



2019 Finance Act  
Tax Handbook

Audit / Tax / Advisory



# Tax Handbook 2019

An Information Guide

————— This page is intentionally left blank —————

### ***Preface***

This Tax Handbook intends to unravel the various post budget queries forthcoming by our clients. We have attempted to apprise them with a comprehensive explanation of the implications and an upshot that this Finance Act has brought about. The Tax Handbook encompasses the significant amendments in the Income Tax Ordinance and the Sales Tax Act. The applicable amendments in the laws after enactment are effective from July 1, 2019 unless otherwise specified.

The contents of the Tax Handbook should be read in conjunction with the applicable sections of respective Ordinances, Acts and Rules along with the text of the Finance Act, 2019. This Tax Handbook aims to provide a general guideline and thus should not be considered as a conclusive and enforceable document. A professional advice should be sought before acting on any newly introduced amendments in the Finance Act or on our comments. We hope that this Tax Handbook enhances your perception of the Finance Act, 2019. This publication is the property of Horwath Hussain Chaudhury & Co. and is compiled for the exclusive use of its clients and employees. No part of this publication may be reproduced except with prior permission of Horwath Hussain Chaudhury & Co. Although, the best efforts have been made to ensure accuracy of the information in this Tax Handbook, any errors and omissions are regretted.

Lahore

July 05, 2019

[www.crowe.pk](http://www.crowe.pk)

————— This page is intentionally left blank —————

## Contents

Chapter	Page
<b>Income Tax</b>	
Significant Income Tax Amendments	1 - 6
Income Tax Planning Guide	7 - 27
<b>Sales Tax</b>	
Significant Sales Tax Amendments	28-29
Schedules	
Third	29
Sixth	30
Eighth	30-31
Twelfth	32
Sales Tax on Services	
Punjab	33
Sindh	34
Sales Tax Planning Guide	
Federal Law	35
Provincial Laws	36

————— This page is intentionally left blank —————

## **Significant Income Tax Amendments**

### **Concept of Active Taxpayers' List Revamped**

#### **Section 2 Clause (1A)/182A/ 100BA(1)/Tenth Schedule**

The concept of 'Filer' and 'Non-filer' has been abolished and the concept of 'Non-active' has been redefined. The purpose of introducing this change is to penalize the persons not appearing on ATL and making sure that such persons make their tax filings and thereby eliminating the concept of "Non-filers". The main highlights of such legislative measure are as under:

- 100% increased rate of tax would be applicable for those persons not appearing on ATL.
- Withholding agents will clearly specify the name, CNIC or any other identification of such persons in the withholding statement to compel such persons to make their tax filings.
- Where, in the opinion of the withholding tax agent, no withholding tax is required as such person was not required to file the return, the withholding agent shall furnish an intimation to the Commissioner describing the basis on which the person is not required to file return.
- The Commissioner shall accept or reject the contention on the basis of existing law within 30 days.
- Where the tax of a person has been deducted at the increased 100% tax rate and the person fails to file return of income for that tax year, the Commissioner shall make a provisional assessment within sixty days of the due date for filing of return by imputing income and such income will be treated as concealed income.
- The provisional assessment shall be of no effect if the person files return within forty-five days of completion of provisional assessment.
- Where return is not filed within forty-five days of provisional assessment, it shall be treated as final assessment and the penalty proceedings would be initiated accordingly.
- The tax refund would not be available during the period when person is not included in the active taxpayers' list neither entitled to additional payment for the delayed refund under section 171 and the period the person is not included in ATL list, shall not be counted for computation of additional payment for delayed refund.

### **FBR Refund Settlement Company Limited**

#### **Section 2 Clause (22C), Section 171A**

The concept of 'FBR Refund Settlement Company Limited' has been introduced whereby a company as incorporated under the Companies Act, 2017, for the purposes of settlement of income tax refund claims including payment by way of issuing refund bonds would be established.

The refund bonds shall be issued by FBR Refund Settlement Company Limited and such bonds shall bear simple interest of 10% with a maturity period of three years. The bonds shall be traded freely in the Country's secondary markets.

### **Scope of Tax on Offshore Assets**

#### **Section 2(5C),(38AA),(38AB),(38AC), 195**

In an attempt to keep a track of offshore assets' movement, creation and transference in foreign territory that are owned, controlled or possessed by a Pakistani national the Act has envisaged the following provisions as under:

**Asset Move**

'Asset move' means the transfer of an offshore asset to an unspecified jurisdiction by or on behalf of a person who owns, possesses, controls or is the beneficial owner of such offshore asset for the purposes of tax evasion.

**Offshore Asset**

'Offshore asset' in relation to a person, includes any movable or immovable asset held, any gain profit, or income derived or any expenditure incurred outside Pakistan.

**Offshore Evader**

'Offshore evader' means a person who owns, possesses, controls, or is the beneficial owner of an offshore asset and does not declare, or under declares or provides inaccurate particulars of such asset to the Commissioners.

The Board has been empowered to publish the name of offshore tax evaders, in the print and electronic media who have evaded offshore tax equal to or exceeding Rs. 2.5 million.

**Offshore Enabler**

'Offshore enabler' includes any person who, enables, assists, or advises any person to plan design, arrange or manage a transaction or declaration relating to an offshore asset, which has resulted or may result in tax evasion.

The Board has been empowered to publish the name of offshore tax enables, in the print and electronic media who have enabled offshore tax evasions.

***Penalty and Prosecution for Offshore Assets Evasion***

<b>Prosecution for</b>	<b>Punishment</b>
Concealment of an Offshore Asset (minimum revenue impact of concealment is 10 million rupees)	Imprisonment up to 3 years or a fine up to Rs. 500,000, or both
Non-compliance with notice u/s 116A	Imprisonment up to 1 year or a fine up to Rs. 50,000, or both
Enabling offshore tax evasion	Imprisonment up to 7 year or a fine up to Rs. 5,000,000, or both

***Taxation of Profit on Debt Rationalized******Section 7B (3), 151, (Division IIIA)***

There will be no tax on profit on debt that is exempt from tax under this Ordinance. If the amount of taxable profit on debt exceeds thirty six million rupees such profit on debt would be taxable under normal tax regime. Moreover, the tax deductible under Section 151 on profit on debt shall be a minimum tax.

**Following new tax slabs would be applicable on profit on debt:**

Sr. #	Limit	Proposed
1.	Up to 5 million	15%
2.	From 5 million to 25 million	17.5%
3.	25 million to 36 million	20%

The profit on debt exceeding Rs. 36 million shall be taxable under the normal tax regime.

**Normal Tax Regime Introduced for Income from Property**

**Section 15A (7)**

Income from property derived by individuals or an Association of Persons was treated as separate block income prior to the enactment of Finance Act, 2019 and such taxpayers used to pay tax as per the applicable slabs. These tax slabs have further been increased where the property income exceeds Rs. 4,000,000.

However, an option has been provided by virtue of Finance Act, 2019 to the individuals and AOPs deriving income from property exceeding Rs. 4,000,000 to opt out of separate block and pay tax under Normal Tax Regime thereby entitling them to claim deductions.

Following are the new applicable tax slabs for property income:

Applicable Tax Rates on Income from Property	
Where the gross amount of rent does not exceed Rs.200,000	Nil
Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000	5 per cent of the gross amount exceeding Rs.200,000
Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000	Rs.20,000 + 10 per cent of the gross amount exceeding Rs.600,000
Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000	Rs.60,000 + 15 per cent of the gross amount exceeding Rs.1,000,000
Where the gross amount of rent exceeds Rs.2,000,000 but does not exceed Rs. 4,000,000	Rs.210,000 + 20 per cent of the gross amount exceeding Rs.2,000,000
Where the gross amount of rent exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs.610,000 + 25 per cent of the gross amount exceeding Rs.4,000,000
Where the gross amount of rent exceeds Rs. 6,000,000 but does not exceed Rs. 8,000,000	Rs.1,110,000 + 30 per cent of the gross amount exceeding Rs.6,000,000
Where the gross amount of rent exceeds Rs. 8,000,000	Rs.1,710,000 + 35 % of the gross amount exceeding Rs.8,000,000

**Profit Shifting to Dealers Restricted**
**Section 21(ca), 108B**

A restriction has been placed on claiming of commission expense up to a maximum of 0.2% of gross amount of supplies made by a person of products listed in the Third Schedule to the Sales Tax Act, 1990 to a person who is not appearing in the active taxpayers list.

Moreover, where a person supplies products listed in the Third Schedule to the Sales Tax Act, 1990 or any other products as prescribed by the Board, under a dealership arrangement with the dealers who are not registered under the Sales Tax Act, 1990 and are not appearing in ATL under this Ordinance, an amount equal to 75% of the dealer's margin shall be added to the income of the person making such supplies. Further, 10% of the sale price of the manufacturer shall be treated as dealer's margin.

**Normal Useful Life of an Intangible**
**Section 24 (4)**

If an intangible does not have an ascertainable useful life, its useful life shall be 25 years.

