

Income Tax

1. Definition

- Business bank account
- Concealment of income includes
 - Any item of receipt liable to tax in whole or in part, or failure to disclose in income chargeable to tax;
 - Claiming any deduction or any expenditure not actually incurred;
 - Any unexplained income or assets as define under section 111(1) of the Income Tax Ordinance, 2001.
- Telecommunication companies operating under the license of PTA are now part of Industrial undertaking.
- Information Technology (IT) services
- IT enable services
- Small and medium enterprise but not small company (both are separate)

2. Profit on debt fixed and final regime

- Threshold reduced from thirty six million to five million rupees.

3. Salary – allowances to be taxed

- Allowances paid in monthly salary on fixed or percentage of salary;
- Allowances which is not wholly, exclusively, necessarily or actually spent on behalf of the employer;

4. Income from property taxed under section 155 for IND & AOP

- Basic threshold increased Rs 200,000 to Rs. 300,000
- Rs. 300,000 to Rs. 600,000 @ 5 percent exceeding Rs. 300,000
- Rs. 600,000 to Rs. 2,000,000 @ Rs. 15,000 + 10 percent exceeding Rs. 600,000
- Exceeds Rs. 2,000,000 @ Rs. 155,000 + 25 percent exceeding Rs. 2 million
- Deduction in computing income chargeable under the head Income from Property allowed for IND / AOP

5. Income from Business

- Explanation added and clarifies that income derived by co-operative societies from the sale of goods, immovable property or provision of services to its members is and has always been chargeable to tax.

6. Depreciation

- First Year allowances - omitted

7. Capital gains

- Capital gains on disposal of shares of a public company – removed and
- Clarify that where a person is habitually engaged in transactions of sale and purchase of immovable property the provision of capital gains tax not apply and the income from such transaction shall be chargeable under the head Income From Business;
- Capital assets acquired through gift is disposed of within two years of acquisition and the Commissioner is satisfied that such gift arrangement is a part of tax avoidance scheme, then determining the cost of asset in the hands of recipient of the gift according to law.

8. Income from other sources

- Fair market value of any property received without consideration or received as gift received from grandparents, parents, spouse, brother, sister, son or a daughter;
That the definition of relatives as defined in section (85)(5)
 - an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or

9. WWF / WPF – not entitlement of deductible allowances where

- any amount paid to the province by a trans-provincial establishment.

10. Charitable donations entitlement of tax credit

- donations includes voluntary contribution or subscription
- any person eligible for tax credit under section 100C
- entities, organization and funds mentioned in the thirteenth schedule.

11. Tax credit for

- point of sale machine.
- Certain person.
- Specified industrial undertaking.
- Charitable organization u/s 100C redefine

12. Special provisions relating to builders and developers.

- Project date extended to 30th September, 2023

13. Special provisions relating to small and medium enterprises.-

- means a person engaged in manufacturing of goods, which includes
 - 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; or
 - a process of assembling, mixing, cutting or preparation of goods in any other manner; and
- tax payable computed and paid in accordance with rules made under the Fourteenth Schedule.

14. Minimum tax on the income of certain persons.-
 - Turnover threshold enhanced for IND / AOP & CO., from 10 million to 100 million
 - Receipt not includes sales of immovable property where such receipt is taxable under the head Income from Business.
 - Where no tax amount is payable
 - the entire amount of tax paid shall be carried forward for adjustment
 - carried forward for adjustment against tax liability for five tax years.
15. Return of Income
 - Welfare institution approved under clause (58) of Part I of the Second Schedule not required filing return under section 114.
16. Assessment under section 120
 - Some technical amendment to restore concept of Self-Assessment under section 120.
17. Amendment of assessments under section 122
 - Power to carry out enquiry for amending assessment under section 122(5A) were withdrawn.
 - Order passed under 120 days of the issuance of show cause notice or further extended 90 days to record in writing by the Commissioner.
 - If the adjournment is due to
 - Stay order
 - ADR proceedings
 - Agreed assessment proceeding under section 122D
 - Adjournment applied by taxpayer
 - Changes applicable on show-cause notices issued prospectively w.e.f 01-07-2021
18. Revision of the Commissioner
 - Commissioner empowered to revised any order passed by lower authority by the Commissioner for modification, alteration, implementation of directions or de novo proceedings, the order giving effect to the directions of the Commissioner shall be issued within 120 days.
19. Appeal to the Commissioner (Appeals).
 - The Board may prescribe mechanism for electronic filing of the appeals.
20. Alternative Dispute Resolution.— amendments to streamline ADR
21. Due date for payment of tax
 - not applied where assessment order passed under assessment giving effect to an order under section 124(4)(1) and the tax payable as a result of order passed under section 124(4)(1).
22. Assistance in the recovery and collection of taxes.—
 - Tax authority has empowered to assistance in collection and recovery of taxes in pursuance of a request from a foreign jurisdiction under a tax treaty, a multilateral convention, an inter-governmental agreement or similar arrangement or mechanism.

