

**INCOME TAX ORDINANCE, 2001**

S.No	Section	Sub-section	clauses	Important points <i>Gazette Finance Act, 2020</i>
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1	2			Definition
			29C	Industrial undertaking - (aa) from 1 <sup>st</sup> May, 2020 allowed Import of plant and machinery subject to conditions notified by board. (ab) from 1 <sup>st</sup> July, 2020 a resident company engaged in the hotel business in Pakistan.
			30A	define Integrated enterprise
			30AC	define IRIS
			31A	Update Local Government definition
			36	"non-profit organization" Establishment c <sup>1</sup> ondition substitute "or development purposes" into "purpose for general public"
2	6			Tax on certain payments to non-residents
		(2)		Fee for offshore digital services added in computation
3	7A			Tax on shipping of a resident person
		(1)	(c)	- Charged tax on a Pakistan resident ship owing company - registered after 15 <sup>th</sup> day of November, 2019 - pay tonnage tax - US Cents per ton of gross registered tonnage per annum.
		(2)		- Extend the tax on resident person from 30 <sup>th</sup> June 2020 to 30 <sup>th</sup> June 2030.
4	15A			Deductions in computing income chargeable under the head "Income from Property".—
		(1)	(h)	expenditure threshold reduced 6 % to 2%
		(7)		remove the threshold of Rs 4 million for individual or an association of person to opt to pay tax on normal tax regime.
5	21			Deduction not allowed
			(l)	- Enhance the threshold of expenditure for a transaction aggregate of Rs 50,000 to Rs 250,000 made other than by a banking channel. - Enhance the business single transaction of Rs. 10,000 to Rs. 25,000 on account of <ul style="list-style-type: none"> <li>• Utility bills</li> <li>• Freight charges</li> <li>• Travel fare</li> <li>• Postage ; and</li> <li>• Payment of taxes, duties, fee, fines or any other statutory obligation.</li> </ul>
			(m)	enhance the threshold for salary paid in cash Rs. 15,000 to Rs. 25,000
			(p)	regulate limit of expenditure on account of utility bill as an admissible deduction against business income.

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			(q)	regulate limit of expenditure to sales made to unregistered person under the Sales Tax Act, 1990 by an industrial undertaking as an admissible deduction against business income. <i>w.e.f 1<sup>st</sup> day of Oct, 2020</i>
6	22			Depreciation
		(2)		<ul style="list-style-type: none"> <li>- depreciable assets used in the person's business</li> <li>- for first time</li> <li>- after 1st day of July, 2020</li> <li>- depreciation deduction reduced by 50%</li> </ul>
		(8)		<ul style="list-style-type: none"> <li>- depreciable assets used in the person's business</li> <li>- for first time</li> <li>- after 1st day of July, 2020</li> <li>- on disposal, allowed 50% deduction</li> </ul>
7	28			Profit on debt, financial costs and lease payments.
		(b)		Limit the lease rental passenger transport to Rs. 2.5 million to claim of lease rental to be allowable deduction against business income.
8	37			Capital Gain
		(3A)		<ul style="list-style-type: none"> <li>- capital gain arising on disposal of an immovable property</li> <li>- reducing holding period and tax on capital gain</li> <li>- holding period does not exceed one year 100%</li> <li>- holding period exceed one year but does not exceed two years 75%</li> <li>- holding period exceed two years but does not exceed three years 50%</li> <li>- holding period exceed three years but does not exceed four years 25%</li> <li>- holding period exceed four years 0%</li> </ul>
		(3B)		<ul style="list-style-type: none"> <li>- share of a public company</li> <li>- considered as security</li> <li>- at the time of disposal of shares.</li> </ul>
8A	57			Carry forward of business losses
		(2B)		<ul style="list-style-type: none"> <li>- loss referred to in sub-section (2)</li> <li>- commencing or after 1<sup>st</sup> day of July, 2020</li> <li>- is sustained resident company</li> <li>- engaged in hotel business in Pakistan</li> <li>- loss carry forward for a period of 8 years.</li> </ul>
9	61			Charitable donations
		(2)		restrict tax credit in respect of an associate by a donor <ul style="list-style-type: none"> <li>- Individual or association of person 15 %</li> <li>- Company 10 %</li> </ul>
10	65C			Tax credit for enlistment
		(1)		restrict tax credit subject to enlistment in any stock exchange in Pakistan, on or before the 30th day of June, 2022.