**Taxation of Immovable Properties**
**Section 37 (3A)**

The gain arising on disposal of immovable properties in the form of 'Open Plots' shall be charged to tax at the following rates as a separate block:

Sr. #	Holding Period – Open Plots	Gain
1.	Where the holding period of open plot does not exceed one year	100%
2.	Where the holding period of open plot exceeds one year but does not exceed eight (8) years	75%
3.	Where the holding period of open plot exceeds eight (8) years	0%

The gain arising on disposal of immovable properties in the form of 'Constructed Properties' shall be charged to tax at the following rates as a Separate Block:

Sr. #	Holding Period – Constructed Property	Gain
1.	Where the holding period of open plot does not exceed one year	100%
2.	Where the holding period of open plot exceeds one year but does not exceed four (4) years	75%
3.	Where the holding period of open plot exceeds four (4) years	0%

**Gift to be treated as an Income**
**Section 39 Clause (la)**

Any amount or fair market value of any property received without consideration or received as gift shall be taxed under the head income from other sources, other than gift received from grandparents, parents, spouse, real brother, real sister, son or a daughter.

**Tax Credit on Investments in BMR Restricted**
**Section 65B(1)**

Tax credit on BMR has been reduced from 10% to 5% of the amount of eligible investment for balancing, modernization and replacement of the plant and machinery. The unadjusted tax credit shall continue to be carried forward after Tax Year 2019.

***Tax Credit upon Employing Fresh Graduates Introduced*** **Section 64C(1)/(2)/(3)/(4)**

An initiative has been taken for generating employment opportunities for fresh graduates qualified after 1st July 2017 from HEC recognized institutions by allowing a new tax Credit against the salary of such graduates provided such headcount is not more than 15% of the total number of employees.

***Payment through Banking Channel on Account of Purchase of Assets Prescribed*****Section 75A**

Immovable property and any asset having Fair Market Value greater than Rs. 5,000,000 and Rs. 1,000,000 respectively can only be purchased through banking channel showing transfer of amount from one bank account to another bank account.

If the transaction is not through the banking channel then no depreciation, amortization shall be allowed, and no cost shall be eligible for computing gain on such asset.

The person shall be penalized if the transaction is not in accordance with the rule, by 5% of the amount of stamp duty or FBR value; whichever is higher.

***Residential Status Redefined*****Section 82**

The residential status for individuals has been redefined. An individual would be considered as a resident person if:

- He is present in Pakistan for a period of 120 days or more in the tax year; and
- Who, in the four years preceding the tax year, has been in Pakistan for a period of 365 days or more

***Fair Market Value Assessment from Chartered Accountant*****Section 108A(1)**

If the Commissioner considers that a transaction is not based upon arm's length principle, then the Commissioner may obtain report about the Fair Market Value from an independent Chartered Accountants and Cost and Management Accountants.

If the Commissioner is satisfied from the report, then it shall be treated as definite information. However, if for any reason, the commissioner is not satisfied with the report then he may record reasons and seek report from other Chartered Accountants and Cost and Management Accountants.

***Threshold for Immunity from Probe on Foreign Remittances Reduced*****Section 111**

The threshold for immunity from probe on foreign remittances has been reduced from Rs. 10 million to Rs. 5 million.

***Protection given to Assets Declaration Scheme*****Section 120B**

The Assets Declaration Scheme has been endorsed by giving protection to the Scheme announced by virtue of Assets Declaration Ordinance, 2019 by restricting any proceedings to be initiated under the Income Tax Ordinance, 2001 against declarations made under the Scheme.

***Minimum Tax Regime on Imports***
***Section 148(7,8A)***

The tax deducted under Section 148 on imports shall be a minimum tax.

***Minimum Tax Regime on Payments to Non-residents***
***Section 152(1B)***

The tax deductible under Section 152 on payments made to non-residents shall be a minimum tax.

***Payment to Non-Residents under Cohesive Business Arrangements***
***Section 152(4B)***

The tax on offshore component of the nonresidents under the cohesive business operation has been reduced to 30% i.e. 2.1% (30% of 7%) of the tax payable subject to the approval by the Commissioner. However, credit of the tax so deducted shall be available to the permanent establishment of the non-resident accounting for overall profits arising on the overall cohesive business operation.

***Minimum Tax Regime on Payments for Goods & Contracts***
***Section 153(3)***

The tax deductible under Section 153 on payments for goods and contracts shall be a minimum tax.

***Deduction of Tax on Payments of Royalty***
***Section 153B***

Tax shall be deducted at the time of making payment against royalty to the resident person at the rate of 15% of the gross amount of royalty. The tax deducted under this section shall be adjustable.

***Punitive Measures for Late Filers Rationalized***
***Section 182A***

The restriction of placing a late filer on ATL has been abolished. Late filers would be penalized by withholding any refund due to a late-filer in the tax year in which the return was filed late without incurring any liability of compensation for delayed refund. A nominal additional tax liability would be payable for placing the name of such late filers on ATL as tabulated below:

Sr. #	Taxpayer Category	Tax Payable (PKR)
1.	Company	20,000
2.	Association of Persons	10,000
3.	Individual	1,000

***Transfer of Immovable Property***
***Section 236C***

Previously, the persons responsible for registering, recording or attesting transfer of immoveable property were required to collect advance tax from the seller of immovable property at applicable rates if such property is sold within three years of acquisition. However, the Finance Act 2019 has extended this time period of holding the immovable property from three years to five years.

***Tax on purchase or transfer of immovable Property***
***Section 236W (Omitted)***

The perpetual amnesty scheme under the garb of advance tax form at the rate of 3% on the differential amount of FBR prescribed rate and DC value stands abolished.

————— This page is intentionally left blank —————

## **Income Tax Planning Guide**

### **What Year End Can a Taxpayer Adopt?**

Person	Tax Year Type	Year End
Companies, AOPs and Individuals	Normal Tax Year	July 01 to June 30
Sugar	Special Tax Year	October 01 to September 30
Banking and Insurance Companies	Special Tax Year	January 01 to December 31
Ginners, Rice Huskers, Oil Mills	Special Tax Year	September 01 to August 31
Shawl Manufacturers	Special Tax Year	April 01 to March 31

### **When to File the Return of Income?**

Status	Year End	Date of Filing	Tax Year
Salaried Individual & Non-corporate Taxpayer (falling under FTR)	June 30, 2019	September 30, 2019	2019
Other Individuals and AOPs	June 30, 2019	September 30, 2019	2019
Company (including falling under FTR)	June 30, 2019	December 31, 2019	2019
Company	September 30, 2019	September 30, 2020	2020
Company	December 31, 2019	September 30, 2020	2020

### **Who is Required to Pay Advance Tax?**

- Every business individual whose latest assessed taxable income excluding the presumptive tax income is more than Rs. 1,000,000
- Every Association of Person
- Every Company

### **When to Pay Advance Tax by an AOP or Company?**

Period	Quarter	Payment Date
1 <sup>st</sup> of July to 30 <sup>th</sup> September	September Quarter	On or before the 25 <sup>th</sup> of September
1 <sup>st</sup> October to 31 <sup>st</sup> December	December Quarter	On or before the 25 <sup>th</sup> of December
1 <sup>st</sup> January to 31 <sup>st</sup> March	March Quarter	On or before the 25 <sup>th</sup> of March
1 <sup>st</sup> April to 30 <sup>th</sup> June	June Quarter	On or before the 15 <sup>th</sup> of June

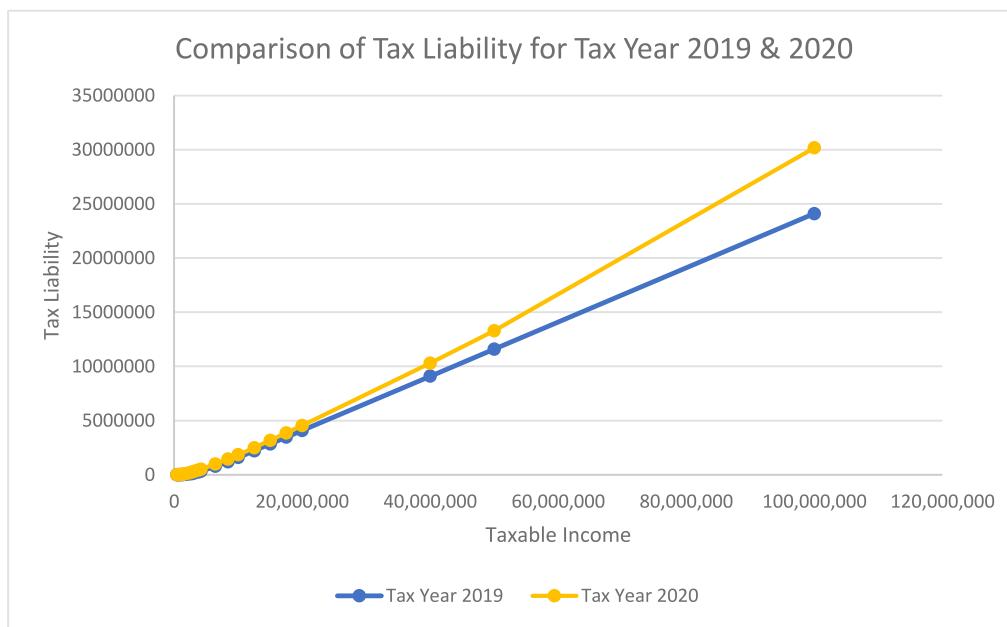
*Individuals have to pay advance tax within 15 days after the close of each quarter.*