23. Advance tax paid by the taxpayer.

- Power to refuse documentary evidence and estimate provided by the tax payer withdrawn. All declaration from taxpayer accepted.

24. Return on Investment in Sukuks

- Every special purpose vehicle or a company, at the time of making payment of a return on investment in Sukuks to a Sukuks holder shall deduct tax from the gross amount of return on investment at the rate specified in Division IB of PART III of the First Schedule.

25. Payments to non-residents

- Insurance premium or re-insurance premium or advertisement services to a non-resident person under minimum slab.
- Every banking company maintaining a Foreign Currency Value Account (FCVA) or a non-resident Pakistani Rupee Value Account (NRVA) of a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) shall deduct tax from capital gain arising on the disposal of debt instruments and government securities and certificates (including Shariah compliant variant) invested through aforesaid accounts at the rate specified in Division II of Part III of the First Schedule.", and
- Every special purpose vehicle or a company, at the time of making payment of a return on investment in sukuku to a non-resident sukuk holder shall deduct tax from the gross amount of return on investment at the rate specified in Division IB of Part III of the First Schedule."; and

26. Payments for goods, services and contracts.

- The Commissioner shall issue certificate for payment without deduction of tax within fifteen days of filing of application to a company if advance tax liability has been discharged; Previously restricted to Public limited company listed on a registered stock exchange in Pakistan now allowed for all company.
- Withdrawn exemption on payment made to traders of yarns by the taxpayer specified in the zero-rated regime of sales tax under clause 45A of Part IV of the Second Schedule.

27. Export of Services

- Following services tax 1% of the proceeds of the exports
 - exports of computer software or IT services or IT enabled services
 - services or technical services rendered outside Pakistan or exported from Pakistan;
 - royalty, commission or fees derived by a resident company from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise;
 - construction contracts executed outside Pakistan; and
 - Final Tax Regime; subject to
 - Return has been filed ; Submission of withholding statements
 - Submission of sales tax return ; No tax credit for foreign taxes paid allowed
 - Any investment, money, valuable article, expenditure referred under unexplained income takes into books of accounts all such source of income subject to FTR.
 - Board with consultation with SBP make procedure of payment of tax.

- Tax credit under section 168 not allowed.
28. Rent of immovable Property
- Income from property substitute by Rent of Immovable Property
29. Exemption or lower rate certificate
- The scope of exemption or lower rate certificate to all taxpayers who are entitled to a 100% tax credit under any provision of the Ordinance.
 - Commissioner can issue certificate within 15 days of its filling or
 - In case the same is not proceeds in time the applicable automatically accepted
30. Statement
- Every taxpayer collecting withholding tax shall e-file annual statement of the relevant tax year within 30days of the end of tax year ; and
 - Reconciling the amounts mentioned in annual statement filed with the declared in the return, audited accounts or financial statement.
31. Electronic processing and electronic issuance of Refunds by the Board.
- From tax year 2021
 - Refund of income tax to taxpayer who has file the income tax return without refund application
 - The tax credit verified by the board computerized system as may be prescribed;
 - Refund amount electronically transferred in the taxpayer's notified bank account.
32. Offences and penalties.
- Where any person fails to file Income Tax Return
 - If taxable income is upto eight hundred thousand the minimum penalty is Rs. 5,000
 - Penalty amount is reduced by 75% or 50% or 25% if return is filed within one, two and three months respectively after the due date.
 - Where withholding statements not filed within due dates
 - Where null statement minimum penalty is Rs. 10,000
 - Taxpayer profile submission withdrawn therefore penalties on non submission of taxpayer profile also withdrawn.
 - Compulsory registration for commercial or industrial connection of electricity or natural gas
 - Penalty increase from Rs 10,000 to Rs. 100,000
 - Any person who repeats erroneous calculation in the return for more than one year
 - No penalty imposes if taxpayer reasonably arguable position provided.
 - Any person makes a false or misleading statement to an IR
 - Penalty of Rs 5,000 or 100% of the amount of shortfall whichever is higher; 100% of the amount of shortfall reduced to 50% of the amount of shortfall.
 - Any person who denies or obstructs the access to the premises
 - Rs 5,000 or 100% of the amount of tax involved reduced to 50% of the amount of tax involved.
 - Any person fails to display of business license penalized to Rs 5,000
 - Non compliance of locally manufacture motor vehicle registration defines under serial no. 19 and 20 of section 182 withdrawn.