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11	100C			Tax credit for certain persons
		(1)	(g)	voluntary contributor and donor statement in prescribed manner required obligatory for non-profit organization.
		(1B)		For the purpose of sub-section (1A), surplus funds mean funds or monies:
			(d)	restriction on "restricted funds" a donor not being a associate of the organization.
12	100D			Special provisions relating to builders and developers
				- Provision related to separate taxation of builder and developers.
13	106A			Restriction on deduction of profit on debt payable to associated enterprise.
				- Restrict deduction for foreign profit on debt claimed by a foreign-controlled resident company (other than an insurance company, or a banking company) during a tax year to 15%
14	107			Agreements for the avoidance of double taxation and prevention of fiscal evasion.
		(1)		add word "and spontaneous" for spontaneous exchange of information with respect to taxes.
15	111			Unexplained income or assets.-
		(1)	(d)	Amend to separate unexplained receipt into business income instead of income from other source in respect of suppressed amount of production, sale, and receipt chargeable to tax.
16	113			Minimum tax on the income of certain persons.-
		(1)		extend the minimum tax u/s 113 to permanent establishment of a non-resident company.
17	114			Return of Income
		(1)	(ae)	Every person income subject to final tax required to file return under section 114.
		(2)	(a)	Board may prescribe different returns for different classes of income or persons including persons subject to final taxation.
		(6)		empower Commissioner to grant approval for revision of return in case of a bonafide omission or wrong statement.
18	114A			Taxpayers profile
				- Following person furnish a profile
				<ul style="list-style-type: none"> <li>• Applying for registration under section 181</li> <li>• driving income under head "income from business"</li> <li>• income subject to final tax</li> <li>• non-profit organization section 2(36)</li> <li>• trust or welfare institution; or</li> <li>• any other person prescribe by board</li> </ul>
				- fully state
				<ul style="list-style-type: none"> <li>• bank accounts</li> <li>• utility connections</li> <li>• business premises including all manufacturing, storage or rental outlets operated or leased by the taxpayer.</li> </ul>

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				<ul style="list-style-type: none"> <li>• types of business</li> <li>• such other information as may be prescribed.</li> </ul> <ul style="list-style-type: none"> <li>- Signed authorised person being individual or representative u/s 172</li> <li>- Profile must be furnished on or before 31st day of 30th Dec, 2020 in case of a person registered u/s 181 before the 30th Sep, 2020.</li> <li>- A taxpayer' profile shall be updated within ninety days of change in any of the relevant particulars of information.</li> <li>- Noncompliance penalty - Such a person shall pay a penalty of Rs. 2,500 for each day of default from the due date subject to a minimum penalty of Rs. 10,000.</li> </ul>
19	115			<p>Persons not required to furnish a return of income. –</p> <ul style="list-style-type: none"> <li>- <b>Omit</b> sub-section (4), (4A), (5) and (6) to abolish filing of statement instead of return.</li> </ul>
20	116	(3)		<p>Wealth statement.</p> <ul style="list-style-type: none"> <li>- Commissioner declare such revision void</li> <li>- After providing an opportunity of being heard.</li> <li>- If revision is not for the purpose of correcting a bona fide omission or wrong statement.</li> <li>- <b>Restrict to get prior approval of the Commissioner for revision.</b></li> <li>- <b>Empower Commissioner to grant approval for revision of wealth statement in case of bonafide omission or wrong statement.</b></li> </ul>
21	118			<p>Method of furnishing returns and other documents</p>
		(1)		<b>Omit</b> "a statement required under sub-section (4) of section 115"
		(2)		<b>Omit</b> "a statement required under sub-section (4) of section 115"
		(3)	(a)	<b>Omit</b> "a statement required under sub-section (4) of section 115"
22	119			<p>Extension of time for furnishing returns and other documents.—</p>
		(1)	(c)	<b>Omit</b> "a wealth statement under section 116"
23	120			<p>Assessments</p>
		(1)	(a)	Substitute " <b>those respective amounts specified in the return</b> <b>the respective amounts adjusted under sub-section 2(A)</b> "
			(b)	Substitute " <b>those respective amounts specified in the return</b> <b>the respective amounts adjusted under sub-section 2(A)</b> "
		(2A)		<ul style="list-style-type: none"> <li>- define procedure for processing return u/s 114 through automatic system to arrive at correct amount of total income, taxable income and tax payable.</li> <li>- No adjustment made unless a system generated notice is given to the taxpayer.</li> <li>- No response received within thirty day of notice, adjustment shall be made.</li> <li>- When no adjustment is made within six month of filing of return, the amount declared in return considered final.</li> </ul>