## Income Tax

### Income Tax

#### Comparison of Change in tax liability of Salaried Individuals for the Tax Year 2020

S. No.	Taxable Income Per Annum	Tax Liability		Additional Impact
	PKR	PKR	PKR	PKR
1.	400,000	0	0	0
2.	600,000	1,000	0	(1,000)
3.	800,000	1,000	10,000	9,000
4.	1,200,000	2,000	30,000	28,000
5.	1,400,000	10,000	50,000	40,000
6.	1,800,000	30,000	90,000	60,000
7.	2,400,000	60,000	180,000	120,000
8.	2,800,000	110,000	247,500	137,500
9.	3,200,000	170,000	317500	147,500
10.	3,800,000	260,000	430,000	170,000
11.	4,200,000	330,000	510,000	180,000
12.	6,400,000	770,000	985,000	215,000
13.	8,400,000	1,190,000	1,445,000	255,000
14.	10,000,000	1,590,000	1,845,000	255,000
15.	12,500,000	2,215,000	2,482,500	267,500
16.	15,000,000	2,840,000	3,170,000	330,000
17.	17,500,000	3,465,000	3,857,500	392,500
18.	20,000,000	4,090,000	4,545,000	455,000
19.	40,000,000	9,090,000	10,295,000	1,205,000
20.	50,000,000	11,590,000	13,295,000	1,705,000
21.	100,000,000	24,090,000	30,170,000	6,080,000



**Rate of Tax for Individual and AOP**

The rates of tax imposed on the taxable income of every individual and AOP shall be as set out in the following table:

Income Brackets	Rates
Taxable income not exceeding Rs. 400,000	0%
Taxable income exceeding Rs. 400,000 but not exceeding Rs. 600,000	5% of the amount exceeding Rs. 400,000
Taxable income exceeding Rs. 600,000 but not exceeding Rs. 1,200,000	Rs. 10,000 + 10% of the amount exceeding Rs. 600,000
Taxable income exceeding Rs. 1,200,000 but not exceeding Rs. 2,400,000	Rs. 70,000 + 15% of the amount exceeding Rs. 1,200,000
Taxable income exceeding Rs. 2,400,000 but not exceeding Rs. 3,000,000	Rs. 250,000 + 20% of the amount exceeding Rs. 2,400,000
Taxable income exceeding Rs. 3,000,000 but not exceeding Rs. 4,000,000	Rs. 370,000 + 25% of the amount exceeding Rs. 3,000,000
Taxable income exceeding Rs. 4,000,000 but not exceeding Rs. 6,000,000	Rs. 620,000 + 30% of the amount exceeding Rs. 4,000,000
Taxable income exceeding Rs. 6,000,000	Rs. 1,220,000 + 35% of the amount exceeding Rs. 6,000,000

**Rate of Tax for Salaried Individual**

The rates of tax imposed on the taxable income of every salaried individual shall be as set out in the following table:

Income Brackets	Rates
Taxable income not exceeding Rs. 600,000	0%
Taxable income exceeding Rs. 600,000 but not exceeding Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
Taxable income exceeding Rs. 1,200,000 but not exceeding Rs. 1,800,000	Rs. 30,000 + 10% of the amount exceeding Rs. 1,200,000
Taxable income exceeding Rs. 1,800,000 but not exceeding Rs. 2,500,000	Rs. 90,000 + 15% of the amount exceeding Rs. 1,800,000
Taxable income exceeding Rs. 2,500,000 but not exceeding Rs. 3,500,000	Rs. 195,000 + 17.5% of the amount exceeding Rs. 2,500,000
Taxable income exceeding Rs. 3,500,000 but not exceeding Rs. 5,000,000	Rs. 370,000 + 20% of the amount exceeding Rs. 3,500,000
Taxable income exceeding Rs. 5,000,000 but not exceeding Rs. 8,000,000	Rs. 670,000 + 22.5% of the amount exceeding Rs. 5,000,000
Taxable income exceeding Rs. 8,000,000 but not exceeding Rs. 12,000,000	Rs. 1,345,000 + 25% of the amount exceeding Rs. 8,000,000
Taxable income exceeding Rs. 12,000,000 but not exceeding Rs. 30,000,000	Rs. 2,345,000 + 27.5% of the amount exceeding Rs. 12,000,000
Taxable income exceeding Rs. 30,000,000 but not exceeding Rs. 50,000,000	Rs. 7,295,000 + 30% of the amount exceeding Rs. 30,000,000
Taxable income exceeding Rs. 50,000,000 but not exceeding Rs. 75,000,000	Rs. 13,295,000 + 32.5% of the amount exceeding Rs. 50,000,000
Taxable income exceeding Rs. 75,000,000	Rs. 21,420,000 + 35% of the amount exceeding Rs. 75,000,000

# Income Tax

## Income Tax

### Tax on Rental Income

In Division V, Part III of First Schedule the following new rates have been inserted:

<b>Gross Amount of Rent</b>	<b>Rate of Tax</b>
Where the gross amount of rent does not exceed Rs. 200,000	Nil
Where the gross amount of rent exceeds Rs. 200,000 but does not exceed Rs. 600,000	5% of the gross amount exceeding Rs. 200,000
Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs.1,000,000	Rs. 20,000 + 10% of the gross amount exceeding Rs. 600,000
Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs. 2,000,000	Rs. 60,000 + 15% of the gross amount exceeding Rs.1,000,000.
Where the gross amount of rent exceeds Rs.2,000,000 but does not exceed Rs. 4,000,000	Rs. 210,000 + 20% of the gross amount exceeding Rs.2,000,000
Where the gross amount of rent exceeds Rs.4,000,000 but does not exceed Rs. 6,000,000	Rs. 610,000 + 25% of the gross amount exceeding Rs.4,000,000
Where the gross amount of rent exceeds Rs.6,000,000 but does not exceed Rs. 8,000,000	Rs. 1,110,000 + 30% of the gross amount exceeding Rs.6,000,000
Where the gross amount of rent exceeds Rs.8,000,000	Rs. 1,710,000 + 35% of the gross amount exceeding Rs.8,000,000

Every person making payment to a company on account of rent is required to deduct tax @ 15%.

### Comparison of Tax Liability for the Tax Year 2019 & 2020

(All figure are in PKR)

<b>Rental Income Per Annum</b>	<b>Tax Liability</b>		<b>Additional Impact</b>
	<b>Tax Year 2019</b>	<b>Tax Year 2020</b>	
200,000	0	0	0
400,000	10,000	10,000	0
800,000	40,000	40,000	0
1,600,000	150,000	150,000	0
3,200,000	450,000	450,000	0
5,000,000	810,000	860,000	50,000
7,000,000	1,210,000	1,410,000	200,000
9,000,000	1,610,000	2,060,000	450,000

**Minimum Tax:**

Rate Applicable		
Individual	10 million	1.5%
Association of Persons	10 million	1.5%
Companies	N/A	1.5%

**Rate of withholding Tax for Distributor of FMCG**

Status	Rate of Tax
Company	2% of the gross amount payable
Other Than a Company	2.5% of the gross amount payable

**Initial and First Allowance:**

- The rate of initial allowance under section 23 shall be 25% for plant and machinery.
- The rate of 1<sup>st</sup> year allowance under section 23A and 23B shall be 90%.

**Tax Depreciation Rates:**

Description	Rate
Building (all types)	10%
Furniture (including fittings) and machinery and plant (not otherwise specified), Moor vehicles (all types), ships, technical or professional books	15%
Computer hardware including printer, monitor and allied items, machinery and equipment used in manufacture of IT products, aircrafts and aero engines	30%
In case of mineral oil concerns the income of which is liable to be computed in accordance with the rules in Part-I of the Fifth Schedule:	
(a) Below ground installations	100%
(b) Offshore platform and production installations	20%
A ramp built to provide access to persons with disabilities not exceeding Rs. 250,000 each	100%

*Capital Gain on disposal of Securities*

The rate of tax to be paid under section 37A shall be as follows:

Sr.No.	Holding Period	Tax Year	
		2019	2020
1	Where holding period of a security is less than 12 months	15%	15%
2	Where holding period of a security is 12 months or more but less than 24 months	12.5%	15%
3	Where the holding period of a security is 24 months or more, but the security was acquired on or after 1 <sup>st</sup> July, 2013	7.5%	15%
4	Where the security was acquired before 1 <sup>st</sup> July, 2013	0%	0%
5	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%

*Tax Rates for Companies*

Company	Rate for the Tax Year	
	2019	2020
Banking Company	35%	35%
Public Company (other than a banking company)	29%	29%
Private Company (other than a banking company)	29%	29%
Small Company having turnover up to Rs. 250 million	24%	23%
Modaraba	25%	25%

