 10,000 - Fails to furnish a foreign assets and income statement within the due date <ol style="list-style-type: none"> i. Penalty of 2% of the foreign income or value of the foreign assets for each year of default.
38	<p>Return not filed within due date-</p> <ul style="list-style-type: none"> - not be included in the ATL for the year for which return was not filed. - not allowed for that tax year, to carry forward any loss.

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39	Automatic selection of audit , the return is not filed within due date - section 214D omitted
40	Disclosure of information by a public servant.- <ul style="list-style-type: none"> - to NADRA for the purpose of broadening of the tax base. - Power of Federal Government restore
41	Service of notices and other documents. <ul style="list-style-type: none"> - served on the individual electronically in the prescribed manner,
42	Bar of suits in Civil Courts <ul style="list-style-type: none"> - No suit or other legal proceeding shall be brought in any Civil Court against any order made or any notice issued under ITO 2001. - Civil Court includes any court exercising power of the civil court.
43	Restriction on purchase of certain assets.— <ul style="list-style-type: none"> - Non-filer not booked, registration or purchase of new locally manufactured motor vehicle - Non-filer not booked, registration of an imported motor vehicle - Non-filer not register, record or attesting transfer of any immovable property.
44	Directorate General of Immovable Property.— New addition <ul style="list-style-type: none"> - Consist of <ol style="list-style-type: none"> i. Director General ii. Additional director iii. Deputy director iv. Assistant director v. Officers - The Board may, notify in the official Gazette, functions and jurisdiction - Initiate proceedings for the acquisition of property <ol style="list-style-type: none"> i. the avoidance or reduction of withholding tax ii. concealment of unexplained amount u/s 111(1) iii. avoidance or reduction of capital gains tax u/s 37 - may appoint any valuer or expert for the determination of valuation including fair market value of immovable property. - the valuation and consideration is less than fair market value shall be recorded in writing. - No proceedings after expiration of six months - The mode and manner of initiation of proceedings and acquisition of immovable property may be prescribed. - DG shall order in writing, declaring that the property shall not be acquired - After obtaining approval of the Board, DG make order for the acquisition of the immovable property. - The transferee may appeal to the Appellate Tribunal of Immovable property within sixty days of service of a copy of such order. - The Tribunal may disposal of appeals shall be as may be prescribed. - The transferee or the DG aggrieved by any order of the Tribunal may within sixty days file appeal against such order to the High Court. - On finalization DG notice within thirty day for the surrender or deliver possession - The Board shall make the payment of consideration for acquisition, as soon as may be, after the property becomes vested in the Federal Government.

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	<ul style="list-style-type: none"> - Advance tax on the purchase of immovable property is 1% - Following tax rate not apply <ol style="list-style-type: none"> i. Section 111(4)(c) = unexplained income or assets ii. Section 236C = Advance tax on sale or transfer of immovable property. iii. Section 236W= Tax on purchase or transfer of immovable property.
45	Collection of tax by a stock exchange registered in Pakistan - shall be adjustable
46	Tax on sale of certain petroleum products.— <ul style="list-style-type: none"> - New section 234HA - Every person selling petroleum products to a <ul style="list-style-type: none"> - Petrol pumps operator or - Distributor - Such operator and distributor not allowed commission or discount - Shall collect advance tax - On ex-depot sale price - 0.5% for filers and 1% for non-filers - Final tax regime
47	Advance tax on purchase or transfer of immovable property <ul style="list-style-type: none"> - Any persons responsible for collecting payments - In installments - for the purchase or allotment of any immovable property - where transfer is to be effected after making payment of all installments - shall at the time of collecting installments from the allottee or transferee - advance tax - where the value of immovable property is more than 4million - @ 2% for filer and 4% for non-filers.
48	Bonus shares issued by companies quoted on stock exchange <ul style="list-style-type: none"> - Advance tax u/s 236M omitted
49	Bonus shares issued by companies not quoted on stock exchange <ul style="list-style-type: none"> - Advance tax u/s 236N omitted
50	Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards <ul style="list-style-type: none"> - Collect advance tax - On gross amount remitted abroad - @ 1% for filer and 3% for non-filer - Adjustable tax regime
50	Validation <ul style="list-style-type: none"> - All orders passed, notices issued and actions taken - Validly passed - Issued and taken under Income Tax Ordinance, 2001.