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S.No	Section	Sub-section	clauses	Important points Gazette Finance Act, 2020
	(7)	(a)		define definition of "arithmetical error"
		(b)		define definition of "an incorrect claim apparent from any information in the return"
24	121			Best Judgment assessment
		(1)	(aa)	<b>Omit</b> - furnish a statement as required by a notice under sub-section (5) of section 115; or
25	122			Amendment of assessment
		(5)		Substitute <b>audit or on the basis of definite information</b> <b>definite information acquired from an audit or otherwise</b>
26	122D			Agreed assessment in certain cases -
				new section to prescribed procedure and mechanism for agreed assessment in certain cases.
27	127			Appeal to the commissioner (Appeals)-
		(1)		Allow to appeal under sub-section (2A) of section 120 (automatic adjustments in return 114)
		(4)		Appeal fee increased from Rs. 1,000 to <ul style="list-style-type: none"> <li>- Appeal against an assessment <ul style="list-style-type: none"> <li>• Company Rs. 5,000</li> <li>• IND / AOP Rs. 2,500</li> </ul> </li> <li>- In any other case <ul style="list-style-type: none"> <li>• Company Rs. 5,000</li> <li>• IND / AOP Rs. 1,000</li> </ul> </li> </ul>
28	129			Decision in appeal
		(4)		bound CIR appeal to specify in the order the amount of tax upheld before serving to taxpayer and Commissioner
29	131			Appeal to the Appellate Tribunal
		(2)		Prescribed procedure
		<b>(2A)</b>		<b>deposit 10% of the amount of tax upheld by the Commission (Appeal) prior to appeal before ATIR.</b>
		(3)		Fee increased from Rs. 1,000 to <ul style="list-style-type: none"> <li>- Company Rs. 5,000</li> <li>- IND / AOP Rs. 2,500</li> </ul>
30	134A			Alternative dispute resolution
				Substitute this section
31	138			Recovery of tax out of property and through arrest of taxpayer.—
		(2)	(d)	Empower Commissioner to exercise clause (a), (ca) and (d) of sub-section (1) of section 148 of the Sales Tax Act, 1990 for recovery of outstanding liability.
32	147			Advance tax paid by the taxpayer-
		(4)		<b>Board may prescribe procedure for filing and calculating of turnover for the quarter through an automated system;</b> Board may prescribe procedure for furnishing estimate and calculation of the amount of tax payable through IRIS or any other automated system.

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33	148			<b>Imports</b>
		(1)		<ul style="list-style-type: none"> <li>- Advance income tax calculated in respect of goods classified in Parts I to III of the Twelfth Schedule.</li> <li>- Board by notification in the Official Gazette, add / omit / amend any entry in Twelfth Schedule.</li> <li>- Goods classified under Part III used both as raw material / finished goods, Board decide the treatment for charging tax under Part II, subject to conditions and procedures as prescribed.</li> </ul>
		(7)		Insert expression "goods on which tax is required to be collected under this section at the rate of 1% or 2% by an industrial undertaking for its own use." Omit clause (a), (c), (d) (e)
		(8)		Omitted
		(8A)		Omitted
		(9)		<ul style="list-style-type: none"> <li>- define term "value of goods" in terms of 3<sup>rd</sup> Schedule of the Sales Tax Act, 1990 to be calculated on retail price.</li> <li>- Omit explanation</li> </ul>
34	148A			Tax on local purchase of cooking oil or vegetable ghee by certain persons. - Omitted
35	152			<b>Payments to non-residents</b>
		(1BBB)		Advertisement services to non-resident media person - change final tax to minimum tax
		(2B)		<ul style="list-style-type: none"> <li>- payment to a permanent establishment in Pakistan of a non-resident person</li> <li>- tax deductible u/s (2A) (minimum tax)</li> <li>- payment received for sale of goods by a company being a manufacturer of such goods - shall not be minimum tax</li> </ul>
		(4A)		application made in the prescribed form
		(4B)		reduced the rate of tax from thirty to twenty percent.
36	153			<b>Payments for goods, services and contracts.-</b>
		(1)	(a)	Sales of goods including toll manufacturing.
		(3)		Omit - clauses (a) and (c)
			(b)	Omitted
			(d)	Omitted
			(e)	Omitted
		(4)		Prescribed procedure for issuance of non-deduction certificate to a public company listed on a registered stock exchange in Pakistan if advance tax liability has been discharged.
		(7)		<ul style="list-style-type: none"> <li>- Threshold of withholding agent increased by Rs. Fifty million to                             <ul style="list-style-type: none"> <li>• AOP Rs. One hundred million</li> <li>• Individual Rs. One hundred million ;</li> </ul> </li> <li>- Sales Tax Registered person withholding agent threshold fixed , having turnover of one hundred million rupees or more in any of the</li> </ul>