**Allowances and Tax Credits:**

<b>SEC</b>	<b>PARTICULARS</b>	<b>BENEFIT</b>	<b>LIMIT</b>
60.	Zakat	Deductible Allowance	N/A
60A.	Workers' Welfare Fund	Deductible Allowance	N/A
60B.	Workers' Participation Fund	Deductible Allowance	N/A
60C.	Profit on Debt	Deductible Allowance	Lower of: <ul style="list-style-type: none"> <li>● 50% percent of the taxable income; or</li> <li>● Rs. 2,000,000</li> </ul>
60D.	Education Expenses	Deductible Allowance (Subject to maximum taxable income of individual for claiming deductible allowance is Rs. 1,500,000)	Lower of: <ul style="list-style-type: none"> <li>● 5% of the total tuition fee paid by the individual</li> <li>● 25% of the person's taxable income for the year; and</li> <li>● An amount computed by multiplying Rs. 60,000 with number of children of the individual</li> </ul>
61.	Charitable Donations	Tax Credit	Tax Credit: $(A/B)*C$ <p>A= Assessed amount of tax for the year before any tax credit.  B= Taxable income for the year.  C= Lower of:  <ul style="list-style-type: none"> <li>● Total amount of person's donations during the year or</li> <li>● 30% of Taxable income in case of individual and AOP or</li> <li>● 20% of Taxable income in case of company</li> </ul> </p>
62.	Investment in Shares and Insurance	Tax Credit (A resident person other than a company)	Tax Credit: $(A/B)*C$ <p>A= Assessed amount of tax for the year before any tax credit.  B= Taxable income for the year.  C= Lower of:  <ul style="list-style-type: none"> <li>● Cost of acquisition of shares / insurance premium or contribution paid or</li> <li>● 20% of Taxable income or</li> <li>● Rs.2,000,000</li> </ul> </p>
62A.	Investment in Health Insurance	Tax Credit	Tax Credit: $(A/B)*C$ <p>A= Assessed amount of tax for the year.  B= Taxable income for the year.  C= Lower of:  <ul style="list-style-type: none"> <li>● The total contribution or premium paid or</li> <li>● 5% of the person's taxable income or</li> <li>● Rs. 150,000</li> </ul> </p>

## Income Tax

### Income Tax

SEC	PARTICULARS	BENEFIT	LIMIT
64B.	Employment Generation by Manufacturers	Tax Credit	2% of tax payable for every 50 employees registered with The Employees Old Age Benefits Institution or the Employees Social Security Institutions of Provincial Governments subject to maximum of 10% of tax payable
64C.	Persons employing Fresh Graduates	Tax Credit	<p>Tax Credit: <math>(A/B)*C</math></p> <p>A= Assessed amount of tax for the year before the allowance of tax credit under this section.</p> <p>B= Taxable income for the year.</p> <p>C= Lower of:</p> <ul style="list-style-type: none"> <li>• Annual salary paid to freshly qualified graduates and</li> <li>• 5% of the taxable income for the year</li> </ul> <p>However, the credit will be allowed against salary of those fresh graduates which are not more than 15% of the total employees of the company.</p>
65B.	Investment in Purchase of Plant and Machinery	Tax Credit	5% of the amount so invested shall be allowed against the tax payable
65C.	Enlistment in Registered Stock Exchange	Tax Credit	20% of the tax payable shall be allowed for current and following three tax years provided that the tax credit for the last two years shall be 10% of the tax payable”
65D.	Newly Established Industrial Undertakings	Tax Credit	<p>Tax Credit: <math>A* (B/C)</math></p> <p>A= Assessed amount of tax for the year before any tax credit or</p> <p>B= Equity raised through issuance of new share for cash consideration or</p> <p>C= Total amount invested</p>
65E.	Industrial Undertakings Established Before July 01, 2011	Tax Credit	<p>Tax Credit: <math>A* (B/C)</math></p> <p>A= Assessed amount of tax for the year or</p> <p>B= Equity raised through issuance of new share for cash consideration or</p> <p>C= Total amount invested</p>

# Income Tax

## Income Tax

### Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted
148	<ul style="list-style-type: none"> <li>Remeltable steel directly reduced iron for its own use by industrial undertaking</li> <li>Person Importing Urea</li> <li>Manufacturer covered under SRO. 1125(I) 2011 dated 31.12.2011 and Importing items covered under this SRO.</li> <li>Persons importing plastic fertilizers in pursuance of economic Coordination Committee of the Cabinet's decision No. ECC-155/12/2004 dated the 8th December, 2004;</li> <li>Designated buyer of LNG on behalf of Govt. of Pakistan to import LNG</li> <li>Person Importing Gold.</li> <li>Person Importing cotton</li> <li>Persons importing pulses</li> <li>Commercial importers covered under SRO. 1125(I) 2011 dated 31.12.2011 and importing items covered under this SRO.</li> <li>Persons importing coal, finished pharmaceutical products not manufactured in Pakistan</li> </ul> <p><b>Imports:</b></p> <ul style="list-style-type: none"> <li>Ship breaker on import of ships</li> <li>In case of industrial undertakings (not covered above)</li> <li>In case of other companies (not covered above)</li> <li>In other cases (not covered above)</li> </ul>	<p>Active Taxpayer</p> <p>1% (of import value as increased by customs duty, sales tax and federal excise duty)</p> <p>2% (of import value as increased by customs duty, sales tax and federal excise duty)</p> <p>2%</p> <p>3%</p> <p>4%</p>	<p>In-active Taxpayer</p> <p>2% (of import value as increased by customs duty, sales tax and federal excise duty)</p> <p>2% (of import value as increased by customs duty, sales tax and federal excise duty)</p> <p>2%</p> <p>4%</p> <p>6%</p> <p>8%</p>	<p>Subject to certain exclusion</p> <ul style="list-style-type: none"> <li>Raw material</li> <li>Plant &amp; machinery &amp; parts</li> <li>import by same business-line manufacturer</li> <li>goods where goods, are sold in the same condition as they were when imported</li> <li>Imports of edible oil and packing material</li> <li>plastic raw material imported by an industrial undertaking</li> <li>Cars in CBU condition</li> <li>Import by Large Import Houses</li> <li>Foreign film</li> </ul> <p>In all other cases minimum tax</p>	<p>Custom Authorities</p>	Monthly
148A	Local purchase of cooking oil or vegetable ghee	Active Taxpayer	In-active Taxpayer	Final tax	Nil	Manufacturer
149	Income from Salary	Average rate of tax	Adjustable	Rs. 600,000	Every Employer	Monthly/Annually

# Income Tax

## Income Tax

### Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted
150	<b>Dividends:</b> <ul style="list-style-type: none"> <li>● In case of dividend paid by independent power purchaser where such dividend is paid through item under certain agreements and is required to be reimbursed by CPA-G.</li> <li>● Other Companies (Not covered above)</li> <li>● In case of stock fund</li> <li>● Individual</li> <li>● Company</li> <li>● AOP</li> <li>● For money market Fund, Income fund or REIT scheme or any other fund</li> <li>● Individual</li> <li>● Company</li> <li>● AOP</li> <li>● In case of stock fund if dividend receipts of the fund of the fund are less than capital gain</li> <li>● Rental REIT Scheme</li> <li>● Development REIT scheme for the development and construction of residential building set up by thirtieth day of June 2020</li> <li>● In case of Dividend received from company where no tax is payable by company due to carried forward losses or tax credits</li> </ul>	<b>Active Taxpayer</b> 7.5% 15% 30% 12.5% 25% 12.5% 25% 12.5% 25% 15% 50% 12.5% 25% 12.5% 25% 7.5% 15%	<b>Final</b>	Nil	Every person who pays the dividend	Monthly
150A	<b>Return on Investment in Sukuk if Sukuk Holder is:</b> <ul style="list-style-type: none"> <li>Company</li> <li>Individual or AOP, If:           <ul style="list-style-type: none"> <li>i. Return on Investment is more than 1 Million</li> <li>ii. Return on Investment is less than 1 Million</li> </ul> </li> </ul>	<b>Active Taxpayer</b> 15% 30%	<b>Final</b>	Nil	Every Special Purpose Vehicle (SPV)	* (of Gross Amount)

## Income Tax

### Income Tax

#### Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted				
151	<b>Profit on Debt:</b> <ul style="list-style-type: none"> <li>● Where the amount of profit on debt is equal to or less than Rs. 500,000</li> <li>● Where the amount of profit on debt exceeds Rs. 500,000</li> </ul>	10% <table border="1" data-bbox="523 1066 589 1271"> <tr> <td data-bbox="523 1066 589 1121">Active Taxpayer</td> <td data-bbox="523 1121 589 1197">In-active Taxpayer</td> </tr> <tr> <td data-bbox="523 1197 589 1231">15%</td> <td data-bbox="523 1231 589 1271">30%</td> </tr> </table>	Active Taxpayer	In-active Taxpayer	15%	30%	Minimum Adjustable (in case of companies and profit on debt taxable under section 7B)	Nil	Persons pays Profit	
Active Taxpayer	In-active Taxpayer									
15%	30%									
7B	Profit on Debt covered under section 7B, received by the person other than the company except: <ul style="list-style-type: none"> <li>● Exempt profit on debt.</li> <li>● Amount exceeding Rs. 36,000,000</li> </ul>	* (of Gross Amount after deduction of Zakat	Where profit on debt does not exceed Rs.5,000,000	15%	Adjustable	Where profit on debt exceeds Rs.5,000,000 but does not exceed Rs 25,000,000				