- Where any person fails to declare business bank accounts in his registration
 - Rs 10,000 for each day of default since the date of registration or date of opening of bank account whichever is later
 - If penalty is less than Rs. 100,000 workout for each undeclared business bank accounts, such person shall pay Rs. 100,000 for each undeclared business bank account.
 - This provision is applicable from the 1st day of October 2021.
33. Power to arrest and prosecute
- Officer of IR AC who on the basis of material evidence may cause of arrest of such person
 - Procedure to be followed an arrest of a person
 - Appointment of Special Judges
 - Cognizance – (Awareness, realization, or knowledge; notice; perception: The guests took cognizance of the snide remark) of Offences by Special Judges.
 - Special Judge, etc. to have exclusive jurisdiction.
 - Provisions of Code of d Procedure, 1898, to apply.
 - Transfer of case where more than one Special judge appointed within the territorial Jurisdiction of a High Court;
 - A Special Judge shall ordinarily hold sittings at his headquarters but, keeping in view the general convenience of the parties or the witnesses, he may hold sittings at any other place.;
34. E-Hearing
- The Board prescribes the manner e-hearing module for the purpose of conducting hearing, granting opportunity of being heard and electronically receiving any information for the purpose of Income Tax Ordinance.
35. Directorate General of Compliance Risk Management.
- Appointment and establishment of new directorate general for compliance of risk management.
36. Advance tax on Private Motor Vehicles.
- Advance tax on registration of locally manufactured motor vehicle
 - Upto 1000cc advance tax Rs 50,000
 - 1001cc to 2000 cc tax Rs. 100,000
 - 2001cc and above tax Rs 200,000
37. Brokerage and commission
- AOP and IND threshold fixed having turnover of Rs 100million make principal and agent and the principal shall liable to withhold advance tax.

38. Electricity consumption

- Domestic consumer includes for the deduction of advance tax
- Deduction not applicable if domestic consumer if his name appearing in ATL
- Commercial and Industrial consumer rate of deduction of advance tax revised
 - Upto Rs 500 = zero
 - Exceed Rs 500 but does not exceed Rs 20,000 @ 10% of the amount
 - Exceed Rs 20,000 @
 - Commercial consumer Rs 1950 + 12% of the amount
 - Industrial consumer RS 1950 + 5% of the amount
- Domestic consumer
 - Zero percent the amount of monthly billing is less than Rs 25,000
 - 7.5% if the amount of monthly bill is Rs 25,000 or more

39. Telephone and Internet user

- Rate reduce for subscriber for internet, mobile telephone and pre-paid internet or telephone card @ 12.5% to 10% upto tax year 2022 and 8% onwards.

40. Advance Tax on sale or transfer of immovable Property and Advance tax on purchase or transfer of immovable property.


- Public and private real estate projects registered / governed under any law, joint ventures, private commercial concern are liable to deduct advance tax on sale or transfer of immovable property.
- If seller or transferor is a non-resident individual holding Pakistan Origin Card or National ID Card for Overseas Pakistanis or computerized National ID Card who had acquired the said immovable property through a Foreign Currency Value Account or NRP Rupee Value Account maintained with authorized banks in Pakistan under the Foreign exchange regulation issued by the SBP;
 - Tax collected under this section is final discharge of tax liability in lieu of Capital Gain Taxable under section 37.

41. Advance tax on sales to distributors, dealers and wholesalers and Advance tax on sales to retailers.

- Following sector included
 - pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics, IT equipment

42. Following section withdrawn (omitted)

(64C)	Tax credit for persons employing fresh graduates.
(65C)	Tax credit for enlistment.
(65D)	Tax credit for newly established industrial undertakings.
114A	Taxpayer Profile
150A	Return on investment in Sukuks
152A	Payment for foreign produced commercials.
153B	Payment of royalty to resident persons.
182A	Return not filed within due date.
202	Power to compound offences.
203	Trial by Special Judge.
231A	Cash withdrawal from a bank.
231AA	Advance tax on transactions in bank.
233A	Collection of tax by a stock exchange registered in Pakistan.
233AA	Collection of tax by NCCPL.
234A	CNG Stations.
235A	Domestic electricity consumption.
236B	Advance tax on purchase of air ticket.
236HA	Tax on sale of certain petroleum products.
236L	Advance tax on purchase of international air ticket.
236P	Advance tax on banking transactions otherwise than through cash.
236S	Dividend in specie.
236V	Advance tax on extraction of minerals.
236Y	Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards.

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