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preceding tax years;				
37	156B			<b>Omitted</b>
38	159			Exemption or lower rate certificate
		(1)		Prescribed procedure to apply application made in the prescribed form
		(1A)		Prescribed procedure to apply application made in the prescribed form
39	165			Statements
		(1)		Mode of submission of statement changed biannual to quarterly
		(1A)		Person engaged in economic transaction as prescribed to furnish quarterly statement.
		(2)		<ul style="list-style-type: none"> <li>- Section (1A) included for the submission of statement quarterly</li> <li>- Due date for submission of statement is as follows <ul style="list-style-type: none"> <li>• Quarter ended 31<sup>st</sup> Mar, on or before the 20<sup>th</sup> of April</li> <li>• Quarter ended 30<sup>th</sup> Jun, on or before the 20<sup>th</sup> of July;</li> <li>• Quarter ended 30<sup>th</sup> Sep, on or before the 20<sup>th</sup> of Oct;</li> <li>• Quarter ended 31<sup>st</sup> Dec, on or before the 20<sup>th</sup> of Jan.</li> </ul> </li> </ul>
40	165A			Furnishing of information by banks-
		(1)	(d)	List of persons receiving Profit on debit limit of Rs. 500,000 <b>Omitted.</b>
41	168			Credit for tax collected or deducted <ul style="list-style-type: none"> <li>- insert missing sections of final tax. <ul style="list-style-type: none"> <li>sub-section (1E) of section 152</li> <li>sub-section (2) of section 152A</li> </ul> </li> </ul>
42	169			Tax collected or deducted as a final tax-
		(1)	(a)	<b>Omitted</b>
			(b)	Remove the section not pertaining to final tax Addition of section pertaining to final tax
		(3)		Expression "and the person shall not be required to furnish a return of income under section 114 for the year." <b>Omitted</b>
			(a)	Expression "or statement under sub-section (4) of section 115" <b>Omitted</b>
			(b)	Expression "or statement under sub-section (4) of section 115" <b>Omitted</b>
43	170			Refund
		(6)		Board may make rules regulating procedure for expeditious processing and automatic payment of refunds.
44	175			Power to enter and search premises-
		(1)	(a)	Extend the power to free excess including real-time electronic access
		(9)		Board may make rules relating to electronic real-time access for audit or a survey of persons liable to tax.
45	175A			Real-time access to information and database- <ul style="list-style-type: none"> <li>- procedure introduced by this section for real-time access to information and database.</li> </ul>