# Income Tax

## Income Tax

Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted																												
152	Payment to Non-Resident on account of: <ul style="list-style-type: none"> <li>● Royalty, fee for technical services to a non-resident Person</li> <li>● Offshore digital services</li> <li>● Contract for construction, assembly / installation projects, supervisory activities, and advertisement services by TV satellite channel.</li> <li>● On payment of insurance or re-insurance premium</li> <li>● On payment for advertisement services to media person</li> <li>● Relying outside Pakistan</li> <li>● Other payments to non-resident except payments covered under section 149, 150, 156 and 233.</li> <li>● Sale of goods to companies</li> <li>● Sale of goods to other persons</li> <li>● Rendering of Services                             <ul style="list-style-type: none"> <li>1. In case of transport services</li> <li>2. In case other than transport service                                     <ul style="list-style-type: none"> <li>● Company</li> <li>● In any other cases</li> </ul> </li> </ul> </li> <li>● Execution of Contract (other than for supply of goods &amp; rendering of service                             <ul style="list-style-type: none"> <li>1. In case of a sportsperson</li> <li>2. In case of a company</li> </ul> </li> </ul>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Active Taxpayer</td> <td style="width: 50%;">In-active Taxpayer</td> </tr> <tr> <td>15%</td> <td>30%</td> </tr> <tr> <td>5%</td> <td>10%</td> </tr> <tr> <td>7%</td> <td>14%</td> </tr> <tr> <td>5%</td> <td>10%</td> </tr> <tr> <td>10%</td> <td>20%</td> </tr> <tr> <td>20%</td> <td>40%</td> </tr> <tr> <td>4%</td> <td>8%</td> </tr> <tr> <td>4.5%</td> <td>9%</td> </tr> <tr> <td>2%</td> <td>4%</td> </tr> <tr> <td>8%</td> <td>16%</td> </tr> <tr> <td>10%</td> <td>20%</td> </tr> <tr> <td>10%</td> <td>20%</td> </tr> <tr> <td>7%</td> <td>14%</td> </tr> </table>	Active Taxpayer	In-active Taxpayer	15%	30%	5%	10%	7%	14%	5%	10%	10%	20%	20%	40%	4%	8%	4.5%	9%	2%	4%	8%	16%	10%	20%	10%	20%	7%	14%	Minimum Tax	Nil	Payer of payment	Monthly
Active Taxpayer	In-active Taxpayer																																	
15%	30%																																	
5%	10%																																	
7%	14%																																	
5%	10%																																	
10%	20%																																	
20%	40%																																	
4%	8%																																	
4.5%	9%																																	
2%	4%																																	
8%	16%																																	
10%	20%																																	
10%	20%																																	
7%	14%																																	
152A	Payment to resident company or permanent establishment of non-resident on account of: <ul style="list-style-type: none"> <li>● Payment to non-resident person for foreign produced commercials</li> </ul>	20% from the gross amount paid.		Final	Nil	Every person responsible for making payment to foreigner																												
153	Payment to resident company or permanent establishment of non-resident on account of: <ul style="list-style-type: none"> <li>(a) <b>Sale of Goods:</b> <ul style="list-style-type: none"> <li>● Sale of rice, cotton seed or edible oil</li> <li>● Sale by dealer and sub dealer of sugar, cement and edible oil</li> <li>● Supply made by distributors of Fast Moving Consumer Products:                             <ul style="list-style-type: none"> <li>i. In case of company</li> <li>ii. In any other case</li> </ul> </li> <li>● Sale by distributors of cigarettes and pharmaceutical products and large import houses                             <ul style="list-style-type: none"> <li>● Sale of any other goods in case of companies in any other case</li> </ul> </li> </ul> </li> </ul>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Active Taxpayer</td> <td style="width: 50%;">In-active Taxpayer</td> </tr> <tr> <td>1.5%</td> <td>3%</td> </tr> <tr> <td>0.25%</td> <td>0.5%</td> </tr> <tr> <td>2%</td> <td>4%</td> </tr> <tr> <td>2.5%</td> <td>5%</td> </tr> <tr> <td>1%</td> <td>2%</td> </tr> <tr> <td>4%</td> <td>8%</td> </tr> <tr> <td>4.5%</td> <td>9%</td> </tr> </table>	Active Taxpayer	In-active Taxpayer	1.5%	3%	0.25%	0.5%	2%	4%	2.5%	5%	1%	2%	4%	8%	4.5%	9%	Minimum	Rs. 75,000	Federal Government, Company, a registered AOP, foreign contractor or consultant or a consortium or a joint venture, Individual with turnover exceeding 50 million, AOP with turnover exceeding Rs. 50 million and exporter of export house	Monthly												
Active Taxpayer	In-active Taxpayer																																	
1.5%	3%																																	
0.25%	0.5%																																	
2%	4%																																	
2.5%	5%																																	
1%	2%																																	
4%	8%																																	
4.5%	9%																																	

## Income Tax

## Income Tax

### Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted

## Income Tax

### Income Tax

#### Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted						
155	Income from Property: <ul style="list-style-type: none"> <li>● In case of Individuals and AOP</li> <li>● In Case of Company:</li> </ul>	As per Slabs <table border="1" style="margin-left: 20px;"> <tr> <td>Active Taxpayer</td> <td>In-active Taxpayer</td> </tr> <tr> <td>15%</td> <td>30%</td> </tr> </table>	Active Taxpayer	In-active Taxpayer	15%	30%	Adjustable	Rs. 200,000 (In case of non-corporate taxpayer)	Federal Govt., Provincial Govt., Local Authority, a company, and a few others	Monthly		
Active Taxpayer	In-active Taxpayer											
15%	30%											
156	Prize on prize bonds or crossword puzzle <ul style="list-style-type: none"> <li>● Prize on winning of the quiz, winning from raffle, lottery &amp; prize offered by companies for promotion on sales</li> </ul>	<table border="1" style="margin-left: 20px;"> <tr> <td>Active Taxpayer</td> <td>In-active Taxpayer</td> </tr> <tr> <td>15%</td> <td>30%</td> </tr> <tr> <td>20%</td> <td>40%</td> </tr> </table>	Active Taxpayer	In-active Taxpayer	15%	30%	20%	40%	Final	Nil	Person making payment	Monthly
Active Taxpayer	In-active Taxpayer											
15%	30%											
20%	40%											
156A	Payment of commission to petrol pump operators	<table border="1" style="margin-left: 20px;"> <tr> <td>Active Taxpayer</td> <td>In-active Taxpayer</td> </tr> <tr> <td>12%</td> <td>24%</td> </tr> </table>	Active Taxpayer	In-active Taxpayer	12%	24%	Final	Nil	Every person selling petroleum products	Monthly		
Active Taxpayer	In-active Taxpayer											
12%	24%											
156B	Payment on account of approved pension fund (before retirement other than due to disability or death)		Average rate of tax	50% of accumulated balance at retirement.	Pension fund manager	Monthly						

## Income Tax

### Income Tax

#### Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted
231AA	Sale against cash of any instrument- DD, Pay order, CDR and STDR etc.	Active Taxpayer 0 In-active Taxpayer 0.6%	Adjustable	Rs. 25,000/Day	Even banking company non-banking financial institution	Bi-annually
231B	Purchase of motor vehicle with engine capacity: Up to 50CC For Active Taxpayers For Inactive Taxpayers 851CC to 1000CC For Active Taxpayers For Inactive Taxpayers 1001CC to 1300CC For Active Taxpayers For Inactive Taxpayers 1301CC to 1600CC For Active Taxpayers For Inactive Taxpayers 1601CC to 1800CC For Active Taxpayers For Inactive Taxpayers 1801CC to 2000CC For Active Taxpayers For Inactive Taxpayers 2001CC to 2500CC For Active Taxpayers For Inactive Taxpayers 2501CC to 3000CC For Active Taxpayers For Inactive Taxpayers Above 3000CC For Active Taxpayers For Inactive Taxpayers	Rs. 7500 Rs. 15,000 Rs. 15,000 Rs. 30,000 Rs. 25,000 Rs. 50,000 Rs. 50,000 Rs. 100,000 Rs. 75,000 Rs. 150,000 Rs. 100,000 Rs. 200,000 Rs. 150,000 Rs. 300,000 Rs. 200,000 Rs. 400,000 Rs. 250,000 Rs. 500,000	Adjustable	Advance Tax shall be collected after the end of five years from 1 <sup>st</sup> Registration	Registration Authority at the time of Registration	Bi-annually
	For Leased Motor Vehicles In-active Taxpayers	4% of Value of Motor Vehicle			Transfer of registration or ownership of a private motor vehicle manufactured locally with engine capacity: Up to 850CC For Active Taxpayers	Rs. 0 Rs. 0

# Income Tax

## Income Tax

Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted
851CC to 1000CC	For Inactive Taxpayers For Active Taxpayers	Rs. 5,000 Rs. 10,000				
1001CC to 1300CC	For Inactive Taxpayers For Active Taxpayers	Rs. 7500 Rs. 14,000				
1301CC to 1600CC	For Inactive Taxpayers For Active Taxpayers	Rs. 12,500 Rs. 23,000	Adjustable	10% reduction in the amount of Tax by each year from the date of first registration	Leasing company, Investment Bank, Development Finance Institution and Midaraba Company at the time of leasing of motor vehicle	
1601CC to 1800CC	For Inactive Taxpayers For Active Taxpayers	Rs. 18,750 Rs. 37,500				
1801CC to 2000CC	For Inactive Taxpayers For Active Taxpayers	Rs. 25,000 Rs. 50,000				
2001CC to 2500CC	For Inactive Taxpayers For Active Taxpayers	Rs. 37,500 Rs. 75,000				
2501CC to 3000CC	For Inactive Taxpayers For Active Taxpayers	Rs. 50,000 Rs. 100,000				
Above 3000CC	For Inactive Taxpayers For Active Taxpayers For Inactive Taxpayers For Active Taxpayers	Rs. 62,500 Rs. 125,000				
233	Brokerage and Commission:  Advertising agents All others Life Insurance Agents where commission received is less than Rs. 0.5 Million per annum	Active Taxpayer 10% 12% 8%	Inactive Taxpayer 20% 24% 16%	Minimum	Nil Principal (Federal Govt., Provincial Govt., Local Govt., AOP and Company)	Bi-annually
233A	Collection of tax by stock exchange registered in Pakistan on account of: Purchase of shares Sale of shares	0.02% 0.02%		Minimum	Nil Stock Exchange	Bi-annually
233AA	Collection of advance tax by NCPL on account of profit earned by Margin Financiers, Trading Financiers and Securities lenders	10% of Profit/ Markup		Minimum	Nil NCPL	

# Income Tax

## Income Tax

### Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted /	Annually
234	In case of passenger transport vehicle with seating capacity of: ● 4 or more person but less than 10 person ● 10 or more person but less than 20 person ● 20 or more person  Other private motor car with engine capacity of: ● Up to 1000CC For Active Taxpayers ● For Inactive Taxpayers ● 1001CC to 1199CC For Active Taxpayers ● For Inactive Taxpayers ● 1200CC to 1299CC For Active Taxpayers ● For Inactive Taxpayers ● 1300CC to 1499CC For Active Taxpayers ● For Inactive Taxpayers ● 1500CC to 1599CC For Active Taxpayers ● For Inactive Taxpayers ● 1600CC to 1999CC For Active Taxpayers ● For Inactive Taxpayers ● 2000CC and above For Active Taxpayers ● For Inactive Taxpayers  Where the motor vehicle tax is collected in lump sum,- ● Up to 1000CC For Active Taxpayers ● For Inactive Taxpayers ● 1001CC to 1199CC For Active Taxpayers ● For Inactive Taxpayers ● 1200CC to 1299CC For Active Taxpayers ● For Inactive Taxpayers ● 1300CC to 1499CC For Active Taxpayers ● For non-Active Taxpayers ● 1500CC to 1599CC For Active Taxpayers ● For non-Active Taxpayers ● 1600CC to 1999CC For Active Taxpayers ● For non-Active Taxpayers ● 2000CC and above For Active Taxpayers ● For non-Active Taxpayers	Minimum/ Adjustable	Nil	Excise and Taxation Department			
234A	Tax on gas consumption charges of a Compressed Natural Gas (CNG) Station	Active Taxpayer 4% Inactive Taxpayer 8%	Minimum	Nil	Person Preparing gas consumption bill	Bi-annually	

# Income Tax

## Income Tax

### Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted
235	Electricity Consumption Where the amount of bill: • Does not exceed Rs. 400 • Exceeds Rs. 400 but does not exceed Rs. 600 • Exceeds Rs. 600 but does not exceed Rs. 800 • Exceeds Rs. 800 but does not exceed Rs. 1,000 • Exceeds Rs. 1,000 but does not exceed Rs. 1,500 • Exceeds Rs. 1,500 but does not exceed Rs. 3,000 • Exceeds Rs. 3,000 but does not exceed Rs. 4,500 • Exceeds Rs. 4,500 but does not exceed Rs. 6,000 • Exceeds Rs. 6,000 but does not exceed Rs. 10,000 • Exceeds Rs. 10,000 but does not exceed Rs. 15,000 • Exceeds Rs. 15,000 but does not exceed Rs. 20,000 • Exceeds Rs. 20,000	Rs. 0 Rs. 80 Rs. 100 Rs. 160 Rs. 300 Rs. 350 Rs. 450 Rs. 500 Rs. 550 Rs. 1,000 Rs. 1,500 At 5% (Industrial consumer) At 12% (Commercial consumer)	1). Fully adjustable for companies 2). In other cases: > Where amount of the bill does not exceed 360,000 per annum, tax collected shall be minimum > Where amount of the bill exceeds 30,000 per month, tax collected shall be adjustable	Nil	Person preparing Electricity bills	Bi-annually
235A	Domestic electricity consumption	7.5% (if the amount of bill is equal or more than 75,000)	Adjustable	Where the amount of monthly bill is less than Rs. 75,000	Person preparing electricity consumption bill	
235B	Electricity consumed for the production of steel billets, ingots and mild steel (MS products) excluding stainless steel by steel melters, steel re-rollers, composite steel units (registered for the purpose of Chapter XI of Sales Tax Special Procedure Rules, 2007)	Rs. 1 per unit of electricity consumed	Non-Adjustable			
236	Telephone subscriber where the monthly bill exceeds Rs. 1,000 • Subscriber of internet, mobile telephone and pre-paid internet or telephone cards	10% 12.5%	Fully adjustable for companies, whereas adjustable up to the extent of tax liability for individuals and AOPs	Rs. 1,000 for telephone subscriber	Person preparing mobile and phone bills and person selling prepaid cards	Monthly
236A		Active Taxpayer 10% 10% Inactive Taxpayer 20% 20%	Advance Final	Nil	Person making sale by consultant, commissioner and collector of customs etc.	Monthly
236 B	Purchase of air ticket	5%	Adjustable	Nil	Airline preparing air ticket	Monthly
236 C	Sale or transfer of immovable property: • Sale of any property or goods by auction • Tax collected on the lease of the right to collect tolls	Active Taxpayer 1% Inactive Taxpayer 2%	Adjustable/ Minimum in certain cases	Immovable property is held for the period exceeding five years	Person responsible for registering, recording and transfer of immovable property	Monthly
236D	Advance tax on functions and gatherings	5%	Adjustable	Nil	Owner operator of hall hotel etc	Monthly

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate		Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted
		License category as provided in PEMRA rules	Tax on License fee			
236F	Tax on cable operator and other electronic media			Adjustable	Nil	PEMRA
		H	Rs 7500	Rs 10,000		
		H-1	Rs 10,000	Rs 15,000		
		H-2	Rs 25,000	Rs 30,000		
		R	Rs 5,000	Rs 12,000		
		B	Rs 5,000	Rs 40,000		
		B-1	Rs 30,000	Rs 35,000		
		B-2	Rs 40,000	Rs 45,000		
		B-3	Rs 50,000	Rs 75,000		
		B-4	Rs 75,000	Rs 100,000		
		B-5	Rs 87,500	Rs 150,000		
		B-6	Rs 175,000	Rs 200,000		
		B-7	Rs 262,500	Rs 300,000		
		B-8	Rs 431,500	Rs 500,000		
		B-9	Rs 700,000	Rs 800,000		
		B-10	Rs 875,500	Rs 900,000		
				Adjustable	Nil	Monthly
236G	Tax on sales to dealer, retailers, wholesalers and distributor					
		Category of sale	Rate of Tax			
				Active Taxpayer	Non-Active Taxpayer	
		Fertilizers	0.7%	1.4%		
		Other than fertilizers	0.1%	0.2%		
				Adjustable	Nil	Monthly
236H	Sale to retailers					
		Categories of Sale	Rate of Tax			
				Active Taxpayer	Inactive Taxpayer	

## Income Tax

### Income Tax

Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted
		Electronics 1% Others 0.5% 1%			producer, motorcyle,pesticides,cigarettes,glass, textile,beverages, paint	
236HA	Tax on sale of petroleum products	Active Taxpayer 0.5% Inactive Taxpayer 1%	Final	Nil	Every person selling petroleum products to petrol pumps having no commission.	
236I	Tax on fee paid by a resident person to an educational institution	5% of the amount of fee excluding the amount which refundable	Adjustable	200,000 per annum	Person preparing fee challan	Monthly
236J	Tax on dealers, commission agents and Arhatas	Groups Amount of tax (per annum) Group or class A Rs 100,000 Group or class B Rs 75,000 Group or class C Rs 50,000 Any other category Rs 50,000	Adjustable		Every Market committee	Monthly
236K	Advance tax on purchase or transfer of immovable property: The Fair market value of immovable property	Active Taxpayer 1% Inactive Taxpayer 2%	Adjustable	Federal Government, Provincial Government, an authority established under a Federal or Provincial law for expatriate Pakistanis and where value of immovable property is up to Rs. 4 million	Any person responsible for registering, recording or attesting the transfer of any immovable property	Monthly
236L	Advance tax on purchase of international air ticket: First/ Executive Class Other excluding Economy Economy	Rs 16,000 per person Rs 12,000 per person 0	Adjustable	Air ticket of economy class	Airline preparing air ticket	Monthly
236P	Advance tax on banking transactions otherwise than through cash For persons who are not appearing in the active taxpayers' list	0.6%	Adjustable	Rs. 50,000 per day from the sum of all transactions	Every Banking Company	Monthly
236Q	Payment to residents for use of machinery and equipment	10% of the amount of payment	Final	N/A	Federal Government, Company, a registered AOP, foreign contractor or consultant or a consortium or a joint venture, Individual with turnover exceeding 50 million, AOP with turnover exceeding 50 million and	Monthly