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S.No	Section	Sub-section	clauses	Important points <i>Gazette Finance Act, 2020</i>
46	177			<b>Audit</b>
		(2A)		Commissioner may conduct audit proceedings electronically through video link, or any other facility prescribed by board.
		(2AA)		Section (2A) applicable where taxpayer - <ul style="list-style-type: none"> <li>- has not furnished record or documents including books of accounts;</li> <li>- has furnished incomplete record or books of accounts; or</li> <li>- is unable provide sufficient explanation regarding the defects in records, documents or books of accounts,</li> <li>- commissioner have power to determine taxable income on the basis of sectoral benchmark ratio prescribed by board.</li> <li>- explain "benchmark ratio" <ul style="list-style-type: none"> <li>• standard business sector ratios notified by Board, including</li> <li>• financial ratio,</li> <li>• gross profit ratio,</li> <li>• net profit ratio,</li> <li>• recovery ratio,</li> <li>• wastage ratio,</li> <li>• and other ratios in respect of such sectors.</li> </ul> </li> </ul>
47	182			<b>Offences and penalties</b>
				<ul style="list-style-type: none"> <li>- serial no . 1A - <b>omit</b> section 115</li> <li>- serial no. 1AA - <b>omit</b> section 115</li> <li>- serial no. 4A (Taxpayer profile u/s 114A) fails to furnish within due date. <ul style="list-style-type: none"> <li>• penalty of Rs. 2,500 / per day</li> <li>• minimum penalty Rs. 10,000</li> </ul> </li> <li>- serial no. 4B - any person go against rules and law the provision of section 181AA (compulsory registration under certain cases) shall pay penalty of Rs. 10,000 each connection provided to an unregistered person.</li> <li>- serial no. 10 - <b>omit</b> section 115</li> </ul>
48	182A			<b>Return not filed within due date-</b>
		(2)		<ul style="list-style-type: none"> <li>- taxpayer profile not update within due date define u/s 114A(3) <ul style="list-style-type: none"> <li>• such person shall not be included in ATL</li> <li>• if furnish taxpayer profile after due date included in ATL after paying surcharge of Rupees- <ul style="list-style-type: none"> <li>- Rs. 20,000 in case of Company</li> <li>- Rs. 10,000 in case of AOP</li> <li>- Rs. 1,000 in case of Individual.</li> </ul> </li> </ul> </li> </ul>
49	205			<b>Default surcharge</b>
		(7)		Commissioner empower to make assessment of default surcharge for the period of default or part thereof, notwithstanding that the tax due has not actually been paid.

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50	209			Jurisdiction of income tax authorities.
		(2)		Prescribe procedure to empower officer IR through automated case selection system.
51	210			Delegation
		(1A)		Commissioner not delegates power of amendment of order of recovery under sub-section (3) of section 161.
52	231B			Advance tax on private motor vehicles.—
		(7)		explanation - motor vehicle does not include a rickshaw, motorcycle-rickshaw and any other motor vehicle having engine capacity upto 200cc.
53	235			Electricity consumption
		(3)		Commissioner empowers to issue exemption certificate, that taxpayer discharged advance tax liability for the tax year.
54	235B			Tax on steel melters and composite units - <b>Omitted</b>
55	236A			Advance tax at the time of sale by auction.—
		(1)		Explanation.— (a) "sale by public auction or auction by a tender" includes - renewal of a license previously sold by public auction or - auction by a tender; and (a) where payment is received in installments, - advance tax is to be collected with each installment.
56	236C			Advance Tax on sale or transfer of immovable Property.—
		(3)		Immovable property holding period threshold reduced from five to four years.
57	236D			Advance tax on functions and gatherings.— <b>Omitted</b>
58	236F			Advance tax on cable operators and other electronic media.— <b>Omitted</b>
59	236I			Collection of advance tax by educational institutions.—
		(1)		Deduction of advance tax restrict to a person not appearing on the ATL.
60	236J			Advance tax on dealers, commission agents and arhatis etc.— <b>Omitted</b>
61	236Q			Payment to residents for use of machinery and equipment.—
		(3)		Change deduction of tax from final to minimum
62	236R			Collection of advance tax on education related expenses remitted abroad.- <b>Omitted</b>
63	236U			Advance tax on insurance premium.- <b>Omitted</b>
64	236X			Advance tax on tobacco. - <b>Omitted</b>

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				Technical Amendments and correction
	2		36(b)	non-profit organization
	4	(1)		Tax on taxable income
	97A			Disposal of asset under a scheme of arrangement and reconstruction.
	100BA	(1)		Special provisions relating to persons not appearing in active taxpayers' list
	100C	(1A)		Tax credit for certain persons
	114	(1)	(x)	Return of Income
	147	(2)		Advance tax paid by the taxpayer
	235	(1)		Electricity consumption