# Income Tax

## Income Tax

### Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted
236R	Collection of advance tax on education related expenses remitted abroad	5% of the amount of total education related expenses	Adjustable	N/A	Banks, financial institutions, foreign exchange companies or any other person responsible for remitting foreign currency abroad	Monthly
236S	Dividend in specie In case of dividend paid by independent power purchaser where such dividend is passed through item under certain agreements and is required to be re-imbursement by CPPA-G. In case of a stock fund	7.5% 12.5%		Minimum If a Development REIT Scheme with the object of development and construction of residential buildings is set up by 30th day of June 2020, dividend received by a person from such Development REIT Scheme shall be reduced by 50% from 3 years from date of setting up of the said scheme.	Every person making the payment of dividend.	Monthly
236U	Advance tax on insurance premium: The rate of tax to be deducted from non-Active Taxpayer shall be as prescribed	Active Taxpayer 15% Inactive Taxpayers 30%	Adjustable	N/A	Insurance company	Monthly
236V	Advance tax on extraction of minerals	General insurance premium Life insurance premium if exceeding Rs 0.3 million in aggregate per annum Others	4% 1% 0%		Provincial authority	Monthly
236X	Advance Tax on Tobacco	5% of Purchase value	Adjustable	N/A	Pakistan Tobacco Board	
236Y	Advance tax on amount remitted abroad through credit, debit or prepaid card	Active Taxpayer 1% Inactive Taxpayer 2%	Adjustable	N/A	Every banking company	Monthly

————— This page is intentionally left blank —————

## Sales Tax

---

### Sales Tax

#### *Significant Sales Tax Amendments*

##### *Cottage Industry Redefined*

##### **Section 2(5AB)**

By virtue of the Finance Act, 2019 the definition of cottage industry has been redefined as per the following conditions:

- does not have an industrial gas or electricity connection
- is located in a residential area
- does not have a total labour force of more than 10 workers
- annual turnover from all supplies does not exceed Rs.3,000,000

##### *Tier - 1 Retailers Reclassified*

##### **Section 2(43A)**

The retailers having shop measuring 1,000 Sq. feet or more come under Tier-1 retailers category.

The taxation mechanism of Tier-1 Retailers has been defined as follows:

- Tier-1 retailers are excluded from collection of sales tax through monthly electricity bills.
- Tier-1 retailers will be required to comply with other provisions of the Sales Tax Act, 1990 for charging-off tax on supplies.
- The customers of Tier-1 retailers are entitled to receive a cash back of up to 5% of the sales tax involved in a manner and extent as may be prescribed by the Board.
- In case Tier-1 retailer does not integrate his retail outlet in the prescribed manner, during a tax period or part thereof, the adjustable input tax for whole of that tax period shall be reduced by 15%.

##### *The Concept of 'Value of Supply' Redefined*

##### **Section 2(46)**

The Finance Act, 2019 has rationalized the definition of value of supply in the following perspective:

- In case of manufacture of goods belonging to another person, the actual consideration received by the manufacturer for the value addition carried out in relation to such goods.
- For the electricity power producer, the value of supply shall not include amount received on capacity purchased price, premium, excess bonus etc. and only includes the amount of energy purchase price only.
- For an electricity and gas distribution company, the value of supply shall not include the amount of late payment surcharge and sales tax.

##### *Sales Tax Invoice*

##### **Section 8**

By virtue of the Finance Act, 2019, CNIC or NTN should be mentioned on tax invoice in respect of supply to unregistered persons with effect from August 01, 2019. The input tax credit will not be allowed on the goods for which sale invoices do not bear the CNIC or NTN.

In case it is subsequently proved that CNIC provided by the unregistered purchaser was incorrect, liability of tax or penalty shall not arise against the supplier, in case of sale made in good faith.

The above condition is not applicable in case the supplies made by a retailer and the transaction value inclusive of sales tax amount does not exceed Rs. 50,000, if sale is being made to an ordinary consumer.

An ordinary consumer means a person who is buying goods for his own consumption and not for the purpose of resale or processing.

## Sales Tax

### Sales Tax

#### Five Export Oriented Sectors

**(SRO 1125)**

Supplies of five export oriented sectors including textile, leather, carpet, surgical and sports goods, are now subject to normal sales tax at 17% which were earlier subject to zero rate or reduced rates under SRO 1125.

#### Sales Tax on Retail Price Expanded

**(Third Schedule)**

Following items are included in Third Schedule and will be chargeable to sales tax on retail price basis:

Entry No.	Description
38.	Household electrical goods, including air conditioners, refrigerators, deep freezers, televisions, recorders and players, electric bulbs, tube-lights, electric fans, electric irons, washing machines and telephone sets.
39.	Household gas appliances, including cooking range, ovens, geysers and gas heaters.
40.	Foam or spring mattresses and other foam products for household use.
41.	Paints, distempers, enamels, pigments, colours, varnishes, gums, resins, dyes, glazes, thinners, blacks, cellulose lacquers and polishes sold in retail packing.
42.	Lubricating oils, brake fluids, transmission fluid, and other vehicular fluids sold in retail packing.
43.	Storage batteries excluding those sold to automotive manufacturers or assemblers
44.	Tyres and tubes excluding those sold to automotive manufacturers or assemblers
45.	Motorcycles
46.	Auto rickshaws
47.	Biscuits in retail packing with brand name
48.	Tiles
49.	Auto-parts, in retail packing, excluding those sold to automotive manufacturers or assemblers

The above items were previously subject to extra tax imposed by SRO 480(I)2007, the Sales Tax Special Procedure Rules, 2007.

## Sales Tax

### Sales Tax

#### **Exemption of Sales Tax on Certain Items Prescribed**

#### **(Sixth Schedule)**

In the aftermath of the merger of FATA and PATA certain exemptions were extended for 5 years but such exemptions were not extended on import of raw material for industry and plant and machinery. Therefore, the exemption has been extended on import of industrial raw materials, plant and machinery and supply of electricity.

In this respect, exemption for following items has been introduced:

Entry No.	Description	PCT Heading
<b>Table 1</b>		
151	Supplies and imports of plant, machinery and equipment for installation in tribal areas and of industrial inputs by industries located therein, subject to conditions	Respective headings.
153	Supplies of electricity to all residential and commercial consumers in tribal areas excluding steel and ghee or cooking oil industries, subject to conditions	2716.0000
154	Import and supply of steel billets, ingots, ship plates, bars and other long re-rolled profiles by manufacturers which are subject to FED in sales tax mode	Respective headings.
<b>Table 2</b>		
25	Local supply of cottonseed oil	1512.2100 and 1512.2900

#### **Amendment in Reduced Rate Regime**

#### **(Eight Schedule)**

Revised sales tax rate has been introduced for the items mentioned below:

Description	Previous Tax Rate	Revised Tax Rate
Reclaimed lead	5%	17%
Rapeseed, sunflower seed and canola seed	16%	17%
Soya bean seed	6%	10%
White crystalline Sugar	8%	17%

## Sales Tax

### Sales Tax

#### Reduced Rate of Sales Tax

#### (Eight Schedule)

Following items are now chargeable to sales tax on the reduced rates as under:

Description	Tax Rate
Cereal and products of milling industry except wheat and meslin flour if sold in retail packing under brand name or trade mark	10%
Silver and gold in unworked condition	1%
Articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal	1.5% of value of gold, plus 0.5% of value of diamond, used therein, plus 3% of making charges (No input tax adjustment to be allowed except of the tax paid on gold)
Milk and cream not concentrated nor containing added sugar or other sweetening matter if sold in retail packing under brand name or trade mark	10%
Fat filled milk if sold in retail packing under brand name or trade mark	10%
Ginned cotton	10%
Prepared Food, foodstuff and sweetmeats supplied by restaurants, bakeries, caterers and Sweetmeat shops supplies only, subject to condition that no input tax shall be adjusted	7.5%
Supplies as made from retail outlets as are integrated with Board's computerized system for real time reporting of sales.  If supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months	14%
LNG imported for servicing CNG sector and local supplies thereof	5%
Frozen prepared or preserved sausages and similar products of poultry meat or meat offal	8%
Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish	8%

## **Sales Tax**

---

### **Sales Tax**

#### **Value Addition Tax**

#### **(TWELFTH SCHEDULE)**

Imported goods sold in same state shall be subject to value addition tax at 3% ad val. in addition to sales tax at 17%. The newly inserted Twelfth Schedule replicates the provisions of Sales Tax Special Procedures Rules, 2007, which now stands rescinded.

This value addition tax (input tax) shall be adjustable against output tax and excess shall be carried forward up to next year.

Refund of excess input tax is not available to registered person. However, the person, also dealing in goods other than imported goods can claim excess carried forward input tax after deducting the amount attributable to the tax paid at import stage.

The value addition tax under this Schedule shall not be charged on,

- a. Raw materials and intermediary goods, use in an industrial process subject to customs duty at lower than 16% rate under First Schedule to the Customs Act,
- b. The petroleum products imported by a licensed Oil Marketing Company (for sale in the country)
- c. importing goods for their in-house business use by register service provider
- d. Cellular mobile phones or satellite phones
- e. LNG / RLNG;
- f. second hand and worn clothing or footwear
- g. gold, in un-worked condition
- h. silver, in un-worked condition

## Sales Tax

### Sales Tax

#### Sales Tax on Services

##### Punjab

##### Scope of Sales Tax on Services Enhanced

##### (Second Schedule)

Following services are now subject to the sales tax on services in Punjab:

Sr. No	Description	Tax Rate
1.	Dress designing and stitching services	16%
2.	Rental of construction equipment bulldozers, refrigerators, rack renting	16%
3.	Services of textile, leather, cutting embroidery, knitting etc.	16%
4.	Medical consultation/ visit fee > RS:1,500 per Consultation or visit Bed/Room Charges of Hospital > RS: 6000 per day per bed/ Room	5% (Input tax not allowed)
5.	Apartment house & real estate management & Services of rent collection	16%

##### Amendment in Tax Rates

##### (Second Schedule)

Sales tax on services has been revised for the following services:

Sr. No	Description	Previous Rate	Revised Rate	
			Rate with input adjustment	Lower Rate without Input adjustment
1.	Land development	Rs.100 per square yard	16%	(8% normally & 5% government sponsored programs)
2.	Building Construction	Rs. 50 per square feet	16%	
3.	Domestic air travel	Long route - Rs.2,500 Short route - Rs. 1,500	-	5%
4.	International air travel	Club, Business & First Class - Rs. 10,000 Economy & Economy Plus – Rs. 5,000	-	5%

## Sales Tax

### Sales Tax

#### Sindh

##### Withdrawal of Sales Tax on Services

##### (First Schedule)

Following items are now not liable to the sales tax on services in Sindh:

Sr.No.	Description
1	Data Processing and Provision of information, services of Engineers, handling and storage of goods
2	Packaging Services
3	Coaching Centres
4	Vocational Centres
6	Film and Drama Studios

##### Scope of Sales Tax on Services Enhanced

##### (Second Schedule)

Following services are now subject to the sales tax on service in Sindh:

- Renting of machinery, equipment, appliances and other tangible goods.
- Services provided or rendered by cab aggregator and owners or drivers of motor vehicles using the cab aggregator services.
- Warehouses or depots for storage or cold storages.
- Training services.
- Actuarial services.
- Services of mining of minerals and allied ancillary services.
- Site preparation and clearance, excavation and earth moving and demolition services.
- Waste collection, transportation, processing and management services.
- Vehicle parking and valet services.
- Electric power transmission services.
- Insurance agents.
- Tailoring and stitching services by fashion designer.

##### Reduced Tax Rates

##### (Second Schedule)

Description	Previous Rate	Revised Rate
Fashion designers	10%	5%
Travel agents	8%	5%
Toll manufacturing of textile & leather	13%	3%
Inter-city transportation or carriage of goods booked through truck addas or through bus/wagon stands	13%	3%
Stand-alone laundries and dry cleaners	13%	5%
Indenting services for the period from July 1, 2015 to June 30, 2018	13%	3%

## Sales Tax

### **Sales Tax**

#### **Sales Tax Planning Guide**

##### **Federal Laws**

##### **Sales Tax Withholding Tax Card**

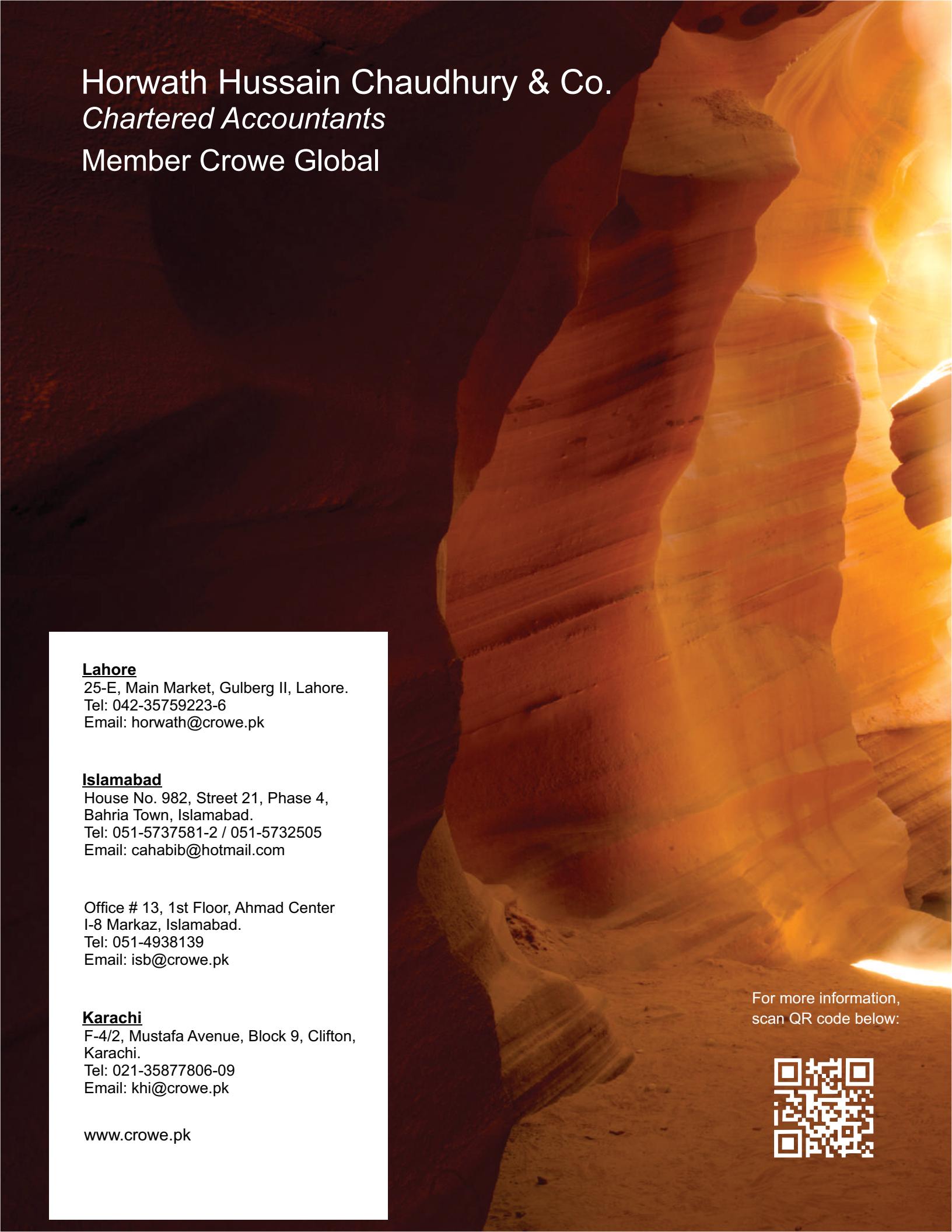
<b>Sr. No</b>	<b>Withholding Agent</b>	<b>Supplier Category</b>	<b>Rate/Extent of deduction</b>
1.	(a) F.G and P.G departments; autonomous bodies; and public sector organizations (b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Registered Persons	1/5th of Sales Tax as shown on invoice
		Person registered as a wholesaler, dealer or distributor	1/10th of Sales Tax as shown on invoice
2.	F.G and P.G departments; autonomous bodies; and public sector organizations	Unregistered Persons	Whole tax as applicable to supplies on gross value of supplies
3.	Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Unregistered Persons	5% of gross value of Supplies
4.	Registered persons as recipient of advertisement services	Person providing Advertisement services	Whole of sales tax applicable
5.	Registered persons purchasing cane molasses.	Unregistered persons	Whole of sales tax applicable

##### **Exclusions to Withholding Sales Tax**

1. Electrical energy;
2. Natural gas;
3. Petroleum products as supplied by petroleum production and exploration companies (oil refineries, oil marketing companies and dealers of motor spirit and high speed diesel);
4. Vegetable ghee and cooking oil;
5. Telecommunication services;
6. Goods specified in the Third Schedule to the Sales Tax Act, 1990;
7. Supplies made by importers who paid value addition tax on such goods at the time of import;
8. Supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered persons with exception of advertisement services;

**Provincial Laws**

		PRA	SRB	KPK	Baluchistan
Sales Tax Rate	16%	13%	15%	15%	15%
<b>Provincial Sales Tax Withholding:</b>					
Registered Service Provider	Deduct whole amount of Punjab Sales Tax amount if service provider except the services provider is a company and an active taxpayer	Deduct 1/5th of the Sindh Sales Tax amount	Deduct KPK Sales amount	Deduct 1/5th of the Tax	Deduct 1/5th of the Baluchistan Sales Tax amount
		Deduct whole amount of sales tax using tax fraction (13/113) if the invoice issued does not indicate the amount of sales tax.			
Unregistered Service Provider	Deduct at applicable rate of sales tax on gross value of services	Deduct whole amount of sales tax using tax fraction (13/113)	Deduct whole amount of sales tax	Deduct whole amount of sales tax	Deduct whole amount of sales tax
Advertisement Services (companies or other)	Whole amount of sales tax whether services are provided by the person based in Pakistan or abroad	Deduct whole amount as mentioned in the invoice	Whole sales tax whether services are provided by the person based in Pakistan or abroad	Deduct whole amount as mentioned in the invoice	Deduct whole amount as mentioned in the invoice
		If sales tax not mentioned on the invoice deduct whole amount of sales tax using tax fraction (13/113)			



# Horwath Hussain Chaudhury & Co.

*Chartered Accountants*

Member Crowe Global

**Lahore**

25-E, Main Market, Gulberg II, Lahore.  
Tel: 042-35759223-6  
Email: horwath@crowe.pk

**Islamabad**

House No. 982, Street 21, Phase 4,  
Bahria Town, Islamabad.  
Tel: 051-5737581-2 / 051-5732505  
Email: cahabib@hotmail.com

Office # 13, 1st Floor, Ahmad Center  
I-8 Markaz, Islamabad.  
Tel: 051-4938139  
Email: isb@crowe.pk

**Karachi**

F-4/2, Mustafa Avenue, Block 9, Clifton,  
Karachi.  
Tel: 021-35877806-09  
Email: khi@crowe.pk

[www.crowe.pk](http://www.crowe.pk)

For more information,  
scan QR code below:

