

INCOME TAX ORDINANCE, 2001 AN ORDINANCE

to consolidate and amend the law relating to income tax

WHEREAS it is expedient to consolidate and amend the law relating to income tax and to provide for matters ancillary thereto or connected therewith;

WHEREAS the President is satisfied that circumstances exist which render it necessary to take immediate action;

the following Ordinance:- NOW, THEREFORE, in pursuance of the Proclamation of Emergency of the fourteenth day of October, 1999, and the Provisional Constitution Order No. 1 of 1999, read with Provisional Constitutional Amendment Order No. 9 of 1999, and in exercise of all powers enabling him in that behalf, the President of the Islamic Republic of Pakistan is pleased to make and promulgate

CHAPTER I PRELIMINARY

1. Short title, extent and commencement.-(1) This Ordinance may be called the Income Tax Ordinance, 2001.

(2) It extends to the whole of Pakistan.

(3) It shall come into force on such date as the Federal Government may, by notification in official Gazette, appoint.

2. Definitions.-In this Ordinance, unless there is anything repugnant in the subject or context

(1) **“accumulated profits”** in relation to ¹[distribution or payment of] a dividend, ²[include]

(a) any reserve made up wholly or partly of any allowance, deduction, or exemption admissible under this Ordinance;

(b) for the purposes of ³[sub-clauses (a), (b) and (e) of clause (19)] all profits of the company including income and gains of a trust up to the date of such distribution or such payment, as the case may be and

(c) for the purposes of ⁴[sub-clause (c) of clause (19)], includes all profits of the company including income and gains of a trust up to the date of its liquidation;

⁵[(1A) **“amalgamation”** means the merger of one or more banking companies or non-banking financial institutions, ⁶[or insurance companies,] ⁷[or companies owning and managing industrial undertakings] ⁸[or companies engaged in providing services and not being a trading company or companies] in either case ⁹[at least one of them] being a public company, or a company incorporated under any law, other than Companies Ordinance, 1984 (XLVII of 1984), for the time being in force, (the company or companies which so merge being referred to as the “amalgamating

¹ Inserted vide the Finance Act, 2003 (I of 2003)

² The word “includes” substituted vide the Finance Act, 2005 (VII of 2005)

³ Substituted for clauses (a), (d) and (e) of sub-section (20) vide the Finance ordinance, 2002 (XXVII of 2002)

⁴ Substituted for “clause (c) of sub-section (20)” vide Finance ordinance, 2002 (XXVII of 2002)

⁵ Clause (1A) inserted vide the Finance ordinance, 2002 (XXVII of 2002)

⁶ Inserted vide the Finance Act, 2004 (II of 2004)

⁷ Inserted vide the Finance Act, 2005 (II of 2005)

⁸ Inserted vide the Finance Act, 2007 (VII of 2005)

⁹ Inserted vide the Finance Act, 2005 (VII of 2005)

company” or companies and the company with which they merge or which is formed as a result of merger, as the “amalgamated company” in such manner that –

- (a) the assets of the amalgamating company or companies immediately before the amalgamation become the assets of the amalgamated company by virtue of the amalgamation, otherwise than by purchase of such assets by the amalgamated company or as a result of distribution of such assets to the amalgamated company after the winding up of the amalgamating company or companies; ¹⁰[and]
- (b) The liabilities of the amalgamating company or companies immediately before the amalgamation become the liabilities of the amalgamated company by virtue of the amalgamation ¹¹[.]

¹²[***]

¹³[(2) **“Appellate Tribunal”** means the Appellate Tribunal Inland Revenue established under section 130;]

(3) **“approved gratuity fund”** means a gratuity fund approved by the Commissioner in accordance with Part III of the Sixth Schedule;

¹⁴[(3A) **“Approved Annuity Plan”** means an Annuity Plan approved by Securities and Exchange Commission of Pakistan (SECP) under Voluntary Pension System Rules, 2005 and offered by a Life Insurance Company registered with the SECP under Insurance Ordinance, 2000 (XXXIX of 2000);]

¹⁵[(3B) **“Approved Income Payment Plan”** means an Income Payment Plan approved by Securities and Exchange Commission of Pakistan (SECP) under Voluntary Pension System Rules, 2005 and offered by a Pension Fund Manager registered with the SECP under Voluntary Pension System Rules, 2005;]

¹⁶[(3C) **“Approved Pension Fund”** means Pension Fund approved by Securities and Exchange Commission of Pakistan (SECP) under Voluntary Pension System Rules, 2005, and managed by a Pension Fund Manager registered with the SECP under Voluntary Pension System Rules, 2005;]

¹⁷[(3D) **“Approved Employment Pension or Annuity Scheme”** means any employment related retirement scheme approved under this Ordinance, which makes periodical payment to a beneficiary i.e. pension or annuity such as approved superannuation fund, public sector pension scheme and Employees Old-Age Benefit Scheme;]

¹⁸[(3E) **“Approved Occupational Savings Scheme”** means any approved gratuity fund or recognized provident fund;]

10 Added vide the Finance Act, 2005 (VII of 2005)

11 Substituted the semi-colon and word “and” vide the Finance Act, 2005 (VII of 2005)

12 Omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission sub-clause (c) was as under:-

“(c) the scheme of amalgamation is approved by the State Bank of Pakistan or by the Securities and Exchange Commission of Pakistan i/on or before thirtieth day of June, 2006, ii[2006];”

i. The words, comma and figure inserted vide the Finance Act, 2003 (I of 2003)

ii. Substituted for the figure 2004 vide Finance Act, 2004 (II of 2004)

13 Substituted clause (2) vide Finance (Amendment) Ordinance, 2010 (XVI of 2010). The substituted provision has been made effective from 05.06.2010 by sub-clause (77) of clause 8 of the Finance Act, 2010. Earlier the substitution was made through Finance (Amendment) Ordinance, 2009 which was re-promulgated as Finance (Amendment) Ordinance, 2010 and remained effective till 05.06.2010. Clauses (2) before substitution vide the Finance (Amendment) Ordinance, 2009.

At the time of substitution clause (2) was as under:-

“(2) Appellate Tribunal’ means the Appellate Tribunal Inland Revenue established under section 130;”

14 Clause (3A) was inserted vide the Finance Act, 2005 (VII of 2005)

15 Clause (3B) was inserted vide the Finance Act, 2005 (VII of 2005)

16 Clause (3C) was inserted vide the Finance Act, 2005 (VII of 2005)

17 Clause (3D) inserted vide the Finance Act, 2006 (III of 2006)

18 Clause (3E) inserted vide the Finance Act, 2006 (III of 2006)

- (4) **“approved superannuation fund”** means a superannuation fund, or any part of a superannuation fund, approved by the Commissioner in accordance with Part II of the Sixth Schedule;
- ¹⁹[(5) **“assessment”** includes ²⁰[provisional assessment,] re-assessment and amended assessment and the cognate expressions shall be construed accordingly;]
- ²¹[(5A) **“assessment year”** means assessment year as defined in the repealed Ordinance;]
- ²² [(5B) **“asset management company”** means an asset management company as defined in the Non-Banking Finance Companies and Notified Entities Regulations, 2007;]
- (6) **“association of persons”** means an association of persons as defined in section 80;
- (7) **“banking company”** means a banking company as defined in the Banking Companies Ordinance, 1962 (LVII of 1962) and includes anybody corporate which transacts the business of banking in Pakistan;
- ²³[(8)] **“Board”** means the Central Board of Revenue established under the Central Board of Revenue Act, 1924 (IV of 1924), and on the commencement of Federal Board of Revenue Act, 2007, the Federal Board of Revenue established under section 3 thereof;]
- ²⁴[(9)] **“bonus shares”** includes bonus units in a unit trust;
- ²⁵[(10)] **“business”** includes any trade, commerce, manufacture, profession, vocation or adventure or concern in the nature of trade, commerce, manufacture, profession or vocation, but does not include employment;
- ²⁶[(11)] **“capital asset”** means a capital asset as defined in section 37;
- ²⁷[(11A) **“charitable purpose”** includes relief of the poor, education, medical relief and the advancement of any other object of general public utility;]
- ²⁸[(11B) **“Chief Commissioner”** means a person appointed as Chief Commissioner Inland Revenue under section 208 and includes a Regional Commissioner of Income Tax and a Director General of Income Tax and Sales Tax;]
- ²⁹[(11C) **“Collective Investment Scheme”** shall have the same meanings as are assigned

19 *Clause (5) was substituted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th 2002). At the time of substitution clause (5) as under:-*

“(5) **“assessment means –**
 (a) *an assessment referred to in section 120;*
 (b) *an assessment raised under section 121;*
 (c) *an amended assessment under section 122;*
 (d) *a demand for an amount due under sections 141, 142, 143 and 144; or*
 (e) *an assessment of penalty under section 190;”*

20 *Inserted vide the Finance Act, 2006 (III of 2006)*

21 *Inserted by the Finance Act, 2002 (XXVII of 2002)*

22 *Substituted vide the Finance Act, 2008 (I of 2008 assented on 29th June, 2008). At the time of substitution clause (5B) as under:-*

“(5B) **“assets management company means a company registered under the Assets Management companies Rules, 1995;”**

Initially, Clause (5B) inserted vide the Finance Ordinance 2002 (XXXVII of 2002)

23 *Clause (11) has been re-numbered as clause (8) vide Finance Act, 2014. Earlier it was substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of substitution clause (11) was as under:-*

“(11) **Central Board of Revenue means the Central Board of Revenue established under the Central Board of Revenue Act, 1924 (IV of 1924);**

24 *Clause (8) has been re-numbered as clause (9) vide Finance Act, 2014*

25 *Clause (9) has been re-numbered as clause (10) vide Finance Act, 2014*

26 *Clause (10) has been re-numbered as clause (11) vide the Finance Act, 2014*

27 *Clause (11A) inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*

28 *Clause (11B) inserted vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this was inserted vide the Finance (Amendment) Ordinance, 2010 promulgated on 6th February, 2010*

29 *Clause (11C) added vide the Finance Act, 2011 (XVI of 2011)*

under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;]

(12) **“company”** means a company as defined in section 80;

³⁰[(13) **“Commissioner”** means a person appointed as Commissioner Inland Revenue under section 208 and includes any other authority vested with all or any of the powers and functions of the Commissioner;]

³¹[(13A) **“Commissioner (Appeals)”** means a person appointed as Commissioner Inland Revenue (Appeals) under section 208;]

³²[(13AA) **“consumer goods”** means goods that are consumed by the end consumer rather than used in the production of another good;]

³³[(13B) **“Contribution to an Approved Pension Fund”** means contribution as defined in rule 2(j) of the Voluntary Pension System Rules, 2005 ³⁴[***];]

(14) **“co-operative society”** means a co-operative society registered under the Co-operative Societies Act, 1925 (VII of 1925) or under any other law for the time being in force in Pakistan for the registration of co-operative societies;

(15) **“debt”** means any amount owing, including accounts payable and the amounts owing under promissory notes, bills of exchange, debentures, securities, bonds or other financial instruments;

(16) **“deductible allowance”** means an allowance that is deductible from total income under Part IX of Chapter III;

(17) **“depreciable asset”** means a depreciable asset as defined in section 22;

³⁵[17A. **“Developmental REIT Scheme”** means Developmental REIT Scheme as defined under the Real Estate Investment Trust Regulations, 2015;]

(18) **“disposal”** in relation to an asset, means a disposal as defined in section 75;

(19) **“dividend”** includes -

(a) any distribution by a company of accumulated profits to its shareholders, whether capitalized or not, if such distribution entails the release by the company to its shareholders of all or any part of the assets including money of the company;

³⁰ Clause (13) inserted vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this Clause was substituted vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) the Finance (Amendment Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009). At the time of substitution clause (13) was as under:--

“(13) Commissioner means a person appointed as Commissioner Inland Revenue under section 208, and includes any other authority vested with all or any of the powers and functions of the Commissioner;” Initially, Clause (13) substituted vide Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002).

At the time of substitution clause (13) was as under:--

“(13) Commissioner means a Person appointed as a commissioner of Income Tax under section 209,”

³¹ Clause (13A) was substituted vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this clause was substituted vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) and the Finance (Amendment Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009).

At the time of substitution clause (13A) was as under:--

“(13A) Commissioner (Appeals) means a person appointed as Commissioner of Income Tax (Appeals) under section 208;”

³² Inserted vide Finance Act, 2015

³³ Inserted vide the Finance Act, 2005. (VII of 2005)

³⁴ The comma and words “, but not exceeding five hundred thousand rupees in a tax year” omitted vide the Finance Act, 2006.

³⁵ Inserted vide the Finance Act, 2015

- (b) any distribution by a company, to its shareholders of debentures, debenture-stock or deposit certificate in any form, whether with or without profit, ³⁶[***] to the extent to which the company possesses accumulated profits whether capitalized or not;
- (c) any distribution made to the shareholders of a company on its liquidation, to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation, whether capitalized or not;
- (d) any distribution by a company to its shareholders on the reduction of its capital, to the extent to which the company possesses accumulated profits, whether such accumulated profits have been capitalized or not; ³⁷[***]
- (e) any payment by a private company ³⁸[as defined in the Companies Ordinance, 1984 (XLVII of 1984)] or trust of any sum (whether as representing a part of the assets of the company or trust, or otherwise) by way of advance or loan to a shareholder or any payment by any such company or trust on behalf, or for the individual benefit, of any such shareholder, to the extent to which the company or trust, in either case, possesses accumulated profits; ³⁹[or]
- ⁴⁰[(f) ⁴¹[remittance of] after tax profit of a branch of a foreign company operating in Pakistan;] but does not include -
 - (i) a distribution made in accordance with ⁴²[sub-clause] (c) or (d) in respect of any share for full cash consideration, or redemption of debentures or debenture stock, where the holder of the share or debenture is not entitled in the event of liquidation to participate in the surplus assets;
 - (ii) any advance or loan made to a shareholder by a company in the ordinary course of its business, where the lending of money is a substantial part of the business of the company; ⁴³[***]
 - (iii) any dividend paid by a company which is set off by the company against the whole or any part of any sum previously paid by it and treated as a dividend within the meaning of ⁴⁴[sub-clause] (e) to the extent to which it is so set off; ⁴⁵[and]
 - ⁴⁶[(vi) remittance of after tax profit by a branch of Petroleum Exploration and Production (E&P) foreign company, operating in Pakistan.]

⁴⁷[(19A) **“Eligible Person”** for the purpose of Voluntary Pension System Rules, 2005, means an individual Pakistani who ⁴⁸[holds] a valid ‘National Tax Number’ ⁴⁹[or Computerized National Identity Card ⁵⁰[or National Identity Card for Overseas

36 The words “and any distribution to its shareholders of shares by way of bonus or bonus shares” omitted vide the Finance Act, 2002 (XXVII of 2002)

37 The word “or” omitted vide Finance Act, 2008 (I of 2008)

38 Inserted vide the Finance Act, 2003 (I of 2003)

39 The word “or” added vide the Finance Act, 2008 (I of 2008)

40 Sub-clause (f) inserted vide the Finance Act, 2008 (I of 2008)

41 The word “any” substituted vide the Finance Act, 2009 (I of 2009)

42 Substituted for “clause” vide the Finance Act, 2002 (XXVII of 2002)

43 The word “and” omitted vide the Finance Act, 2009 (I of 2009)

44 Substituted for “clause” vide the Finance Act, 2002 (XXVII of 2002)

45 The word “and” inserted vide the Finance Act, 2009 (I of 2009)

46 Added vide the Finance Act, 2009 (I of 2009)

47 Clause (19A) inserted vide the Finance Act, 2005 (VII of 2005)

48 The words “has obtained” substituted vide the Finance Act, 2007 (IV of 2007)

49 Inserted vide the Finance Act, 2007 (IV of 2007)

50 Inserted vide the Finance Act, 2008 (I of 2008)

Pakistanis] issued by the National Database and Registration Authority] ⁵¹[***]
⁵²[***]]

⁵³[Provided that the total tax credit available for the contribution made to approved employment pension or annuity scheme and approved pension fund under Voluntary Pension System Rules, 2005, should not exceed the limit prescribed or specified in section 63.]

⁵⁴[(19B) The expressions “addressee”, “automated”, “electronic”, “electronic signature”, “information”, “information system”, “originator” and “transaction”, shall have the same meanings as are assigned to them in the Electronic Transactions Ordinance, 2002 (LI of 2002);]

⁵⁵[(19C) “**electronic record**” includes the contents of communications, transactions and procedures under this Ordinance, including attachments, annexes, enclosures, accounts, returns, statements, certificates, applications, forms, receipts, acknowledgements, notices, orders, judgments, approvals, notifications, circulars, rulings, documents and any other information associated with such communications, transactions and procedures, created, sent, forwarded, replied to, transmitted, distributed, broadcast, stored, held, copied, downloaded, displayed, viewed, read, or printed, by one or several electronic resources and any other information in electronic form;]

⁵⁶[(19D) “**electronic resource**” includes telecommunication systems, transmission devices, electronic video or audio equipment, encoding or decoding equipment, input, output or connecting devices, data processing or storage systems, computer systems, servers, networks and related computer programs, applications and software including databases, data warehouses and web portals as may be prescribed by the Board from time to time, for the purpose of creating electronic record;]

⁵⁷[(19E) “**telecommunication system**” includes a system for the conveyance, through the agency of electric, magnetic, electro-magnetic, electrochemical or electro-mechanical energy, of speech, music and other sounds, visual images and signals serving for the impartation of any matter otherwise than in the form of sounds or visual images and also includes real time online sharing of any matter in manner and mode as may be prescribed by the Board from time to time.]

(20) “**employee**” means any individual engaged in employment;

(21) “**employer**” means any person who engages and remunerates an employee;

(22) “**employment**” includes –

- (a) a directorship or any other office involved in the management of a company;
- (b) a position entitling the holder to a fixed or ascertainable remuneration; or
- (c) the holding or acting in any public office;

⁵⁸[(22A) “**fast moving consumer goods**” means consumer goods which are supplied in retail marketing as per daily demand of a consumer ⁵⁹[excluding durable goods];]

51 The words “but does not include an individual who is entitled to benefit under any other approved employment pension or annuity scheme” omitted vide the Finance Act, 2006 (III of 2006)

52 The semicolon substituted by the Finance Act, 2006 (III of 2006)

53 The proviso added vide the Finance Act, 2006 (III of 2006)

54 Inserted vide the Finance Act, 2008 (I of 2008)

55 The new clause (19C) inserted vides Finance Act, 2008 (I of 2008)

56 Inserted vide the Finance Act, 2008 (I of 2008)

57 Inserted vide the Finance Act, 2008 (I of 2008)

58 Inserted vide Finance Act, 2015

59 Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

- ⁶⁰[(22B) “fee for offshore digital services” means any consideration for providing or rendering services by a non-resident person for online advertising including digital advertising space, designing, creating, hosting or maintenance of websites, digital or cyber space for websites, advertising, e-mails, online computing, blogs, online content and online data, providing any facility or service for uploading, storing or distribution of digital content including digital text, digital audio or digital video, online collection or processing of data related to users in Pakistan, any facility for online sale of goods or services or any other online facility.]
- (23) “**fee for technical services**” means any consideration, whether periodical or lump sum, for the rendering of any managerial, technical or consultancy services including the services of technical or other personnel, but does not include –
- (a) consideration for services rendered in relation to a construction, assembly or like project undertaken by the recipient; or
 - (b) consideration which would be income of the recipient chargeable under the head “Salary”;
- ⁶¹[(23A) “**filer**” means a taxpayer whose name appears in the active taxpayers’ list issued by the Board ⁶²[or Azad Jammu and Kashmir Council Board of Revenue or Gilgit-Baltistan Council Board of Revenue] from time to time or is holder of a taxpayer’s card;]
- (24) “**financial institution**” means an institution ⁶³[as defined] under the Companies Ordinance, ⁶⁴[1984 (XLVII of 1984)] ⁶⁵[***];
- (25) “**finance society**” includes a co-operative society which accepts money on deposit or otherwise for the purposes of advancing loans or making investments in the ordinary course of business;
- (26) “**firm**” means a firm as defined in section 80;
- (27) “**foreign-source income**” means foreign-source income as defined in sub-section (16) of section 101.
- (28) “**House Building Finance Corporation**” means the Corporation constituted under the House Building Finance Corporation Act, 1952 (XVIII of 1952);
- ⁶⁶[(28A) “**imputable income**” in relation to an amount subject to final tax means the income which would have resulted in the same tax, had this amount not been subject to final tax;]
- ⁶⁷[(29) “**income**” includes any amount chargeable to tax under this Ordinance, any amount subject to collection ⁶⁸[or deduction] of tax under section 148, ⁶⁹[150, 152(1), 153, 154, 156, 156A, 233, 233A ⁷⁰[,]], sub-section (5) of section 234, ⁷¹[, ⁷²[and]] ⁷³[any

⁶⁰ *Inserted vide Finance Act, 2018 assented on 22nd May, 2018.*

⁶¹ *Added vide the Finance Act, 2014*

⁶² *Inserted vide Finance Act, 2018 assented on 22nd May, 2018.*

⁶³ *The word “notified” substituted vide the Finance Act, 2005 (VII of 2005)*

⁶⁴ *Substituted for “1980 (XXXI of 1980)” vide the Finance Act, 2002 (XXVII of 2002)*

⁶⁵ *The words “by the Federal Government in the official Gazette as a financial institution” omitted vide the Finance Act, 2003 (I of 2003)*

⁶⁶ *Inserted vide Finance Act, 2015*

⁶⁷ *Substituted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution clause (29) was as under:-*

“(29) income includes any amount chargeable to tax under this Ordinance, any amount subject to collection of tax under Division II of Part V of Chapter X, sub-section (5) of 234 Division III of Chapter XII, and any loss of income;”

⁶⁸ *Inserted vide the Finance Act, 2003 (I of 2003)*

⁶⁹ *The figures, commas and word “153, 154 and 156,” substituted vide the Finance Act, 2005 (VII of 2005)*

⁷⁰ *Substituted for the word “and”, vide the Finance Act, 2014*

⁷¹ *Substituted for the word and figure “and 236M” vide Finance Act, 2015*

⁷² *Substituted for the word “236M and 236N,” vide Finance Act, 2018 assented on 22nd May, 2018.*

amount treated as income under any provision of this Ordinance] and any loss of income ⁷⁴[***]

⁷⁵[(29A) **“income year”** means income year as defined in the repealed Ordinance;]

⁷⁶[(29B) **“Individual Pension Account”** means an account maintained by an eligible person with a Pension Fund Manager approved under the Voluntary Pension System Rules, 2005;]

⁷⁷[(29C) **“Industrial undertaking”** means –

- (a) an undertaking which is set up in Pakistan and which employs,
 - (i) ten or more persons in Pakistan and involves the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy; or
 - (ii) twenty or more persons in Pakistan and does not involve the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy; and which is engaged in,
 - (i) the manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition; or
 - (ii) ship-building; or
 - (iii) generation, conversion, transmission or distribution of electrical energy, or the supply of hydraulic power; or
 - (iv) the working of any mine, oil-well or any other source of mineral deposits; and
- (b) any other industrial undertaking which the Board may by notification in the Official Gazette, specify.];

(30) **“intangible”** means an intangible as defined in section 24;

⁷⁸[(30A) **“investment company”** means an investment company as defined in the Non-

73 *Inserted by the Finance Act, 2003 (I of 2003)*

74 *The words and commas “but does not include, in case of a shareholder of a company, the amount representing the face value of any bonus share or the amount of any bonus declared, issued or paid by the company to the shareholders with a view to increasing its paid up share capital” were omitted vide the Finance Act, 2014*

75 *Inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*

76 *Inserted vide the Finance Act, 2005 (VII of 2005)*

77 *Clause (29C) substituted vide the Finance Act, 2010 (XVI of 2010). At the time of substitution clause (29) was as under:-*

“(29C) Industrial undertaking means: –

- (a) an undertaking which is set up in Pakistan and which employs, (i) ten or more persons in Pakistan and involves the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy; or (ii) twenty or more persons in Pakistan and does not involve the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy and which is engaged in,--*
 - (i) the manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition;*
 - (ii) ship-building;*
 - (iii) generation, conversion, transmission or distribution of electrical energy, or the supply of hydraulic power; or*
 - (iv) the working of any mine, oil-well or any other source of mineral deposits; and*
- (b) any other industrial undertaking which the [Board] may by notification in the official Gazette, specify;*

i. Substituted for the words “Central Board of Revenue” vide The Finance Act, 2007 (IV of 2007, assented on 30th June, 2007)

Initially, clause (29C) inserted vide the Finance Act, 2005 (VII of 2005, assented on 29th June, 2005)

78 *Clause (30A) substituted vide the Finance Act, 2008 (I of 2008). At the time of substitution clause (30A) was as*

Banking Finance Companies (Establishment and Regulation) Rules, 2003;]

⁷⁹[(30AA) “**KIBOR**” means Karachi Inter Bank Offered Rate prevalent on the first day of each quarter of the financial year;]

⁸⁰[(30B) “**leasing company**” means a leasing company as defined in the Non-Banking Finance Companies and Notified Entities Regulation, 2007;]

⁸¹ [(30C) “**liaison office**” means a place of business acting for the principal, head office or any entity of which it is a part, and

- (a) its activities do not result in deriving income in Pakistan; and
- (b) maintains itself out of any amount remitted from outside Pakistan received through normal banking channels.

Explanation,-It is clarified that

- (i) a place of business shall not be treated as liaison office if it engages in—
 - (a) commercial activities;
 - (b) trading or industrial activities; or
 - (c) the negotiation and conclusion of contracts;
- (ii) the activities shall be treated to be commercial activities, if these include—
 - (a) providing after sales services for goods or services; or
 - (b) marketing or promoting pharmaceutical and medical products or services;
- (iii) subject to clause (i), a place of business shall be treated as a liaison office, if it undertakes activities of—
 - (a) an exploratory or preparatory nature, to investigate the possibilities of trading with, or in, Pakistan;
 - (b) exploring the possibility of joint collaboration and export promotion;
 - (c) promoting products where such products are yet to be supplied to, or sold in, Pakistan;
 - (d) promoting technical and financial collaborations between its principal and taxpayers in Pakistan; or
 - (e) provision of technical advice and assistance.]

(31) “**liquidation**” in relation to a company, includes the termination of a trust;

⁸²[(31A) “**Local Government**” shall have the same meaning as defined in the Punjab Local Government Ordinance, 2001 (XIII of 2001), the Sindh Local Government

under:-

“(30A) *investment company means a company registered under the Investment Companies and Investment Advisors Rules, 1971;”*

Initially, clause (30A) inserted vide the Finance Ordinance, 2002 (XXVII of 2002)

79 *Clause (30AA) inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)*

80 *Clause (30B) substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)*

“(30B) *leasing company means a company licensed under the Leasing Companies (Establishment and Regulation) Rules, 2000;*

Initially, Clause (30B) inserted vide Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

81 *Inserted vide the Finance Act, 2017*

82 *Inserted vide the Finance Act, 2008 (I of 2008) assented on 26th June, 2008)*

Ordinance, 2001 (XXVII of 2001), the NWFP Local Government Ordinance, 2001 (XIV of 2001) and the Baluchistan Local Government Ordinance, 2001 (XVIII of 2001);]

- (32) **“member”** in relation to an association of persons, includes a partner in a firm;
- (33) **“minor child”** means an individual who is under the age of eighteen years at the end of a tax year;
- (34) **“modaraba”** means a modaraba as defined in the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
- (35) **“modaraba certificate”** means a modaraba certificate as defined in the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
- ⁸³[(35A) **“Mutual Fund”** means a mutual fund ⁸⁴[registered or approved by the Securities and Exchange Commission of Pakistan];]
- ⁸⁵[(35AA) **“NCCPL”** means National Clearing Company of Pakistan Limited, which is a company incorporated under the Companies Ordinance, 1984 (XLVII of 1984) and licensed as Clearing House’ by the Securities and Exchange Commission of Pakistan ⁸⁶[or any subsidiary of NCCPL notified by the Board for the purpose of this clause]; and]
- ⁸⁷[(35B) **“non-banking finance company”** means an NBFC as defined in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;]
- ⁸⁸[(35C) **“non-filer”** means a person who is not a filer;]
- ⁸⁹[(36) **“non-profit organization”** means any person other than an individual, which is –
 - (a) established for religious, educational, charitable, welfare or development purposes, or for the promotion of an amateur sport;
 - (b) formed and registered under any law as a non-profit organization;
 - (c) approved by the Commissioner for specified period, on an application made by such person in the prescribed form and manner, accompanied by the prescribed documents and, on requisition, such other documents as may be required by the Commissioner; and none of the assets of such person confers, or may confer, a private benefit to any other person;]
- (37) **“non-resident person”** means a non-resident person as defined in Section 81;

83 *Inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*

84 *Substituted for the words “set up by the Investment Corporation of Pakistan or by an investment company” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*

85 *Inserted vide Finance Act, 2012. Earlier same Clause (35AA) was inserted vide Finance (Amendment) Ordinance, 2012 (III of 2012 Promulgated on 24th April, 2012)*

86 *Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*

87 *Substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of substitution clause (35B) was as under:-*

“(35B) non-banking finance company means an institution notified under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.]

Initially, Clause (35B) inserted vide Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

88 *Inserted vide the Finance Act, 2014*

89 *Substituted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution clause (36) was as under:-*

(36) non-profit organization means any person –

- (a) established for religious, charitable or educational purposes, or for the promotion of amateur sport;*
- (b) which is registered under any law as a non-profit organization and in respect of which the Commissioner has issued a ruling certifying that the person is a non-profit organization for the purposes of this Ordinance; and*
- (c) none of the income or assets of the person confers, or may confer a private benefit on any other person;*

- (38) **“non-resident taxpayer”** means a taxpayer who is a non-resident person;
- ⁹⁰[(38A) **Officer of Inland Revenue**” means any Additional Commissioner Inland Revenue, Deputy Commissioner Inland Revenue, Assistant Commissioner Inland Revenue, Inland Revenue Officer, Special Officer ⁹¹[, District Taxation Officer Inland Revenue, Assistant Director Audit,] Inland Revenue or any other officer however designated or appointed by the Board for the purposes of this Ordinance;]
- ⁹²[(38B) **“online marketplace”** means an information technology platform run by e-commerce entity over an electronic network that acts as a facilitator in transactions that occur between a buyer and a seller.]
- (39) **“Originator”** means Originator as defined in the Asset Backed Securitization Rules, 1999;
- (40) **“Pakistan-source income** “means Pakistan-source income as defined in section 101;
- ⁹³[(40A) **“Pension Fund Manager”** means an asset management company registered under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, or a life insurance company registered under Insurance Ordinance, 2000 (XXXIX of 2000), duly authorized by the Securities and Exchange Commission of Pakistan and approved under the Voluntary Pension System Rules, 2005, to manage the Approved Pension Fund;]
- (41) **“permanent establishment”** in relation to a person, means a ⁹⁴[fixed] place of business through which the business of the person is wholly or partly carried on, and includes
- (a) a place of management, branch, office, factory or workshop, ⁹⁵[premises for soliciting orders, warehouse, permanent sales exhibition or sales outlet,] other than a liaison office except where the office engages in the negotiation of contracts (other than contracts of purchase);
 - (b) a mine, oil or gas well, quarry or any other place of extraction of natural resources;
 - ⁹⁶[(ba) an agricultural, pastoral or forestry property;]
 - (c) a building site, a construction, assembly or installation project or supervisory activities connected with such site or project ⁹⁷[but only where such site, project and its ⁹⁸[connected] supervisory activities continue for a period or periods aggregating more than ninety days within any twelve-months period] ;
 - (d) the furnishing of services, including consultancy services, by any person through employees or other personnel engaged by the person for such purpose ⁹⁹[***]

⁹⁰ Inserted vide the Finance Act, 2010 (XV of 2010). This amendment was effective from 5th June, 2010 by declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this Clause was substituted vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) and the Finance (Amendment Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

⁹¹ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁹² Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁹³ Inserted vide the Finance Act, 2005 (VII of 2005 assented on 26th June, 2005)

⁹⁴ Inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

⁹⁵ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁹⁶ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁹⁷ The words were added vide the Finance Act, 2006 (I of 2006 assented on 16th June, 2006)

⁹⁸ Connected was substituted vide Finance Act, 2010 (XV of 2010)

⁹⁹ The words “, but only where activities of that nature continue for the same or a connected project within Pakistan for a period or periods aggregating more than ninety [days] within any twelve-month period” omitted vide the Finance Act, 2003. (I of 2003 assented on 16th June, 2003)

Initially, substituted for the word “months” by the Finance Ordinance, 2002 (XXVII of 2002

- (e) a person acting in Pakistan on behalf of the person (hereinafter referred to as the “agent”¹⁰⁰[.] other than an agent of independent status acting in the ordinary course of business as such, if the agent –

¹⁰¹[(i) has and habitually exercises an authority to conclude contracts on behalf of the other person or habitually concludes contracts or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the person and these contracts are—

- (a) in the name of the person; or
- (b) for the transfer of the ownership of or for the granting of the right to use property owned by that enterprise or that the enterprise has the right to use; or
- (c) for the provision of services by that person; or]

(ii) has no such authority, but habitually maintains a stock -in-trade or other merchandise from which the agent regularly delivers goods or merchandise on behalf of the other person; or

¹⁰²[*Explanation.*-For removal of doubt, it is clarified that an agent of independent status acting in the ordinary course of business does not include a person acting exclusively or almost exclusively on behalf of the person to which it is an associate; or]

- (f) any substantial equipment installed, or other asset or property capable of activity giving rise to income;

¹⁰³[(g) a fixed place of business that is used or maintained by a person if the person or an associate of a person carries on business at that place or at another place in Pakistan and—

- (i) that place or other place constitutes a permanent establishment of the person or an associate of the person under this sub-clause; or
- (ii) business carried on by the person or an associate of the person at the same place or at more than one place constitute complementary functions that are part of a cohesive business operation.

Explanation.-For the removal of doubt, it is clarified that—

- (A) the term “cohesive business operation” includes an overall arrangement for the supply of goods, installation, construction, assembly, commission, guarantees or supervisory activities and all or principal activities are undertaken or performed either by the person or the associates of the person; and
- (B) supply of goods include the goods imported in the name of the associate or any other person, whether or not the title to the goods passes outside Pakistan.]

(42) “**person**” means a person as defined in section 80;

¹⁰⁴[(42A) “**PMEX**” means Pakistan Mercantile Exchange Limited a futures commodity

promulgated on 15th June, 2002)

100 *Substituted for comma vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*

101 *Substituted vide Finance Act, 2018 assented on 22nd May, 2018. At the time of substitution clause (i) was as under:-*

(i) has and habitually exercises an authority to conclude contracts on behalf of the other person;

102 *Added vide Finance Act, 2018 assented on 22nd May, 2018.*

103 *Added vide Finance Act, 2018 assented on 22nd May, 2018.*

exchange company incorporated under the Companies Ordinance, 1984 (XLVII of 1984) and is licensed and regulated by the Securities and Exchange Commission of Pakistan;]

(43) **“pre-commencement expenditure”** means a pre-commencement expenditure as defined in section 25;

(44) **“prescribed”** means prescribed by rules made under this Ordinance;

¹⁰⁵[(44A) **“principal officer”** used with reference to a company or association of persons includes –

- (a) a director, a manager, secretary, agent, accountant or any similar officer; and
- (b) any person connected with the management or administration of the company or association of persons upon whom the Commissioner has served a notice of treating him as the principal officer thereof;]

(45) **“private company”** means a company that is not a public company;

¹⁰⁶[***]

¹⁰⁷[***]

(46) **“profit on a debt”** ¹⁰⁸[whether payable or receivable, means] –

- (a) any profit, yield, interest, discount, premium or other amount ¹⁰⁹[,] owing under a debt, other than a return of capital; or
- (b) any service fee or other charge in respect of a debt, including any fee or charge incurred in respect of a credit facility which has not been utilized;

(47) **“public company”** means –

- (a) a company in which not less than fifty per cent of the shares are held by the Federal Government ¹¹⁰[or Provincial Government];
- ¹¹¹[(ab) a company in which ¹¹²[not less than fifty per cent of the] shares are held by a foreign Government, or a foreign company owned by a foreign Government ¹¹³[,];]
- (b) a company whose shares were traded on a registered stock exchange in Pakistan at any time in the tax year and which remained listed on that exchange ¹¹⁴[***] at the end of that year; or
- ¹¹⁵[(c) a unit trust whose units are widely available to the public and any other

104 *Inserted vide Finance Act, 2015*

105 *Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*

106 *Omitted clause (45A) vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)*

“(45A) Private Equity and Venture Capital Fund means a fund registered with the Securities and Exchange Commission of Pakistan under the Private Equity and Venture Capital Fund Rules, 2007;”

Initially, clause 45A was inserted vide Finance Act, 2007 (IV of 2007 assented on 26th June, 2005)

107 *Omitted clause (45B) was vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)*

“(45B) Private Equity and Venture Capital Fund Management Company means a company licensed by the Securities and Exchange Commission of Pakistan under the Private Equity and Venture Capital Fund Rules, 2007;”

Initially, Clause (45B) was inserted vide Finance Act, 2007 (IV of 2007 assented on 26th June, 2005)

108 *Substituted for the word “means” vide the Finance Act, 2003 (I of 2003 assented on 26th June, 2005)*

109 *Comma was inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*

110 *The words were added vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*

111 *Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*

112 *Inserted vide the Finance Act, 2005 (VII of 2005 assented on 16th June, 2005)*

113 *The full stop was substituted vide the Finance Act, 2005 (VII of 2005 assented on 16th June, 2005)*

114 *The words “and was on the Central Depository System,” were omitted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*

115 *Substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution Sub-*

trust as defined in the Trusts Act, 1882 (II of 1882);]

¹¹⁶[(47A) **“REIT Scheme”** means a REIT Scheme as defined in the Real Estate Investment Trust Regulations 2015;]

¹¹⁷[(47B) **“Real Estate Investment Trust Management Company”** ¹¹⁸[RMC] means ¹¹⁹[RMC] as defined under the Real Estate Investment Trust Regulations, ¹²⁰[2015];]

¹²¹[(47C) **“Rental REIT Scheme”** means a Rental REIT Scheme as defined under the Real Estate Investment Trust Regulations, 2015;]

(48) **“recognized provident fund”** means a provident fund recognized by the Commissioner in accordance with Part I of the Sixth Schedule;

¹²²[***]

(49) **“rent”** means rent as defined in sub-section (2) of section 15 and includes an amount treated as rent under section 16;

¹²³[(49A) **“repealed Ordinance”** means Income Tax Ordinance, 1979 (XXXI of 1979);]

(50) **“resident company”** means a resident company as defined in section 83;

(51) **“resident individual”** means a resident individual as defined in section 82;

(52) **“resident person”** means a resident person as defined in section 81;

(53) **“resident taxpayer”** means a taxpayer who is a resident person;

(54) ¹²⁴[**“royalty”**] means any amount paid or payable, however described or computed, whether periodical or a lump sum, as consideration for -

clause “(c)” was as under:--

“(c) a unit trust whose units are widely available to the public and any other public trust;”

116 Substituted vide Finance Act, 2015. At the time of substitution Sub-clause “(47A)” was as under:--

* (47A) **“Real Estate Investment Trust (REIT) Scheme”** means a REIT Scheme as defined in the Real Estate Investment Trust Regulations, 2008;

* Substituted vide the Finance Act, 2008 (I of 2008 assented on 16th June, 2003). At the time of substitution clause (47A) was as under:--

“(47A) **Real Estate Investment Trust (REIT)** means a scheme which consists of a closed-end collective investment scheme constituted as a unit trust fund and managed by a REIT management company for the purposes of investment in real estate, approved and authorized by the Security and Exchange Commission of Pakistan under the Real Estate Investment Trust Rules, 2006;”

Initially, Clause (47A) was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

117 Substituted vide the Finance Act, 2008 (I of 2008) assented on 26th June, 2008. At the time of substitution clause (47B) was as under:--

“(47B) **Real Estate Investment Trust Management Company** means a company licensed by the Security and Exchange Commission of Pakistan under the Real Estate Investment Trust Rules, 2006.”

Initially, clause (47B) was inserted vide Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

118 Substituted for the letters “REITMC” vide Finance Act, 2015

119 Substituted for the letters “REITMC” vide Finance Act, 2015

120 Substituted for the figure “2008” vide Finance Act, 2015

121 Inserted vide Finance Act, 2015

122 Clause (48A) was omitted vide the Finance Act, 2010 (XVI of 2010 effective from 5th June, 2010). Earlier this Clause was omitted vide Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) and the Finance (Amendment) Ordinance, 2009 promulgated on 28th October, 2009. At the time of omission clause (48A) was as under:-

“(48A) **“Regional Commissioner”** means a person appointed as a Regional Commissioner of Income Tax under section 208 and includes a Director-General of Income Tax and Sales Tax.”

Initially, Clause (47B) was inserted vide Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

123 Clause (49A) was inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

124 Substituted for the word “royalties” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

- (a) the use of, or right to use any patent, invention, design or model, secret formula or process, trademark or other like property or right;
 - (b) the use of, or right to use any copyright of a literary, artistic or scientific work, including films or video tapes for use in connection with television or tapes in connection with radio broadcasting, but shall not include consideration for the sale, distribution or exhibition of cinematograph films;
 - (c) the receipt of, or right to receive, any visual images or sounds, or both, transmitted by satellite, cable, optic fibre or similar technology in connection with television, radio or internet broadcasting;
 - (d) the supply of any technical, industrial, commercial or scientific knowledge, experience or skill;
 - (e) the use of or right to use any industrial, commercial or scientific equipment;
 - (f) the supply of any assistance that is ancillary and subsidiary to, and is furnished as a means of enabling the application or enjoyment of, any such property or right as mentioned in ¹²⁵[sub clauses] (a) through (e); ¹²⁶[and]
 - (g) the disposal of any property or right referred to in ¹²⁷[sub clauses] (a) through (e);
- (55) **“salary”** means salary as defined in section 12;
- (56) **“Schedule”** means a Schedule to this Ordinance;
- (57) **“securitization”** means securitization as defined in the Asset Backed Securitization Rules, 1999;
- (58) **“share”** in relation to a company, includes a modaraba certificate and the interest of a beneficiary in a trust (including units in a trust);
- (59) **“shareholder”** in relation to a company, includes a modaraba certificate holder, ¹²⁸[a unit holder of a unit trust] and a beneficiary of a trust;
- ¹²⁹[(59A) **“Small Company”** means a company registered on or after the first day of July, 2005, under the Companies Ordinance, 1984 (XLVII) of 1984, which, -
- (i) has paid up capital plus undistributed reserves not exceeding ¹³⁰[fifty] million rupees;
 - ¹³¹[(ia) has employees not exceeding two hundred and fifty any time during the year;]
 - (ii) has annual turnover not exceeding two hundred ¹³²[and fifty] million rupees; and
 - (iii) is not formed by the splitting up or the reconstitution of business already in existence;]
- ¹³³[(59B) **“Special Judge”** means the Special Judge appointed under section 203;]
- (60) **“Special Purpose Vehicle”** means a Special Purpose Vehicle as defined in the

¹²⁵ Substituted for the word “clauses” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹²⁶ Added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹²⁷ Substituted for the “clauses” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹²⁸ Inserted for “, a unit holder of a unit trust” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹²⁹ Inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹³⁰ Substituted for the word “twenty-five” vide Finance Act, 2015

¹³¹ Inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹³² Inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹³³ Inserted vide the Finance Act, 2014

Asset Backed Securitization Rules, 1999;

- (61) **“speculation business”** means a speculation business as defined in section 19;
- ¹³⁴[(61A) **“stock fund”** means a collective investment scheme or a mutual fund where the investible funds are invested by way of equity shares in companies, to the extent of more than seventy per cent of the investment;]
- (62) **“stock-in-trade”** means stock-in-trade as defined in section 35;
- ¹³⁵[(62A) **“startup”** means,—
- (i) a business of a resident individual, AOP or a company that commenced on or after first day of July, 2012 and the person is engaged in or intends to offer technology driven products or services to any sector of the economy provided that the person is registered with and duly certified by the Pakistan Software Export Board (PSEB) and has turnover of less than one hundred million in each of the last five tax years; or
 - (ii) any business of a person or class of persons, subject to the conditions as the Federal Government may, by notification in the official Gazette, specify.]
- (63) **“tax”** means any tax imposed under Chapter II, and includes any penalty, fee or other charge ¹³⁶[or surcharge] or any sum or amount leviable or payable under this Ordinance;
- (64) **“taxable income”** means taxable income as defined in section 9;
- ¹³⁷[***]
- (66) **“taxpayer”** means any person who derives an amount chargeable to tax under this Ordinance, and includes —
- (a) any representative of a person who derives an amount chargeable to tax under this Ordinance;
 - (b) any person who is required to deduct or collect tax under Part V of Chapter X ¹³⁸[and Chapter XII;] or
 - (c) any person required to furnish a return of income or pay tax under this Ordinance;
- (67) **“tax treaty”** means an agreement referred to in section 107;
- (68) **“tax year”** means the tax year as defined in sub-section (1) of section 74 and, in relation to a person, includes a special year or a transitional year that the person is permitted to use under section 74;
- (69) **“total income”** means total income as defined in section 10;
- (70) **“trust”** means a **“trust”** as defined in section 80;

¹³⁴ Inserted vide the Finance Act, 2014

¹³⁵ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹³⁶ Added vide Income Tax Ordinance, 2011

¹³⁷ Omitted clause 65 vide the Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010). Earlier this clause was omitted vide Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) and the Finance (Amendment) Ordinance, 2009 promulgated on 28th October, 2009. At the time of omission clause (65) was as under:-

“(65) *taxation officer* means any i[Additional Commissioner of Income Tax, Deputy Commissioner of Income Tax], Assistant Commissioner of Income Tax, Income Tax Officer, Special Officer or any other officer however designated appointed by the ii[Board] for the purposes of this Ordinance;”

i. Substituted for the words and comma “Deputy Commissioner of income Tax, Additional Commissioner of Income Tax” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

ii Substituted for the words “Central Board of Revenue” vide Finance Act, 2007 (IV of 2007)

¹³⁸ Inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹³⁹[(70A) “turnover” means turnover as defined in sub-section (3) of section 113;]

(71) “underlying ownership” means an underlying ownership as defined in section 98;

(72) “units” mean units in a unit trust;

(73) “unit trust” means a unit trust as defined in section 80; and

¹⁴⁰[(74) “Venture Capital Company” and “Venture Capital Fund” shall have the same meanings as are assigned to them under the ¹⁴¹[Non- Banking Finance ¹⁴²[Companies] (Establishment and Regulation) Rules, 2003];

¹⁴³[(75) “whistleblower” means whistleblower as defined in section 227B;]

3. Ordinance to override other laws.-The provisions of this Ordinance shall apply notwithstanding anything to the contrary contained in any other law for the time being in force.

CHAPTER II CHARGE OF TAX

4. Tax on taxable income.-(1) Subject to this Ordinance, income tax shall be imposed for each tax year, at the rate or rates specified in ¹⁴⁴[Division I, IB or II] of Part I of the First Schedule, as the case may be, on every person who has taxable income for the year.

(2) The income tax payable by a taxpayer for a tax year shall be computed by applying the rate or rates of tax applicable to the taxpayer under this Ordinance to the taxable income of the taxpayer for the year, and from the resulting amount shall be subtracted any tax credits allowed to the taxpayer for the year.

(3) Where a taxpayer is allowed more than one tax credit for a tax year, the credits shall be applied in the following order –

- (a) any foreign tax credit allowed under section 103; then
- (b) any tax credit allowed under Part X of Chapter III; and then
- (c) any tax credit allowed under sections ¹⁴⁵[***] 147 and 168.

(4) Certain classes of income (including the income of certain classes of persons) may be subject to –

- (a) separate taxation as provided in sections 5, 6 and 7; or
- (b) collection of tax under Division II of Part V of Chapter X or deduction of tax under Division III of Part V of Chapter X as a final tax on the income ¹⁴⁶[of] the person.

(5) Income referred to in sub-section (4) shall be subject to tax as provided for in section 5, 6 or 7, or Part V of Chapter X, as the case may be, and shall not be included in the computation of taxable income in accordance with section 8 or 169, as the case may be.

¹⁴⁷[(6) Where, by virtue of any provision of this Ordinance, income tax is to be deducted at source or collected or paid in advance, it shall, as the case may be, be so deducted, collected or paid, accordingly ¹⁴⁸[.]]

¹³⁹ Inserted vide the Finance Act, 2009 (I of 2009) assented on 30th June, 2009)

¹⁴⁰ Added vide Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁴¹ Substituted for the words, brackets, comma and figure “Venture Capital Company and Venture Capital Fund Rules, 2001” vide the Finance Act, 2004 (II of 2004)

¹⁴² The word “Company” was substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹⁴³ Inserted vide Finance Act, 2015

¹⁴⁴ Substituted for the words and letters “Division I or II” vide Finance Act, 2010 (XVI of 2010)

¹⁴⁵ The figure and comma “140,” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁴⁶ Substituted for the word “or” vide the Finance Act, 2010 (I of 2010 assented on 16th June, 2010)

¹⁴⁷ Added vide the Finance Act, 2003 (I of 2003 assented on 16th June 2003)

¹⁴⁸ The semi colon substituted vide the Finance Act, 2005 (I of 2005 assented on 29th June, 2005)

¹⁴⁹[***]

¹⁵⁰**[4B. Super tax for rehabilitation of temporarily displaced persons.]**-(1) A super tax shall be imposed for rehabilitation of temporarily displaced persons, for tax ¹⁵¹[years 2015 ¹⁵²[¹⁵³[to 2020]]] year 2015, at the rates specified in Division IIA of Part I of the First Schedule, on income of every person specified in the said Division.

(2) For the purposes of this section, “income” shall be the sum of the following:-

- (i) profit on debt, dividend, capital gains, brokerage and commission;
- (ii) taxable income¹⁵⁴[(other than brought forward depreciation and brought forward business losses)] under section (9) of this Ordinance;
- (iii) imputable income as defined in clause (28A) of section 2; and
- (iv) income computed under Fourth, Fifth, Seventh and Eighth Schedule.

(3) The super tax payable under sub-section (1) shall be paid, collected and deposited on the date and in the manner as specified in sub-section (1) of section 137 and all provisions of Chapter X of the Ordinance shall apply.

(4) Where the super tax is not paid by a person liable to pay it, the Commissioner shall by an order in writing, determine the Super tax payable, and shall serve upon the person, a notice of demand specifying the super tax payable and within the time specified under section 137 of the Ordinance.

(5) Where the super tax is not paid by a person liable to pay it, the Commissioner shall recover the super tax payable under sub-section (1) and the provisions of Part IV, X, XI and XII of Chapter X and Part I of Chapter XI of the Ordinance shall, so far as may be, apply to the collection of super tax as these apply to the collection of tax under the Ordinance.

(6) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.]

5. Tax on dividends.-(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division III of Part I of the First Schedule, on every person who receives a dividend from a ¹⁵⁵[***] company ¹⁵⁶[or treated as dividend under clause (19) of section 2].

(2) The tax imposed under sub-section (1) on a person who receives a dividend shall be computed by applying the relevant rate of tax to the gross amount of the dividend.

(3) This section shall not apply to a dividend that is exempt from tax under this Ordinance.

¹⁴⁹ Section 4A was omitted vide the Finance Act, 2014 which was added vide Income Tax Ordinance, 2011 (IV of 2011 promulgated on 15th March, 2011). At the time of omission section 4 was as under:

“4A. Surcharge.-(1) subject to this Ordinance, a surcharge shall be payable by every taxpayer at the rate of fifteen percent of the income tax payable under this ordinance including the tax payable under Part V of Chapter X or Chapter XII, as the case may be, for the period commencing from the coming into force of the Income Tax (Amendment) Ordinance, 2011, till 30th June, 2011.

(2) Surcharge shall be paid, collected, deducted and deposited at the same time and in the same manner as the tax is paid, collected, deducted and deposited under relevant provisions of this Ordinance including Chapter X or Chapter XII of this Ordinance, as the case may be:

Provided that this surcharge shall not be payable for the tax year 2010 and prior tax years and shall be applicable, subject to the provisions of sub-section (1), for tax year 2011”

¹⁵⁰ Inserted vide Finance Act, 2015

¹⁵¹ For the word and figure “year 2015”, the “2015 and 2016” was substituted vide the Finance Act, 2016 (XXIX of 2016)

¹⁵² Substituted for ‘and 2016’ vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁵³ Substituted for ‘2017’ vide the Finance Act, 2018 assented on 22nd May, 2018.

¹⁵⁴ Inserted vide the Finance Act, 2016 (XXIX of 2016)

¹⁵⁵ The word “resident” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁵⁶ Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

¹⁵⁷[¹⁵⁸**5A. Tax on undistributed profits.**-(1) For tax year 2017 and onwards, a tax shall be imposed at the rate of ¹⁵⁹[five] percent of its accounting profit before tax on every public company, other than a scheduled bank or a *modaraba*, that derives profit for a tax year but does not distribute at least ¹⁶⁰[twenty] percent of its after tax profits within six months of the end of the tax year through cash ¹⁶¹[***]:

Provided that for tax year 2017, bonus shares or cash dividends may be distributed before the due date mentioned in sub-section (2) of section 118, for filing of a return.

(2) The provisions of sub-section (1) shall not apply to—

- (a) a company qualifying for exemption under clause (132) of Part I of the Second Schedule; and
- (b) a company in which not less than fifty percent shares are held by the Government.

¹⁶²**5AA. Tax on return on investments in sukuks.**-(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IIIB of Part I of the First Schedule, on every person who receives a return on investment in sukuks from a special purpose vehicle ¹⁶³[, or a company].

(2) The tax imposed under subsection (1) on a person who receives a return on investment in sukuks shall be computed by applying the relevant rate of tax to the gross amount of the return on investment in sukuks.

(3) This section shall not apply to a return on investment in sukuks that is exempt from tax under this Ordinance.]

6. Tax on certain payments to non-residents.-(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IV of Part I of the First Schedule, on every non-resident person who receives any Pakistan-source royalty ¹⁶⁴[fee for offshore digital services] or fee for technical services.

(2) The tax imposed under sub-section (1) on a non-resident person shall be computed by applying the relevant rate of tax to the gross amount of the royalty or fee for technical services.

¹⁵⁷ *Inserted vide Finance Act, 2015*

¹⁵⁸ *Substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of substitution Section 5A was as under:-*

“5A. Tax on undistributed reserves.-(1) Subject to this Ordinance, a tax shall be imposed at the rate of ten percent, on every public company other than a scheduled bank or a *modaraba*, that derives profits for a tax year but does not distribute cash dividends within six months of the end of the said tax year or distributes dividends to such an extent that its reserves, after such distribution, are in excess of hundred percent of its paid up capital, so much of its reserves as exceed hundred per cent of its paid up capital shall be treated as income of the said company:

Provided that for tax year 2015, cash dividends may be distributed before the due date mentioned in sub-section (2) of section 118, for filing of return for tax year 2015.

(2) The provisions of sub-section (1) shall not apply to---

- (a) a public company which distributes profit equal to either forty percent of its after tax profits or fifty percent of its paid up capital, whichever is less, within six months of the end of the tax year;
- (b) a company qualifying for exemption under clause (132) of part I of the Second Schedule; and
- (c) a company in which not less than fifty percent shares are held by the Government.

(3) For the purpose of this section, ‘reserve’ includes amounts set-aside out of revenue or other surpluses excluding capital reserves, ¹⁵⁸[or fee for offshore digital services] share premium reserves and reserves required to be created under any law, rules or regulations.”

¹⁵⁹ *Substituted for ‘seven and a half’ vide the Finance Act, 2018 assented on 22nd May, 2018.*

¹⁶⁰ *Substituted for ‘forty’ vide the Finance Act, 2018 assented on 22nd May, 2018.*

¹⁶¹ *Omitted vide the Finance Act, 2018 assented on 22nd May, 2018.*

¹⁶² *Inserted vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 2016 (Ordinance No. V of 2016)*

¹⁶³ *Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*

¹⁶⁴ *Inserted vide the Finance Act, 2018 assented on 22nd May, 2018.*

- (3) This section shall not apply to –
- (a) any royalty where the property or right giving rise to the royalty is effectively connected with a permanent establishment in Pakistan of the non-resident person;
 - (b) any fee for technical services where the services giving rise to the fee are rendered through a permanent establishment in Pakistan of the non-resident person; or
 - (c) any royalty or fee for technical services that is exempt from tax under this Ordinance.

(4) Any Pakistani-source royalty ¹⁶⁵[fee for offshore digital services] or fee for technical services received by a non-resident person to which this section does not apply by virtue of clause (a) or (b) of sub-section (3) shall be treated as income from business attributable to the permanent establishment in Pakistan of the person.

7. Tax on shipping and air transport income of a non-resident person.-(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division V of Part I of the First Schedule, on every non-resident person carrying on the business of operating ships or aircraft as the owner or charterer thereof in respect of –

- (a) the gross amount received or receivable (whether in or out of Pakistan) for the carriage of passengers, livestock, mail or goods embarked in Pakistan; and
- (b) the gross amount received or receivable in Pakistan for the carriage of passengers, livestock, mail or goods embarked outside Pakistan.

(2) The tax imposed under sub-section (1) on a non-resident person shall be computed by applying the relevant rate of tax to the gross amount referred to in sub-section (1).

- (3) This section shall not apply to any amounts exempt from tax under this Ordinance.

¹⁶⁶**[7A. Tax on shipping of a resident person.**-(1) In the case of any resident person engaged in the business of shipping, a presumptive income tax shall be charged in the following manner, namely:-

- (a) ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat chartered and flying Pakistan flag shall pay tonnage tax of an amount equivalent to one US\$ per gross registered tonnage per annum; and
- (b) ships, vessels and all floating crafts including tugs, dredgers, survey vessels and other specialized craft not registered in Pakistan and hired under any charter other than bare-boat charter shall pay tonnage tax of an amount equivalent to fifteen US cents per ton of gross registered tonnage per chartered voyage provided that such tax shall not exceed one US\$ per ton of gross registered tonnage per annum:

Explanation.-For the purpose of this section, the expression “equivalent amount” means the rupee equivalent of a US dollar according to the exchange rate prevalent on the first day of December in the case of a company and the first day of September in other cases in the relevant assessment year.

- (2) The provisions of this section shall not be applicable after 30th June, 2020.]

¹⁶⁷**[7B. Tax on profit on debt.**-(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IIIA of Part I of the First Schedule, on every person who receives a profit on debt from any person mentioned in clause (a) to (d) of sub-section (1) of section 151.

¹⁶⁵ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018.

¹⁶⁶ Inserted vide Finance Act, 2015

¹⁶⁷ Added vide Finance Act, 2015

(2) The tax imposed under sub-section (1) on a person who receives a profit on debt shall be computed by applying the relevant rate of tax to the gross amount of the profit on debt.

(3) This section shall not apply to a profit on debt that is exempt from tax under this Ordinance.]

¹⁶⁸[**7C. Tax on builders.**-(1) Subject to this Ordinance, a tax shall be imposed on the profits and gains of a person deriving income from the business of construction and sale of residential, commercial or other buildings at the rates specified in Division VIIIA of Part I of the First Schedule.

(2) The tax imposed under sub-section (1) shall be computed by applying the relevant rate of tax to the area of the residential, commercial or other building being constructed for sale.

(3) The Board may prescribe:

- (a) the mode and manner for payment and collection of tax under this section;
- (b) the authorities granting approval for computation and payment plan of tax; and
- (c) responsibilities and powers of the authorities approving, suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto.

¹⁶⁹[(4) This section shall apply to projects undertaken for construction and sale of residential and commercial buildings initiated and approved.—

- (a) during tax year 2017 only;
- (b) for which payment under rule 13S of the Income Tax Rules, 2002 has been made by the developer during tax year 2017; and
- (c) the Chief Commissioner has issued online schedule of advance tax installments to be paid by the developer in accordance with rule 13U of the Income Tax Rules, 2002.]

7D. Tax on developers.-(1) Subject to this Ordinance, a tax shall be imposed on the profits and gains of a person deriving income from the business of development and sale of residential, commercial or other plots at the rates specified in Division VIIIB of Part I of the First Schedule.

(2) The tax imposed under sub-section (1) shall be computed by applying the relevant rate of tax to the area of the residential, commercial or other plots for sale.

(3) The Board may prescribe:

- (a) the mode and manner for payment and collection of tax under this section;
- (b) the authorities granting approval for computation and payment plan of tax; and
- (c) responsibilities and powers of the authorities approving, suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto.

¹⁶⁸ Inserted vide the Finance Act, 2016 (XXIX of 2016)

¹⁶⁹ Substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of substitution sub-section (4) was as under:-

“(4) This section shall apply to business or projects undertaken for construction and sale of residential, commercial or other buildings initiated and approved after the 1st July, 2016.”

¹⁷⁰[(4) This section shall apply to projects undertaken for development and sale of residential and commercial plots initiated and approved.—

- (a) during tax year 2017 only;
- (b) for which payment under rule 13S of the Income Tax Rules, 2002 has been made by the developer during tax year 2017; and
- (c) the Chief Commissioner has issued online schedule of advance tax installments to be paid by the developer in accordance with rule 13ZB of the Income Tax Rules, 2002.

8. General provisions relating to taxes imposed under sections 5, ¹⁷¹[**5A** ¹⁷²[**5AA**], **6, 7, 7A** ¹⁷³[¹⁷⁴[**7B**]]].-Subject to this Ordinance, the tax imposed under Sections 5, ¹⁷⁵[¹⁷⁶[***]] ¹⁷⁷[**5AA**], **6, 7, 7A** and **7B**] shall be a final tax on the amount in respect of which the tax is imposed and-

- (a) such amount shall not be chargeable to tax under any head of income in computing the taxable income of the person who derives it for any tax year;
- (b) no deduction shall be allowable under this Ordinance for any expenditure incurred in deriving the amount;
- (c) the amount shall not be reduced by –
 - (i) any deductible allowance; or
 - (ii) the set off of any loss;
- (d) the tax payable by a person under ¹⁷⁸[section] 5, ¹⁷⁹[**5A, 6, 7, 7A** ¹⁸⁰[¹⁸¹[**7B**]]] shall not be reduced by any tax credits allowed under this Ordinance; and
- (e) the liability of a person under ¹⁸²[section] 5, 6 or 7 shall be discharged to the extent that –
 - (i) in the case of shipping and air transport income, the tax has been paid in accordance with section 143 or 144, as the case may be; or
 - (ii) in any other case, the tax payable has been deducted at source under Division III of Part V of Chapter X ¹⁸³[.]]

¹⁸⁴[***]

¹⁷⁰ Substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of substitution sub-section (4) was as under:-

(4) This section shall apply to projects undertaken for development and sale of residential, commercial or other plots initiated and approved after the 1st July, 2016.]

¹⁷¹ Substituted for the “6 and 7” vide Finance Act, 2015

¹⁷² Inserted vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 2016 (Ordinance No. V of 2016)

¹⁷³ For the expression “and 7B”, “7B, 7C and 7D” was substituted vide the Finance Act, 2016 (XXIX of 2016)

¹⁷⁴ For “, 7B, 7C and 7D”, the expression “and 7B” was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁷⁵ Substituted for the “6 and 7” vide Finance Act, 2015

¹⁷⁶ Omitted vide the Finance Act, 2018 assented on 22nd May, 2018.

¹⁷⁷ Inserted vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 2016 (Ordinance No. V of 2016)

¹⁷⁸ Substituted for the word “sections” vide the Finance Act, 2014

¹⁷⁹ Substituted for the “6 or 7” vide Finance Act, 2015

¹⁸⁰ Substituted for the word “or” vide the Finance Act, 2016 (XXIX of 2016)

¹⁸¹ For “, 7B, 7C and 7D”, the expression “and 7B” was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. Earlier, after “7B”, the expression “7C and 7D” was inserted vide the Finance Act, 2016 (XXIX of 2016)

¹⁸² Substituted for the word “sections” vide the Finance Act, 2014

¹⁸³ For the colon, a full stop was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. Earlier for the full stop a colon was substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁸⁴ Proviso was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013, which was inserted vide the Finance Act, 2007 (IV of 2007) assented on 30th June, 2007 and appeared as under:-
“Provided that the provision of this section shall not apply to dividend received by a company.”

CHAPTER III TAX ON TAXABLE INCOME

PART I COMPUTATION OF TAXABLE INCOME

9. Taxable income.—The taxable income of a person for a tax year shall be the total income¹⁸⁵[under clause (a) of section 10] of the person for the year reduced (but not below zero) by the total of any deductible allowances under Part IX of this Chapter of the person for the year.

10. Total Income.—The total income of a person for a tax year shall be the sum of the¹⁸⁶[--]

¹⁸⁷[(a) Person's income under all heads of income for the year; and

(b) person's income exempt from tax under any of the provisions of this Ordinance.]

11. Heads of income.—(1) For the purposes of the imposition of tax and the computation of total income, all income shall be classified under the following heads, namely:—

(a) Salary;

¹⁸⁸[(b) Income from Property;

(c) Income from Business;

(d) Capital Gains; and

(e) Income from Other Sources]

(2) Subject to this Ordinance, the income of a person under a head of income for a tax year shall be the total of the amounts derived by the person in that year that are chargeable to tax under the head as reduced by the total deductions, if any, allowed under this Ordinance to the person for the year under that head.

(3) Subject to this Ordinance, where the total deductions allowed under this Ordinance to a person for a tax year under a head of income exceed the total of the amounts derived by the person in that year that are chargeable to tax under that head, the person shall be treated as sustaining a loss for that head for that year of an amount equal to the excess.

(4) A loss for a head of income for a tax year shall be dealt with in accordance with Part VIII of this Chapter.

(5) The income of a resident person under a head of income shall be computed by taking into account amounts that are Pakistan-source income and amounts that are foreign-source income.

(6) The income of a non-resident person under a head of income shall be computed by taking into account only amounts that are Pakistan-source income.

PART II HEAD OF INCOME: SALARY

12. Salary.—(1) Any salary received by an employee in a tax year, other than salary that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Salary".

(2) Salary means any amount received by an employee from any employment, whether

¹⁸⁵ The expression inserted vide Finance Act, 2012

¹⁸⁶ Substituted for the words "person's income under each of the heads of income for the year" vide Finance, Act 2012

¹⁸⁷ Clauses (a) & (b) added vide Finance Act, 2012

¹⁸⁸ Clauses (b) to (e) substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution clauses (b) to (e) were as under:—

"(b) income from property;

(c) income from business;

(d) capital gains; and

(e) income from other sources."

of a revenue or capital nature, including -

- (a) any pay, wages or other remuneration provided to an employee, including leave pay, payment in lieu of leave, overtime payment, bonus, commission, fees, gratuity or work condition supplements (such as for unpleasant or dangerous working conditions) ¹⁸⁹***]

¹⁹⁰***]

¹⁹¹[Provided that any bonus paid or payable to corporate employees receiving salary income of one million rupees or more (excluding bonus) in tax year 2010, shall be chargeable to tax at the rate provided in paragraph (2) of Division I of Part I of the First Schedule;]

- (b) any perquisite, whether convertible to money or not;
- (c) the amount of any allowance provided by an employer to an employee including a cost of living, subsistence, rent, utilities, education, entertainment or travel allowance, but shall not include any allowance solely expended in the performance of the employee's duties of employment;
- (d) the amount of any expenditure incurred by an employee that is paid or reimbursed by the employer, other than expenditure incurred on behalf of the employer in the performance of the employee's duties of employment;
- (e) the amount of any profits in lieu of, or in addition to, salary or wages, including any amount received –
 - (i) as consideration for a person's agreement to enter into an employment relationship;
 - (ii) as consideration for an employee's agreement to any conditions of employment or any changes to the employee's conditions of employment;
 - (iii) on termination of employment, whether paid voluntarily or under an agreement, including any compensation for redundancy or loss of employment and golden handshake payments;
 - (iv) from a provident or other fund, to the extent to which the amount is not a repayment of contributions made by the employee to the fund in respect of which the employee was not entitled to a deduction; and
 - (v) as consideration for an employee's agreement to a restrictive covenant in respect of any past, present or prospective employment;
- (f) any pension or annuity, or any supplement to a pension or annuity; and
- (g) any amount chargeable to tax as "Salary" under section 14.

(3) Where an employer agrees to pay the tax chargeable on an employee's salary, the amount of the employee's income chargeable under the head "Salary" shall be grossed up by the amount of tax payable by the employer.

(4) No deduction shall be allowed for any expenditure incurred by an employee in deriving amounts chargeable to tax under the head "Salary".

(5) For the purposes of this Ordinance, an amount or perquisite shall be treated as received by an employee from any employment regardless of whether the amount or perquisite is paid or provided –

¹⁸⁹ The colon at the end was omitted vide Finance Act, 2015

¹⁹⁰ The Proviso, which was earlier inserted vide Finance Act, 2009 was been omitted vide Finance Act, 2015. At the time of omission the Proviso was as under:-

"Provided that any bonus paid or payable to corporate employees receiving salary income of one million rupees or more (excluding bonus) in tax year 2010, shall be chargeable to tax at the rate provided in paragraph (2) of Division I of Part I of the First Schedule;"

¹⁹¹ Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

- (a) by the employee's employer, an associate of the employer, or by a third party under an arrangement with the employer or an associate of the employer;
- (b) by a past employer or a prospective employer; or
- (c) to the employee or to an associate of the employee ¹⁹²[or to a third party under an agreement with the employee or an associate of the employee.]

(6) An employee who has received an amount referred to in sub-clause (iii) of clause (e) of sub-section (2) in a tax year may, by notice in writing to the Commissioner, elect for the amount to be taxed at the rate computed in accordance with the following formula, namely:—

$$\frac{A}{B}\%$$

where —

A is the total tax paid or payable by the employee on the employee's total taxable income or the three preceding tax years; and

B is the employee's total taxable income for the three preceding tax years.

(7) Where —

(a) any amount chargeable under the head "Salary" is paid to an employee in arrears; and

(b) as a result the employee is chargeable at higher rates of tax than would have been applicable if the amount had been paid to the employee in the tax year in which the services were rendered, the employee may, by notice in writing to the Commissioner, elect for the amount to be taxed at the rates of tax that would have been applicable if the salary had been paid to the employee in the tax year in which the services were rendered.

(8) An election under sub-section (6) or (7) shall be made by the due date for furnishing the employee's return of income or employer certificate, as the case may be, for the tax year in which the amount was received or by such later date as the Commissioner may allow.

13. Value of perquisites.—(1) For the purposes of computing the income of an employee for a tax year chargeable to tax under the head "Salary", the value of any perquisite provided by an employer to the employee in that year that is included in the employee's salary under section 12 shall be determined in accordance with this section.

(2) This section shall not apply to any amount referred to in clause (c) or (d) of sub-section (2) of section 12.

¹⁹³(3) Where, in a tax year, a motor vehicle is provided by an employer to an employee wholly or partly for the private use of the employee, the amount chargeable to tax to the employee under the head "Salary" for that year shall include an amount computed as may be prescribed.]

192 Inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

193 Substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-section (3) was as under:—

"(3) Subject to sub-section (4), where, in a tax year, a motor vehicle is provided by an employer to an employee wholly or partly for the private use of the employee, the amount chargeable to tax to the employee under the head "salary" for that year shall include the amount computed in accordance with the following formula, namely:—

$(A \times B) - C$

Where,

A is the cost to the employer of acquiring the motor vehicle or, if the vehicle is leased by the employer, the fair market value of the vehicle at the commencement of the lease;

B is—

(a) where the vehicle is wholly for private use, fifteen percent;

(b) where the vehicle is only partly for private use, seven and a half percent; and

C is any payment made by the employee for the use of the motor vehicle or for its running costs.

¹⁹⁴[***]

(5) Where, in a tax year, the services of a housekeeper, driver, gardener or other domestic assistant is provided by an employer to an employee, the amount chargeable to tax to the employee under the head “Salary” for that year shall include the total salary paid to the domestic assistant ¹⁹⁵[such house keeper, driver, gardener or other domestic assistant] in that year for services rendered to the employee, as reduced by any payment made ¹⁹⁶[to the employer] for such services.

(6) Where, in a tax year, utilities are provided by an employer to an employee, the amount chargeable to tax to the employee under the head “Salary” for that year shall include the fair market value of the utilities provided, as reduced by any payment made by the employee for the utilities.

¹⁹⁷[(7) Where a loan is made, on or after the 1st day of July, 2002, by an employer to an employee and either no profit on loan is payable by the employee or the rate of profit on loan is less than the benchmark rate, the amount chargeable to tax to the employee under the head “Salary” for a tax year shall include an amount equal to-

- (a) the profit on loan computed at the benchmark rate, where no profit on loan is payable by the employee, or
- (b) the difference between the amount of profit on loan paid by the employee in that tax year and the amount of profit on loan computed at the benchmark rate, as the case may be ¹⁹⁸[.]

¹⁹⁹[Provided that this sub-section shall not apply to such benefit arising to an employee due to waiver of interest by such employee on his account with the employer ²⁰⁰[.]]

²⁰¹[Provided further that the above sub-section shall not apply to loans not exceeding ²⁰²[one million].]

(8) For the purposes of this Ordinance not including sub-section (7), where the employee uses a loan referred to in sub-section (7) wholly or partly for the acquisition of ²⁰³[any asset or property] producing income chargeable to tax under any head of income, the employee shall be treated as having paid an amount as profit equal to the benchmark rate on the loan or that part of the loan used to acquire ²⁰⁴[***] ²⁰⁵[any asset or property.]

(9) Where, in a tax year, an obligation of an employee to pay or repay an amount

¹⁹⁴ Sub-section (4) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission sub-section (4) was as under:-

“(4) Where a motor vehicle referred to in sub-section (3) is available to more than one employee for a tax year, the amount chargeable to tax under the head -Salary for each such employee for that year shall be the amount determined under sub-section (3) divided by the number of employees permitted to use the vehicle.”

¹⁹⁵ Substituted for “domestic assistant” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁹⁶ Substituted for “by the employee” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁹⁷ Substituted for “sub-section (7)” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002) At the time of substitution sub-section (7) was as under:-

“(7) Where, in a tax year, a loan is made by an employer to an employee, the amount chargeable to tax to the employee under the head —Salary for that year shall include the difference between the profit paid by the employee on the loan in the tax year, if any, and the profit which would have been paid by the employee on the loan for the year if the loan had been made at the benchmark rate for that year.”

¹⁹⁸ Substituted for the full stop vide Finance Act, 2010 (XVI of 2010)

¹⁹⁹ Added vide Finance Act, 2010 (XVI of 2010)

²⁰⁰ Substituted for the full stop vide Finance Act, 2012

²⁰¹ Proviso added vide Finance Act, 2012

²⁰² For the words “five hundred thousand” the “one million” was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁰³ Substituted for the word “property” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

²⁰⁴ The word “the” was omitted vide the Finance Act, 2014

²⁰⁵ Substituted for the word “property” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

owing by the employee to the employer is waived by the employer, the amount chargeable to tax to the employee under the head “Salary” for that year shall include the amount so waived.

(10) Where, in a tax year, an obligation of an employee to pay or repay an amount²⁰⁶[owing] by the employee to another person is paid by the employer, the amount chargeable to tax to the employee under the head “Salary” for that year shall include the amount so paid.

(11) Where, in a tax year, property is transferred or services are provided by an employer to an employee, the amount chargeable to tax to the employee under the head “Salary” for that year shall include the fair market value of the property or services determined at the time the property is transferred or the services are provided, as reduced by any payment made by the employee for the property or services.

²⁰⁷[(12) Where, in the tax year, accommodation or housing is provided by an employer to an employee, the amount chargeable to tax to the employee under the head “Salary” for that year shall include an amount computed as may be prescribed.]

(13) Where, in a tax year, an employer has provided an employee with a perquisite which is not covered by sub-sections (3) through (12), the amount chargeable to tax to the employee under the head “Salary” for that year shall include the fair market value of the perquisite,²⁰⁸[except where the rules, if any, provide otherwise,] determined at the time it is provided, as reduced by any payment made by the employee for the perquisite.

²⁰⁹[(14) In this section,-

- (a) “benchmark rate “means --
 - (i) for the tax year commencing on the first day of July, 2002, a rate of five percent per annum; and
 - (ii) for the tax years next following the tax year referred to in sub-clause (i), the rate for each successive year taken at one percent above the rate applicable for the immediately preceding tax year, but not exceeding ²¹⁰[ten per cent per annum] in respect of any tax year;
- (b) “services “includes the provision of any facility; and
- (c) “utilities “includes electricity, gas, water and telephone.]

14. Employee share schemes.-(1) The value of a right or option to acquire shares under an employee share scheme granted to an employee shall not be chargeable to tax.

(2) Subject to sub-section (3), where, in a tax year, an employee is issued with shares under an employee share scheme including as a result of the exercise of an option or right to acquire the shares, the amount chargeable to tax to the employee under the head “Salary” for that

²⁰⁶ Substituted for the word “owed” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

²⁰⁷ Substituted vide Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-section (12) was as under:--

“(12) Where, in a tax year, accommodation or housing is provided by an employer to an employee, the amount chargeable to tax to the employee under the head —Salary for that year shall include —

- (a) where the employer or an associate owns the accommodation or housing, the fair market rent of the accommodation or housing; or
- (b) in any other case, the rent paid by the employer for the accommodation or housing, as reduced by any payment made by the employee for the accommodation or housing.”

²⁰⁸ Inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

²⁰⁹ Substituted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-section (14) was as under:--

“(14) In this section, -

“benchmark rate” means the State Bank of Pakistan discount rate at the commencement of the tax year;

“services” includes the making available of any facility; and

“utilities” includes electricity, gas, water and telephone.”

²¹⁰ Substituted for the words and commas “such rate, if any, as the Federal Government may, by notification, specify” vide the Finance Act, 2012

year shall include the fair market value of the shares determined at the date of issue, as reduced by any consideration given by the employee for the shares including any amount given as consideration for the grant of a right or option to acquire the shares.

(3) Where shares issued to an employee under an employee share scheme are subject to a restriction on the transfer of the shares -

- (a) no amount shall be chargeable to tax to the employee under the head “Salary” until the earlier of –
 - (i) the time the employee has a free right to transfer the shares; or
 - (ii) the time the employee disposes of the shares; and
- (b) the amount chargeable to tax to the employee shall be the fair market value of the shares at the time the employee has a free right to transfer the shares or disposes of the shares, as the case may be, as reduced by any consideration given by the employee for the shares including any amount given as consideration for the grant of a right or option to acquire the shares.

(4) For purposes of this Ordinance, where sub-section (2) or (3) applies, the cost of the shares to the employee shall be the sum of –

- (a) the consideration, if any, given by the employee for the shares;
- (b) the consideration, if any, given by the employee for the grant of any right or option to acquire the shares; and
- (c) the amount chargeable to tax under the head “Salary” under those sub-sections.

(5) Where, in a tax year, an employee disposes of a right or option to acquire shares under an employee share scheme, the amount chargeable to tax to the employee under the head “Salary” for that year shall include the amount of any gain made on the disposal computed in accordance with the following formula, namely:–

A-B

where –

- A** is the consideration received for the disposal of the right or option; and
- B** is the employee’s cost in respect of the right or option.

(6) In this sub-section, “employee share scheme” means any agreement or arrangement under which a company may issue shares in the company to –

- (a) an employee of the company or an employee of an associated company;
or
- (b) the trustee of a trust and under the trust deed the trustee may transfer the shares to an employee of the company or an employee of an associated company.

PART III

HEAD OF INCOME: INCOME FROM PROPERTY

15. Income from property.-(1) The rent received or receivable by a person ²¹¹[for] a tax year, other than rent exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head “Income from Property”.

(2) Subject to sub-section (3), “rent” means any amount received or receivable by the owner of land or a building as consideration for the use or occupation of, or the right to use or occupy, the land or building, and includes any forfeited deposit paid under a contract for the sale of

211 Substituted for the word “in” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

land or a building.

(3) This section shall not apply to any rent received or receivable by any person in respect of the lease of a building together with plant and machinery and such rent shall be chargeable to tax under the head "Income from Other Sources".

²¹² [(3A) Where any amount is included in rent received or receivable by any person for the provision of amenities, utilities or any other service connected with the renting of the building, such amount shall be chargeable to tax under the head "Income from Other Sources".]

(4) Subject to sub-section (5), where the rent received or receivable by a person is less than the fair market rent for the property, the person shall be treated as having derived the fair market rent for the period the property is let on rent in the tax year.

(5) Sub-section (4) shall not apply where the fair market rent is included in the income of the lessee chargeable to tax under the head "Salary".

²¹³ [(6) Income under this section derived by an individual or an association of persons shall be liable to tax at the rate specified in Division VIA of Part I of the First Schedule.

(7) The provisions of sub-section (1), shall not apply in respect of an individual or association of persons who derive income chargeable to tax under this section not exceeding two hundred thousand rupees in a tax year and does not derive taxable income under any other head.]

²¹⁴ [***]

²¹⁵ [***]

²¹⁶ [15A. Deductions in computing income chargeable under the head "Income from Property".-(1) computing the income of a ²¹⁷ [company] chargeable to tax under the head "Income from Property" for a tax year, a deduction shall be allowed for the following expenditures or allowances, namely:--

- (a) in respect of repairs to a building, an allowance equal to one-fifth of the rent chargeable to tax in respect of the building for the year, computed before any deduction allowed under this section;
- (b) any premium paid or payable by the ²¹⁸ [company] in the year to insure the building against the risk of damage or destruction;
- (c) any local rate, tax, charge or cess in respect of the property or the rent from the property paid or payable by the ²¹⁹ [company] to any local authority or government in the year, not being any tax payable under this Ordinance;
- (d) any ground rent paid or payable by the ²²⁰ [company] in the year in respect of the property;

212 Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

213 Inserted vide the Finance Act, 2016 (XXIX of 2016)

214 Omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. Sub Section (6) was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006) and appeared as follows:-

"(6) Income under this section shall be liable to tax at the rate specified in Division VI of Part I of the First Schedule."

215 Omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. Sub Section (7) was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006) and appeared as follows:-

"(7) the provisions of sub-section (1), shall not apply in respect of a taxpayer who-

(i) is an individual or association of persons;

(ii) derives income chargeable to tax under this section not exceeding Rs. 150,000 in a tax year; and

(iii) does not derive taxable income under any other head."

216 Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

217 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

218 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

219 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

220 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

- (e) any profit paid or payable by the ²²¹[company] in the year on any money borrowed including by way of mortgage, to acquire, construct, renovate, extend or reconstruct the property;
 - (f) where the property has been acquired, constructed, renovated, extended, or reconstructed by the ²²²[company] with capital contributed by the House Building Finance Corporation or a scheduled batik under a scheme of investment in property on the basis of sharing the rent made by the Corporation or bank, the share in rent and share towards appreciation in the value of property (excluding the return of capital, if any) from the property paid or payable by the ²²³[company] to the said Corporation or the batik in the year under that scheme;
 - (g) where the property is subject to mortgage or other capital charge, the amount of profit or interest paid on such mortgage or charge;
 - ²²⁴[(h) any expenditure, not exceeding six percent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section, paid or payable by the ²²⁵[company] in the year wholly and exclusively for the purpose of deriving rent chargeable to tax under the head, "Income from Property" including administration and collection charges;]
 - (i) any expenditure paid or payable by the ²²⁶[company] in the tax year for legal services acquired to defend the person's title to the property or any suit connected with the property in a court; and
 - (j) where there are reasonable grounds for believing that any unpaid rent in respect of the property is irrecoverable, an allowance equal to the unpaid rent where--
 - (i) the tenancy was bona fide, the defaulting tenant has vacated the property or steps have been taken to compel the tenant to vacate the property and the defaulting tenant is not in occupation of any other property of the ²²⁷[company];
 - (ii) the ²²⁸[company] has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or has reasonable grounds to believe that legal proceedings would be useless; and
 - (iii) the unpaid rent has been included in the income of the ²²⁹[company] chargeable to tax under the head "Income from Property" for the tax year in which the rent was due and tax has been duly paid on such income.
- (2) Where any unpaid rent allowed as a deduction under clause (j) of sub-section (1) is wholly or partly recovered, the amount recovered shall be chargeable to tax in the tax year in which it is recovered.
- (3) Where a ²³⁰[company] has been allowed a deduction for any expenditure incurred to denying rent chargeable to tax under the head "Income from Property" and the ²³¹[company] has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be

221 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

222 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

223 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

224 Clause (h) was Substituted vide Finance Act, 2015. At the time of substitution clause (h) was as under:-
 (h) any expenditure (not exceeding six percent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section) paid or payable by the person in the year for the purpose of collecting the rent due in respect of the property;

225 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

226 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

227 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

228 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

229 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

230 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

231 Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

chargeable to tax under the head "Income from Property" in the first tax year following the end of the three years,

(4) Where an unpaid liability is chargeable to tax as a result of the application of sub-section (3) and the ²³²[company] subsequently pays the liability or a part of the liability, the ²³³[company] shall be allowed a deduction for the amount paid in the tax year in which the payment is made.

(5) Any expenditure allowed to a ²³⁴[company] under this section as a deduction shall not be allowed as a deduction in computing the income of the ²³⁵[company] chargeable to tax under any other head of income.

(6) The provisions of section 21 shall apply in determining the deductions allowed to a ²³⁶[company] under this section in the same manner as they apply in determining the deductions allowed in computing the income of a ²³⁷[company] chargeable to tax under the head "Income from Business".]

16. Non-adjustable amounts received in relation to buildings.-(1) Where the owner of a building receives from a tenant an amount which is not adjustable against the rent payable by the tenant, the amount shall be treated as rent chargeable to tax under the head "Income from Property" in the tax year in which it was received and the following nine tax years in equal proportion.

(2) Where an amount (hereinafter referred to as the "earlier amount") referred to in sub-section (1) is refunded by the owner to the tenant on termination of the tenancy before the expiry of ten years, no portion of the amount shall be allocated to the tax year in which it is refunded or to any subsequent tax year except as provided for in sub-section (3).

(3) Where the circumstances specified in sub-section (2) occur and the owner lets out the building or part thereof to another person (hereinafter referred to as the "succeeding tenant") and receives from the succeeding tenant any amount (hereinafter referred to as the "succeeding amount") which is not adjustable against the rent payable by the succeeding tenant, the succeeding amount as reduced by such portion of the earlier amount as was charged to tax shall be treated as rent chargeable to tax under the head "Income from Property" as specified in sub-section (1).

²³⁸[***]

²³² Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

²³³ Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

²³⁴ Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

²³⁵ Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

²³⁶ Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

²³⁷ Substituted for the word "person" vide the Finance Act, 2016 (XXIX of 2016)

²³⁸ Section 17 omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution section (17) was as under:--

"17. Deductions in computing income chargeable under the head "Income from Property".-(1) In computing the income of a person chargeable to tax under the head "Income from Property" for a tax year, a deduction shall be allowed for the following expenditures or allowances, namely:--

- (a) In respect of repairs to a building, an allowance equal to one-fifth of the rent chargeable to tax in respect of the building for the year, computed before any deduction allowed under this section;
- (b) any premium paid or payable by the person in the year to insure the building against the risk of damage or destruction;
- (c) any local rate, tax, charge, or cess in respect of the property or the rent from the property paid or payable by the person to any local authority or government in the year, not being any tax payable under this Ordinance;
- (d) any ground rent paid or payable by the person in the year in respect of the property;
- (e) any profit paid or payable by the person in the year on any money borrowed including by way of mortgage, to acquire, construct, renovate, extend, or reconstruct the property;
- (f) where the property has been acquired, constructed, renovated, extended, or reconstructed by the person with capital contributed by the House Building Finance Corporation or a scheduled bank under a scheme of investment in property on the basis of sharing the rent made by the Corporation or bank, the share in rent if [and share towards appreciation in the value of property (excluding the return of capital, if any) from the property] paid or payable by the person to the said Corporation or the bank in the year under that scheme;

i. The words inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June,

PART IV HEAD OF INCOME: INCOME FROM BUSINESS

Division I Income from Business

18. Income from business.-(1) The following incomes of a person for a tax year, other than income exempt from tax under this Ordinance, shall be chargeable to tax under the head “Income from Business”–

- (a) the profits and gains of any business carried on by a person at any time in the year;
- (b) any income derived by any trade, professional or similar association from the sale of goods or provision of services to its members;
- (c) any income from the hire or lease of tangible movable property;
- (d) the fair market value of any benefit or perquisite, whether convertible into money or not, derived by a person in the course of, or by virtue of, a past, present, or prospective business relationship²³⁹[.]

²⁴⁰[Explanation.-For the purposes of this clause, it is declared that the word ‘benefit’ includes any benefit derived by way of waiver of profit on debt or the debt itself under the State Bank of Pakistan, Banking Policy Department, Circular No.29 of 2002 or in any other scheme

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- 2002)
 - ii[(fa) where the property is subject to mortgage or other capital charge, the amount of profit or interest paid on such mortgage or charge;
 - ii. Clause (i) inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)
 - (g) any expenditure (not exceeding six per cent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section) paid or payable by the person in the year for the purpose of collecting the rent due in respect of the property;
 - (h) any expenditure paid or payable by the person in the tax year for legal services acquired to defend the person’s title to the property or any suit connected with the property in a Court; and
 - (i) where there are reasonable grounds for believing that any unpaid rent in respect of the property is irrecoverable, an allowance equal to the unpaid rent where –
 - (i) the tenancy was bona fide, the defaulting tenant has vacated the property or steps have been taken to compel the tenant to vacate the property, and the defaulting tenant is not in occupation of any other property of the person;
 - (ii) the person has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or has reasonable grounds to believe that legal proceedings would be useless; and
 - (iii) the unpaid rent has been included in the income of the person chargeable to tax under the head Income from Property for the tax year in which the rent was due and tax has been duly paid on such income.
 - (2) Where any unpaid rent allowed as a deduction under clause (I) of sub-section (I) is wholly or partly recovered, the amount recovered shall be chargeable to tax in the tax year in which it is recovered.
 - (3) Where a person has been allowed a deduction for any expenditure incurred in deriving rent chargeable to tax under the head “Income from Property” and the person has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be chargeable to tax under the head “Income from Property” in the first tax year following the end of the three years.
 - (4) Where an unpaid liability is chargeable to tax as a result of the application of sub-section (3) and the person subsequently pays the liability or a part of the liability, the person shall be allowed a deduction for the amount paid in the tax year in which the payment is made.
 - (5) Any expenditure allowed to a person under this section as a deduction shall not be allowed as a deduction in computing the income of the person chargeable to tax under any other head of income.
 - (6) The provisions of section 21 shall apply in determining the deductions allowed to a person under this section in the same manner as they apply in determining the deductions allowed in computing the income of a person chargeable to tax under the head —Income from Business.”

²³⁹ Substituted for “; and” vide Finance Act 2011 (XVI of 2011 assented on 29th June, 2011)

²⁴⁰ The Explanation was added vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

issued by the State Bank of Pakistan.]

- (e) any management fee derived by a management company (including a modaraba²⁴¹[management company]).]

²⁴²[*Explanation.*-For the removal of doubt it is clarified that income subject to taxation under sections 5A, 5AA, 6, 7 and 7A shall not be chargeable to tax under this section.]

(2) Any profit on debt derived by a person where the person's business is to derive such income shall be chargeable to tax under the head "Income from Business" and not under the head "Income from Other Sources".

²⁴³[(3) Where a lessor, being a scheduled bank or an investment bank or a development finance institution or a modaraba or a leasing company has leased out any asset, whether owned by it or not, to another person, any amount paid or payable by the said person in connection with the lease of said asset shall be treated as the income of the said lessor and shall be chargeable to tax under the head "Income from Business".]

²⁴⁴[(4) Any amount received by a banking company or a non-banking finance company, where such amount represents distribution by a mutual fund²⁴⁵[or a Private Equity and Venture Capital Fund] out of its income from profit on debt, shall be chargeable to tax under the head "Income from Business" and not under the head "Income from Other Sources".]

19. Speculation business.-(1) Where a person carries on a speculation business –

- (a) that business shall be treated as distinct and separate from any other business carried on²⁴⁶[by] the person;
- (b) this Part shall apply separately to the speculation business and the other business of the person;
- (c) section 67 shall apply as if the profits and gains arising from a speculation business were a separate head of income;
- (d) any profits and gains arising from the speculation business for a tax year computed in accordance with this Part shall be included in the person's income chargeable to tax under the head "Income from Business" for that year; and
- (e) any loss of the person arising from the speculation business sustained for a tax year computed in accordance with this Part shall be dealt with under section 58.

(2) In this section, "speculation business" means any business in which a contract for the purchase and sale of any commodity (including²⁴⁷[stocks] and shares) is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity, but does not include a business in which –

- (a) a contract in respect of raw materials or merchandise is entered into by a person in the course of a manufacturing or mercantile business to guard against loss through future price fluctuations for the purpose of fulfilling the person's other contracts for the actual delivery of the goods to be manufactured or merchandise to be sold;
- (b) a contract in respect of stocks and shares is entered into by a dealer or investor therein to guard against loss in the person's holding of stocks and shares through price fluctuations; or

²⁴¹ The words added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

²⁴² Added vide the Finance Act, 2018 assented on 22nd May, 2018.

²⁴³ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁴⁴ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁴⁵ Inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²⁴⁶ Inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

²⁴⁷ The word "stock" substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

- (c) a contract is entered into by a member of a forward market or stock exchange in the course of any transaction in the nature of jobbing²⁴⁸[arbitrage] to guard against any loss which may arise in the ordinary course of the person's business as such member.

Division II

Deductions: General Principles

20. Deductions in computing income chargeable under the head "Income from Business".-(1) Subject to this Ordinance, in computing the income of a person chargeable to tax under the head "Income from Business" for a tax year, a deduction shall be allowed for any expenditure incurred by the person in the year²⁴⁹[wholly and exclusively for the purposes of business].

²⁵⁰[(1A) Subject to this Ordinance, where animals which have been used for the purposes of the business or profession otherwise than as stock-in-trade and have died or become permanently useless for such purposes, the difference between the actual cost to the taxpayer of the animals and the amount, if any, realized in respect of the carcasses or animals.]

(2) Subject to this Ordinance, where the expenditure referred to in sub-section (1) is incurred in acquiring a depreciable asset or an intangible with a useful life of more than one year or is pre-commencement expenditure, the person must depreciate or amortize the expenditure in accordance with sections 22, 23, 24 and 25.

²⁵¹[(3) Subject to this Ordinance, where any expenditure is incurred by an amalgamated company on legal and financial advisory services and other administrative cost relating to planning and implementation of amalgamation, a deduction shall be allowed for such expenditure.]

21. Deductions not allowed.-Except as otherwise provided in this Ordinance, no deduction shall be allowed in computing the income of a person under the head "Income from Business" for -

- (a) any cess, rate or tax paid or payable by the person in Pakistan or a foreign country that is levied on the profits or gains of the business or assessed as a percentage or otherwise on the basis of such profits or gains;
- (b) any amount of tax deducted under Division III of Part V of Chapter X from an amount derived by the person;
- ²⁵²[(c) any expenditure from which the person is required to deduct or collect tax under Part V of Chapter X or Chapter XII, unless the person has paid or deducted and paid the tax as required by Division IV of Part V of Chapter X:

Provided that disallowance in respect of purchases of raw materials and finished goods under this clause shall not exceed twenty per cent of purchases of raw materials and finished goods:

Provided further that recovery of any amount of tax under sections 161 or 162 shall be considered as tax paid.]

- (c) any salary, rent, brokerage or commission, profit on debt, payment to non-resident, payment for services or fee paid by the person from which the person is required to deduct tax under Division III of Part V of Chapter X or section 233 of chapter XII,

²⁴⁸ The word "arbitrate" substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

²⁴⁹ Substituted for the words "to the extent the expenditure is incurred in deriving income from business chargeable to tax" vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

²⁵⁰ Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

²⁵¹ Added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

²⁵² Clause (c) was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution clause (c) was as under:--

(c) any salary, rent, brokerage or commission, profit on debt, payment to non-resident, payment for services or fee paid by the person from which the person is required to deduct tax under Division III of Part V of Chapter X or section 233 of chapter XII, i[unless] the person has ii[paid or] deducted and paid the tax as required by Division IV of Part V of Chapter X;

²⁵³[unless] the person has ²⁵⁴[paid or] deducted and paid the tax as required by Division IV of Part V of Chapter X;

- (d) any entertainment expenditure in excess of such limits ²⁵⁵[or in violation of such conditions] as may be prescribed;
- (e) any contribution made by the person to a fund that is not a recognized provident fund ²⁵⁶[,] ²⁵⁷[approved pension fund], approved superannuation fund, or approved gratuity fund;
- (f) any contribution made by the person to any provident or other fund established for the benefit of employees of the person, unless the person has made effective arrangements to secure that tax is deducted under section 149 from any payments made by the fund in respect of which the recipient is chargeable to tax under the head "Salary";
- (g) any fine or penalty paid or payable by the person for the violation of any law, rule or regulation;
- (h) any personal expenditures incurred by the person;
- (i) any amount carried to a reserve fund or capitalized in any way;
- (j) any profit on debt, brokerage, commission, salary or other remuneration paid by an association of persons to a member of the association;

²⁵⁸[***]

- ²⁵⁹[(l) any expenditure for a transaction, paid or payable under a single account head which, in aggregate, exceeds fifty thousand rupees, made other than by a crossed cheque drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of amount from the business bank account of the taxpayer:

Provided that online transfer of payment from the business account of the payer to the business account of payee as well as payments through credit card shall be treated as transactions through the banking channel, subject to the condition that such transactions are verifiable from the bank statements of the respective payer and the payee:

Provided further that this clause shall not apply in the case of-

- (a) expenditures not exceeding ten thousand rupees;

i. Substituted for the word "until" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

ii. Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

255 Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

256 Inserted vide the Finance Act, 2014

257 Inserted vide the Finance Act, 2005 (I of 2005 assented on 29th June, 2005)

258. Clause (K) omitted vide the Finance Act, 2006 (I of 2006 assented on 30th June, 2006). At the time of omission clause (K) was as under:--

"(k) any expenditure paid or payable by an employer on the provision of perquisites and allowances to an employee where the sum of the value of the perquisites computed under section 13 and the amount of the allowances exceeds fifty per cent of the employee's salary for a tax year (excluding the value of the perquisites or amount of the allowances);"

259. Substituted vide the Finance Act, 2006 (I of 2006 assented on 30th June, 2006). At the time of substitution clause (l) was as under:--

"(l) any expenditure paid or payable under a single account head which, in aggregate, exceeds fifty thousand rupees made other than by a crossed bank cheque or crossed bank draft, except expenditures not exceeding if ii[ten] thousand rupees or on account of freight charges, travel fare, postage, utilities or payment of taxes, duties, iii[fee], fines or any other statutory obligation;"

i. Substituted for the words and comma "five hundred rupees or on account of postage or utility bills" vide the finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

ii. Substituted for the words "five" vide the finance Ordinance, 2004 (II of 2004 assented on 30th June, 2004)

iii. Substituted for the words "fees" vide the finance Ordinance, 2003 (I of 2003 assented on 16th June, 2003)

- (b) expenditures on account of –
 - (i) utility bills;
 - (ii) freight charges;
 - (iii) travel fare;
 - (iv) postage; and
 - (v) payment of taxes, duties, fee, fines or any other statutory obligation;]
- (m) any salary paid or payable exceeding ²⁶⁰[fifteen] thousand rupees per month other than by a crossed cheque or direct transfer of funds to the employee's bank account; ²⁶¹[***]
- (n) except as provided in Division III of this Part, any expenditure paid or payable of a capital nature ²⁶²[; and]
- ²⁶³[(o) any expenditure in respect of sales promotion, advertisement and publicity in excess of ²⁶⁴[ten] per cent of turnover incurred by pharmaceutical manufacturers.]

Division III Deductions: Special Provisions

22. Depreciation.-(1) Subject to this section, a person shall be allowed a deduction for the depreciation of the person's depreciable assets used in the person's business in the tax year.

(2) Subject to ²⁶⁵[sub-section] (3) ²⁶⁶[***], the depreciation deduction for a tax year shall be computed by applying the rate specified in Part I of the Third Schedule against the written down value of the asset at the beginning of the year.

(3) Where a depreciable asset is used in a tax year partly in deriving income from business chargeable to tax and partly for another use, the deduction allowed under this section for that year shall be restricted to the fair proportional part of the amount that would be allowed if the asset ²⁶⁷[was] wholly used to ²⁶⁸[derive] income from business chargeable to tax.

²⁶⁹[Omitted]

(5) The written down value of a depreciable asset of a person at the beginning of the tax year shall be –

- (a) where the asset was acquired in the tax year, the cost of the asset to the

²⁶⁰ The word "ten" substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). Earlier it was substituted for the word "five" vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

²⁶¹ The word "and" omitted vide the Finance Act, 2016 (XXIX of 2016)

²⁶² Substituted for "full stop" vide the Finance Act, 2016 (XXIX of 2016)

²⁶³ Inserted vide the Finance Act, 2016 (XXIX of 2016)

²⁶⁴ For the word "five" the word "ten" was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁶⁵ The word "sub-sections" substituted vide the Finance Act, 2005 (II of 2005 assented on 29th June, 2005)

²⁶⁶ The word, brackets and figure "and (4)" omitted vide Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

²⁶⁷ Substituted vide Finance Act, 2010 (XVI of 2010 assented on 30th June, 2010)

²⁶⁸ Substituted for the word "derived" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁶⁹ Sub-section (4) omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of omission sub-section (4) was as under:--

"(4) Where a depreciable asset is not used for the whole of the tax year in deriving income from business chargeable to tax, the deduction allowed under this section shall be computed according to the following formula, namely:--

$A \times B/C$
where –

A is the amount of depreciation computed under sub-section (2) or (3), as the case may be;

B is the number of months in the tax year the asset is used in deriving income from business chargeable to tax; and

C is the number of months in the tax year.

personas reduced by any initial allowance in respect of the asset under section 23; or

- (b) in any other case, the cost of the asset to the person as reduced by the total depreciation deductions (including any initial allowance under section 23) allowed to the person in respect of the asset in previous tax years.

²⁷⁰[Explanation,—For the removal of doubt, it is clarified that where any building, furniture, plant or machinery is used for the purposes of business during any tax year for which the income from such business is exempt, depreciation admissible under sub-section (1) shall be treated to have been allowed in respect of the said tax year and after expiration of the exemption period, written down value of such assets shall be determined after reducing total depreciation deductions (including any initial allowance under section 23) in accordance with clauses (a) and (b) of this sub-section.]

(6) Where sub-section (3) applies to a depreciable asset for a tax year, the written down value of the asset shall be computed on the basis that the asset has been solely used to derive income from business chargeable to tax.

(7) The total deductions allowed to a person during the period of ownership of a depreciable asset under this section and section 23 shall not exceed the cost of the asset.

(8) Where, in any tax year, a person disposes of a depreciable asset, no depreciation deduction shall be allowed under this section for that year and –

- (a) if the consideration received exceeds the written down value of the asset at the time of disposal, the excess shall be chargeable to tax in that year under the head “Income from Business”; or
- (b) if the consideration received is less than the written down value of the asset at the time of disposal, the difference shall be allowed as a deduction in computing the person’s income chargeable under the head “Income from Business” for that year.

(9) Where sub-section (3) applies, the written down value of the asset for the purposes of sub-section (8) shall be increased by the amount that is not allowed as a deduction as a result of the application of sub-section (3).

(10) Where clause (a) of sub-section (13) applies, the ²⁷¹[consideration received on disposal] of the passenger transport vehicle for the purposes of sub-section (8) shall be computed according to the following formula –

$$A \times B/C$$

where –

- A** is the ²⁷²[amount] received on disposal of the vehicle;
- B** is the amount referred to in clause (a) of sub-section (13); and
- C** is the actual cost of acquiring the vehicle.

(11) Subject to sub-sections (13) and (14), the rules in Part III of Chapter IV shall apply in determining the cost and consideration received in respect of a depreciable asset for the purposes of this section.

²⁷³[(12) The depreciation deductions allowed to a leasing company or an investment bank

270 Added vide the Finance Act, 2016 (XXIX of 2016)

271 Substituted for the words “written down value” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004).

272 Substituted for the word “consideration” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004).

273 Substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
“(12) The depreciation deductions allowed to a leasing company in respect of assets owned by the company and leased to another person shall be deductible only against the lease rental income derived in respect of such assets.”

or a modaraba or a scheduled bank or a development finance institution in respect of assets owned by the leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution and leased to another person shall be deductible only against the lease rental income derived in respect of such assets.]

(13) For the purposes of this section, -

- (a) the cost of a depreciable asset being a passenger transport vehicle not plying or hire shall not exceed ²⁷⁴[²⁷⁵[Two]] ²⁷⁶[and half] million rupees;
²⁷⁷[***]
- (b) the cost of immovable property or a structural improvement to immovable property shall not include the cost of the land;
- ²⁷⁸[(c) any asset owned by a leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution and leased to another person is treated as used in the leasing company or the investment bank or the modaraba or the scheduled bank or the development finance institution's business; and]
- (d) where the consideration received on the disposal of immovable property exceeds the cost of the property, the consideration received shall be treated as the cost of the property.

(14) Where a depreciable asset that has been used by a person in Pakistan is exported or transferred out of Pakistan, the person shall be treated as having disposed of the asset at the time of the export or transfer for a consideration received equal to the cost of the asset.

(15) In this section, -

“depreciable asset” means any tangible movable property, immovable property (other than unimproved land), or structural improvement to immovable property, owned by a person that –

- (a) has a normal useful life exceeding one year;
- (b) is likely to lose value as a result of normal wear and tear, or obsolescence; and
- (c) is used wholly or partly by the person in deriving income from business chargeable to tax, but shall not include any tangible movable property, immovable property, or structural improvement to immovable property in relation to which a deduction has been allowed under another section of this Ordinance for the entire cost of the property or improvement in the tax year in which the property is acquired or improvement made by the person; and

“structural improvement” in relation to immovable property, includes any building, road, driveway, car park, railway line, pipeline, bridge, tunnel, airport runway, canal, dock, wharf, retaining wall, fence, power lines, water or sewerage pipes,

²⁷⁴ Substituted for the words “seven hundred and fifty thousand” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

²⁷⁵ Substituted for the words vide the Finance Act, 2012

²⁷⁶ Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009).

²⁷⁷ Proviso omitted vide the Finance Act, 2009. (I of 2009 assented on 30th June, 2009). At the time of omission Proviso was as under:-

“Provided that the prescribed limit of one million rupees shall not apply to passenger transport vehicles, not plying for hire, acquired on or after the first day of July, 2005”

Initially: Proviso was added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

²⁷⁸ Substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution clause (c) was as under:-

“(c) an asset owned by a financial institution or leasing company and leased to another person is treated as used in the financial institution or leasing company's business; and”

drainage, landscaping or dam²⁷⁹[:

Provided that where a depreciable asset is jointly owned by a taxpayer and an Islamic financial institution licensed by the State Bank of Pakistan or Securities and Exchange Commission of Pakistan, as the case may be, pursuant to an arrangement of Musharika financing or diminishing Musharika financing, the depreciable asset shall be treated to be wholly owned by the taxpayer.]

23. Initial allowance.-(1) A person who places an eligible depreciable asset into service in Pakistan for the first time in a tax year shall be allowed a deduction (hereinafter referred to as an “initial allowance”) computed in accordance with sub-section (2), provided the asset is²⁸⁰[used by the person for the purposes of his business for the first time or the tax year in which commercial production is commenced, whichever is later.]

(2) The amount of the initial allowance of a person shall be computed by applying the rate specified in Part II of the Third Schedule against the cost of the asset.

(3) The rules in section 76 shall apply in determining the cost of an eligible depreciable asset for the purposes of this section.

²⁸¹[(4) A deduction allowed under this section to a leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution in respect of assets owned by the leasing company or the investment bank or the modaraba or the scheduled bank or the development finance institution and leased to another person shall be deducted only against the leased rental income derived in respect of such assets.]

(5) In this section, “eligible depreciable asset” means a depreciable asset²⁸²[***] other than –

- (a) any road transport vehicle unless the vehicle is plying for hire;
- (b) any furniture, including fittings;
- (c) any plant or machinery²⁸³[that has been used previously in Pakistan]; or
- (d) any plant or machinery in relation to which a deduction has been allowed under another section of this Ordinance for the entire cost of the asset in the tax year in which the asset is acquired.

²⁸⁴[**23A. First Year Allowance.**-(1) Plant, machinery and equipment installed by any industrial undertaking set up in specified rural and under developed areas²⁸⁵[or engaged in the manufacturing of cellular mobile phones and qualifying for exemption under clause (126N) of Part I of the Second Schedule], and owned and managed by a company shall be allowed first year allowance in lieu of initial allowance under section 23 at the rate specified in Part II of the Third Schedule against the cost of the “eligible depreciable assets” put to use after July 1, 2008.

(2) The provisions of section 23 except sub-sections (1) and (2) thereof, shall mutatis mutandis apply.

(3) The Federal Government may notify “specified areas” for the purposes of sub-section (1).]

279 For full stop, a colon was substituted and thereafter the proviso was added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

280. Substituted for the words “wholly and exclusively used by person in deriving income from business chargeable to tax” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

281. Substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-section (4) was as under:-

“(4) A deduction allowed under this section to a leasing company in respect of assets owned by the company and leased to another person shall be deductible only against the lease rental income derived in respect of such assets.”

282. The words and comma “that is plant and machinery,” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

283. Substituted for the words “that is acquired second hand” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

284. Inserted vide the Finance Act, 2008 (I of 2008 assented on 16th June, 2008)

285 Inserted vide Finance Act, 2015

²⁸⁶[**23B. Accelerated depreciation to alternate energy projects.**-(1) Any plant, machinery and equipments installed for generation of alternate energy by an industrial undertaking set up anywhere in Pakistan and owned and managed by a company shall be allowed first year allowance in lieu of initial allowance under section 23, at the rate specified in Part II of the Third Schedule against the cost of the eligible depreciation assets put to use after first day of July, 2009.

(2) The provisions of section 23 except sub-sections (1) and (2) thereof, shall mutatis mutandis apply.]

24. Intangibles.-(1) A person shall be allowed an amortization deduction in accordance with this section in a tax year for the cost of the person's intangibles—

- (a) that are wholly or partly used by the person in the tax year in deriving income from business chargeable to tax; and
- (b) that have a normal useful life exceeding one year.

(2) No deduction shall be allowed under this section where a deduction has been allowed under another section of this Ordinance for the entire cost of the intangible in the tax year in which the intangible is acquired.

(3) Subject to sub-section (7), the amortization deduction of a person for a tax year shall be computed according to the following formula, namely:—

$$\frac{A}{B}$$

where —

A is the cost of the intangible; and

B is the normal useful life of the intangible in whole years.

(4) An intangible —

- (a) with a normal useful life of more than ten years; or
- (b) that does not have an ascertainable useful life, shall be treated as if it had a normal useful life of ten years.

(5) Where an intangible is used in a tax year partly in deriving income from business chargeable to tax and partly for another use, the deduction allowed under this section for that year shall be restricted to the fair proportional part of the amount that would be allowed if the intangible were wholly used to derive income from business chargeable to tax.

(6) Where an intangible is not used for the whole of the tax year in deriving income from business chargeable to tax, the deduction allowed under this section shall be computed according to the following formula, namely:—

$$A \times B/C$$

where —

A is the amount of ²⁸⁷[amortization] computed under sub-section (3) or (5), as the case may be;

B is the number of days in the tax year the intangible is used in deriving income from business chargeable to tax; and

C is the number of days in the tax year.

(7) The total deductions allowed to a person under this section in the current tax year and all previous tax years in respect of an intangible shall not exceed the cost of the intangible.

(8) Where, in any tax year, a person disposes of an intangible, no amortization

^{286.} Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

²⁸⁷ Substituted for the word "depreciation" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

deduction shall be allowed under this section for that year and –

- (a) if the consideration received by the person exceeds the written down value of the intangible at the time of disposal, the excess shall be income of the person chargeable to tax in that year under the head “Income from Business”; or
 - (b) if the consideration received is less than the written down value of the intangible at the time of disposal, the difference shall be allowed as a deduction in computing the person’s income chargeable under the head “Income from Business” in that year.
- (9) For the purposes of sub-section (8) –
- (a) the written down value of an intangible at the time of disposal shall be the cost of the intangible reduced by the total deductions allowed to the person under this section in respect of the intangible or, where the intangible is not wholly used to derive income chargeable to tax, the amount that would be allowed under this section if the intangible were wholly so used; and
 - (b) the consideration received on disposal of an intangible shall be determined in accordance with section 77.
- (10) For the purposes of this section, an intangible that is available for use on a day (including a non-working day) is treated as used on that day.
- (11) In this section,-

“cost” in relation to an intangible, means any expenditure incurred in acquiring or creating the intangible, including any expenditure incurred in improving or renewing the intangible; and

“intangible” means any patent, invention, design or model, secret formula or process, copyright ²⁸⁸[, trade mark, scientific or technical knowledge, computer software, motion picture film, export quotas, franchise, licence, intellectual property], or other like property or right, contractual rights and any expenditure that provides an advantage or benefit for a period of more than one year (other than expenditure incurred to acquire a depreciable asset or unimproved land).

25. Pre-commencement expenditure.-(1) A person shall be allowed a deduction for any pre-commencement expenditure in accordance with this section.

(2) Pre-commencement expenditure shall be amortized on a straight-line basis at the rate specified in Part III of the Third Schedule.

(3) The total deductions allowed under this section in the current tax year and all previous tax years in respect of an amount of pre-commencement expenditure shall not exceed the amount of the expenditure.

(4) No deduction shall be allowed under this section where a deduction has been allowed under another section of this Ordinance for the entire amount of the pre-commencement expenditure in the tax year in which it is incurred.

(5) In this section, “pre-commencement expenditure” means any expenditure incurred before the commencement of a business wholly and exclusively to derive income chargeable to tax, including the cost of feasibility studies, construction of prototypes, and trial production activities, but shall not include any expenditure which is incurred in acquiring land, or which is depreciated or amortized under section 22 or 24.

26. Scientific research expenditure.-(1) A person shall be allowed a deduction for scientific research expenditure incurred in Pakistan in a tax year wholly and exclusively for the purpose of deriving income from business chargeable to tax.

288 *Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*

(2) In this section –

“scientific research” means any ²⁸⁹[activity] ²⁹⁰[undertaken in Pakistan] in the fields of natural or applied science for the development of human knowledge;

“scientific research expenditure” means any expenditure incurred by a person on scientific research ²⁹¹[undertaken in Pakistan] for the purposes of developing the person’s business, including any contribution to a scientific research institution to undertake scientific research for the purposes of the person’s business, other than expenditure incurred –

- (a) in the acquisition of any depreciable asset or intangible;
- (b) in the acquisition of immovable property; or
- (c) for the purpose of ascertaining the existence, location, extent or quality of a natural deposit; and “scientific research institution” means any institution certified by the ²⁹²[Board] as conducting scientific research in Pakistan.

27. Employee training and facilities.—A person shall be allowed a deduction for any expenditure (other than capital expenditure) incurred in a tax year in respect of—

- (a) any educational institution or hospital in Pakistan established for the benefit of the person’s employees and their dependents;
- (b) any institute in Pakistan established for the training of industrial workers recognized, aided, or run by the Federal Government ²⁹³[or a Provincial Government] or a ²⁹⁴[Local Government]; or
- (c) the training of any person, being a citizen of Pakistan, in connection with a scheme approved by the ²⁹⁵[Board] for the purposes of this section.

28. Profit on debt, financial costs and lease payments.—(1) Subject to this Ordinance, a deduction shall be allowed for a tax year for –

- (a) any profit on debt incurred by a person in the tax year to the extent that the proceeds or benefit of the debt have been used by the person ²⁹⁶[for the purposes of business];
- (b) any lease rental incurred by a person in the tax year to a scheduled bank, financial institution, an approved modaraba, an approved leasing company or a Special Purpose Vehicle on behalf of the Originator for an asset used by the person ²⁹⁷[for the purposes of business];
- (c) any amount incurred by a person in the tax year to a modaraba or a participation term certificate holder for any funds borrowed and used by the person ²⁹⁸[for the purposes of business];
- (d) any amount incurred by a scheduled bank in the tax year to a person maintaining a profit or loss sharing account or a deposit with the bank as a distribution of profits by the bank in respect of the account or deposit;

289 Substituted for the word “activities” vide the Finance Ordinance,, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

290 Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

291 Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

292 The words “Central Board of Revenue” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

293 Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

294 The words “local authority” substituted vide the Finance Act, 2008 (I of 2008 assented on 16th June, 2008)

295 The words “Central Board of Revenue” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

296 Substituted for the words “in deriving income chargeable to tax under the head “Income from Business” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

297 Substituted for the words “in deriving income chargeable to tax under the head “Income from Business” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

298 Substituted for the words “in deriving income chargeable to tax under the head “Income from Business” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

- (e) any amount incurred by the House Building Finance Corporation (hereinafter referred to as “the Corporation”) constituted under the House Building Finance Corporation Act, 1952 (XVIII of 1952), in the tax year to the State Bank of Pakistan (hereinafter referred to as “the Bank”) as the share of the Bank in the profits derived by the Corporation on its investment in property made under a scheme of partnership in profit and loss, where the investment is provided by the Bank under the House Building Finance Corporation (Issue and Redemption of Certificates) Regulations, 1982;
- (f) any amount incurred by the National Development Leasing Corporation Limited (hereinafter referred to as “the Corporation”) in the tax year to the State Bank of Pakistan (hereinafter referred to as “the Bank”) as the share of the Bank in the profits derived by the Corporation on its leasing operations financed out of a credit line provided by the Bank on a profit and loss sharing basis;
- (g) any amount incurred by the ²⁹⁹[Small and Medium Enterprises Bank (hereinafter referred to as “the SME Bank”)] in the tax year to the State Bank of Pakistan (hereinafter referred to as the “Bank”) as the share of the Bank in the profits derived by the ³⁰⁰[SME Bank] on investments made in small business out of a credit line provided by the Bank on a profit and loss sharing basis;
- (h) any amount incurred by a person in the tax year to a banking company under a scheme of musharika representing the bank’s share in the profits of the musharika;
 - (i) any amount incurred by a person in the tax year to a certificate holder under a musharika scheme approved by the Securities and Exchange Commission and Religious Board formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) representing the certificate holder’s share in the profits of the musharika; or
 - (j) the financial cost of the securitization of receivables incurred by an Originator in the tax year from a Special Purpose Vehicle being the difference between the amount received by the Originator and the amount of receivables securitized from a Special Purpose Vehicle.
- (2) Notwithstanding any other provision in this Ordinance, where any assets are transferred by an Originator, as a consequence of securitization ³⁰¹[or issuance of sukuh], to a Special Purpose Vehicle, it shall be treated as a financing transaction irrespective of the method of accounting adopted by the Originator.

(3) In this section, -

“approved leasing company” means a leasing company approved by the ³⁰²[Board] for the purposes of clause (b) of sub-section (1); and “approved modaraba” means a modaraba approved by the ³⁰³[Board] for the purposes of clause (b) of sub-section (1).

29. Bad debts.-(1) A person shall be allowed a deduction for a bad debt in a tax year if the following conditions are satisfied, namely: -

- (a) the amount of the debt was –
 - (i) previously included in the person’s income from business chargeable to tax; or
 - (ii) in respect of money lent by a financial institution in deriving income from

²⁹⁹ The words “Small Business Finance Corporation (hereinafter referred to as “the Corporation”) were substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

³⁰⁰ Substituted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

³⁰¹ Inserted vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 1016 (Ordinance No. V of 2016)

³⁰² The words “Central Board of Revenue” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

³⁰³ The words “Central Board of Revenue” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

business chargeable to tax;

(b) the debt or part of the debt is written off in the accounts of the person in the tax year; and

(c) there are reasonable grounds for believing that the debt is irrecoverable.

(2) The amount of the deduction allowed to a person under this section for a tax year shall not exceed the amount of the debt written off in the accounts of the person in the tax year.

(3) Where a person has been allowed a deduction in a tax year for a bad debt and in a subsequent tax year the person receives in cash or kind any amount in respect of that debt, the following rules shall apply, namely:—

(a) Where the amount received exceeds the difference between the whole of such bad debt and the amount previously allowed as a deduction under this section, the excess shall be included in the person's income under the head "Income from Business" for the tax year in which it was received; or

(b) where the amount received is less than the difference between the whole of such bad debt and the amount allowed as a deduction under this section, the shortfall shall be allowed as a bad debt deduction in computing the person's income under the head "Income from Business" for the tax year in which it was received.

³⁰⁴[**29A. Provision regarding consumer loans.**—(1) A ³⁰⁵[***] ³⁰⁶[non-banking finance company or the House Building Finance Corporation] shall be allowed a deduction, not exceeding three per cent of the income for the tax year, arising out of consumer loans for creation of a reserve to off-set bad debts arising out of such loans.

(2) Where bad debt can not be wholly set off against reserve, any amount of bad debt, exceeding the reserves shall be carried forward for adjustment against the reserve for the following years.]

³⁰⁷[**Explanation.**—In this section, "consumer loan" means a loan of money or its equivalent made by ³⁰⁸[***] a non-banking finance company or the House Building Finance Corporation to a debtor (consumer) and the loan is entered primarily for personal, family or household purposes and includes debts created by the use of a lender credit card or similar arrangement as well as insurance premium financing.]

30. Profit on non-performing debts of a banking company or development finance institution.—(1) A banking company or development finance institution ³⁰⁹[or Non-Banking Finance Company (NBFC) or modaraba] shall be allowed a deduction for any profit accruing on a non-performing debt of the banking company or institution ³¹⁰[or Non-Banking Finance Company (NBFC) or modaraba] where the profit is credited to a suspense account in accordance with the Prudential Regulations for Banks or ³¹¹[Non-Banking Finance Company or modaraba] Non-bank Financial Institutions, as the case may be, issued by the State Bank of Pakistan ³¹²[or the Securities and Exchange Commission of Pakistan].

(2) Any profit deducted under sub-section (1) that is subsequently recovered by the banking company or development finance institution ³¹³[or Non-Banking Finance Company

³⁰⁴ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³⁰⁵ The words "banking company or" omitted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

³⁰⁶ Inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

³⁰⁷ Added vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

³⁰⁸ The words "a banking company or" omitted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

³⁰⁹ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³¹⁰ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³¹¹ Substituted for the words "Non-bank Financial Institutions" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³¹² Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³¹³ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

(NBFC) or modaraba] shall be included in the income of the company or institution ³¹⁴[or Non-Banking Finance Company (NBFC) or modaraba] chargeable under the head “Income from Business” for the tax year in which it is recovered.

31. Transfer to participatory reserve.-(1) Subject to this section, a company shall be allowed a deduction for a tax year for any amount transferred by the company in the year to a participatory reserve created under section 120 of the Companies Ordinance, 1984 (XLVII of 1984) in accordance with an agreement relating to participatory redeemable capital entered into between the company and a banking company as defined in the ³¹⁵[Financial Institutions (Recovery of Finances) Ordinance, 2001 (XLVI of 2001).]

(2) The deduction allowed under subsection (1) for a tax year shall be limited to five per cent of the value of the company’s participatory redeemable capital.

(3) No deduction shall be allowed under subsection (1) if the amount of the tax exempted accumulation in the participatory reserve exceeds ten per cent of the amount of the participatory redeemable capital.

(4) Where any amount accumulated in the participatory reserve of a company has been allowed as a deduction under this section is applied by the company towards any purpose other than payment of share of profit on the participatory redeemable capital or towards any purpose not allowable for deduction or exemption under this Ordinance the amount so applied shall be included in the income from business of the company in the tax year in which it is so applied.

Division IV Tax Accounting

32. Method of accounting.-³¹⁶(1) Subject to this Ordinance, a person’s income chargeable to tax shall be computed in accordance with the method of accounting regularly employed by such person.]

(2) Subject to sub-section (3), a company shall account for income chargeable to tax under the head “Income from Business” on an accrual basis, while other persons may account for such income on a cash or accrual basis.

(3) The ³¹⁷[Board] may prescribe that any class of persons shall account for income chargeable to tax under the head “Income from Business” on a cash or accrual basis.

(4) A person may apply, in writing, for a change in the person’s method of accounting and the Commissioner may, by ³¹⁸[order] in writing, approve such an application but only if satisfied that the change is necessary to clearly reflect the person’s income chargeable to tax under the head “Income from Business”.

(5) If a person’s method of accounting has changed, the person shall make adjustments to items of income, deduction, or credit, or to any other items affected by the change so that no item is omitted and no item is taken into account more than once.

33. Cash-basis accounting.-A person accounting for income chargeable to tax under the head “Income from Business” on a cash basis shall derive income when it is received and shall incur expenditure when it is paid.

34. Accrual-basis accounting.-(1) A person accounting for income chargeable to tax under the head “Income from Business” on an accrual basis shall derive income when it is due to the person and shall incur expenditure when it is payable by the person.

³¹⁴ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³¹⁵ Substituted for the expression “Banking Tribunals Ordinance, 1984” vide the Finance Act, 2014

³¹⁶ Substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution sub-section (1) was as under:--

“(1) A person’s income chargeable to tax under the head —Income from Business shall be computed in accordance with the method of accounting regularly employed by the person.”

³¹⁷ The words “Central Board of Revenue” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

³¹⁸ Substituted for the word “notice” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

(2) Subject to this Ordinance, an amount shall be due to a person when the person becomes entitled to receive it even if the time for discharge of the entitlement is postponed or the amount is payable by installments.

(3) Subject to this Ordinance, an amount shall be payable by a person when all the events that determine liability have occurred and the amount of the liability can be determined with reasonable accuracy ³¹⁹[***].

³²⁰[***]

(5) Where a person has been allowed a deduction for any expenditure incurred in deriving income chargeable to tax under the head “Income from Business” and the person has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be chargeable to tax under the head “Income from Business” in the first tax year following the end of the three years.

³²¹[(5A) Where a person has been allowed a deduction in respect of a trading liability and such person has derived any benefit in respect of such trading liability, the value of such benefit shall be chargeable to tax under ³²²[the] head “Income from Business” for the tax year in which such benefit is received.]

(5) Where an unpaid liability is chargeable to tax as a result of the application of sub-section (5) and the person subsequently pays the liability or a part of the liability, the person shall be allowed a deduction for the amount paid in the tax year in which the payment is made.

35. Stock-in-trade.-(1) For the purposes of determining a person’s income chargeable to tax under the head “Income from Business” for a tax year, the cost of stock-in-trade disposed of by the person in the year shall be computed in accordance with the following formula, namely:–

$$(A + B) - C$$

where –

A is the opening value of the person’s stock-in-trade for the year; is

B cost of stock-in-trade acquired by the person in the year; and is

C the closing value of stock-in-trade for the year.

(2) The opening value of stock-in-trade of a person for a tax year shall be –

(a) the closing value of the person’s stock-in-trade at the end of the previous year; or

(b) where the person commenced to carry on business in the year, the fair market value of any stock-in-trade acquired by the person prior to the commencement of the business.

(3) The fair market value of stock-in-trade referred to in clause (b) of sub-section (2) shall be determined at the time the stock-in-trade is ventured in the business.

(4) The closing value of a person’s stock-in-trade for a tax year shall be the lower of cost or ³²³[net realizable] value of the person’s stock-in-trade on hand at the end of the year.

³¹⁹ The comma and words “, but not before economic performance occurs” omitted vide the Finance Act, 2004

³²⁰ Sub-section (4) was omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

“(4) For the purposes of sub-section (3), economic performance shall occur –

(a) in the case of the acquisition of services or assets, at the time the services or assets are provided;

(b) in the case of the use of assets, at the time the assets are used; and

(c) in any other case, at the time payment is made in full satisfaction of the liability.”

³²¹ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³²² Inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

³²³ Substituted for the words “fair market” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

(5) A person accounting for income chargeable to tax under the head “Income from Business” on a cash basis may compute the person’s cost of stock-in-trade on the prime-cost method or absorption-cost method, and a person accounting for such income on an accrual basis shall compute the person’s cost of stock-in-trade on the absorption-cost method.

(6) Where particular items of stock-in-trade are not readily identifiable, a person may account for that stock on the first-in-first-out method or the average-cost method but, once chosen, a stock valuation method may be changed only with the written permission of the Commissioner and in accordance with any conditions that the Commissioner may impose.

(7) In this section, -

“absorption-cost method” means the generally accepted accounting principle under which the cost of an item of stock-in-trade is the sum of direct material costs, direct labour costs, and factory overhead costs;

“average-cost method” means the generally accepted accounting principle under which the valuation of stock-in-trade is based on a weighted average cost of units on hand;

“direct labour costs” means labour costs directly related to the manufacture or production of stock-in-trade;

“direct material costs” means the cost of materials that become an integral part of the stock-in-trade manufactured or produced, or which are consumed in the manufacturing or production process;

“factory overhead costs” means the total costs of manufacturing or producing stock-in-trade, other than direct labour and direct material costs;

“first-in-first-out method” means the generally accepted accounting principle under which the valuation of stock-in-trade is based on the assumption that stock is sold in the order of its acquisition;

“prime-cost method” means the generally accepted accounting principle under which the cost of stock-in-trade is the sum of direct material costs, direct labour costs, and variable factory overhead costs;

“stock-in-trade” means anything produced, manufactured, purchased, or otherwise acquired for manufacture, sale or exchange, and any materials or supplies to be consumed in the production or manufacturing process, but does not include stocks or shares; and

“variable factory overhead costs” means those factory overhead costs which vary directly with changes in volume of stock-in-trade manufactured or produced.

36. Long-term contracts.-(1) A person accounting for income chargeable to tax under the head “Income from Business” on an accrual basis shall compute such income arising for a tax year under a long-term contract on the basis of the percentage of completion method.

(2) The percentage of completion of a long-term contract in a tax year shall be determined by comparing the total costs allocated to the contract and incurred before the end of the year with the estimated total contract costs as determined at the commencement of the contract.

(3) In this section, -

“long-term contract” means a contract for manufacture, installation, or construction, or, in relation to each, the performance of related services, which is not completed within the tax year in which work under the contract commenced, other than a contract estimated to be completed within six months of the date on which work under the contract commenced; and

“percentage of completion method” means the generally accepted accounting principle under which revenue and expenses arising under a long-term contract are recognized by reference to the stage of completion of the contract, as modified by sub-section (2).

PART V HEAD OF INCOME: CAPITAL GAINS

37. Capital gains.-(1) Subject to this Ordinance, a gain arising on the disposal of a capital asset by a person in a tax year, other than a gain that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head “Capital Gains”.

³²⁴[(1A) Notwithstanding anything contained in sub-sections (1) and (3), gain arising on the disposal of immovable property, ³²⁵***] by a person in a tax year, shall be chargeable to tax in that year under the head Capital Gains at the rates specified in Division VIII of Part of the First Schedule]

(2) Subject to sub-sections (3) and (4), the gain arising on the disposal of a capital asset by a person shall be computed in accordance with the following formula, namely:–

$$A - B$$

where –

A is the consideration received by the person on disposal of the asset; and

B is the cost of the asset.

(3) Where a capital asset has been held by a person for more than one year ³²⁶[other than shares of public companies including the vouchers of Pakistan Telecommunication Corporation, modaraba certificates or any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984).], the amount of any gain arising on disposal of the asset shall be computed in accordance with the following formula, namely:–

$$A \times \frac{3}{4}$$

where **A** is the amount of the gain determined under sub-section (2).

(4) For the purposes of determining component **B** of the formula in sub-section (2), no amount shall be included in the cost of a capital asset for any expenditure incurred by a person –

- (a) that is or may be deducted under another provision of this Chapter; or
- (b) that is referred to in section 21

³²⁷[(4A) Where the capital asset becomes the property of the person –

- (a) under a gift, ³²⁸[from a relative as defined in sub-section (5) of section 85] bequest or will;
- (b) by succession, inheritance or devolution;
- (c) a distribution of assets on dissolution of an association of persons; or
- (d) on distribution of assets on liquidation of a company, the fair market value of the asset, on the date of its transfer or acquisition by the person shall be treated to be the cost of the asset.]

(5) In this section, “capital asset” means property of any kind held by a person, whether or not connected with a business, but does not include –

- ³²⁹[(a) any stock-in-trade ³³⁰***], consumable stores or raw materials held for the purpose of business;]
- (b) any property with respect to which the person is entitled to a depreciation deduction under section 22 or amortization deduction under section 24;

324. Sub-section (1A) inserted vide the Finance Act, 2012

325. The words and comma “held for a period upto two years,” were omitted vide the Finance Act, 2014

326. The words comma brackets and figures inserted vide the Finance Act, 2010 (XVI of 2010)

327. Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

328. Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

329. Substituted for “(a) any stock-in-trade;” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

330. The brackets and words (not being stocks and shares) omitted vide the Finance Act, 2010 (XVI of 2010)

³³¹[or]

³³²[***]

- (d) any movable property ³³³[excluding capital assets specified in sub-section (5) of section 38] held for personal use by the person or any member of the person's family dependent on the person ³³⁴[.]

³³⁵[***]

³³⁶**[37A. Capital gains on sale of securities.-**(1) The capital gain arising on or after the first day of July 2010, from disposal of securities ³³⁷[***] ³³⁸[,other than a gain that is exempt from tax under this Ordinance],shall be chargeable to tax at the rates specified in Division VII of the First Schedule:

³³⁹[***]

Provided that this section shall not apply if the securities are held for a period of more than a year;

Provided ³⁴⁰[***] that this section shall not apply to a banking company and an insurance company

³⁴¹[(1A) The gain arising on the disposal of a security by a person shall be computed in accordance with the following formula, namely:-

A - B

Where –

- (i) 'A' the security; and
(ii) B is the cost of acquisition of the security.]

(2) The holding period of a security, for the purposes of this section, shall be reckoned from the date of acquisition (whether before, on or after the thirtieth day of June, 2010) to the date of disposal of such security falling after the thirtieth day of June, 2010.

(3) For the purposes of this section "security" means share of a public company, voucher of Pakistan Telecommunication Corporation, Modaraba Certificate, an instrument of redeemable capital ³⁴²[,debt securities] and derivative products.

³⁴³[(3A) For the purpose of this section, "debt securities" means-

- (a) Corporate Debt Securities such as Term Finance Certificates (TFCs), Sukuk Certificates (Sharia Compliant Bonds), Registered Bonds, Commercial Papers, Participation Term Certificates (PTCs) and all kinds of debt instruments issued by any Pakistani or foreign company or

331. The word added vide the Finance Act, 2012

332. Clause (c) omitted vide the Finance Act, 2012. At the time of omission clause (c) was as under:--

"C. any immoveable property; i[or]

i. The word added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

333. Substituted for the brackets, commas and words "(including wearing apparel, jewellery, or furniture)" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

334. Substituted for "; or" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

335. Clause (e) Omitted vide Finance Ordinance,, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

"(e) any modaraba certificate or any instrument of redeemable capital listed on any stock exchange or shares of a public company."

336. Added vide Finance Act, 2010 (XVI of 2010)

337. The words "held for a period of less than a year" were omitted vide Finance Act, 2015

338. The comma and words inserted vide the Finance Act, 2012. Same amendment was made earlier by the Finance (Amendment) Ordinance, 2012 (III of 2012 promulgated on 24th April, 2012)

339. Proviso was omitted vide the Finance Act, 2014

340. The word "further" was omitted vide the Finance Act, 2014

341. Sub-section (1A) added vide the Finance Act, 2012

342. Inserted vide the Finance Act, 2014

343. Inserted vide the Finance Act, 2014

corporation registered in Pakistan; and

- (b) Government Debt Securities such as Treasury Bills (T-bills), Federal Investment Bonds (FIBs), Pakistan Investment Bonds (PIBs), Foreign Currency Bonds, Government Papers, Municipal Bonds, Infrastructure Bonds and all kinds of debt instruments issued by Federal Government, Provincial Governments, Local Authorities and other statutory bodies.]

³⁴⁴[Explanation: For removal of doubt it is clarified that derivative products include future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery.]

- (4) Gain under this section shall be treated as a separate block of income.

(5) Notwithstanding anything contained in this Ordinance, where a person sustains a loss on disposal of securities in a tax year, the loss shall be set off only against the gain of the person from any other securities chargeable to tax under this section and no loss shall be carried forward to the subsequent tax year]

38. Deduction of losses in computing the amount chargeable under the head “Capital Gains”.-(1) Subject to this Ordinance, in computing the amount of a person chargeable to tax under the head “Capital Gains” for a tax year, a deduction shall be allowed for any loss on the disposal of a capital asset by the person in the year.

(2) No loss shall be deducted under this section on the disposal of a capital asset where a gain on the disposal of such asset would not be chargeable to tax.

(3) The loss arising on the disposal of a capital asset by a person shall be computed in accordance with the following formula, namely:-

$$A - B$$

where –

A is the cost of the asset; and

B is the consideration received by the person on disposal of the asset.

(4) The provisions of sub-section (4) of section 37 shall apply in determining component **A** of the formula in sub-section (3).

(5) No loss shall be recognized under this Ordinance on the disposal of the following capital assets, namely:-

- (a) A painting, sculpture, drawing or other work of art;
- (b) jewellery;
- (c) a rare manuscript, folio or book;
- (d) a postage stamp or first day cover;
- (e) a coin or medallion; or
- (f) an antique.

PART VI

HEAD OF INCOME: INCOME FROM OTHER SOURCES

39. Income from other sources.-(1) Income of every kind received by a person in a tax year, ³⁴⁵[if it is not included in any other head,] other than income exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head “Income from Other Sources”, including the following namely:-

³⁴⁴ Added vide the Finance Act, 2016 (XXIX of 2016)

³⁴⁵ Inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

- (a) ³⁴⁶[Dividend;]
- (b) ³⁴⁷[royalty;]
- (c) profit on debt;
- ³⁴⁸[(cc) additional payment on delayed refund under any tax law;]
- (d) ground rent;
- (e) rent from the sub-lease of land or a building;
- (f) income from the lease of any building together with plant or machinery;
- ³⁴⁹[(fa) income from provision of amenities, utilities or any other service connected with renting of building;]
- (g) any annuity or pension;
- (h) any prize bond, or winnings from a raffle, lottery ³⁵⁰[, prize on winning a quiz, prize offered by companies for promotion of sale] or cross-word puzzle;
- (i) any other amount received as consideration for the provision, use or exploitation of property, including from the grant of a right to explore for, or exploit, natural resources;
- (j) the fair market value of any benefit, whether convertible to money or not, received in connection with the provision, use or exploitation of property; ³⁵¹[***]
- (k) any amount received by a person as consideration for vacating the possession of a building or part thereof, reduced by any amount paid by the person to acquire possession of such building or part thereof ³⁵²[; and]
- ³⁵³[(l) any amount received by a person from Approved Income Payment Plan or Approved Annuity Plan under Voluntary Pension System Rules, 2005;] ³⁵⁴[³⁵⁵and]]
- ³⁵⁶[***]

(2) Where a person receives an amount referred to in clause (k) of sub-section (1), the amount shall be chargeable to tax under the head “Income from Other Sources” in the tax year in which it was received and the following nine tax years in equal proportion.

(3) Subject to sub-section (4), any amount received as a loan, advance, deposit ³⁵⁷[for issuance of shares] or gift by a person in ³⁵⁸[a tax year] from another person (not being a banking company or financial institution) otherwise than by a crossed cheque drawn on a bank or through a banking channel from a person holding a National Tax Number ³⁵⁹[***] shall be treated as income chargeable to tax under the head “Income from Other Sources” for the tax year in which it was

³⁴⁶ Substituted for the word “Dividends” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

³⁴⁷ Substituted for the word “royalties” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

³⁴⁸ Clause (cc) added vide the Finance Act, 2012

³⁴⁹ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³⁵⁰ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³⁵¹ The word “and” was omitted vide the Finance Act, 2014

³⁵² Substituted vide the Finance Act, 2018 assented on 22nd May, 2018

³⁵³ Added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

³⁵⁴ Added vide the Finance Act, 2014

³⁵⁵ Substituted vide the Finance Act, 2018 assented on 22nd May, 2018

³⁵⁶ Omitted vide the Finance Act, 2018 assented on 22nd May, 2018. At the time of omission clause (m) was as under:--

(m) income arising to the shareholder of a company, from the issuance of bonus shares.]

³⁵⁷ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³⁵⁸ Substituted for the words “an income year” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

³⁵⁹ The word “Card” was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

received.

(4) Sub-section (3) shall not apply to an advance payment for the sale of goods or supply of services.

³⁶⁰[(4A) Where -

- (a) any profit on debt derived from investment in National Savings Deposit Certificates including Defence Savings Certificate paid to a person in arrears or the amount received includes profit chargeable to tax in the tax year or years preceding the tax year in which it is received; and
- (b) as a result the person is chargeable at higher rate of tax than would have been applicable if the profit had been paid to the person in the tax year to which it relates, the person may, by notice in writing to the Commissioner, elect for the profit to be taxed at the rate of tax that would have been applicable if the profit had been paid to the person in the tax year to which it relates.]

³⁶¹[(4B) An election under sub-section (4A) shall be made by the due date for furnishing the person's return of income for the tax year in which the amount was received or by such later date as the Commissioner may allow by an order in writing.]

(5) This section shall not apply to any income received by a person in a tax year that is chargeable to tax under any other head of income or subject to tax under section 5, 6 or 7.

³⁶²[***]

40. Deductions in computing income chargeable under the head "Income from Other Sources".-(1) Subject to this Ordinance, in computing the income of a person chargeable to tax under the head "Income from Other Sources" for a tax year, a deduction shall be allowed for any expenditure paid by the person in the year to the extent to which the expenditure is paid in deriving income chargeable to tax under that head, other than expenditure of a capital nature.

(2) A person receiving any profit on debt chargeable to tax under the head "Income from Other Sources" shall be allowed a deduction for any Zakat paid by the person ³⁶³[***] under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), at the time the profit is paid to the person.

(3) A person receiving income referred to in clause ³⁶⁴[***] (f) of sub-section (1) of section 39 chargeable to tax under the head "Income from Other Sources" shall be allowed –

- (a) a deduction for the depreciation of any plant, machinery or building used to derive that income in accordance with section 22; and
- (b) an initial allowance for any plant or machinery used to derive that income in accordance with section 23.

(4) No deduction shall be allowed to a person under this section to the extent that the expenditure is deductible in computing the income of the person under another head of income.

(5) The provisions of section 21 shall apply in determining the deductions allowed to a person under this section in the same manner as they apply in determining the deductions allowed in computing the income of the person chargeable to tax under the head "Income from Business".

³⁶⁵[(6) Expenditure is of a capital nature if it has a normal useful life of more than one year.]

360 Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

361 Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

362 Sub-section (6) was omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission sub-section (6) was as under:--

"(6) Expenditure is of a capital nature if it has a normal useful life of more than one year."

363 The words "on the profit" omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

364 The brackets, letter and word "(e) or" omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

365 Added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

PART VII
EXEMPTIONS AND TAX CONCESSIONS

41. Agricultural income.-(1) Agricultural income derived by a person shall be exempt from tax under this Ordinance.

- (2) In this section, “agricultural income” means, -
- (a) any rent or revenue derived by a person from land which is situated in Pakistan and is used for agricultural purposes;
 - (b) any income derived by a person from land situated in Pakistan from –
 - (i) agriculture;
 - (ii) the performance by a cultivator or receiver of rent-in-kind of any process ordinarily employed by such person to render the produce raised or received by the person fit to be taken to market; or
 - (iii) the sale by a cultivator or receiver of rent-in-kind of the produce raised or received by such person, in respect of which no process has been performed other than a process of the nature described in sub- clause (ii); or
 - (c) any income derived by a person from –
 - (i) any building owned and occupied by the receiver of the rent or revenue of any land described in clause (a) or (b);
 - (ii) any building occupied by the cultivator, or the receiver of rent-in-kind, of any land in respect of which, or the produce of which, any operation specified in sub-clauses (ii) or (iii) of clause (b) is carried on, but only where the building is on, or in the immediate vicinity of the land and is a building which the receiver of the rent or revenue, or the cultivator, or the receiver of the rent-in-kind by reason of the person’s connection with the land, requires as a dwelling-house, a store-house, or other out-building.

42. Diplomatic and United Nations exemptions.-(1) The income of an individual entitled to privileges under the Diplomatic and Consular Privileges Act, 1972 (IX of 1972) shall be exempt from tax under this Ordinance to the extent provided for in that Act.

(2) The income of an individual entitled to privileges under the United Nations (Privileges and Immunities) Act, 1948 (XX of 1948), shall be exempt from tax under this Ordinance to the extent provided for in that Act.

(3) Any pension received by a person, being a citizen of Pakistan, by virtue of the person’s former employment in the United Nations or its specialized agencies (including the International Court of Justice) provided the person’s salary from such employment was exempt under this Ordinance.

43. Foreign government officials.-Any salary received by an employee of a foreign government as remuneration for services rendered to such government shall be exempt from tax under this Ordinance provided -

- (a) the employee is a citizen of the foreign country and not a citizen of Pakistan;
- (b) the services performed by the employee are of a character similar to those performed by employees of the Federal Government in foreign countries;³⁶⁶[and]
- (c) the foreign government grants a similar exemption to employees of the Federal Government performing similar services in such foreign country³⁶⁷[.]

³⁶⁶ Added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

³⁶⁷ Substituted for the comma and word “,and” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

³⁶⁸[***]

44. Exemptions under international agreements.-(1) Any Pakistan-source income which Pakistan is not permitted to tax under a tax treaty shall be exempt from tax under this Ordinance.

(2) Any salary received by an individual (not being a citizen of Pakistan) shall be exempt from tax under this Ordinance to the extent provided for in an Aid Agreement between the Federal Government and a foreign government or public international organization, where –

- (a) the individual is either ³⁶⁹[not a resident] individual or a resident individual solely by reason of the performance of services under the Aid Agreement;
- (b) if the Aid Agreement is with a foreign country, the individual is a citizen of that country; and
- (c) the salary is paid by the foreign government or public international organization out of funds or grants released as aid to Pakistan in pursuance of such Agreement.

(3) Any income received by a person (not being a citizen of Pakistan) engaged as a contractor, consultant, or expert on a project in Pakistan shall be exempt from tax under this Ordinance to the extent provided for in a bilateral or multilateral technical assistance agreement between the Federal Government and a foreign government or public international organization, where –

- (a) the project is financed out of grant funds in accordance with the agreement;
- (b) the person is either a non-resident person or a resident person solely by reason of the performance of services under the agreement; and
- (c) the income is paid out of the funds of the grant in pursuance of the agreement.

45. President's honours.-(1) Any allowance attached to any Honor, Award, or Medal awarded to a person by the President of Pakistan shall be exempt from tax under this Ordinance.

(2) Any monetary award granted to a person by the President of Pakistan shall be exempt from tax under this Ordinance.

46. Profit on debt.-Any profit received by a non-resident person on a security issued by a resident person shall be exempt from tax under this Ordinance where–

- (a) the persons are not associates;
- (b) the security was widely issued by the resident person outside Pakistan for the purposes of raising a loan outside Pakistan for use in a business carried on by the person in Pakistan;
- (c) the profit was paid outside Pakistan; and
- (d) the security is approved by the ³⁷⁰[Board] for the purposes of this section.

47. Scholarships.-Any scholarship granted to a person to meet the cost of the person's education shall be exempt from tax under this Ordinance, other than where the scholarship is paid directly or indirectly by an associate.

48. Support payments under an agreement to live apart.-³⁷¹[Any income received by a spouse as support payment under an agreement to live apart] shall be exempt from tax under this

³⁶⁸ Clause (d) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution clause (d) was as under:--

“(d) the income is subject to tax in that foreign country.

³⁶⁹ Substituted for the words “a non-resident” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³⁷⁰ The words “Central Board of Revenue” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

³⁷¹ Substituted for the words “Any support payment received by a spouse under an agreement to live apart” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

Ordinance.

49. Federal ³⁷²[Government,] Provincial Government, and ³⁷³[Local Government] income.-(1) The income of the Federal Government shall be exempt from tax under this Ordinance.

(2) The income of a Provincial Government or a ³⁷⁴[Local Government] in Pakistan shall be exempt from tax under this Ordinance, other than income chargeable under the head “Income from Business” derived by a Provincial Government or ³⁷⁵[Local Government] from a business carried on outside its jurisdictional area.

³⁷⁶[(3) Subject to sub-section (2), any payment received by the Federal Government, a Provincial Government or a ³⁷⁷[Local Government] shall not be liable to any collection or deduction of advance tax.]

³⁷⁸[(4) Exemption under this section shall not be available in the case of corporation, company, a regulatory authority, a development authority, other body or institution established by or under a Federal law or a Provincial law or an existing law or a corporation, company, a regulatory authority, a development authority or other body or institution set up, owned and controlled, either directly or indirectly, by the Federal Government or a Provincial Government, regardless of the ultimate destination of such income as laid down in Article 165A of the Constitution of the Islamic Republic of Pakistan ³⁷⁹[.]]

³⁸⁰[Provided that the income from sale of spectrum licenses by Pakistan Telecommunication Authority on behalf of the Federal Government after the first day of March 2014 shall be treated as income of the Federal Government and not of the Pakistan Telecommunication Authority.]

50. Foreign-source income of short-term resident individuals.-(1) Subject to sub-section (2), the foreign-source income of an individual ³⁸¹[***] –

- (a) who is a resident individual solely by reason of the individual’s employment; and
- (b) who is present in Pakistan for a period or periods not exceeding three years, shall be exempt from tax under this Ordinance.

(2) This section shall not apply to –

- (a) any income derived from a business of the person established in Pakistan; or
- (b) any foreign-source income brought into or received in Pakistan by the person.

51. Foreign-source income of returning expatriates. ³⁸²[(1)] Any foreign-source income derived by a citizen of Pakistan in a tax year who was not a resident individual in any of the four tax years preceding the tax year in which the individual became a resident shall be exempt from tax under this Ordinance in the tax year in which the individual became a resident individual and in the following tax year.

³⁸³[(2) Where a citizen of Pakistan leaves Pakistan during a tax year and remains abroad during that tax year, any income chargeable under the head “Salary” earned by him outside

³⁷² The word “and” substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

³⁷³ The words “local authority” substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

³⁷⁴ The words “local authority” substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

³⁷⁵ The words “local authority” substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

³⁷⁶ Added vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

³⁷⁷ The words “local authority” substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

³⁷⁸ Added vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

³⁷⁹ Substituted for the full stop vide the Finance Act, 2014

³⁸⁰ Added vide the Finance Act, 2014

³⁸¹ The brackets and words “(other than a citizen of Pakistan)” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³⁸² Section (51) numbered as sub-section (1) of section 51 was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³⁸³ Added vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

Pakistan during that year shall be exempt from tax under this Ordinance.]

³⁸⁴[Omitted]

53. Exemptions and tax concessions in the Second Schedule.-(1) The income or classes of income, or persons or classes of persons specified in the Second Schedule shall be –

- (a) exempt from tax under this Ordinance, subject to any conditions and to the extent specified therein;
- (b) subject to tax under this Ordinance at such rates, which are less than the rates specified in the First Schedule, as are specified therein;
- (c) allowed a reduction in tax liability under this Ordinance, subject to any conditions and to the extent specified therein; or
- (d) exempted from the operation of any provision of this Ordinance, subject to any conditions and to the extent specified therein.

³⁸⁵[³⁸⁶***]

(2) The ³⁸⁷[³⁸⁸Federal Government may] whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, removal of anomalies in taxes, development of backward areas ³⁸⁹[.] implementation of bilateral and multilateral agreements ³⁹⁰[or granting an exemption from any tax imposed under this Ordinance including a reduction in the rate of tax imposed under this Ordinance or a reduction in tax liability under this Ordinance or an exemption from the operation of any provision of this Ordinance to any international financial institution or foreign Government owned financial institution operating under an agreement, memorandum of understanding or any other arrangement with the Government of Pakistan]], by notification in the official Gazette, make such amendment in the Second Schedule by–

- (a) adding any clause or condition therein;
- (b) omitting any clause or condition therein; or
- (c) making any change in any clause or condition therein, as the Government may think fit, and all such amendments shall have effect in respect of any tax year beginning on any date before or after the commencement of the financial year in which the notification is issued.

(3) The Federal Government shall place before the National Assembly all amendments

³⁸⁴ Section (52) omitted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission section 52 was as under:--

“52. Non-resident shipping and airline enterprises.-(1) Subject to sub-section (2), any income of a non-resident person, for the time being approved by the Federal Government for the purpose of this section, from the operation of ships and aircraft in international traffic shall be exempt from tax under this Ordinance, other than income from ships and aircraft operated principally to transport passengers, livestock, mail, or goods exclusively between places in Pakistan.

(2) Sub-section (1) shall not apply to a non-resident person where the person's country of residence does not allow a similar exemption to a resident of Pakistan.”

³⁸⁵ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³⁸⁶ Sub-section (1A) was omitted vide the Finance Act, 2012. At the time of omission sub-section (1A) was as under:--

“(1A) Where any income which is exempt from tax under any provision of the Second Schedule, such income, as may be specified in the said Schedule and subject to such conditions as may be specified therein, shall be included in the total income, however the tax shall not be payable in respect of such income.”

Initially, sub-section (1A) inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³⁸⁷ Substituted for the expression “Federal Government” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

³⁸⁸ Substituted for the word “Board with the approval of Federal Minister-in-charge may, from time to time pursuant to the approval of the Economic Coordination Committee of Cabinet” vide the Finance Act, 2018 assented on 22nd May, 2018

³⁸⁹ Substituted for the word “and” vide the Finance Act, 2016 (XXIX of 2016)

³⁹⁰ Inserted vide the Finance Act, 2016 (XXIX of 2016)

made by it to the Second Schedule in a financial year.

³⁹¹[(4) Any notification issued after the promulgation of Finance Act, 2015, under sub-section (2) shall, if not earlier rescinded, stand rescinded on the expiry of the financial year in which it was issued ³⁹²]:

Provided that all such notifications, except those earlier rescinded, shall be deemed to have been in force with effect from the first day of July, 2016 and shall continue to be in force till the thirtieth day of June, 2018, if not earlier rescinded:

Provided further that all notifications issued on or after the first day of July, 2016 and placed before the National Assembly as required under sub-section (3) shall continue to remain in force till the thirtieth day of June, 2018, if not earlier rescinded by the Federal Government or the National Assembly.]

54. Exemptions and tax provisions in other laws.-No provision in any other law providing for –

- (a) an exemption from any tax imposed under this Ordinance;
- (b) a reduction in the rate of tax imposed under this Ordinance;
- (c) a reduction in tax liability of any person under this Ordinance; or
- (d) an exemption from the operation of any provision of this Ordinance, shall have legal effect unless also provided for in this Ordinance ³⁹³[.]

³⁹⁴[***]

55. Limitation of exemption.-(1) Where any income is exempt from tax under this Ordinance, the exemption shall be, in the absence of a specific provision to the contrary contained in this Ordinance, limited to the original recipient of that income and shall not extend to any person receiving any payment wholly or in part out of that income.

³⁹⁵[***]

PART VIII LOSSES

56. Set off of losses.-(1) Subject to sections 58 and 59, where a person sustains a loss for any tax year under any head of income specified in section 11, the person shall be entitled to have the amount of the loss set off against the person's income, if any, chargeable to tax under any other head of income ³⁹⁶[except income under the head salary or income from property] for the year.

(2) Except as provided in this Part, where a person sustains a loss under a head of income for a tax year that cannot be set off under sub-section (1), the person shall not be permitted to carry the loss forward to the next tax year.

³⁹¹ Added vide Finance Act, 2015

³⁹² For the full stop, a colon was substituted and thereafter provisos were added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

³⁹³ The colon was substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). Earlier it was substituted for the full stop vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

³⁹⁴ The proviso was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission proviso was as under:--

“Provided that any exemption from income tax or a reduction in the rate of tax or a reduction in tax liability of any person or an exemption from the operation of any provision of this Ordinance provided in any other law and in force on the commencement of this Ordinance shall continue to be available unless withdrawn.”

Initially: Proviso was added vide the Finance Act, Act, 2003 (I of 2003 assented on 16th June, 2003)

Initially: The words inserted vide the Finance Act, Act, 2004 (I of 2004 assented on 30th June, 2004)

³⁹⁵ Sub-section 2 was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission sub-section (2) was as under:--

“(2) Where a person's income from business is exempt from tax under this Ordinance as a result of a tax concession, any loss sustained in the period of the exemption shall not be set off against the person's income chargeable to tax after the exemption expires.”

³⁹⁶ Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

(3) Where, ³⁹⁷[in a tax year,] a person sustains a loss under the head “Income from Business” and a loss under another head of income, the loss under the head “Income from Business” shall be set off last.

³⁹⁸[**56A. Set off of losses of companies operating hotels.**-Subject to sections 56 and 57, where a company registered in Pakistan or Azad Jammu and Kashmir (AJ&K), operating hotels in Pakistan or AJ&K, sustains a loss in Pakistan or AJ&K for any tax year under the head “income from business” shall be entitled to have the amount of the loss set off against the company’s income in Pakistan or AJ&K, as the case may be, from the tax year 2007 ³⁹⁹[onward].]

57. Carry forward of business losses.-(1) Where a person sustains a loss for a tax year under the head “Income from Business” (other than a loss to which ⁴⁰⁰[sub-section (4) or] section 58 applies) and the loss cannot be wholly set off under section 56, so much of the loss that has not been set off shall be carried forward to the following tax year and set off against the person’s income chargeable under the head “Income from Business” for that year.

(2) If a loss sustained by a person for a tax year under the head “Income from Business” is not wholly set off under sub-section (1), then the amount of the loss not set off shall be carried forward to the following tax year and applied as specified in sub-section (1) in that year, and so on, but no loss can be carried forward to more than six tax years immediately succeeding the tax year for which the loss was first computed.

⁴⁰¹[(2A) Where a loss, referred to in sub-section (2), relating to any assessment year commencing on or after 1st day of July, 1995, and ending on the 30th day of June 2001, is sustained by a banking company wholly owned by the Federal Government as on first day of June, 2002, which is approved by the State Bank of Pakistan for the purpose of this sub-section, the said loss shall be carried forward for a period of ten years.]

(3) Where a person has a loss carried forward under this section for more than one tax year, the loss of the earliest tax year shall be set off first.

⁴⁰²[(4) The loss attributable to deductions allowed under sections 22, 23, 23A, 23B and 24 that has not been set off against income, the loss not set off shall be set off against fifty percent of the person’s balance income chargeable under the head “income from business” after setting off loss under sub-section (1), in the following tax year and so on until completely set off:

Provided that such loss shall be set off against hundred percent of the said balance income if the taxable income for the year is less than ten million Rupees.]

(5) In determining whether a person’s deductions under sections 22, 23 ⁴⁰³[23A, 23B] and 24 have been set off against income, the deductions allowed under those sections shall be taken into account last.

⁴⁰⁴[**57A. Set off of business loss consequent to amalgamation.**-⁴⁰⁵[(1) The assessed loss

397 Inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

398 Inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

399 Substituted for the word “on word” vide the Finance Act, 2014

400 Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

401 Inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

402 Omitted vide the Finance Act, 2018 assented on 22nd May, 2018. At the time of omission sub-clause (4) was as under:--

(4) Where the loss referred to in sub-section (1) includes deductions allowed under sections 22, 23 ⁴⁰²[23A, 23B] and 24 that have not been set off against income, the amount not set off shall be added to the deductions allowed under those sections in the following tax year, and so on until completely set off.

403 Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

404 Added vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

405 Substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

“(1) The accumulated loss under the head “Income from Business” (not being a loss to which section 58 applies) of an amalgamating company or companies shall be set off or carried forward against the business profits and gains of the amalgamated company [and vice versa,] up to a period of six tax years immediately succeeding the tax year in which the loss was first computed in the case of ii[amalgamated company or] amalgamating company or companies.”

i. The words and comma inserted vide Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

ii. The words inserted vide Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

(excluding capital loss) for the tax year, other than brought forward and capital loss, of the amalgamating company or companies shall be set off against business profits and gains of the amalgamated company, and vice versa, in the year of amalgamation and where the loss is not adjusted against the profits and gains for the tax year the unadjusted loss shall be carried forward for adjustment up to a period of six tax years succeeding the year of amalgamation.]

(2) The provisions of sub-section (4) and (5) of section 57 shall, mutatis mutandis, apply for the purposes of allowing unabsorbed depreciation of amalgamating company or companies in the assessment of amalgamated company ⁴⁰⁶[and vice versa] ⁴⁰⁷[:]

⁴⁰⁸[Provided that the losses referred to in sub-section (1) and unabsorbed depreciation referred to in sub-section (2) shall be allowed set off subject to the condition that the amalgamated company continues the business of the amalgamating company for a minimum period of five years from the date of amalgamation.]

⁴⁰⁹[(2A).In case of amalgamation of Banking Company or Non-banking Finance Company, modarabas or insurance company, the accumulated loss under the head “Income from Business”(not being speculation business losses) of an amalgamating company or companies shall be set off or carried forward against the business profits and gains of the amalgamated company and vice versa, up to a period of six tax years immediately succeeding the tax year in which the loss was first computed in the case of amalgamated company or amalgamating company or companies:

Provided that the provisions of this sub-section shall in the case of Banking companies be applicable from July 1, 2007]

(3) Where any of the conditions as laid down by the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan ⁴¹⁰[or any court], as the case may be, in the scheme of amalgamation, are not fulfilled, the set off of loss or allowance for depreciation made in any tax year of the amalgamated company ⁴¹¹[or the amalgamating company or companies] shall be deemed to be the income of that amalgamated company ⁴¹²[or the amalgamating company or companies, as the case may be,] for the year in which such default is discovered by the Commissioner or taxation officer, and all the provisions of this Ordinance shall apply accordingly.]

58. Carry forward of speculation business losses.-(1) Where a person sustains a loss for a tax year in respect of a speculation business carried on by the person (hereinafter referred to as a “speculation loss”), the loss shall be set off only against the income of the person from any other speculation business of the person chargeable to tax for that year.

(2) If a speculation loss sustained by a person for a tax year is not wholly set off under sub-section (1), then the amount of the loss not set off shall be carried forward to the following tax year and applied against the income of any speculation business of the person in that year and applied as specified in sub-section (1) in that year, and so on, but no speculation loss shall be carried forward to more than six tax years immediately succeeding the tax year for which the loss was first computed.

(3) Where a person has a loss carried forward under this section for more than one tax year, the loss of the earliest tax year shall be set off first.

59. Carry forward of capital losses.-(1) Where a person sustains a loss for a tax year under the head “Capital Gains”(hereinafter referred to as a “capital loss”), the loss shall not be set off against the person’s income, if any, chargeable under any other head of income for the year, but shall be carried forward to the next tax year and set off against the capital gain, if any, chargeable under the head “Capital Gains” for that year.

406 Inserted vide Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

407 The full stop substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

408 Inserted vide Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

409 Inserted vide Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

410 Inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

411 Inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

412 Inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

(2) If a capital loss sustained by a person for a tax year under the head “Capital Gains” is not wholly set off under sub-section (1), then the amount of the loss not set off shall be carried forward to the following tax year, and so on, but no loss shall be carried forward to more than six tax years immediately succeeding the tax year for which the loss was first computed.

(3) Where a person has a loss carried forward under this section for more than one tax year, the loss of the earliest tax year shall be set off first.

⁴¹³[**59A. Limitations on set off and carry forward of losses.**-⁴¹⁴[***]

⁴¹⁵[***]

(3) In case of association of persons, ⁴¹⁶[any loss] shall be set off or carried forward and set off only against the income of the association.

(4) Nothing contained in section 56, 57, 58 or 59 shall entitle -

- (a) any member of an association of persons ⁴¹⁷[***] to set off any loss sustained by such association of persons, as the case may be, or have it carried forward and set off, against his income; or
- (b) any person who has succeeded, in such capacity, any other person carrying on any business or profession, otherwise than by inheritance, to carry forward and set off against his income, any loss sustained by such other person.

⁴¹⁸[(5) Subject to sub-section (4) of section 57, sub-section (12) of section 22 and sub-section (6), where in computing the taxable income for any tax year, full effect cannot be given to the loss relating to deductions under section 22, 23, 24 or 25 owing to there being no profits or gains chargeable for that year or such profits or gains as mentioned in sub-section (4) of section 57, being less than the said loss, the loss or part of the loss, as the case may be, shall be set off against fifty percent of the person’s income chargeable under the head “income from business” for the following year or if there is no “income from business” for that year, be set off against fifty percent of the person’s income chargeable under the head “income from business” for the next following year and so on for succeeding years]

(6) Where, under sub-section (5), deduction is also to be carried forward, effect shall first be given to the provisions of section 56 and sub-section (2) of section 58.

(7) Notwithstanding anything contained in this Ordinance, no loss which has not been assessed or determined in pursuance of an order made under section 59, 59A, 62, 63 or 65 of the repealed Ordinance or an order made or treated as made under section 120, 121 or 122 shall be carried forward and set off under section 57, sub-section (2) of section 58 or section 59.]

⁴¹³ Section “59A” inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁴¹⁴ Sub-section (I) omitted vide the Finance Act, 2012. At the time of omission sub-section (I) was as under:--

“(1) In case of an association of persons to which sub-section (3) of section 92 applies, any loss which cannot be set off against any other income of the association of persons in accordance with section 56 shall be dealt with as provided under sub-section (2) of section 93.”

⁴¹⁵ Sub-section (2) omitted vide the Finance Act, 2012. At the time of omission sub-section (I) was as under:--

“(2) Nothing contained in section 57, section 58 or section 59 shall entitle an association of persons, to which sub-section (3) of section 92 applies to have its loss carried forward and set off there under.”

⁴¹⁶ Substituted for the words, figures, commas and brackets “to which sub-section (3) of section 92 does not apply, any loss for such association vide the Finance Act, 2012

⁴¹⁷ The words, figures, comma and brackets “to which sub-section (3) of section 92 does not apply” were omitted vide the Finance Act, 2012

⁴¹⁸ Substituted vide the Finance Act, 2018 assented on 22nd May, 2018. At the time of substitution sub-clause (5) was as under:--

(5) Where in computing the taxable income for any tax year, full effect cannot be given to a deduction mentioned in section 22, 23, 24 or 25 owing to there being no profits or gains chargeable for that year or such profits or gains being less than the deduction, then, subject to sub-section (12) of section 22, and sub-section (6), the deduction or part of the deduction to which effect has not been given, as the case may be, shall be added to the amount of such deduction for the following year and be treated to be part of that deduction, or if there is no such deduction for that year, be treated to be the deduction for that year and so on for succeeding years.

⁴¹⁹[**59AA. Group taxation.**-(1) Holding companies and subsidiary companies of 100% owned group may opt to be taxed as one fiscal unit. In such cases, besides consolidated group accounts as required under the Companies Ordinance, 1984 (XLVII of 1984), computation of income and tax payable shall be made for tax purposes.

(2) The companies in the group shall give irrevocable option for taxation under this section as one fiscal unit.

(3) The group taxation shall be restricted to companies locally incorporated under the Companies Ordinance, 1984 (XLVII of 1984).

(4) The relief under group taxation would not be available to losses prior to the formation of the group.

(5) The option of group taxation shall be available to those group companies which comply with such corporate governance requirements ⁴²⁰[and group designation rules or regulations] as may be specified by the Securities and Exchange Commission of Pakistan from time to time and are designated as companies entitled to avail group taxation.

(6) Group taxation may be regulated through rules as may be made by the ⁴²¹[Board].]

⁴²²[**59B. Group relief.**-(1) Subject to sub-section (2), any company, being a subsidiary of a holding company, may surrender its assessed loss ⁴²³[as computed in sub-section (1A)] (excluding capital loss) for the tax year (other than brought forward losses and capital losses), in favour of its holding company or its subsidiary or between another subsidiary of the holding company:

Provided that where one of the company in the group is a public company listed on a registered stock exchange in Pakistan, the holding company shall directly hold fifty-five per cent or more of the share capital of the subsidiary company. Where none of the companies in the group is a listed company, the holding company shall hold directly seventy-five per cent or more of the share capital of the subsidiary company.

⁴²⁴[(1A) The loss to be surrendered under sub-section (1) shall be allowed as per following

419 *Inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

420 *Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013*

421 *For the words "Central Board of Revenue" the word "Board" was substituted vide Finance Act, 2014 but instead of the words "Central Board of Revenue" the word "Board" has already been substituted vide the Finance Act, 2014*

422 *Section 58b which was added vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004), was substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of substitution it was as under:--*

"59B. Group Relief.-(1) Subject to sub-section (2), any company, being a subsidiary of a public company listed on a registered stock exchange in Pakistan, owning and managing an industrial undertaking ii[or an undertaking engaged in providing services], may surrender its assessed loss for the tax year other than brought forward losses, in favour of its holding company provided such holding company owns or acquires seventy-five per cent or more of the share capital of the subsidiary company.

ii. The words inserted vide Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

(2) The loss surrendered by the subsidiary company may be claimed by the holding company for set off against its income under the head "income from Business" in the tax year and the following two tax years subject to the following conditions, namely:-

(a) there is continued ownership of share capital of the subsidiary company to the extent of seventy-five per cent or more for five years; and

(b) the subsidiary company continues the same business during the said period of five years.

(3) The subsidiary company shall not be allowed to surrender its assessed losses for set off against income of the holding company for more than three tax years.

(4) Where the losses surrendered by a subsidiary company are not adjusted against income of the holding company in the said three tax years, the subsidiary company shall carry forward the unadjusted losses in accordance with the provision of section 57.

(5) If there has been any disposal of shares by the holding company during the aforesaid period of five years to bring the ownership of the holding company to less than seventy-five per cent, the holding company shall, in the year of disposal, offer the amount of profit on which taxes have not been paid due to set off of losses surrendered by the subsidiary company."

423 *Inserted vide the Finance Act, 2016 (XXIX of 2016)*

424 *Inserted vide the Finance Act, 2016 (XXIX of 2016)*

formula, namely:—

$$(A/100) \times B$$

where—

A is the percentage share capital held by the holding company of its subsidiary company;
and

B is the assessed loss of the subsidiary company.]

(2) The loss surrendered by the subsidiary company may be claimed by the holding company or a subsidiary company for set off against its income under the head “Income from Business” in the tax year and the following two tax years subject to the following conditions, namely:—

- (a) there is continued ownership for five years, of share capital of the subsidiary company to the extent of fifty-five per cent in the case of a listed company, or seventy-five per cent or more, in the case of other companies;
- (b) a company within the group engaged in the business of trading shall not be entitled to avail group relief;
- (c) holding company, being a private limited company with seventy-five per cent of ownership of share capital gets itself listed within three years from the year in which loss is claimed;
- (d) the group companies are locally incorporated companies under the Companies Ordinance, 1984 (XLVII of 1984);
- (e) the loss surrendered and loss claimed under this section shall have approval of the Board of Directors of the respective companies;
- (f) the subsidiary company continues the same business during the said period of three years;
- (g) all the companies in the group shall comply with such corporate governance requirements⁴²⁵[and group designation rules or regulations] as may be specified by the Securities and Exchange Commission of Pakistan from time to time, and are designated as companies entitled to avail group relief; and
- (h) any other condition as may be prescribed.

(3) The subsidiary company shall not be allowed to surrender its assessed losses for set off against income of the holding company for more than three tax years.

(4) Where the losses surrendered by a subsidiary company are not adjusted against income of the holding company in the said three tax years, the subsidiary company shall carry forward the unadjusted losses in accordance with section 57.

(5) If there has been any disposal of shares by the holding company during the aforesaid period of five years to bring the ownership of the holding company to less than fifty-five per cent or seventy-five per cent, as the case may be, the holding company shall, in the year of disposal, offer the amount of profit on which taxes have not been paid due to set off of losses surrendered by the subsidiary company.

(6) Loss claiming company shall, with the approval of the Board of Directors, transfer cash to the loss surrendering company equal to the amount of tax payable on the profits to be set off against the acquired loss at the applicable tax rate. The transfer of cash would not be taken as a taxable event in the case of either of the two companies.

(7) The transfer of shares between companies and the share holders, in one direction, would not be taken as a taxable event provided the transfer is to acquire share capital for formation

425 *Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013*

of the group and approval of the Security and Exchange Commission of Pakistan or State Bank of Pakistan, as the case may be, has been obtained in this effect. Sale and purchase from third party would be taken as taxable event.]

PART IX DEDUCTIBLE ALLOWANCES

60. Zakat.-(1) A person shall be entitled to a deductible allowance for the amount of any Zakat paid by the person in a tax year under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

(2) Sub-section (1) does not apply to any Zakat taken into account under sub-section (2) of section 40.

(3) Any allowance or part of an allowance under this section for a tax year that is not able to be deducted under section 9 for the year shall not be refunded, carried forward to a subsequent tax year, or carried back to a preceding tax year.

⁴²⁶**[60A. Workers' Welfare Fund.**-A person shall be entitled to a deductible allowance for the amount of any Workers' Welfare Fund paid by the person in tax year under Workers' Welfare Fund Ordinance, 1971 (XXXVI of 1971)] ⁴²⁷[.]

⁴²⁸**[60B. Workers' Participation Fund.**-A person shall be entitled to a deductible allowance for the amount of any Workers' Participation Fund paid by the person in a tax year in accordance with the provisions of the Companies Profit (Workers' Participation) Act, 1968 (XII of 1968).]

⁴²⁹**[60C. Deductible allowance for profit on debt.**-(1) Every individual shall be entitled to a deductible allowance for the amount of any profit or share in rent and share in appreciation for value of house paid by the individual in a tax year on a loan by a scheduled bank or non-banking finance institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government, Provincial Government or a statutory body or a public company listed on a registered stock exchange in Pakistan where the individual utilizes the loan for the construction of a new house or the acquisition of a house.

(2) The amount of an individual's deductible allowance allowed under sub-section (1) for a tax year shall not exceed fifty percent of taxable income or ⁴³⁰[two] million rupees, whichever is lower.

(3) Any allowance or part of an allowance under this section for a tax year that is not able to be deducted for the year shall not be carried forward to a subsequent tax year.

⁴³¹**[60D. Deductible allowance for education expenses.**-(1) Every individual shall be entitled to a deductible allowance in respect of tuition fee paid by the individual in a tax year provided that the taxable income of the individual is less than one ⁴³²[and a half] million rupees.

(2) The amount of an individual's deductible allowance allowed under sub-section (1) for a tax year shall not exceed the lesser of —

- (a) five per cent of the total tuition fee paid by the individual referred to in sub-section (1) in the year;
- (b) twenty-five per cent of the person's taxable income for the year; and
- (c) an amount computed by multiplying sixty thousand with number of children of the individual.

(3) Any allowance or part of an allowance under this section for a tax year that is not

⁴²⁶ Added vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁴²⁷ Inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

⁴²⁸ Added vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

⁴²⁹ Sections 64A was re-numbered as 60C vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁴³⁰ Substituted for the word "one" vide the Finance Act, 2016 (XXIX of 2016)

⁴³¹ Sections 64AB was re-numbered as 60D vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁴³² Inserted by the Finance Act, 2017

able to be deducted for the year shall not be carried forward to a subsequent tax year.

(4) Allowance under this section shall be allowed against the tax liability of either of the parents making payment of the fee on furnishing national tax number (NTN) or name of the educational institution.

(5) Allowance under this section shall not be taken into account for computation of tax deduction under section 149.]

PART X TAX CREDITS

61. Charitable donations.⁴³³[(1) A person shall be entitled to a tax credit in respect of any sum paid, or any property given by the person in the tax year as a donation to -

- (a) any board of education or any university in Pakistan established by, or under, a Federal or a Provincial law;
- (b) any educational institution, hospital or relief fund established or run in Pakistan by Federal Government or a Provincial Government or a ⁴³⁴[Local Government]; or
- (c) any non-profit organization.]

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:—

$$(A/B) \times C$$

where —

- A** is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;
- B** is the person's taxable income for the tax year; and
- C** is the lesser of —
 - (a) the total amount of the person's donations referred to in sub-section (1) in the year, including the fair market value of any property given; or
 - (b) where the person is —
 - (i) an individual or association of persons, thirty per cent of the taxable income of the person for the year; or
 - (ii) a company, ⁴³⁵[twenty] per cent of the taxable income of the person for the year.

(3) For the purposes of clause (a) of component **C** of the formula in sub-section (2), the fair market value of any property given shall be determined at the time it is given.

(4) A cash amount paid by a person as a donation shall be taken into account under clause (a) of component **C** ⁴³⁶[of] sub-section (2) only if it was paid by a crossed cheque drawn on a bank.

⁴³⁷[(5) The ⁴³⁸[Board] may make rules regulating the procedure of the grant of approval under sub-clause (c) of clause (36) of section 2 and any other matter connected with, or incidental to, the operation of this section.]

⁴³³ Substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution a different sub-section (1) was as under:—

“(1) person shall be entitled to a tax credit for a tax year in respect of any amount paid, or property given by the person in the tax year as a donation to a non-profit organization.”

⁴³⁴ The words “local authority” substituted vide the Finance Act, 2008. (I of 2008 assented on 26th June, 2008)

⁴³⁵ The words “fifteen” substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁴³⁶ Inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁴³⁷ Added vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁴³⁸ The words “Central Board of Revenue” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

⁴³⁹[**62. Tax credit for investment in shares and insurance.**-(1) A resident person other than a company shall be entitled to a tax credit for a tax year either

- (i) in respect of the cost of acquiring in the year new shares offered to the public by a public company listed on a stock exchange in Pakistan provided the resident person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan; ⁴⁴⁰[***]
- ⁴⁴¹[(ia) in respect of cost of acquiring in the tax year, sukuks offered to the public by a public company listed and traded on stock exchange in Pakistan, provided the resident person is the original allottee of the sukuks; or]
- (ii) in respect of any life insurance premium paid on a policy to a life insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided the resident person is deriving income chargeable to tax under the head “salary” or “income from business”⁴⁴²[.]

⁴⁴³[Provided that where tax credit has been allowed under this clause and subsequently the insurance policy is surrendered within two years of its acquisition, the tax credit allowed shall be deemed to have been wrongly allowed and the Commissioner, notwithstanding anything contained in this Ordinance, shall re-compute the tax payable by the taxpayer for the relevant tax years and the provisions of this Ordinance, shall, so far as may, apply accordingly.]

(2) The amount of a person’s tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: —

$$(A/B) \times C$$

⁴³⁹ Substituted vide Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)
“62. Investment in shares.-(1) A person i[other than a company] shall be entitled to a tax credit for a tax year in respect of the cost of acquiring in the year new shares offered to the public by a public company listed on a stock exchange in Pakistan where the person ii[other than a company] is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan.

i. The words inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

ii. The words inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

(2) The amount of a person’s tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:-

$$(A/B) \times C$$

where –

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;

B is the person’s taxable income for the tax year; and

C is the lesser of—

- (a) the total cost of acquiring the shares referred to in sub-section (1) in the year;
- (b) ten per cent of the person’s iii[taxable] income for the year; or
- (c) iv[v[three] hundred] thousand rupees.

iii. Substituted for the word “total” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

iv. Substituted for the word “one hundred a[and fifty]” vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

a The words inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

v. Substituted for the word “two” vide the Finance Act, 2007 (I of 2007 assented on 30th June, 2007)

(3) Where –

(a) a person has vi[been allowed] a tax credit under sub-section (1) in a tax year in respect of the purchase of a share; and

(b) the person has made a disposal of the share within twelve months of the date of acquisition, the amount of tax payable by the person for the tax year in which the shares were disposed of shall be increased by the amount of the credit allowed.”

vi. Substituted for the word “claimed” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁴⁴⁰ The word “or” was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁴⁴¹ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁴⁴² For the full stop colon was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁴⁴³ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

where –

- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;
 - B is the person's taxable income for the tax year; and
 - C is the lesser of —
 - (a) the total cost of acquiring the shares ⁴⁴⁴[or sukuk], or the total contribution or premium paid by the person referred to in sub-section (1) in the year;
 - (b) ⁴⁴⁵[twenty-four] per cent of the person's taxable income for the year; or
 - (c) ⁴⁴⁶[one ⁴⁴⁷[⁴⁴⁸[two]] million rupees]
- (3) Where –
- (a) a person has been allowed a tax credit under sub-section (1) in a tax year in respect of the purchase of a share; and
 - (b) the person has made a disposal of the share within ⁴⁴⁹[twenty-four] months of the date of acquisition, the amount of tax payable by the person for the tax year in which the shares were disposed of shall be increased by the amount of the credit allowed.]

⁴⁵⁰[**62A. Tax credit for investment in health insurance.**-(1) A resident person being a filer other than a company shall be entitled to a tax credit for a tax year in respect of any health insurance premium or contribution paid to any insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided the resident person being a filer is deriving income chargeable to tax under the head "salary" or "income from business".

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:--

$$(A/B) \times C$$

Where--

- A is the amount of tax assessed to the person for the tax year before allowance of tax credit under this section;
- B is the person's taxable income for the tax year; and
- C is the lesser of--
 - (a) the total contribution or premium paid by the person referred to in sub-section (1) in the year;
 - (b) five per cent of the person's taxable income for the year; and
 - (c) one hundred ⁴⁵¹[and fifty] thousand rupees.]

⁴⁵²[**63. Contribution to an Approved Pension Fund.**-(1) An eligible person as defined in sub-

⁴⁴⁴ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁴⁴⁵ Substituted for the word "fifteen" vide the Finance Act, 2012

⁴⁴⁶ Substituted for the words "five hundred thousand rupees" vide the Finance Act, 2012

⁴⁴⁷ Inserted vide Finance Act, 2015

⁴⁴⁸ Substituted for the word "one and a half" vide the Finance Act, 2018 assented on 22nd May, 2018

⁴⁴⁹ Substituted for the word "thirty six" vide the Finance Act, 2012

⁴⁵⁰ Inserted by the Finance Act, 2016

⁴⁵¹ Inserted by the Finance Act, 2017

⁴⁵² Section 63 substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution section 63 was as under:--

"63. Retirement annuity scheme.-(1) Subject to sub-section (3), a resident individual deriving income chargeable to tax under the head "Salary" or the head "Income from Business" shall be entitled to a tax credit for a tax year in respect of any contribution or premium paid in the year by the person under a contract of

section (19A) of section 2 deriving income chargeable to tax under the head “Salary” or the head “Income from Business” shall be entitled to a tax credit for a tax year in respect of any contribution or premium paid in the year by the person in approved pension fund under the Voluntary Pension System Rules, 2005.

(2) The amount of a person’s tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: -

$$(A/B) \times C$$

Where.-

- A** is the amount of tax assessed to the person for the tax year, before allowance of any tax credit under this Part;
- B** is the person’s taxable income for the tax year; and
- C** is the lesser of -

- (i) the total contribution or premium referred to in sub-section (1) paid by the person in the year; or
- (ii) twenty per cent of the ⁴⁵³[eligible] person’s taxable income for the relevant tax year;

Provided that ⁴⁵⁴[an eligible person] joining the pension fund at the age of forty-one years or above, during the first ten years ⁴⁵⁵[starting from July 1, 2006] shall be allowed additional contribution of 2% per annum for each year of age exceeding forty years.

Provided further that the total contribution allowed to such person shall not

annuity scheme approved by if, Securities and Exchange Commission of Pakistan] of an insurance company duly registered under the Insurance Ordinance, 2000 (XXXIX of 2000), having its main object the provision to the person of an annuity in old age.

i. Substituted for the letter “SECP” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002

(2) The amount of a resident individual’s tax credit allowed under sub-section (I) for a tax year shall be computed according to the following formula, namely: –

$$(A/B) \times C$$

where –

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;

B is the person’s taxable income for the tax year; and

C is the lesser of –

- (a) the total contribution or premium referred to in sub-section (I) paid by the individual in the year;*
- (b) ii[ten] percent of the person’s iii[taxable] income for the tax year; or*
- (c) iv[v[two] hundred thousand rupees.*

ii. Substituted for the word “five” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003

iii. Substituted for the word “total” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003

iv. Substituted for the word “fifty” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002

v. Substituted for the word “one” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

(3) A person shall not be entitled to a tax credit under sub-section (I) in respect of a contract of annuity which provides –

- (a) for the payment during the life of the person of any amount besides an annuity;*
- (b) for the annuity payable to the person to commence before the person attains the age of sixty years;*
- (c) that the annuity is capable, in whole or part, of surrender, commutation, or assignment; or*
- (d) for payment of the annuity outside Pakistan.*

⁴⁵³ *Inserted vide the Finance Act, 2006 (III of 2006 assented on 16th June, 2006)*

⁴⁵⁴ *The words “a person” substituted vide the Finance Act, 2006 (III of 2006 assented on 16th June, 2006)*

⁴⁵⁵ *The words, figure and commas “of the notification of the Voluntary Pension System Rules, 2005,” were substituted vide the Finance Act, 2006 (III of 2006 assented on 16th June, 2006)*

exceed 50% of the total taxable income of the preceding year; or ⁴⁵⁶[⁴⁵⁷[:]

Provided also that the additional contribution of two percent per annum for each year of age exceeding forty years shall be allowed upto the 30th June, 2019 subject to the condition that the total contribution allowed to such person shall not exceed thirty percent of the total taxable income of the preceding year.]

⁴⁵⁸[***]

⁴⁵⁹[(3) The transfer by the members of approved employment pension or annuity scheme or approved occupational saving scheme of their existing balance to their individual pension accounts maintained with one or more pension fund managers shall not qualify for tax credit under this section.]

⁴⁶⁰[***]

⁴⁶¹[***]

456 Substituted vide Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)
457 Substituted for the "full stop" and thereafter new proviso was added vide the Finance Act, 2016 (XXIX of 2016)
458 Clause (iii) omitted vide Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011). At the time of omission clause (iii) was as under:--

"(iii) five hundred thousand rupees"

459 Added vide the Finance Act, 2006 (III of 2006 assented on 16th June, 2006)

460 Section 64 was omitted vide Finance Act, 2015. At the time of omission section 64 was as under:-

"64. Profit on debt.- i[(1) A person shall be entitled to a tax credit for a tax year in respect of any profit or share in rent and share in appreciation for value of house paid by the person in the year on a loan by a scheduled bank or non-banking finance institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the ii[Local Government] iii[or a statutory body or a public company listed on a registered stock exchange in Pakistan] where the person utilizes the loan for the construction of a new house or the acquisition of a house.]

i. Sub-section (1) was substituted vide the Finance Act, 2003 assented on 16th June, 2003

ii. Substituted for the words "local authority" vide the Finance Act, 2008

iii. The words inserted vide the Finance Act, 2004

At the time of substitution as mentioned in 'I' above, the sub-section (1) was as under:-

iv[(1) A person shall be entitled to a tax credit for a tax year in respect of any profit or share in rent and share in appreciation of value of house paid by the person in the year on a loan by a scheduled bank under a house finance scheme approved by the State Bank of Pakistan or advanced by government. The local authority or House Building Finance Corporation where the person utilizes loan for the house.]

iv. Sub-section (1) was earlier substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

At the time of substitution it was as under:-

"(1) A person shall be entitled to a tax credit for a tax year in respect of any profit or share in rent and share in appreciation of value of house paid by the person in the year on a loan by a schedule bank under a house finance scheme approved by the State Bank of Pakistan or advanced by Government. The local authority or House Building Finance Corporation where the person utilizes the loan for the house"

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: -

$(A/B) \times C$

where -

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;

B is the person's taxable income for the tax year; and

C is the lesser of -

(a) the total profit referred to in sub-section (1) paid by the person in the year;

(b) v[fifty] percent of the person's vi[taxable] income for the year; or

(c) vii[seven hundred and fifty] thousand rupees.

v. Substituted for the word a[forty] vide the Finance Act, 2009

a. Substituted for the word "twenty-five" vide the Finance Act, 2003

vi. Substituted for the word "total" vide the Finance Act, 2003

vii. Substituted for the word b[c[five hundred] vide the Finance Act, 2009

b. Substituted for the word "fifty" vide the Finance Act, 2002

c. Substituted for the word "one" vide the Finance Act, 2003

(3) A person is not entitled to viii[tax credit] under this section for any profit deductible under section 17.

viii. Substituted for the word "a deductible allowance" vide the Finance Act, 2002

⁴⁶²[***]

64B. Tax credit for employment generation by manufacturers.-(1) Where a taxpayer being a company formed for establishing and operating a new manufacturing unit sets up a new manufacturing unit between 1st day of July, 2015 and 30th of June, ⁴⁶³[2019], it shall be given a tax credit for a period of ten years.

(2) The tax credit under sub-section (1) for a tax year shall be equal to ⁴⁶⁴[two] percent of the tax payable for every fifty employees registered with The Employees Old Age Benefits Institution and the Employees Social Security Institutions of Provincial Governments during the tax year, subject to a maximum of ten percent of the tax payable.

(3) Tax credit under this section shall be admissible where—

- (a) the company is incorporated and manufacturing unit is setup between the first day of July, 2015 and 30th day of June, 2018, both days inclusive;
- (b) employs more than fifty employees in a tax year registered with The Employees Old Age Benefits Institution and the Employees Social Security Institutions of Provincial Governments;
- (c) manufacturing unit is managed by a company formed for operating the said manufacturing unit and registered under the Companies Ordinance, 1984 (XLVII of 1984) and having its registered office in Pakistan; and
- (d) the manufacturing unit is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan at any time before 1st July 2015.

(4) Where any credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner that any of the conditions specified in this section were not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.

(5) For the purposes of this section a manufacturing unit shall be treated to have been setup on the date on which the manufacturing unit is ready to go into production, whether trial production or commercial production.;

65. Miscellaneous provisions relating to tax credits.-(1) Where the person entitled to a tax credit under ⁴⁶⁵[this] Part is a member of an association of persons to which sub-section (1) of section 92 applies, the following shall apply –

- (a) component A of the formula in sub-section (2) of section 61, sub-section (2) of section 62, sub-section (2) of section 63 and sub-section (2) of section 64 shall be the amount of tax that would be assessed to the individual if any amount derived in the year that is exempt from tax under sub-section (1) of section 92 were chargeable to tax; and
- (b) component B of the formula in sub-section (2) of section 61, sub-section (2) of section 62, sub-section (2) of section 63 and sub-section (2) of section 64 shall be the taxable income of the individual for the year if any amount derived in the year that is exempt from tax under sub-section (1) of section 92 were chargeable to tax.

⁴⁶¹ Sections 64A was inserted vide Finance Act, 2015. Later on, Sections 64A was re-numbered as 60C vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017 and placed after section 60B

⁴⁶² Sections 64B was Inserted vide the Finance Act, 2016 (XXIX of 2016). Later on, Sections 64AB was re-numbered as 60D vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017 and placed after section 60C

⁴⁶³ Substituted for the figure “2018” vide the Finance Act, 2016 (XXIX of 2016)

⁴⁶⁴ Substituted for the word “one” vide the Finance Act, 2016 (XXIX of 2016)

⁴⁶⁵ Inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

(2) Any tax credit allowed under this Part shall be applied in accordance with sub-section (3) of section 4.

(3) Subject to sub-section (4), any tax credit or part of a tax credit allowed to a person under this Part for a tax year that is not able to be credited 1 under sub-section (3) of section 4 for the year shall not be refunded, carried forward to a subsequent tax year, or carried back to a preceding tax year.

(4) Where the person to whom sub-section (3) applies is a member of an association of persons to which sub-section (1) of section 92 applies, the amount of any excess credit under sub-section (3) for a tax year may be claimed as a tax credit by the association for that year.

(5) Sub-section (4) applies only where the member and the association agree in writing for the sub-section to apply and such agreement in writing must be furnished with the association's return of income for that year.

⁴⁶⁶[(6) Where the person is entitled to a tax credit under section 65B, 65D or 65E, provisions of clause (d) of sub-section (2) of section 169 and clause (d) of sub-section (1) of section 113 shall not apply.]

⁴⁶⁷[***]

⁴⁶⁸[**65B. Tax credit for investment.**-(1) Where a taxpayer being a company invests any amount in the purchase of plant and machinery, for the purposes of ⁴⁶⁹[extension, expansion,] balancing, modernization and replacement of the plant and machinery, already installed therein, in an industrial undertaking set up in Pakistan and owned by it, credit equal to ten per cent of the amount so invested shall be allowed against the tax payable ⁴⁷⁰[including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance,] by it in the manner hereinafter provided.

(2) The provisions of sub-section (1) shall apply if the plant and machinery is purchased and installed at any time between the first day of July, 2010, and the 30th day of June, ⁴⁷¹[⁴⁷²[⁴⁷³[2021]]].

(3) The amount of credit admissible under this section shall be deducted from the tax payable by the taxpayer in respect of the tax year in which the plant or machinery in the purchase of which the amount referred to in sub-section (1) is invested and installed.

⁴⁷⁴[(4) The provisions of this section shall apply mutatis mutandis to a company setup in

⁴⁶⁶ Added vide Finance Act, 2015

⁴⁶⁷ Section 65A was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of omission, section 65A was as under:-

“**65A. Tax credit to a person registered under the Sales Tax Act, 1990.**-(1) Every manufacturer, registered under the Sales Tax Act, 1990, shall be entitled to a tax credit of 467[three] per cent of tax payable for a tax year, if ninety per cent of his sales are to the person who is registered under the aforesaid Act during the said tax year.”

⁴⁶⁸ Added by the Finance Act, 2010 (XVI of 2010)

⁴⁶⁹ The words and comma inserted vide the Finance Act, 2012

⁴⁷⁰ The comma and words inserted vide the Finance Act, 2012

⁴⁷¹ Substituted for the figure “2015” vide Finance Act, 2015

⁴⁷² Substituted for the figure “2016” vide the Finance Act, 2016 (XXIX of 2016)

⁴⁷³ Substituted for the word “2019” vide the Finance Act, 2018 assented on 22nd May, 2018

⁴⁷⁴ Substituted for sub-sections (4), (5) & (6) vide the Finance Act, 2012, At the time of substitution sub-sections (4) & (5) were as under:--

(4) Where no tax is payable by the taxpayer in respect of the tax year in which such plant or machinery is installed, or where the tax payable is less than the amount of credit, the amount of the credit or so much of it as is in excess thereof, as the case may be, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year, and so on, but no such amount shall be carried forward for more than two tax years, however, the deduction made under sub-section (2) and this sub-section shall not exceed in aggregate the limit specified in sub-section (1).

(5) Where any credit is allowed under this section and subsequently it is discovered by the Commissioner Inland Revenue that any one or more of the conditions specified in this section was, or were, not fulfilled, as the case may be, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this

Pakistan before the first day of July 2011, which makes investment during first day of July, 2011 and 30th day of June, 2016, for the purposes of balancing modernization and replacement of the plant and machinery already installed in an industrial undertaking owned by the company. However, credit equal to twenty per cent of the amount so invested shall be allowed against the tax payable, including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance. The credit shall be allowed in the year in which the plant and machinery in the purchase of which the investment as aforesaid is made, is installed therein.’

(5) Where no tax is payable by the taxpayer in respect of the tax year in which such plant or machinery is installed, or where the tax payable is less than the amount of credit as aforesaid, the amount of the credit or so much of it as is in excess thereof, as the case may be, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year and so on, but no such amount shall be carried forward for more than two tax years in the case of investment referred to in sub-section (1) and for more than five tax years in respect of investment referred to in sub-section (4), however, the deduction made under this section shall not exceed in aggregate the limit specified in sub-section (1) or sub-section (4), as the case may be.

(6) Where any credit is allowed under this section and subsequently it is discovered by the Commissioner Inland Revenue that any one or more of the conditions specified in this section was, or were, not fulfilled, as the case may be the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner, notwithstanding anything contained in this Ordinance, shall re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.]]

⁴⁷⁵[**65C. Tax credit for enlistment.**-(1) Where a taxpayer being a company opts for enlistment in any registered stock exchange in Pakistan, a tax credit equal to ⁴⁷⁶[Twenty] per cent of the tax payable shall be allowed for the tax year in which the said company is enlisted ⁴⁷⁷[and for the following ⁴⁷⁸[three tax years:]].]

⁴⁷⁹[Provided that the tax credit for the last two years shall be ten per cent of the tax payable.]

⁴⁸⁰[**65D. Tax credit for newly established industrial undertakings.**-(1) Where a taxpayer being a company formed for establishing and operating a new industrial undertaking ⁴⁸¹[including corporate dairy farming] sets up a new industrial undertaking ⁴⁸²[including a corporate dairy farm] it shall be given a tax credit equal to ⁴⁸³[an amount as computed in sub-section (1A)] of the tax payable ⁴⁸⁴[including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance] on the taxable income arising from such industrial undertaking for a period of five years beginning from the date of setting up or commencement of commercial production, whichever is later.

⁴⁸⁵[(1A) The amount of a person’s tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: —

$$A \times (B/C)$$

where—

Ordinance shall, so far as may be, apply accordingly.]

⁴⁷⁵ *Added by the Finance Act, 2010 (XVI of 2010)*

⁴⁷⁶ *Substituted for the word “fifteen” vide Finance Act, 2015. Earlier it was Substituted for the word “five” vide Finance Act, 2011*

⁴⁷⁷ *Added vide the Finance Act, 2016 (XXIX of 2016)*

⁴⁷⁸ *Substituted for “tax year.” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*

⁴⁷⁹ *Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*

⁴⁸⁰ *Section 65D was inserted vide Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)*

⁴⁸¹ *Substituted for the words “for manufacturing in Pakistan” vide Finance Act, 2012*

⁴⁸² *The words inserted vide Finance Act, 2012*

⁴⁸³ *Substituted for the words “hundred per cent” vide the Finance Act, 2016 (XXIX of 2016)*

⁴⁸⁴ *The words inserted vide Finance Act, 2012*

⁴⁸⁵ *Inserted vide the Finance Act, 2016 (XXIX of 2016)*

- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year;
- B is the equity raised through issuance of new shares for cash consideration; and
- C is the total amount invested in setting up the new industrial undertaking.]
- (2) Tax credit under this section shall be admissible where—
- (a) the company is incorporated and industrial undertaking is setup between the first day of July, 2011 and 30th day of June,⁴⁸⁶ ⁴⁸⁷[2021];
- (b) Industrial undertaking is managed by a company formed for operating the said industrial undertaking and registered under the Companies Ordinance, 1984 (XLVII of 1984) and having its registered office in Pakistan;
- (c) the industrial undertaking is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an industrial undertaking established in Pakistan at any time before 1st July 2011; and
- (d) the industrial undertaking is set up with⁴⁸⁸ [at least seventy per cent] equity⁴⁸⁹ [raised through issuance of new shares for cash consideration:]

⁴⁹⁰[Provided that short term loans and finances obtained from banking companies or non-banking financial institutions for the purposes of meeting working capital requirements shall not disqualify the taxpayer from claiming tax credit under this section.]

⁴⁹¹[***]

(4) Where any credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner Inland Revenue that ⁴⁹²[the business has been discontinued in the subsequent five years after the credit has been allowed or] any of the ⁴⁹³[conditions] specified in this section ⁴⁹⁴[were] not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.]

⁴⁹⁵[(5) For the purposes of this section and sections 65B and 65E an industrial undertaking shall be treated to have been setup on the date on which the industrial undertaking is ready to go into production, whether trial production or commercial production.]

⁴⁹⁶[**65E. Tax credit for industrial undertakings established before the first day of July, 2011.-**

⁴⁹⁷[(1) Where a taxpayer being a company, setup in Pakistan before the first day of July, 2011,

⁴⁸⁶ Substituted for the figure "2016" vide the Finance Act, 2016 (XXIX of 2016)

⁴⁸⁷ Substituted for the word "2019" vide the Finance Act, 2018 assented on 22nd May, 2018

⁴⁸⁸ Substituted for the words "hundred per cent" vide the Finance Act, 2016 (XXIX of 2016)

⁴⁸⁹ Substituted for the words and full stop "owned by the company" vide Finance Act, 2012

⁴⁹⁰ Proviso added vide Finance Act, 2012

⁴⁹¹ Sub-section (3) omitted vide Finance Act, 2012. At the time of omission sub-section (3) was as under:--

"(3) The amount of credit admissible under this section shall be deducted from the tax payable by the taxpayer in respect of the tax year in which the plant or machinery referred in sub-section (1) is purchased and installed."

⁴⁹² Inserted vide the Finance Act, 2016 (XXIX of 2016)

⁴⁹³ Substituted for the word "condition" vide Finance Act, 2012

⁴⁹⁴ Substituted for the word "was" vide Finance Act, 2012

⁴⁹⁵ Sub-section (5) added vide Finance Act, 2012

⁴⁹⁶ Inserted vide Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁴⁹⁷ Substituted for sub-section (1) vide Finance Act, 2012. At the time of substitution sub-section (1) was as under:--

"(1) Where a taxpayer being a company invests any amount, with hundred per cent equity investment, in the purchase and installation of plant and machinery for the purposes of balancing, modernization, replacement, or for expansion of the plant and machinery already installed in an industrial undertaking setup in Pakistan before the first day of July 2011, a tax credit shall be allowed against the tax

invests any amount, with ⁴⁹⁸[at least seventy per cent] new equity raised through issuance of new shares, in the purchase and installation of plant and machinery for an industrial undertaking, including corporate dairy farming, for the purposes of—

- (i) expansion of the plant and machinery already installed therein; or
- (ii) undertaking a new project a tax credit shall be allowed against the tax payable in the manner provided in sub-section (2) and sub-section (3), as the case may be for a period of five years beginning from the date of setting up or commencement of commercial production from the new plant or expansion project, whichever is later.]

⁴⁹⁹[(2) Where a taxpayer maintains separate accounts of an expansion project or a new project, as the case may be, the taxpayer shall be allowed a tax credit equal to one ⁵⁰⁰[an amount as computed in sub-section (3A)] of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, attributable to such expansion project or new project.

(3) In all other cases, the credit under ⁵⁰¹[sub-section (3A)] shall be such proportion of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, as is the proportion between the new equity and the total equity including new equity.

⁵⁰²[(3A) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: —

$$A \times (B/C)$$

where—

- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year;
- B is the equity raised through issuance of new shares for cash consideration; and
- C is the total amount invested in the purchase and installation of plant and machinery for the industrial undertaking.]

(4) The provisions of sub-section (1) shall apply if the plant and machinery is installed at any time between the first day of July, 2011 and the 30th day of June, ⁵⁰³[⁵⁰⁴[2021]].

(5) The amount of credit admissible under this section shall be deducted from the tax payable, including minimum tax and final taxes payable under any of the provisions of this

payable in the manner provided hereinafter, in the same proportion, which exists between the total investment and such equity investment made by the industrial undertaking”.

498 *Substituted for the words “hundred per cent” vide the Finance Act, 2016 (XXIX of 2016)*

499 *Substituted for sub-sections (2), (3) and (4) vide Finance Act, 2012, At the time of substitution sub-section (1) was as under:--*

“(2) The provisions of sub-section (1) shall apply if the plant and machinery is purchased and installed at any time between the first day of July, 2011, and the 30th day of June, 2016.

(3) The amount of credit admissible under this section shall be deducted from the tax payable by the taxpayer in respect of the tax year in which the plant or machinery referred in sub-section (1) is purchased and installed and for the subsequent four years.

(4) Where no tax is payable by the taxpayer in respect of the tax year in which such plant or machinery is installed, or where the tax payable is less than the amount of tax credit, the amount of such credit or so much of it as is in excess thereof, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year:

Provided that no such amount shall be carried forward for more than four tax years:

Provided further that deduction made under sub-section (1) and under this sub-section shall not exceed in aggregate the limit of the tax credit specified in sub-section (1)”

500 *Substituted for the words “hundred per cent” vide the Finance Act, 2016 (XXIX of 2016)*

501 *Substituted for the words “this section” vide the Finance Act, 2016 (XXIX of 2016)*

502 *Inserted vide the Finance Act, 2016 (XXIX of 2016)*

503 *Substituted for the figure “2016” vide the Finance Act, 2016 (XXIX of 2016)*

504 *Substituted for the word “2019” vide the Finance Act, 2018 assented on 22nd May, 2018*

Ordinance, by the taxpayer ⁵⁰⁵[, for a period of five years beginning from the date of setting up or commencement of commercial production from the new plant or expansion project, whichever is later].]

⁵⁰⁶[(6)] Where any credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner Inland Revenue that ⁵⁰⁷[the business has been discontinued in the subsequent five years after the credit has been allowed or] any of the condition specified in this section was not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall apply accordingly.]

⁵⁰⁸[(7) For the purposes of this section, new equity means equity raised through fresh issue of shares against cash by the company and shall not include loans obtained from shareholders or directors:

Provided that short term loans and finances obtained from banking companies or non-banking financial institutions for the purposes of meeting working capital requirements shall not disqualify the taxpayer from claiming tax credit under this section.]

CHAPTER IV COMMON RULES

PART I GENERAL

66. Income of joint owners.-(1) For the purposes of this Ordinance and subject to sub-section (2), where any property is owned by two or more persons and their respective shares are definite and ascertainable –

- (a) the persons shall not be assessed as an association of persons in respect of the property; and
- (b) the share of each person in the income from the property for a tax year shall be taken into account in the computation of the person's taxable income for that year.

(2) This section shall not apply in computing income chargeable under the head "Income from Business".

67. Apportionment of deductions.-(1) Subject to this Ordinance, where an ⁵⁰⁹[expenditures, deductions and allowances] relates to –

- (a) the derivation of more than one head of income; or
 - ⁵¹⁰[(ab) derivation of income comprising of taxable income and any class of income to which sub-sections (4) and (5) of section 4 apply, or;]
 - (b) the derivation of income chargeable to tax under a head of income and to some other purpose, the ⁵¹¹[expenditures, deductions and allowances] shall be apportioned on any reasonable basis taking account of the relative nature and size of the activities to which the amount relates.
- (2) The ⁵¹²[Board] may make rules under section ⁵¹³[237] for the purposes of

⁵⁰⁵ Substituted for the for the words, brackets and figure "in respect of the tax year in which the plant or machinery referred to in sub-section (1) is installed and for the subsequent four years" vide Finance Act, 2015

⁵⁰⁶ Existing sub-section (5) re-numbered as sub-section (6) vide Finance Act, 2012

⁵⁰⁷ Inserted vide the Finance Act, 2016 (XXIX of 2016)

⁵⁰⁸ Sub-section (7) added vide Finance Act, 2012

⁵⁰⁹ Substituted for the word "expenditure" vide the Finance Act, 2016 (XXIX of 2016)

⁵¹⁰ Inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁵¹¹ Substituted for the word "expenditure" vide the Finance Act, 2016 (XXIX of 2016)

⁵¹² The words "Central Board of Revenue" substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

⁵¹³ Substituted for the figure "232" vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

apportioning deductions ⁵¹⁴[expenditures and allowances].

68. Fair market value.-(1) For the purposes of this Ordinance, the fair market value of any property ⁵¹⁵[or rent], asset, service, benefit or perquisite at a particular time shall be the price which the property ⁵¹⁶[or rent], asset, service, benefit or perquisite would ordinarily fetch on sale or supply in the open market at that time.

(2) The fair market value of any property ⁵¹⁷[or rent], asset, service, benefit or perquisite shall be determined without regard to any restriction on transfer or to the fact that it is not otherwise convertible to cash.

⁵¹⁸[(3) Where the price ⁵¹⁹[other than the price of immovable property] referred to in sub-section (1) is not ordinarily ascertainable, such price may be determined by the Commissioner.]

⁵²⁰[(4) Notwithstanding anything contained in sub-sections (1) and (3), ⁵²¹[the Board may, from time to time, by notification in the official Gazette, determine the fair market value of immovable property of the area or areas as may be specified in the notification].]

⁵²²[(5) Where the fair market value of any immovable property of an area or areas has not been determined by the Board in the notification referred to in sub-section (4), the fair market value of such immovable property shall be deemed to be the value fixed by the District Officer (Revenue) or provincial or any other authority authorized in this behalf for the purposes of stamp duty.

(6) In respect of immovable property-

- (i) component A of the formula in sub-section (2) of section 37;
- (ii) “consideration received” as mentioned in Division X of Part IV of First Schedule;
- (iii) “value of immovable property” as mentioned in Divisions XVIII of Part IV of the First Schedule; and
- (iv) valuation for the purposes of section 111, shall not be less than the fair market value as determined under sub-section (4) or (5).

Explanation.-(1) For the removal of doubt, it is clarified that the fair market value as determined under sub-section (4) or (5) shall be for carrying out the purposes, of this Ordinance only.

(2) It is further clarified that for the purposes of clauses (i) to (iv) of this sub-section if the fair market value determined under sub-section (4) or (5) is different than the auction price the applicable price shall be the higher of the two.]

69. Receipt of income.-For the purposes of this Ordinance, a person shall be treated as having received an amount, benefit, or perquisite if it is –

- (a) actually received by the person;
- (b) applied on behalf of the person, at the instruction of the person or under any law; or
- (c) made available to the person.

70. Recouped expenditure.-Where a person has been allowed a deduction for any expenditure or loss incurred in a tax year in the computation of the person’s income chargeable to tax under a

514 Inserted vide the Finance Act, 2016 (XXIX of 2016)

515 Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

516 Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

517 Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

518 Added vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

519 Inserted vide the Finance Act, 2016 (XXIX of 2016)

520 Added vide the Finance Act, 2016 (XXIX of 2016)

521 Substituted for the expression “the fair market value of immovable property shall be determined on the basis of valuation made by a panel of approved valuers of the State Bank of Pakistan” vide Income Tax (Amendment) Act, 2016 passed by NA on 30th November, 2016

522 Added vide Income Tax (Amendment) Act, 2016 passed by NA on 30th November, 2016

head of income and, subsequently, the person has received, in cash or in kind, any amount in respect of such expenditure or loss, the amount so received shall be included in the income chargeable under that head for the tax year in which it is received.

71. Currency conversion.-(1) Every amount taken into account under this Ordinance shall be in Rupees.

(2) Where an amount is in a currency other than rupees, the amount shall be converted to the Rupee at the State Bank of Pakistan ⁵²³[***] rate applying between the foreign currency and the Rupee on the date the amount is taken into account for the purposes of this Ordinance.

72. Cessation of source of income.-Where –

- (a) any income is derived by a person in a tax year from any business, activity, investment or other source that has ceased either before the commencement of the year or during the year; and
- (b) if the income had been derived before the business, activity, investment or other source ceased it would have been chargeable to tax under this Ordinance, this Ordinance shall apply to the income on the basis that the business, activity, investment or other source had not ceased at the time the income was derived.

73. Rules to prevent double derivation and double deductions.-(1) For the purposes of this Ordinance, where –

- (a) any amount is chargeable to tax under this Ordinance on the basis that it is receivable, the amount shall not be chargeable again on the basis that it is received; or
 - (b) any amount is chargeable to tax under this Ordinance on the basis that it is received, the amount shall not be chargeable again on the basis that it is receivable.
- (2) For the purposes of this Ordinance, where –
- (a) any expenditure is deductible under this Ordinance on the basis that it is payable, the expenditure shall not be deductible again on the basis that it is paid; or
 - (b) any expenditure is deductible under this Ordinance on the basis that it is paid, the expenditure shall not be deductible again on the basis that it is payable.

PART II TAX YEAR

⁵²⁴[**74. Tax year.**-(1) for the purpose of this Ordinance and subject to this section, the tax year

523 The word “mid-exchange” omitted vide the Finance Act, 2003

524 Substituted vide the Finance ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution section 74 was as under:--

“74. Tax year,-(1) For the purposes of this Ordinance and subject to this section, the tax year shall be the period of twelve months ending on the 30th day of June (referred to in this section as the financial year).

- (2) A person may apply, in writing, to use as the person's tax year a twelve-month period (hereinafter referred to as a —special year) other than the financial year and the Commissioner may, subject to sub-section (4), by notice in writing, approve the application.
- (3) A person granted permission under sub-section (2) to use a special year may apply, in writing, to change the person's tax year to the financial year or to another special year and the Commissioner may, subject to sub-section (4), by notice in writing, approve such application.
- (4) The Commissioner may approve an application under sub-section (2) or (3) only if the person has shown a compelling need to use a special year or to change the person's tax year and any approval shall be subject to such conditions as the Commissioner may prescribe.
- (5) The Commissioner may, by notice in writing to a person, withdraw the permission to use a special year granted under sub-section (2) or (3).
- (6) A notice served by the Commissioner under sub-section (2) shall take effect on the date

shall be a period of twelve months ending on the 30th day of June (hereinafter referred to as 'normal tax year') and shall, subject to sub-section (3), be denoted by the calendar year in which the said date falls.

(2) Where a person's income year, under the repealed Ordinance, is different from the normal tax year, or where a person is allowed, by an order under sub-section (3), to use a twelve months' period different from normal tax 1 year, such income year or such period shall be that person's tax year (hereinafter referred to as 'special tax year') and shall, subject to sub-section (3), be denoted by the calendar year relevant to normal tax year in which the closing date of the special tax year falls.

⁵²⁵[(2A) The ⁵²⁶[Board], -

- (i) in the case of a class of persons having a special tax year different from a normal tax year may permit, by a notification in the official Gazette, to use a normal tax year; and
- (ii) in the case of a class of persons having a normal tax year may permit, by a notification in the official Gazette, to use a special tax year.]

(3) A person may apply, in writing, to the Commissioner to allow him to use a twelve months' period, other than normal tax year, as special tax year and the Commissioner may, subject to sub-section (5), by an order, allow him to use such special tax year.

(4) A person using a special tax year, under sub-section (2), may apply in writing, to the Commissioner to allow him to use normal tax year and the Commissioner may, subject to sub-section (5), by an order, allow him to use normal tax year.

(5) The Commissioner shall grant permission under sub-section (3) or (4) only if the person has shown a compelling need to use special tax year or normal tax year, as the case may be, and the permission shall be subject to such conditions, if any, as the Commissioner may impose.

(6) An order under sub-section (3) or (4) shall be made after providing to the applicant an opportunity of being heard and where his application is rejected the Commissioner shall record in the order the reasons for rejection.

(7) The Commissioner may, after providing to the person concerned an opportunity of being heard, by an order, withdraw the permission granted under sub-section (3) or (4).

(8) An order under sub-section (3) or (4) shall take effect from such date, being the first day of the special tax year or the normal tax year, as the case may be, as may be specified in the order.

(9) Where the tax year of a person changes as a result of an order under sub-section (3) or sub-section (4), the period between the end of the last tax year prior to change and the date on which the changed tax year commences shall be treated as a separate tax year, to be known as the "transitional tax year".

(10) In this Ordinance, a reference to a particular financial year shall, unless the context otherwise requires, include a special tax year or a transitional tax year commencing during the financial year.

specified in the notice and a notice under sub-section (3) or (5) shall take effect at the end of the special year of the person in which the notice was served.

(7) *Where the tax year of a person changes as a result of sub-section (2), (3) or (5), the period between the last full tax year prior to the change and the date on which the changed tax year commences shall be treated as a separate tax year, to be known as the —transitional year.*

(8) *In this Ordinance, a reference to a particular financial year shall include a special year or a transitional year of a person commencing during the financial year."*

(9) *A person dissatisfied with a decision of the Commissioner under sub-section (2), (3) or (5) may challenge the decision only under the appeal procedure in Part III of Chapter X."*

525 *Added vide the Finance Act, 2004 (II of 2004 assented on 30 the June, 2004)*

526 *The words "Central Board of Revenue" substituted vide the Finance Act, 2007 (IV of 2007 assented on 30 the June, 2007)*

(11) A person dissatisfied with an order under sub-section (3), (4) or (7) may file a review application to the ⁵²⁷[Board], and the decision by the ⁵²⁸[Board] on such application shall be final.]

PART III ASSETS

75. Disposal and acquisition of assets.-(1) A person who holds an asset shall be treated as having made a disposal of the asset at the time the person parts with the ownership of the asset, including when the asset is –

- (a) sold, exchanged, transferred or distributed; or
- (b) cancelled, redeemed, relinquished, destroyed, lost, expired or surrendered.

(2) The transmission of an asset by succession or under a will shall be treated as a disposal of the asset by the deceased at the time asset is transmitted.

(3) The application of a business asset to personal use shall be treated as a disposal of the asset by the owner of the asset at the time the asset is so applied.

⁵²⁹[(3A) where a business asset is discarded or ceases to be used in business, it shall be treated to have been disposed of.]

(4) A disposal shall include the disposal of a part of an asset.

(5) A person shall be treated as having acquired an asset at the time the person begins to own the asset, including at the time the person is granted any right.

(6) The application of a personal asset to business use shall be treated as an acquisition of the asset by the owner at the time the asset is so applied.

(7) In this section, -

“business asset” means an asset held wholly or partly for use in a business, including stock-in-trade and a depreciable asset; and

“personal asset” means an asset held wholly for personal use.

76. Cost.-(1) Except as otherwise provided in this Ordinance, this section shall establish the cost of an asset for the purposes of this Ordinance.

(2) Subject to sub-section (3), the cost of an asset purchased by a person shall be the sum of the following amounts, namely:–

- (a) The total consideration given by the person for the asset, including the fair market value of any consideration in kind determined at the time the asset is acquired;
- (b) any incidental expenditure incurred by the person in acquiring and disposing of the asset; and
- (c) any expenditure incurred by the person to alter or improve the asset, but shall not include any expenditure under clauses (b) and (c) that has been fully allowed as a deduction under this Ordinance.

(3) The cost of an asset treated as acquired under sub-section (6) of section 75 shall be the fair market value of the asset determined at the date it is applied to business use.

(4) The cost of an asset produced or constructed by a person shall be the total costs incurred by the person in producing or constructing the asset plus any expenditure referred to ⁵³⁰[in]

⁵²⁷ The words “Central Board of Revenue” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30 the June, 2007)

⁵²⁸ The words “Central Board of Revenue” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

⁵²⁹ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁵³⁰ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

clauses (b) and (c) of sub-section (2) incurred by the person.

(5) Where an asset has been acquired by a person with a loan denominated in a foreign currency and, before full and final repayment of the loan, there is an increase or decrease in the liability of the person under the loan as expressed in Rupees, the amount by which the liability is increased or reduced shall be added to or deducted from the cost of the asset, as the case may be⁵³¹[.]

⁵³²[Explanation.-Difference, if any, on account of foreign currency fluctuation, shall be taken into account in the year of occurrence for the purposes of depreciation.]

(6) In determining whether the liability of a person has increased or decreased for the purposes of sub-section (5), account shall be taken of the person's position under any hedging agreement relating to the loan.

(7) Where a part of an asset is disposed of by a person, the cost of the asset shall be apportioned between the part of the asset retained and the part disposed of in accordance with their respective fair market values determined at the time the person acquired the asset.

(8) Where the acquisition of an asset by a person is the derivation of an amount chargeable to tax, the cost of the asset shall be the amount so charged plus any amount paid by the person for the asset.

(9) Where the acquisition of an asset by a person is the derivation of an amount exempt from tax, the cost of the asset shall be the exempt amount plus any amount paid by the person for the asset.

(10) The cost of an asset does not include the amount of any grant, subsidy, rebate, commission or any other assistance (other than a loan repayable with or without profit) received or receivable by a person in respect of the acquisition of the asset, except to the extent to which the amount is chargeable to tax under this Ordinance.

⁵³³[(11) Notwithstanding anything contained in this section, the Board may prescribe rules for determination of cost for any asset.]

77. Consideration received.-(1) The consideration received by a person on disposal of an asset shall be the total amount received by the person for the asset⁵³⁴[or the fair market value thereof, whichever is the higher], including the fair market value of any consideration received in kind determined at the time of disposal.

(2) Where an asset has been lost or destroyed by a person, the consideration received for the asset shall include any compensation, indemnity or damages received by the person under –

- (a) an insurance policy, indemnity or other agreement;
- (b) a settlement; or
- (c) a judicial decision.

(3) The consideration received for an asset treated as disposed of under sub-section (3)⁵³⁵[or (3A)] of section 75 shall be the fair market value of the asset determined at the time it is applied to personal use⁵³⁶[or discarded or ceased to be used in business, as the case may be].

(4) The consideration received by a scheduled bank, financial institution, modaraba, or leasing company approved by the Commissioner (hereinafter referred to as a "leasing company") in respect of an asset leased by the company to another person shall be the residual value received by the leasing company on maturity of the lease agreement subject to the condition that the residual value plus the amount realized during the term of the lease towards the cost of the asset is not less

⁵³¹ Substituted for the full stop vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁵³² Explanation added vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁵³³ Sub-section (11) added vide the Finance Act, 2012

⁵³⁴ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁵³⁵ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁵³⁶ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

than the original cost of the asset.

(5) Where two or more assets are disposed of by a person in a single transaction and the consideration received for each asset is not specified, the total consideration received by the person shall be apportioned among the assets disposed of in proportion to their respective fair market values determined at the time of the transaction.

⁵³⁷[(6) Notwithstanding anything contained in this section, the Board may prescribe rules for determination of consideration received for any asset.]

78. Non-arm's length transactions.-Where an asset is disposed of in a non-arm's length transaction

- (a) the person disposing of the asset shall be treated as having received consideration equal to the fair market value of the asset determined at the time the asset is disposed; and
- (b) the person acquiring the asset shall be treated as having a cost equal to the amount determined under clause (a)

79. Non-recognition rules.-(1) For the purposes of this Ordinance and subject to sub-section (2), no gain or loss shall be taken to arise on the disposal of an asset -

- (a) between spouses under an agreement to live apart;
- (b) by reason of the transmission of the asset to an executor or beneficiary on the death of a person;
- (c) by reason of a gift of the asset ⁵³⁸[to a relative, as defined in sub-section (5) of section 85,];
- (d) by reason of the compulsory acquisition of the asset under any law where the consideration received for the disposal is reinvested by the recipient in an asset of a like kind within one year of the disposal;
- (e) by a company to its shareholders on liquidation of the company; or
- (f) by an association of persons to its members on dissolution of the association where the assets are distributed to members in accordance with their interests in the capital of the association.

(2) Sub-section (1) shall not apply where the person acquiring the asset is a non-resident person at the time of the acquisition.

(3) Where clause (a), (b), (c), (e) or (f) of sub-section (1) applies, the person acquiring the asset shall be treated as -

- (a) acquiring an asset of the same character as the person disposing of the asset; and
- (b) acquiring the asset for a cost equal to the cost of the asset for the person disposing of the asset at the time of the disposal.

(4) The person's cost of a replacement asset referred to in clause (d) of sub-section (1) shall be the cost of the asset disposed of plus the amount by which any consideration given by the person for the replacement asset exceeds the consideration received by the person for the asset disposed of.

CHAPTER V

PROVISIONS GOVERNING PERSONS

PART I

CENTRAL CONCEPTS

Division I Persons

⁵³⁷ Sub-section (6) added vide the Finance Act, 2012

⁵³⁸ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

80. Person.-(1) The following shall be treated as persons for the purposes of this Ordinance, namely:—

- (a) An individual;
 - (b) a company or association of persons incorporated, formed, organized or established in Pakistan or elsewhere;
 - (c) the Federal Government, a foreign government, a political sub-division of a foreign government, or public international organization.
- (2) For the purposes of this Ordinance —
- (a) “association of persons” includes a firm, a Hindu undivided family, any artificial juridical person and anybody of persons formed under a foreign law, but does not include a company;
 - (b) “company” means —
 - (i) a company as defined in the Companies Ordinance, 1984 (XLVII of 1984);
 - (ii) a body corporate formed by or under any law in force in Pakistan;
 - (iii) a modaraba;
 - (iv) a body incorporated by or under the law of a country outside Pakistan relating to incorporation of companies;
 - ⁵³⁹[(v) a co-operative society, a finance society or any other society;]
 - ⁵⁴⁰[(va) a non-profit organization;
 - (vb) a trust, an entity or a body of persons established or constituted by or under any law for the time being in force;]
 - (vi) a foreign association, whether incorporated or not, which the ⁵⁴¹[Board] has, by general or special order, declared to be a company for the purposes of this Ordinance;
 - (vii) a Provincial Government; ⁵⁴²[***]
 - (viii) a ⁵⁴³[Local Government] in Pakistan; ⁵⁴⁴[or]
 - ⁵⁴⁵[(ix) a Small Company as defined in section 2;]
 - (c) “firm” means the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all;
 - (d) “trust” means an obligation annexed to the ownership of property and arising out of the confidence reposed in and accepted by the owner, or declared and accepted by the owner for the benefit of another, or of another and the owner, and includes a unit trust; and
 - (e) “unit trust” means any trust under which beneficial interests are divided

⁵³⁹ Substituted for sub-clause (v) vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.
At the time of substitution sub-clause (v) was as under:--
(v) a trust, a co-operative society or a finance society i[or any other society established or constituted by or under any law for the time being in force;]
i. Inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁵⁴⁰ Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁵⁴¹ The words “Central Board of Revenue” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007

⁵⁴² The word “or” omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

⁵⁴³ The words “local authority” substituted vide the Finance Act, 2008

⁵⁴⁴ Inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

⁵⁴⁵ Added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

into units such that the entitlements of the beneficiaries to income or capital are determined by the number of units held.

Division II

Resident and Non-Resident Persons

81. Resident and non-resident persons.-(1) A person shall be a resident person for a tax year if the person is –

- (a) a resident individual, resident company or resident association of persons for the year; or
- (b) the Federal Government.

(2) A person shall be a non-resident person for a tax year if the person is not a resident person for that year.

82. Resident individual.-An individual shall be a resident individual for a tax year if the individual –

- (a) is present in Pakistan for a period of, or periods amounting in aggregate to, one hundred and ⁵⁴⁶[eighty-three] days or more in the tax year; ⁵⁴⁷[or]
⁵⁴⁸[***]
- (c) is an employee or official of the Federal Government or a Provincial Government posted abroad in the tax year.

83. Resident company.-A company shall be a resident company for a tax year if –

- (a) it is incorporated or formed by or under any law in force in Pakistan;
- (b) the control and management of the affairs of the company is situated wholly ⁵⁴⁹[***] in Pakistan at any time in the year; or
- (c) it is a Provincial Government or ⁵⁵⁰[Local Government] in Pakistan.

84. Resident association of persons.-An association of persons shall be a resident association of persons for a tax year if the control and management of the affairs of the association is situated wholly or partly in Pakistan at any time in the year.

Division III

Associates

85. Associates.-(1) Subject to sub-section (2), two persons shall be associates where the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person.

(2) Two persons shall not be associates solely by reason of the fact that one person is an employee of the other or both persons are employees of a third person.

(3) Without limiting the generality of sub-section (1) and subject to sub-section (4), the following shall be treated as associates –

- (a) an individual and a relative of the individual;
- (b) members of an association of persons;

⁵⁴⁶ The words “eighty-two” substituted vide the Finance Act, 2006 (III of 2006)

⁵⁴⁷ Inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

⁵⁴⁸ Omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution Sub-clause (b) was as under:--

“(b) is present in Pakistan for a period of, or periods amounting in aggregate to, ninety 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, or periods amounting in aggregate to, three hundred and sixty-five days or more; or”

⁵⁴⁹ The words “or almost wholly” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁵⁵⁰ The words “local authority” substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

- (c) a member of an association of persons and the association, where the member, either alone or together with an associate or associates under another application of this section, controls fifty per cent or more of the rights to income or capital of the association;
 - (d) a trust and any person who benefits or may benefit under the trust;
 - (e) a shareholder in a company and the company, where the shareholder, either alone or together with an associate or associates under another application of this section, controls either directly or through one or more interposed persons –
 - (i) fifty per cent or more of the voting power in the company;
 - (ii) fifty per cent or more of the rights to dividends; or
 - (iii) fifty per cent or more of the rights to capital; and
 - (f) two companies, where a person, either alone or together with an associate or associates under another application of this section, controls either directly or through one or more interposed persons –
 - (i) fifty per cent or more of the voting power in both companies;
 - (ii) fifty per cent or more of the rights to dividends in both companies; or
 - (iii) fifty per cent or more of the rights to capital in both companies.
- (4) Two persons shall not be associates under clause (a) or (b) of sub-section (3) where the Commissioner is satisfied that neither person may reasonably be expected to act in accordance with the intentions of the other.
- (5) In this section, “relative” in relation to an individual, means –
- (a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or
 - (b) a spouse of the individual or of any person specified in clause (a).

PART II INDIVIDUALS

Division I Taxation of Individuals

86. Principle of taxation of individuals.—Subject to this Ordinance, the taxable income of each individual shall be determined separately.

87. Deceased individuals.—(1) The legal representative of a deceased individual shall be liable for –

- (a) any tax that the individual would have become liable for if the individual had not died; and
 - (b) any tax payable in respect of the income of the deceased’s estate.
- (2) The liability of a legal representative under this section shall be limited to the extent to which the deceased’s estate is capable of meeting the liability.
- ⁵⁵¹[(2A) The liability under this Ordinance shall be the first charge on the deceased’s estate.]
- (3) For the purpose of this Ordinance, –
- (a) any proceeding taken under this Ordinance against the deceased before his or her death shall be treated as taken against the legal representative and

⁵⁵¹ Sub-section (2A) inserted vide Finance Act, 2010 (XV of 2010)

may be continued against the legal representative from the stage at which the proceeding stood on the date of the deceased's death; and

- (b) any proceeding which could have been taken under this Ordinance against the deceased if the deceased had survived may be taken against the legal representative of the deceased.

(4) In this section, "legal representative" means a person who in law represents the estate of a deceased person, and includes any person who intermeddles with the estate of the deceased and where a party sues or issued in representative character the person on whom the estate devolves on the death of the party so suing or sued.

Division II Provisions Relating to Averaging

⁵⁵²[***]

⁵⁵³**88A. Share profits of company to be added to taxable income.**-(1) Notwithstanding the provisions of sub-section (1) of section 92, the share of profits derived by a company from an association of persons shall be added to the taxable income of the company.

(2) The company shall be allowed a tax credit in accordance with the following formula, namely: -

$$^{554}[(A/B) \times C]$$

Where –

- A is the amount of share of profits received by the company from the association;
B is the taxable income of the association; and
C is the amount of tax assessed on the association.

(3) The tax credit allowed under this section shall be applied in accordance with sub-section (3) of section 4.]

89. Authors.-Where the time taken by an author of a literary or artistic work to complete the work exceeds twenty-four months, the author may elect to treat any lump sum amount received by the author in a tax year on account of royalties in respect of the work as having been received in that tax year and the preceding two tax years in equal proportions.

Division III Income Splitting

90. Transfers of assets.-(1) For the purposes of this Ordinance and subject to sub-section (2), where there has been a revocable transfer of an asset, any income arising from the asset shall be treated as the income of the transferor and not of the transferee.

(2) Sub-section (1) shall not apply to any income derived by a person by virtue of a transfer that is not revocable during the lifetime of the person and the transferor derives no direct or

⁵⁵² Section 88 was omitted vide the Finance Act, 2014. At the time of omission section 88 was as under:--
"88. **An individual as a member of an association of persons.**-If, for a tax year, an individual has taxable income and derives an amount or amounts exempt from tax under sub-section (1) of section 92, the amount of tax payable on the taxable income of the individual shall be computed in accordance with the following formula, namely:--
(A/B) x C
where –
A is the amount of tax that would be assessed to the individual for the year if the amount or amounts exempt from tax under sub-section (1) of section 92 were chargeable to tax;
B is the taxable income of the individual for the year if the amount or amounts exempt from tax under sub-section (1) of section 92 were chargeable to tax; and
C is the individual's actual taxable income for the year.

⁵⁵³ Section 88A inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁵⁵⁴ The brackets, figure and letters "(A/B) XC" substituted vide the Finance Act, 2005 (VII of 2005 assented on 16th June, 2005)

indirect benefit from such income.

(3) For the purposes of this Ordinance, where there has been a transfer of an asset but the asset remains the property of the transferor, any income arising from the asset shall be treated as the income of the transferor.

(4) For the purposes of this Ordinance and subject to sub-section (5), any income arising from any asset transferred by a person directly or indirectly to—

- (a) the person's spouse or minor child; or
- (b) any other person for the benefit of a person or persons referred to in clause (a), shall be treated as the income of the transferor.

(5) Sub-section (4) shall not apply to any transfer made –

- (a) for adequate consideration; or
- (b) in connection with an agreement to live apart.

(6) For the purposes of clause (a) of sub-section (5), a transfer shall not be treated as made for adequate consideration if the transferor has provided, by way of loan or otherwise, to the transferee, directly or indirectly, with the funds for the acquisition of the asset.

(7) Sub-section (5) does not apply where the transferor fails to produce evidence of the transfer of the asset by way of its registration or mutation in the relevant record and the income arising from the asset shall be treated as the income of the transferor for the purposes of this Ordinance.

(8) For the purposes of this section, –

- (a) a transfer of an asset shall be treated as revocable if –
 - (i) there is any provision for the re-transfer, directly or indirectly, of the whole or any part of the asset to the transferor; or
 - (ii) the transferor has, in any way, the right to resume power, directly or indirectly, over the whole or any part of the asset;
- (b) “minor child” shall not include a married daughter; and
- (c) “transfer” includes any disposition, settlement, trust, covenant, agreement or arrangement.

91. Income of a minor child.-(1) Any income of a minor child for a tax year chargeable under the head “Income from Business” shall be chargeable to tax as the income of the parent of the child with the highest taxable income for that year.

(2) Sub-section (1) shall not apply to the income of a minor child from a business acquired by the child through an inheritance.

PART III ASSOCIATIONS OF PERSONS

92. Principles of taxation of associations of persons.-(1) ⁵⁵⁵***] An association of persons shall be liable to tax separately from the members of the association and ⁵⁵⁶[where the association of persons has paid tax the] amount received by a member of the association in the capacity as member out of the income of the association shall be exempt from tax ⁵⁵⁷[.]

⁵⁵⁸[Provided that if at least one member of the association of persons is a company, the share of such company or companies shall be excluded for the purpose of computing the total income of the association of persons and the company or the companies shall be taxed separately, at

⁵⁵⁵ The words, brackets, figure and comma “Subject to sub-section (2)” omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

⁵⁵⁶ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁵⁵⁷ Substituted for full stop vide the Finance Act, 2014

⁵⁵⁸ Added vide the Finance Act, 2014

the rate applicable to the companies, according to their share.]

559[***]

560[***]

561[***]

562[***]

563[***]

PART IV COMPANIES

94. Principles of taxation of companies.-(1) A company shall be liable to tax separately from its shareholders.

559 Sub-section (2) omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of omission sub-section (2) was as under:--

i.(2) Sub-section (1) shall not apply to an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating the profession”.

i. Sub-section (2) substituted vide Finance Act, 2003 assented on 16th June, 2003). At the time of substitution a different sub-section (2) was as under:---

“(2) Sub-section (1) shall not apply to ---

(a) an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating the profession or

(b) an association of persons in which a company is a member.”

560 Sub-section (3) omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of omission sub-section (3) was as under:--

“(3) An association of persons to which subsection (2) applies shall not be liable to tax and the income of the association shall be taxed to the members in accordance with section 93”.

561 Sub-section (4) omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of omission sub-section (4) was as under:--

“(4) An association of persons referred to in sub-section (3) shall furnish a return of total income for each tax year.”

562 Sub-section (5) omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of omission sub-section (5) was as under:--

“(5) Sections 114, 118 and 119 shall apply to a return of total income required to be furnished under sub-section (4).”

563 Section (93) omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

“93. **Taxation of members of an association of persons.**-(1) Where sub-section (3) of section 92 applies, the income of a member of an association of persons chargeable under the head —Income from Business for a tax year shall include —

(a) in the case of a resident member, the member’s share in the total income of the association; or

(b) in the case of a non-resident member, the member’s share in so much of the total income of the association as is attributable to Pakistani-source income.

(2) Where an association of persons to which sub-section (3) of section 92 applies sustains a loss that cannot be set off against any other income of the association in accordance with section 56, the amount of the loss shall be apportioned among the members of the association according to their interest in the association and the members shall be entitled to have their share of the loss set off and carried forward for set off under Part VIII of Chapter III in computing their taxable income under this Ordinance.

(3) The share of a loss referred to in sub-section (2) of a non-resident member shall be limited to the extent that the loss relates to the derivation of Pakistan-source income.

(4) The total income of an association of persons for the purposes of sub-section (1) and the loss of an association for the purposes of sub-section (2) shall be computed as if the association were a resident person.

(5) Income, expenditures and losses of an association of persons to which this section applies shall retain their character as to geographic source and type of income, expenditure or loss in the hands of the members of the association, and shall be treated as having passed through the association on a pro rata basis, unless the Commissioner permits otherwise by i[order] in writing to the association.

(6) The share of a member in the total income of an association of persons shall be determined according to the member’s interest in the association and shall include any profit on debt, brokerage, commission, salary or other remuneration received or due from the association.”

i. Substituted for the word “notice” vide Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

(2) A dividend paid by a ⁵⁶⁴[***] company shall be taxable in accordance with Section 5.

⁵⁶⁵[***]

95. Disposal of business by individual to wholly-owned company.-(1) Where a resident individual (hereinafter referred to as the “transferor”) disposes of all the assets of a business of the transferor to a resident company, no gain or loss shall be taken to arise on the disposal if the following conditions are satisfied, namely:—

- (a) The consideration received by the transferor for the disposal is a share or shares in the company (other than redeemable shares);
- (b) the transferor must beneficially own all the issued shares in the company immediately after the disposal;
- (c) the company must undertake to discharge any liability in respect of the assets disposed of to the company;
- (d) any liability in respect of the assets disposed of to the company must not exceed the transferor’s cost of the assets at the time of the disposal;
- (e) the fair market value of the share or shares received by the transferor for the disposal must be substantially the same as the fair market value of the assets disposed of to the company, less any liability that the company has undertaken to discharge in respect of the assets; and
- (f) the company must not be exempt from tax for the tax year in which the disposal takes place.

(2) Where sub-section (1) applies –

- (a) each of the assets acquired by the company shall be treated as having the same character as it had in the hands of the transferor;
- (b) the company’s cost in respect of the acquisition of the assets shall be –
 - (i) in the case of a depreciable asset or amortized intangible, the written down value of the asset or intangible immediately before the disposal;
 - (ii) in the case of stock-in-trade valued for tax purposes under sub-section (4) of section 35⁵⁶⁶ [***], that value; or
 - (iii) in any other case, the transferor’s cost at the time of the disposal;
- (c) if, immediately before the disposal, the transferor has deductions allowed under sections 22, 23 and 24 in respect of the assets transferred which have not been set off against the transferor’s income, the amount not set off shall be added to the deductions allowed under those sections to the company in the tax year in which the transfer is made; and
- (d) the transferor’s cost in respect of the share or shares received as consideration for the disposal shall be –
 - (i) in the case of a consideration of one share, the transferor’s cost of the assets transferred as determined under clause (b), less the amount of any liability that the company has undertaken to

⁵⁶⁴ The word “resident” was omitted vide the Finance Act, 2015

⁵⁶⁵ Sub-section (3) was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of omission, sub-section (3) was as under:-

“(3) A dividend paid by a non-resident company to a resident person shall be chargeable to tax under the head “Income from Business” or “Income from Other Sources”, as the case may be, unless the dividend is exempt from tax.”

⁵⁶⁶ The words “at fair market value” were omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

discharge in respect of the assets; or

- (ii) in the case of a consideration of more than one share, the amount determined under sub-clause (i) divided by the number of shares received.

(3) In determining whether the transferor's deductions under sections 22, 23 or 24 have been set off against income for the purposes of clause (c) of sub-section (2), those deductions shall be taken into account last.

96. Disposal of business by association of persons to wholly-owned company.-(1) Where a resident association of persons disposes of all the assets of a business of the association to a resident company, no gain or loss shall be taken to arise on the disposal if the following conditions are satisfied, namely:-

- (a) The consideration received by the association for the disposal is a share or shares in the company (other than redeemable shares);
 - (b) the association must own all the issued shares in the company immediately after the disposal;
 - (c) each member of the association must have an interest in the shares in the same proportion to the member's interest in the business assets immediately before the disposal;
 - (d) the company must undertake to discharge any liability in respect of the assets disposed of to the company;
 - (e) any liability in respect of the assets disposed of to the company must not exceed the association's cost of the asset at the time of the disposal;
 - (f) the fair market value of the share or shares received by the association for the disposal must be substantially the same as the fair market value of the assets disposed of to the company, as reduced by any liability that the company has undertaken to discharge in respect of the assets; and
 - (g) the company must not be exempt from tax for the tax year in which the disposal takes place.
- (2) Where sub-section (1) applies –
- (a) each of the assets acquired by the company shall be treated as having the same character as it had in the hands of the association;
 - (b) the company's cost in respect of the acquisition of the assets shall be –
 - (i) in the case of a depreciable asset or amortized intangible, the written down value of the asset or intangible immediately before the disposal;
 - (ii) in the case of stock-in-trade valued for tax purposes under sub-section (4) of section 35⁵⁶⁷[***], that value; or
 - (iii) in any other case, the association's cost at the time of the disposal;
 - (c) if, immediately before the disposal, the association is subject to tax in accordance with sub-section (1) of section 92 and the association has deductions allowed under sections 22, 23 and 24 in respect of the assets transferred which have not been set off against the association's income, the amount not set off shall be added to the deductions allowed under those sections to the company in the tax year in which the transfer is made; and
 - (d) the association's cost in respect of the share or shares received as consideration for the disposal shall be –

⁵⁶⁷ The words "at fair market value" omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

- (i) in the case of a consideration of one share, the association's cost of the assets transferred as determined under clause (b), as reduced by the amount of any liability that the company has undertaken to discharge in respect of the assets; or
- (ii) in the case of a consideration of more than one share, the amount determined under sub-clause (i) divided by the number of shares received.

(3) In determining whether the association's deductions under Sections 22, 23 or 24 have been set off against income for the purposes of clause (c) of sub-section (2), those deductions are taken into account last.

97. Disposal of asset between wholly-owned companies.-(1) Where a resident company (hereinafter referred to as the "transferor") disposes of an asset to another resident company (hereinafter referred to as the "transferee"), no gain or loss shall be taken to arise on the disposal if the following conditions are satisfied, namely:-

- (a) Both companies belong to a wholly-owned group of ⁵⁶⁸[resident] company at the time of the disposal;
 - (b) the transferee must undertake to discharge any liability in respect of the asset acquired;
 - (c) any liability in respect of the asset must not exceed the transferor's cost of the asset at the time of the disposal; and
 - (d) the transferee must not be exempt from tax for the tax year in which the disposal takes place.
- (2) Where sub-section (1) applies –
- (a) the asset acquired by the transferee shall be treated as having the same character as it had in the hands of the transferor;
 - (b) the transferee's cost in respect of the acquisition of the asset shall be –
 - (i) in the case of a depreciable asset or amortized intangible, the written down value of the asset or intangible immediately before the disposal;
 - (ii) in the case of stock-in-trade valued for tax purposes under sub-section (4) of section 35 ⁵⁶⁹***], that value; or
 - (iii) in any other case, the transferor's cost at the time of the disposal;
 - (c) if, immediately before the disposal, the transferor has deductions allowed not been set off against the transferor's income, the amount not set off shall be added to the deductions allowed under those sections to the transferee in the tax year in which the transfer is made; and
 - (d) the transferor's cost in respect of any consideration in kind received for the asset shall be the transferor's cost of the asset transferred as determined under clause (b), as reduced by the amount of any liability that the transferee has undertaken to discharge in respect of the asset.

(3) In determining whether the transferor's deductions under sections 22, 23 or 24 in respect of the asset transferred have been set off against income for the purposes of clause (c) of sub-section (2), those deductions shall be taken into account last.

- (4) The transferor and transferee companies belong to a wholly-owned group if –
 - (a) one company beneficially holds all the issued shares of the other company;

⁵⁶⁸ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁵⁶⁹ The words "at fair market value" omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

or

- (b) a third company beneficially holds all the issued shares in both companies.

⁵⁷⁰[97A. **Disposal of asset under a scheme of arrangement and reconstruction.**-(1) No gain or loss shall be taken to arise on disposal of asset from one company (hereinafter referred to as the “transferor”) to another company (hereinafter referred to as the “transferee”) by virtue of operation of a Scheme of Arrangement and Reconstruction under sections 282L and 284 to 287 of the Companies Ordinance, 1984 (XLVII of 1984) or section 48 of the Banking Companies Ordinance, 1962 (LVII of 1962), if the following conditions are satisfied, namely:—

- (a) the transferee must undertake to discharge any liability in respect of the asset acquired;
- (b) any liability in respect of the asset must not exceed the transferor’s cost of the asset at the time of the disposal;
- (c) the transferee must not be exempt from tax for the tax year in which the disposal takes place; and
- (d) scheme is approved by the High Court, State Bank of Pakistan or Securities and Exchange Commission of Pakistan, as the case may be, on or after first day of July, 2007.

(2) No gain or loss shall be taken to arise on issue, cancellation, exchange or receipt of shares as a result of Scheme of Arrangement and Reconstruction under sections 282L and 284 to 287 of the companies Ordinance, 1984 (XLVII of 1984) or section 48 of the Banking Companies Ordinance, 1962 (LVII of 1962) and approved by:—

- (a) the High Court;
- (b) State Bank of Pakistan; or
- (c) Securities and Exchange Commission of Pakistan, as the case may be, on or after first day of July, 2007.

(3) Where sub-section (1) applies—

- (a) the asset acquired by the transferee shall be treated as having the same character as it had in the hands of the transferor;
- (b) the transferee’s cost in respect of acquisition of the asset shall be—
 - (i) in the case of a depreciable asset or amortized intangible, the written disposal;
 - (ii) in the case of stock-in-trade valued for tax purposes under sub-section (4) of section 35, that value; or
 - (iii) in any other case, the transferor’s cost at the time of the disposal;
- (c) if, immediately before the disposal, the transferor has deductions allowed under sections 22, 23 and 24 in respect of the asset transferred which have not been set off against the transferor’s income, the amount not set off shall be added to the deduction allowed under those sections to the transferee in the tax year in which the transfer is made.

(4) In determining whether the transferor’s deductions under sections 22, 23 or 24 in respect of the asset transferred have been set off against income for the purposes of clause (c) of sub-section (2), those deductions shall be taken into account last.

(5) Where sub-section (2) applies and the shares issued vested by virtue of the Scheme of Arrangement and Reconstruction under sections 282L and 284 to 287 of the Companies Ordinance, 1984 (XLVII of 1984) or section 48 of the Banking Companies Ordinance, 1962 (LVII

⁵⁷⁰ Inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

of 1962) and approved by the Court or State Bank of Pakistan or Securities and Exchange Commission of Pakistan as the case may be, are disposed of, the cost of shares shall be the cost prior to the operation of the said scheme.]

PART V COMMON PROVISIONS APPLICABLE TO ASSOCIATIONS OF PERSONS AND COMPANIES

98. Change in control of an entity.-(1) Where there is a change of fifty per cent or more in the underlying ownership of an entity, any loss incurred for a tax year before the change shall not be allowed as a deduction in a tax year after the change, unless the entity –

- (a) continues to conduct the same business after the change as it conducted before the change until the loss has been fully set off; and
- (b) does not, until the loss has been fully set off, engage in any new business or investment after the change where the principal purpose of the entity or the beneficial owners of the entity is to utilize the loss so as to reduce the income tax payable on the income arising from the new business or investment.

(2) In this section, –

“entity” means a company or association of persons to which sub-section (1) of section 92 applies;

“ownership interest” means a share in a company or the interest of a member in an association of persons; and

“underlying ownership” in relation to an entity, means an ownership interest in the entity held, directly or indirectly through an interposed entity or entities, by an individual or by a person not ultimately owned by individuals.

⁵⁷¹**[PART VA TAX LIABILITY IN CERTAIN CASES**

98A. Change in the constitution of an association of persons.-Where, during the course of a tax year, a change occurs in the constitution of an association of persons, liability of filing the return on behalf of the association of persons for the tax year shall be on the association of persons as constituted at the time of filing of such return but the income of the association of persons shall be apportioned among the members who were entitled to receive it and, where the tax assessed on a member cannot be recovered from him it shall be recovered from the association of persons as constituted at the time of filing the return.

98B. Discontinuance of business or dissolution of an association of persons.-(1) Subject to the provisions of section 117, where any business or profession carried on by an association of persons has been discontinued, or where an association of persons is dissolved, all the provisions of this Ordinance, shall, so far as may be, apply as if no such discontinuance or dissolution had taken place.

(2) Every person, who was, at the time of such discontinuance or dissolution, a member of such association of persons and the legal representative of any such person who is deceased, shall be jointly and severally liable for the amount of tax payable by the association of persons.

98C. Succession to business, otherwise than on death.-(1) Where a person carrying on any business or profession has been succeeded in any tax year by any other person (hereafter in this section referred to as the “predecessor” and “successor” respectively), otherwise than on the death of the predecessor, and the successor continues to carry on that business or profession,-

- (a) the predecessor shall be liable to pay tax in respect of the income of the tax year in which the succession took place up to the date of succession and of the tax year or

⁵⁷¹ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

years preceding that year; and

- (b) the successor shall be liable to pay tax in respect of the income of such tax year after the date of succession.

(2) Notwithstanding anything contained in sub-section (1), where the predecessor cannot be found, the tax liability in respect of the tax year in which the succession took place up to the date of succession and of the tax year or years preceding that year shall be that of the successor in like manner and to the same extent as it would have been that of the predecessor, and all the provisions of this Ordinance shall, so far as may be, apply accordingly.

(3) Where any tax payable under this section in respect of such business or profession cannot be recovered from the predecessor, it shall be recoverable from the successor, who shall be entitled to recover it from the predecessor.]

CHAPTER VI SPECIAL INDUSTRIES

PART I INSURANCE BUSINESS

99. Special provisions relating to insurance business.—The profits and gains of any insurance business shall be computed in accordance with the rules in the Fourth Schedule.

⁵⁷²[**99A. Special provisions relating to traders.**—(1) Subject to sub-section (3), tax payable on the profits and gains of a trader as defined in sub-section (4) who upto thirty first day of December, 2015 has not filed a return for any of the preceding ten tax years shall be computed in accordance with the rules laid down in Part I of the Ninth Schedule.

(2) Subject to sub-section (3), tax payable on the profits and gains of any trader as defined in sub-section (4), who-

- (a) is a filer; or
- (b) is NTN holder and a non-filer but has filed return or returns in any of the last ten preceding tax years, shall be computed in accordance with the rules laid down in Part II of the Ninth Schedule.

(3) Sub-sections (1) and (2) shall apply, if

- (a) the return filed by the trader qualifies for acceptance in accordance with the rules laid down in the Ninth Schedule;
- (b) return relates to tax years 2015 to 2018; and
- (c) income from business consists of profits and gains from trading activity only.

(4) For the purpose of this section and the Ninth Schedule, 'trader' means an individual or an association of persons (AOP) buying goods or merchandise and selling the same without further processing and providing, business-related after sales services by doing repair jobs.

Explanation 1.—For the removal of doubt it is clarified that any person engaged in-

- (a) rendering of, or providing, services as defined in clause (iii) of sub-section (7) of section 153; or
- (b) business of retailer falling under rule (5) of Chapter II of the Sales Tax Special Procedures Rules, 2007, shall not be treated as a trader for the purposes of this section.

Explanation 2.—It is also clarified that this section shall not apply to a person who is a Member of the Senate of Pakistan the National Assembly of Pakistan or a Provincial Assembly.]

⁵⁷² Section '99A' was inserted vide the Finance (Third Amendment) Act, 2016 (III of 2016 assented on 29th January, 2016)

PART II
OIL, NATURAL GAS AND OTHER MINERAL DEPOSITS

100. Special provisions relating to the production of oil and natural gas, and exploration and extraction of other mineral deposits.-(1) Subject to sub-section (2), the profits and gains from –

- (a) the exploration and production of petroleum including natural gas and from refineries set up at the Dhodak and Bobi fields;
- (b) the pipeline operations of exploration and production companies; or
- (c) the manufacture and sale of liquefied petroleum gas or compressed natural gas, and the tax payable thereon shall be computed in accordance with the rules in Part I of the Fifth Schedule.

(2) Sub-section (1) shall not apply to the profits and gains attributable to the production of petroleum including natural gas discovered before the 24th day of September, 1954⁵⁷³[:

Provided that the for tax year 2017 and onward the provisions of this sub-section shall not apply on profit and gains derived from sui gas field.]

(3) The profits and gains of any business which consists of, or includes, the exploration and extraction of such mineral deposits of a wasting nature (not being petroleum or natural gas) as may be specified in this behalf by the Federal Government carried on by a person in Pakistan shall be computed in accordance with the rules in Part II of the Fifth Schedule.

⁵⁷⁴[(3) Notwithstanding anything contained in sub-section (1), income, profits and gains and tax payable thereon shall be computed subject to the limitations and provisions contained in Chapters VII and VIII.]

⁵⁷⁵[(100A) **Special provisions relating to banking business.**-(1) Subject to sub-section(2), the income, profits and gains of any banking company as defined in clause(7) of section 2 and tax payable thereon shall be computed in accordance with the rules in the Seventh Schedule.

(2) Sub-section (1) shall apply to the profits and gains of the banking companies relevant to tax year 2009 and onwards.]

⁵⁷⁶[100B **Special provision relating to capital gain tax.**-(1) Capital gains on disposal of listed securities and tax thereon, subject to section 37A, shall be computed, determined, collected and deposited in accordance with the rules laid down in the Eighth Schedule.

(2) The provisions of sub-section (1) shall not apply to the following persons or class of persons, namely:

- (a) a mutual fund;
- (b) a banking company, a non-banking finance company, and an insurance company subject to tax under the Fourth Schedule;
- (c) a modaraba;
- ⁵⁷⁷[(d) a company, in respect of debt securities only; and]
- (e) any other person or class of persons notified by the Board.]

⁵⁷⁸[100C. **Tax credit for certain persons.**-(1) ⁵⁷⁹[The income of] Non-profit organizations, trusts

⁵⁷³ For the full stop, a colon was substituted and thereafter the proviso was added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁵⁷⁴ Added vide the Finance Act, 2018 assented on 22nd May, 2018

⁵⁷⁵ Inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

⁵⁷⁶ Section 100B inserted vide the Finance Act, 2012. Earlier same Section 100B was inserted vide the Finance (Amendment Ordinance, 2012 (III of 2012 promulgated on 24th April, 2012)

⁵⁷⁷ Substituted for clause (d) a "foreign institutional investor being a person registered with NCCPL as a foreign institutional investor; and vide the Finance Act, 2014

or welfare institutions, as mentioned in sub-section (2) shall be allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, subject to the following conditions, namely:

- (a) return has been filed;
- (b) tax required to be deducted or collected has been deducted or collected and paid;
⁵⁸⁰***]
- (c) withholding tax statements for the immediately preceding tax year have been filed
⁵⁸¹;
- (d) the administrative and management expenditure does not exceed 15% of the total receipts:

Provided that clause (d) shall not apply to a non-profit organization, if—

- (a) charitable and welfare activities of the non-profit organization have commenced for the first time within last three years; and
- (b) total receipts of the non-profit organization during the tax year are less than one hundred million Rupees.]

⁵⁸²[(1A) Notwithstanding anything contained in sub-section (1), surplus funds of non-profit organization shall be taxed at a rate of ten per cent.

(1B) For the purpose of sub-section (1A), surplus funds mean funds or monies:

- (a) not spent on charitable and welfare activities during the tax year;
- (b) received during the tax year as donations, voluntary contributions, subscriptions and other incomes;
- (c) which are more than twenty-five per cent of the total receipts of the non-profit organization received during the tax year; and
- (d) are not part of restricted funds.

Explanation.-For the purpose of this sub-section, "restricted funds" mean any fund received by the organization but could not be spent and treated as revenue during the year due to any obligation placed by the donor.]

(2) Persons ⁵⁸³[and incomes] eligible for tax credit under this section include

- (a) any income of a trust or welfare institution or non-profit organization from donations, voluntary contributions, subscriptions, house property, investments in the securities of the Federal Government and so much of the income chargeable under the head "income from business" as is expended in Pakistan for the purposes of carrying out welfare activities:

Provided that in the case of income under the head "income from business", the exemption in respect of income under the said head shall not exceed an amount which bears to the income, under the said head, the same proportion as the said amount bears to the aggregate of the incomes from the aforesaid sources of income.

- (b) a trust administered under a scheme approved by the Federal Government in this behalf and established in Pakistan exclusively for the purposes of carrying out such activities as are for the benefit and welfare of—

⁵⁷⁸ Inserted vide the Finance Act, 2014

⁵⁷⁹ Inserted vide Finance Act, 2015

⁵⁸⁰ The word "and" was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁵⁸¹ For the full stop a semi colon was substituted and thereafter new clause was added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁵⁸² Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁵⁸³ Inserted vide Finance Act, 2015

- (i) ex-servicemen and serving personnel, including civilian employees of the Armed Forces, and their dependents; or
- (ii) ex-employees and serving personnel of the Federal Government or a Provincial Government and their dependents, where the said trust is administered by a committee nominated by the Federal Government or, as the case may be, a Provincial Government;
- (c) a trust or welfare institution or non-profit organization approved by Chief Commissioner for the purposes of this ⁵⁸⁴[***] clause;
- (d) income of a university or other educational institution being run by a non-profit organization existing solely for educational purposes and not for purposes of profit;
- (e) any income which is derived from investments in securities of the Federal Government, profit on debt from scheduled banks ⁵⁸⁵[and microfinance banks] grant received from Federal Government or Provincial Government or District Governments, foreign grants and house property held under trust or other legal obligations wholly, or in part only, for religious or charitable purposes and is actually applied or finally set apart for application thereto:

Provided that nothing in this clause shall apply to so much of the income as is not expended within Pakistan:

Provided further that if any sum out of the amount so set apart is expended outside Pakistan, it shall be included in the total income of the tax year in which it is so expended or of the year in which it was set apart, whichever is the greater, and the provisions of section 122 shall not apply to any assessment made or to be made in pursuance of this proviso.

Explanation.-Notwithstanding anything contained in the Mussalman Wakf Validating Act, 1913 (VI of 1913), or any other law for the time being in force or in the instrument relating to the trust or the institution, if any amount is set apart, expended or disbursed for the maintenance and support wholly or partially of the family, children or descendants of the author of the trust or the donor or, the maker of the institution or for his own maintenance and support during his life time or payment to himself or his family, children, relations or descendants or for the payment of his or their debts out of the income from house property dedicated, or if any expenditure is made other than for charitable purposes, in each case such expenditure, provision, setting apart, payment or disbursement shall not be deemed, for the purposes of this clause, to be for religious or charitable purposes; or

- (f) any income of a religious or charitable institution derived from voluntary contributions applicable solely to religious or charitable purposes of the institution:

Provided that nothing contained in this clause shall apply to the income of a private religious trust which does not ensure for the benefit of the public.]

CHAPTER VII INTERNATIONAL

PART I GEOGRAPHICAL SOURCE OF INCOME

⁵⁸⁴ The word and hyphen "sub-" was omitted vide Finance Act, 2015

⁵⁸⁵ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

101. Geographical source of income.-(1) Salary shall be Pakistan-source income to the extent to which the salary –

- (a) is received from any employment exercised in Pakistan, wherever paid; or
- (b) is paid by, or on behalf of, the Federal Government, a Provincial Government, or a⁵⁸⁶[Local Government] in Pakistan, wherever the employment is exercised.

(2) Business income of a resident person shall be Pakistan-source income to the extent to which the income is derived from any business carried on in Pakistan.

(3) Business income of a non-resident person shall be Pakistan-source income to the extent to which it is directly or indirectly attributable to –

- (a) a permanent establishment of the non-resident person in Pakistan;
- (b) sales in Pakistan of goods merchandise of the same or similar kind as those sold by the person through a permanent establishment in Pakistan;⁵⁸⁷[***]
- (c) other business activities carried on in Pakistan of the same or similar kind as those effected by the non-resident through a permanent establishment in Pakistan⁵⁸⁸[; or]

⁵⁸⁹[(d) any business connection in Pakistan⁵⁹⁰[;or]]

⁵⁹¹[(e) import of goods, whether or not the title to the goods passes outside Pakistan, if the import is part of an overall arrangement for the supply of goods, installation, construction, assembly, commission, guarantees or supervisory activities and all or principal activities are undertaken or performed either by the associates of the person supplying the goods or its permanent establishment, whether or not the goods are imported in the name of the person, associate of the person or any other person.

Explanation.-For the removal of doubt, it is clarified that where the income is subject to taxation under sections 5A, 5AA, 6, 7 and 7A, the income shall not be chargeable to tax under the head income from business.]

⁵⁹²[(4) Where the business of a non-resident person comprises the rendering of independent services(including professional services and the services of entertainers and sports persons), the Pakistan-source business income of the person shall include (in addition to any amounts treated as Pakistan-source income under sub-section (3)) any remuneration derived by the person where the remuneration is paid by a resident person or borne by a permanent establishment in Pakistan of a non-resident person.]

(5) Any gain from the disposal of any asset or property used in deriving any business income referred to in sub-section (2),(3) or (4) shall be Pakistan-source income.

⁵⁸⁶ The words “local authority” substituted vide the Finance Act, 2008 (I of 2008 assented on 30th June, 2008)

⁵⁸⁷ The word “or” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁵⁸⁸ Substituted for the full stop vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁵⁸⁹ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁵⁹⁰ Substituted vide the Finance Act, 2018 assented on 22nd May, 2018

⁵⁹¹ Added vide the Finance Act, 2018 assented on 22nd May, 2018

⁵⁹² Substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution a different sub-section (4) was as under:--

“(4) Where the business of a non-resident person comprises the rendering of independent services (including professional services and the services of entertainers and sports-persons), the Pakistan-source business income of the person shall include (in addition to any amounts treated as Pakistan-source income under sub-section (3)) any remuneration derived by the person where –

- (a) the remuneration is paid by a resident person or borne by a permanent establishment in Pakistan of a nonresident; person; and
- (b) the aggregate gross amount (before deduction of expenses) of the remuneration is sixty thousand rupees or more.”

- (6) A dividend shall be Pakistan-source income if it is paid by a resident company ⁵⁹³[—]
⁵⁹⁴[(a) paid by a resident company; or
 (b) dividend as per provisions of sub-clause (f) of clause (19) of section 2.]
- (7) Profit on debt shall be Pakistan-source income if it is—
 (a) Paid by a resident person, except where the profit is payable in respect of any debt used for the purposes of a business carried on by the resident outside Pakistan through a permanent establishment; or
 (b) borne by a permanent establishment in Pakistan of a non-resident person.
- (8) A royalty shall be Pakistan-source income if it is —
 (a) paid by a resident person, except where the royalty is payable in respect of any right, property, or information used, or services utilised for the purposes of a business carried on by the resident outside Pakistan through a permanent establishment; or
 (b) borne by a permanent establishment in Pakistan of a non-resident person.
- (9) Rental income shall be Pakistan-source income if it is derived from the lease of immovable property in Pakistan whether improved or not, or from any other interest in or over immovable property, including a right to explore for, or exploit, natural resources in Pakistan.
- (10) Any gain from the alienation of any property or right referred to in sub-section (9) or from the alienation of any share in a company the assets of which consist wholly or principally, directly or indirectly, of property or rights referred to in sub-section (9) shall be Pakistan-source income.
- (11) A pension or annuity shall be Pakistan-source income if it is paid by a resident or borne by a permanent establishment in Pakistan of a non-resident person.
- (12) A technical fee shall be Pakistan-source income if it is —
 (a) paid by a resident person, except where the fee is payable in respect of services utilized in a business carried on by the resident outside Pakistan through a permanent establishment; or
 (b) borne by a permanent establishment in Pakistan of a non-resident person.
- ⁵⁹⁵[(12A) A fee for offshore digital services shall be Pakistan-source income, if it is—
 (a) paid by a resident person, except where the fee is payable in respect of services utilised in a business carried on by the resident outside Pakistan through a permanent establishment; or
 (b) borne by a permanent establishment in Pakistan of a non-resident person.]
- (13) Any gain arising on the disposal of shares in a resident company shall be Pakistan-source income.
- ⁵⁹⁶[(13A) Any amount paid on account of insurance or re-insurance premium by an insurance company to an overseas insurance or re-insurance company shall be deemed to be Pakistan source income.]
- (14) Any amount not mentioned in the preceding sub-sections shall be Pakistan-source income if it is paid by a resident person or borne by a permanent establishment in Pakistan of a non-resident person.

⁵⁹³ Substituted for the words and full stop “paid by a resident company vide the Finance Act, 2012

⁵⁹⁴ Clauses (a) & (b) added vide the Finance Act, 2012

⁵⁹⁵ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

⁵⁹⁶ Inserted vide the Finance Act, 2008 vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

(15) Where an amount may be dealt with under sub-section (3) and under another sub-section (other than sub-section (14)), this section shall apply

- (a) by first determining whether the amount is Pakistan-source income under that other sub-section; and
- (b) if the amount is not Pakistan-source income under that sub-section, then determining whether it is Pakistan-source income under sub-section(3).

(16) An amount shall be foreign-source income to the extent to which it is not Pakistan-source income.

⁵⁹⁷[**101A.Gain on disposal of assets outside Pakistan.**-(1) Any gain from the disposal or alienation outside Pakistan of an asset located in Pakistan of a non-resident company shall be Pakistan-source.

(2) The gain under sub-section (1) shall be chargeable to tax at the rate and in the manner as specified in sub-section (10).

(3) Where the asset is any share or interest in a non-resident company, the asset shall be treated to be located in Pakistan, if—

- (a) the share or interest derives, directly or indirectly, its value wholly or principally from the assets located in Pakistan; and
- (b) shares or interest representing ten per cent or more of the share capital of the non-resident company are disposed or alienated.

(4) The share or interest, as mentioned in sub-section (3), shall be treated to derive its value principally from the assets located in Pakistan, if on the last day of the tax year preceding the date of transfer of a share or an interest, the value of such assets exceeds one hundred million Rupees and represents at least fifty per cent of the value of all the assets owned by the non-resident company.

(5) Notwithstanding the provisions of section 68, the value as mentioned in sub-section (4) shall be the fair market value, as may be prescribed, for the purpose of this section without reduction of liabilities.

(6) Where the entire assets by the non-resident company are not located in Pakistan, the income of the non-resident company, from disposal or alienation outside Pakistan of a share of, or interest in, such non-resident company shall be treated to be located in Pakistan, to the extent it is reasonably attributable to assets located in Pakistan and determined as may be prescribed.

(7) Where the asset of a non-resident company derives, directly or indirectly, its value wholly or principally from the assets located in Pakistan and the non-resident company holds, directly or indirectly, such assets through a resident company, such resident company shall, for the purposes of determination of gain and tax thereon under sub-section (8) or, as the case may be, sub-section (9), shall furnish to the Commissioner within sixty days of the transaction of disposal or alienation of the asset by the non-resident company, the prescribed information or documents, in a statement as may be prescribed:

Provided that the Commissioner may, by notice in writing, require the resident company, to furnish information, documents and statement within a period of less than sixty days as specified in the notice.

(8) The person acquiring the asset from the non-resident person shall deduct tax from the gross amount paid as consideration for the asset at the rate of ten percent of the fair market value of the asset and shall be paid to the Commissioner by way of credit to the Federal Government through remittance to the Government Treasury or deposit in an authorized branch of the State Bank of Pakistan or the National Bank of Pakistan, within fifteen days of the payment to the non-resident.

⁵⁹⁷ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

(9) The resident company as referred to in sub-section (7) shall collect advance tax as computed in sub-section (10) from the non-resident company within thirty days of the transaction of disposal or alienation of the asset by such non-resident company:

Provided that where the tax has been deducted and paid by the person acquiring the asset from the non-resident person under sub-section (8), the said tax shall be treated as tax collected and paid under this sub-section and shall be allowed a tax credit for that tax in computing the tax under sub-section (10).

(10) The tax to be collected under sub-section (9) shall be the higher of—

- (a) 20% of A, where A = fair market value less cost of acquisition of the asset; or
- (b) 10% of the fair market value of the asset.

(11) Where tax has been paid under sub-section (8) or (9), no tax shall be payable by the non-resident company in respect of gain under sub-section (8) of section 22 or capital gains under section 37 or 37A.

(12) Where any gain is taxable under this section and also under any other provision of this Ordinance, the said gain shall be taxable under other provision of the Ordinance.]

PART II

TAXATION OF FOREIGN-SOURCE INCOME OF RESIDENTS

102. Foreign source salary of resident individuals.-(1) Any foreign-source salary received by a resident individual shall be exempt from tax if the individual has paid foreign income tax in respect of the salary.

(2) A resident individual shall be treated as having paid foreign income tax in respect of foreign-source salary if tax has been withheld from the salary by the individual's employer and paid to the revenue authority of the foreign country in which the employment was exercised.

103. Foreign tax credit.-(1) Where a resident taxpayer derives foreign source income chargeable to tax under this Ordinance in respect of which the taxpayer has paid foreign income tax, the taxpayer shall be allowed a tax credit of an amount equal to the lesser of –

- (a) the foreign income tax paid; or
- (b) the Pakistan tax payable in respect of the income.

(2) For the purposes of clause (b) of sub-section (1), the Pakistan tax payable in respect of foreign source income derived by a taxpayer in a tax year shall be computed by applying the average rate of Pakistan income tax applicable to the taxpayer for the year against the taxpayer's net foreign-source income for the year.

(3) Where, in a tax year, a taxpayer has foreign income under more than one head of income, this section shall apply separately to each head of income.

(4) For the purposes of sub-section (3), income derived by a taxpayer from carrying on a speculation business shall be treated as a separate head of income.

(5) The tax credit allowed under this section shall be applied in accordance with sub-section (3) of section 4.

(6) Any tax credit or part of a tax credit allowed under this section for a tax year that is not credited under sub-section(3) of section 4 shall not be refunded, carried back to the preceding tax year, or carried forward to the following tax year.

(7) A credit shall be allowed under this section only if the foreign income tax is paid within two years after the end of the tax year in which the foreign income to which the tax relates was derived by the resident taxpayer.

(8) In this section, –

“average rate of Pakistan income tax” in relation to a taxpayer for a tax year, means the percentage that the Pakistani income tax(before allowance of the tax credit under this

section) is of the taxable income of the taxpayer for the year;

“foreign income tax” includes a foreign withholding tax; and

“net foreign-source income” in relation to a taxpayer for a tax year, means the total foreign-source income of the taxpayer charged to tax in the year, as reduced by any deductions allowed to the taxpayer under this Ordinance for the year that –

- (a) relate exclusively to the derivation of the foreign-source income; and
- (b) are reasonably related to the derivation of foreign-source income in accordance with sub-section (1) of section 67 and any rules made for the purposes of that section.

104. Foreign losses.-(1) Deductible expenditures incurred by a person in deriving foreign-source income chargeable to tax under a head of income shall be deductible only against that income.

(2) If the total deductible expenditures referred to in sub-section(1) exceed the total foreign source income for a tax year chargeable to tax under a head of income(hereinafter referred to as a “foreign loss”), the foreign loss shall be carried forward to the following tax year and set off against the foreign source income chargeable to tax under that head in that year, and so on, but no foreign loss shall be carried forward to more than six tax years immediately succeeding the tax year for which the loss was computed.

(3) Where a taxpayer has a foreign loss carried forward for more than one tax year, the loss for the earliest year shall be set off first.

(4) Section 67 shall apply for the purposes of this section on the basis that –

- (a) income from carrying on a speculation business is a separate head of income; and
- (b) foreign source income chargeable under a head of income(including the head specified in clause(a)) shall be a separate head of income.

PART III TAXATION OF NON-RESIDENTS

105. Taxation of a permanent establishment in Pakistan of a non-resident person.-(1) The following principles shall apply in determining the income of a permanent establishment in Pakistan of a non-resident person chargeable to tax under the head “Income from Business”, namely:-

- (a) The profit of the permanent establishment shall be computed on the basis that it is a distinct and separate person engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the non-resident person of which it is a permanent establishment;
- (b) subject to this Ordinance, there shall be allowed as deductions any expenses incurred for the purposes of the business activities of the permanent establishment including executive and administrative expenses so incurred, whether in Pakistan or elsewhere;
- (c) no deduction shall be allowed for amounts paid or payable by the permanent establishment to its head office or to another permanent establishment of the non-resident person(other than towards reimbursement of actual expenses incurred by the non-resident person to third parties) by way of:
 - (i) royalties, fees or other similar payments for the use of any tangible or intangible asset by the permanent establishment;
 - (ii) compensation for any services including management services performed for the permanent establishment; or
 - (iii) profit on debt on moneys lent to the permanent establishment, except in

connection with a banking business; and

- (d) no account shall be taken in the determination of the income of a permanent establishment of amounts charged by the permanent establishment to the head office or to another permanent establishment of the non-resident person (other than towards reimbursement of actual expenses incurred by the permanent establishment to third parties) by way of:
- (i) royalties, fees or other similar payments for the use of any tangible or intangible asset;
 - (ii) compensation for any services including management services performed by the permanent establishment; or
 - (iii) profit on debt on moneys lent by the permanent establishment, except in connection with a banking business.

(2) No deduction shall be allowed in computing the income of a permanent establishment in Pakistan of a non-resident person chargeable to tax under the head “Income from Business” for a tax year for head office expenditure in excess of the amount as bears to the turnover of the permanent establishment in Pakistan the same proportion as the non-resident’s total head office expenditure bears to its worldwide turnover.

(3) In this section, “head office expenditure” means any executive or general administration expenditure incurred by the non-resident person outside Pakistan for the purposes of the business of the Pakistan permanent establishment of the person, including –

- (a) any rent, local rates and taxes excluding any foreign income tax, current repairs, or insurance against risks of damage or destruction outside Pakistan;
- (b) any salary paid to an employee employed by the head office outside Pakistan;
- (c) any travelling expenditures of such employee; and
- (d) any other expenditures which may be prescribed.

(4) No deduction shall be allowed in computing the income of a permanent establishment in Pakistan of a non-resident person chargeable under the head “Income from Business” for –

- (a) any profit paid or payable by the non-resident person on debt to finance the operations of the permanent establishment; or
- (b) any insurance premium paid or payable by the non-resident person in respect of such debt.

106. Thin capitalization.-(1) Where a foreign-controlled resident company (other than a financial institution ⁵⁹⁸[or a banking company]) ⁵⁹⁹[or a branch of a foreign company operating in Pakistan,] has a foreign debt-to-foreign equity ratio in excess of three to one at any time during a tax year, a deduction shall be disallowed for the profit on debt paid by the company in that year on that part of the debt which exceeds the three to one ratio.

(2) In this section, -

“foreign-controlled resident company” means a resident company in which fifty per cent or more of the underlying ownership of the company is held by a non-resident person (hereinafter referred to as the “foreign controller”) either alone or together with an associate or associates;

“foreign debt” in relation to a foreign-controlled resident company, means the greatest amount, at any time in a tax year, of the sum of the following amounts, namely:-

⁵⁹⁸ Inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁵⁹⁹ Inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

- (a) The balance outstanding at that time on any debt obligation owed by the foreign-controlled resident company to a foreign controller or non-resident associate of the foreign controller on which profit on debt is payable which profit on debt is deductible to the foreign-controlled resident company and is not taxed under this Ordinance or is taxable at a rate lower than the ⁶⁰⁰[corporate rate] of tax applicable on assessment to the foreign controller or associate; and
- (b) the balance outstanding at that time on any debt obligation owed by the foreign-controlled resident company to a person other than the foreign controller or an associate of the foreign controller where that person has a balance outstanding of a similar amount on a debt obligation owed by the person to the foreign controller or a non-resident associate of the foreign controller; and

“foreign equity” in relation to a foreign-controlled resident company and for a tax year, means the sum of the following amounts, namely:-

- (a) The paid-up value of all shares in the company owned by the foreign controller or a non-resident associate of the foreign controller at the beginning of the tax year;
- (b) so much of the amount standing to the credit of the share premium account of the company at the beginning of the tax year as the foreign controller or a non-resident associate would be entitled to if the company were wound up at that time; and
- (c) so much of the accumulated profits and asset revaluation reserves of the company at the beginning of the tax year as the foreign controller or a non-resident associate of the foreign controller would be entitled to if the company were wound up at that time; reduced by the sum of the following amounts, namely:-
 - (i) the balance outstanding at the beginning of the tax year on any debt obligation owed to the foreign-controlled resident company by the foreign controller or a non-resident associate of the foreign controller; and
 - (ii) where the foreign-controlled resident company has accumulated losses at the beginning of the tax year, the amount by which the return of capital to the foreign controller or non-resident associate of the foreign controller would be reduced by virtue of the losses if the company were wound up at that time.

PART IV AGREEMENTS FOR THE AVOIDANCE OF DOUBLE TAXATION AND PREVENTION OF FISCAL EVASION

107. Agreements for the avoidance of double taxation and prevention of fiscal evasion.-

⁶⁰¹[(1) The Federal Government may enter into a tax treaty, a tax information exchange agreement,

⁶⁰⁰ Substituted for the words “corporate tax” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁶⁰¹ Sub-section (1) was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution was as under:--

i (1) The Federal Government may enter into an agreement, bilateral or multilateral with the government or governments of foreign countries or tax jurisdictions for the avoidance of double taxation and the prevention of fiscal evasion and exchange of information including automatic exchange of information with respect to taxes on income imposed under this Ordinance or any other law for the time being in force and under the corresponding laws in force in that country, and may, by notification in the official Gazette make such provisions as may be necessary for implementing the agreement.

i. Sub-section (1) was Substituted vide Finance Act, 2015. At the time of substitution sub-section (1) was as under:-

(1) The Federal Government may enter into an agreement with the government of a foreign country for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes

a multilateral convention, an inter-governmental agreement or similar agreement or mechanism for the avoidance of double taxation or for the exchange of information for the prevention of fiscal evasion or avoidance of taxes including automatic exchange of information with respect to taxes on income imposed under this Ordinance or any other law for the time being in force and under the corresponding laws in force in that country and may, by notification in the official Gazette, make such provisions as may be necessary for implementing the said instruments.]

⁶⁰²[(1A) Notwithstanding anything contained in any other law to the contrary, the Board shall have the powers to obtain and collect information when solicited by another country under a tax treaty, a tax information exchange agreement, a multilateral convention, an inter-governmental agreement, a similar arrangement or mechanism.

(1B) Notwithstanding the provisions of the Freedom of Information Ordinance, 2002 (XCVI of 2002), any information received or supplied, and any concomitant communication or correspondence made, under a tax treaty, a tax information exchange agreement, a multilateral convention, a similar arrangement or mechanism, shall be confidential ⁶⁰³[***].]

(2) ⁶⁰⁴[Subject to section 109, where] any agreement is made in accordance with sub-section(1), the agreement and the provisions made by notification for implementing the agreement shall, notwithstanding anything contained in any law for the time being in force, have effect in so far as they provide ⁶⁰⁵[at least one of the following:] –

- (a) relief from the tax payable under this Ordinance;
- (b) the determination of the Pakistan-source income of non-resident persons;
- (c) where all the operations of a business are not carried on within Pakistan, the determination of the income attributable to operations carried on within and outside Pakistan, or the income chargeable to tax in Pakistan in the hands of non- resident persons, including their agents, branches, and permanent establishments in Pakistan;
- (d) the determination of the income to be attributed to any resident person having a special relationship with a non-resident person; and
- (e) the exchange of information for the prevention of fiscal evasion or avoidance of taxes on income chargeable under this Ordinance and under the corresponding laws in force in that other country.

(3) Notwithstanding anything ⁶⁰⁶[contained] in sub-sections (1) or (2), any agreement referred to in sub-section (1) may include provisions for the relief from tax for any period before the commencement of this Ordinance or before the making of the agreement.

CHAPTER VIII ANTI-AVOIDANCE

108. Transactions between associates.-(1) The Commissioner may, in respect of any transaction between persons who are associates, distribute, apportion or allocate income, deductions or tax credits between the persons as is necessary to reflect the income that the persons would have realised in an arm's length transaction.

(2) In making any adjustment under sub-section (1), the Commissioner may determine the source of income and the nature of any payment or loss as revenue, capital or otherwise.

on income imposed under this Ordinance and under the corresponding laws in force in that country, and may, by notification in the official Gazette make such provisions as may be necessary for implementing the agreement.

⁶⁰² Inserted vide Finance Act, 2015

⁶⁰³ The words, brackets and figure "subject to subsection (3) of section 216" was omitted vide the Finance Act, 2016 (XXIX of 2016)

⁶⁰⁴ Substituted for the word "where" vide the Finance Act, 2018 assented on 22nd May, 2018

⁶⁰⁵ Substituted for the word "for" vide the Finance Act, 2016 (XXIX of 2016)

⁶⁰⁶ Inserted vide the Finance Act, 2016 (XXIX of 2016)

⁶⁰⁷[(3) Every taxpayer who has entered into a transaction with its associate shall:

- (a) maintain a master file and a local file containing documents and information as may be prescribed;
- (b) keep ⁶⁰⁸[, maintain and furnish to the Board] prescribed country-by-country report, where applicable;
- (c) keep and maintain any other information and document in respect of transaction with its associate as may be prescribed; and
- (d) keep the files, documents, information and reports specified in clauses (a) to (c) for the period as may be prescribed.

(4) A taxpayer who has entered into a transaction with its associate shall furnish, within thirty days the documents and information to be kept and maintained under ⁶⁰⁹[clause (a), (c) or (d) of] sub-section (3) if required by the Commissioner in the course of any proceedings under this Ordinance.;

(5) The Commissioner may, by an order in writing, grant the taxpayer an extension of time for furnishing the documents and information under sub-section (4), if the taxpayer applies in writing to the Commissioner for an extension of time to furnish the said documents or information:

Provided that the Commissioner shall not grant an extension of more than forty-five days, when such information or documents were required to be furnished under sub-section (4), unless there are exceptional circumstances justifying a longer extension of time.]

109. Recharacterisation of income and deductions.-(1) For the purposes of determining liability to tax under this Ordinance, the Commissioner may –

- (a) recharacterise a transaction or an element of a transaction that was entered into as part of a tax avoidance scheme;
- (b) disregard a transaction that does not have substantial economic effect; or
- (c) recharacterise a transaction where the form of the transaction does not reflect the substance.

⁶¹⁰[(d) from tax year 2018 and onwards, disregard an entity or a corporate structure that does not have an economic or commercial substance or was created as part of the tax avoidance scheme]

(2) In this section, “tax avoidance scheme” means any transaction where one of the main purposes of a person in entering into the transaction is the avoidance or reduction of any person’s liability to tax under this Ordinance.

⁶¹¹[(3) Reduction in a person’s liability to tax as referred to in sub-section (2) means a reduction, avoidance or deferral of tax or increase in a refund of tax and includes a reduction, avoidance or deferral of tax that would have been payable under this Ordinance, but are not payable due to a tax treaty for the avoidance of double taxation as referred to in section 107.]

⁶¹²[**109A. Controlled foreign company.**-(1) There shall be included in the taxable income of a resident person for a tax year an income attributable to controlled foreign company as defined in sub-section (2).

(2) For the purpose of this section, controlled foreign company means a non-resident company, if-

⁶⁰⁷ Inserted vide the Finance Act, 2016 (XXIX of 2016)

⁶⁰⁸ Substituted for the word “and maintain” vide the Finance Act, 2018 assented on 22nd May, 2018

⁶⁰⁹ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

⁶¹⁰ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

⁶¹¹ Added vide the Finance Act, 2018 assented on 22nd May, 2018

⁶¹² Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

- (a) more than fifty percent of the capital or voting rights of the non-resident company are held, directly or indirectly, by one or more persons resident in Pakistan or more than forty percent of the capital or voting rights of the non-resident company are held, directly or indirectly, by a single resident person in Pakistan;
 - (b) tax paid, after taking into account any foreign tax credits available to the non-resident company, on the income derived or accrued, during a foreign tax year, by the non-resident company to any tax authority outside Pakistan is less than sixty percent of the tax payable on the said income under this Ordinance;
 - (c) the non-resident company does not derive active business income as defined under sub-section (3); and
 - (d) the shares of the company are not traded on any stock exchange recognized by law of the country or jurisdiction of which the non-resident company is resident for tax purposes.
- (3) A company shall be treated to have derived active income if—
- (a) more than eighty percent of income of the company does not include income from dividend, interest, property, capital gains, royalty, annuity payment, supply of goods or services to an associate, sale or licensing of intangibles and management, holding or investment in securities and financial assets; and
 - (b) principally derives income under the head “income from business” in the country or jurisdiction of which it is a resident.
- (4) Income of a controlled foreign company is an amount equal to the taxable income of that company determined in accordance with the provisions of this Ordinance as if that controlled foreign company is a resident taxpayer and shall be taxed at the rate specified in Division III of Part I of the First Schedule.
- (5) The amount of attributable income under sub-section (1) for a tax year shall be computed according to the following formula, namely:—
- A x (B/100)**
- Where—
- A is the amount of income of a controlled foreign company under sub-section (2); and
 - B is the percentage of capital or voting rights, whichever is higher, held by the person, directly or indirectly, in the controlled foreign company.
- (6) The amount of attributable income shall be treated as zero, if the capital or voting rights of the resident person is less than ten percent.
- (7) Income of a controlled foreign company shall be treated as zero, if it is less than ten million Rupees.
- (8) The income of a controlled foreign company in respect of a foreign tax year, as defined in sub-section (9), shall be determined in the currency of that controlled foreign company and shall, for purposes of determining the amount to be included in the income of any resident person during any tax year under the provisions of this section, be converted into Rupees at the State Bank of Pakistan rate applying between that foreign currency and the Rupee on the last day of the tax year.
- (9) Foreign tax year, in relation to a non-resident company, means any year or period of reporting for income tax purposes by that non-resident company in the country or jurisdiction of residence or, if that company is not subject to income tax, any annual period of financial reporting by that company.
- (10) The income attributable to controlled foreign company under sub-section (1) and taxed in Pakistan under this section shall not be taxed again when the same income is received in Pakistan by the resident taxpayer.

(11) Where tax has been paid by the resident person on the income attributable to controlled foreign company and in a subsequent tax year the resident person receives dividend distributed by the controlled foreign company, after deduction of tax on dividend, the resident person shall be allowed a tax credit equal to the lesser of,—

- (i) foreign tax paid, as defined in sub-section (8) of section 103, on dividends; and
- (ii) Pakistan tax payable, as defined in section 103, for the tax year in which the dividend is received by the resident taxpayer.]

110. Salary paid by private companies.—Where, in any tax year, salary is paid by a private company to an employee of the company for services rendered by the employee in an earlier tax year and the salary has not been included in the employee’s salary chargeable to tax in that earlier year, the Commissioner may, if there are reasonable grounds to believe that payment of the salary was deferred, include the amount in the employee’s income under the head “Salary” in that earlier year.

111. Unexplained income or assets.—(1) Where —

- (a) any amount is credited in a person’s books of account;
- (b) a person has made any investment or is the owner of any money or valuable article;
⁶¹³[***]
- (c) a person has incurred any expenditure ⁶¹⁴[; or”]
- ⁶¹⁵[(d) any person has concealed income or furnished inaccurate particulars of income including
 - (i) the suppression of any production, sales or any amount chargeable to tax; or
 - (ii) the suppression of any item of receipt liable to tax in whole or in part,]

and the person offers no explanation about the nature and source of the amount credited or the investment, money, valuable article, or funds from which the expenditure was made ⁶¹⁶[suppression of any production, sales, any amount chargeable to tax and of any item of receipt liable to tax] or the explanation offered by the person is not, in the Commissioner’s opinion, satisfactory, the amount credited, value of the investment, money, value of the article, or amount of expenditure ⁶¹⁷[suppressed amount of production, sales or any amount chargeable to tax or of any item of receipt liable to tax] shall be included in the person’s income chargeable to tax under head “Income from ⁶¹⁸[Other Sources]” to the extent it is not adequately explained ⁶¹⁹[.]

⁶²⁰[Provided that where a taxpayer explains the nature and source of the amount credited or the investment made, money or valuable article owned or funds from which the expenditure was made, by way of agricultural income, such explanation shall be accepted to the extent of agricultural income worked back on the basis of agricultural income tax paid under the relevant provincial law.]

⁶²¹[(2) The amount referred to in sub-section (1) shall be included in the person’s income chargeable to tax:

⁶¹³ The word “or” omitted vide Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶¹⁴ Substituted for the comma “,” vide Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶¹⁵ Added vide Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶¹⁶ The words and commas inserted vide The Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶¹⁷ The words and commas inserted vide The Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶¹⁸ Substituted for the word “Business” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁶¹⁹ Substituted for full stop vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁶²⁰ Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁶²¹ Substituted vide the Finance Act, 2018 assented on 22nd May, 2018. At the time of substitution was as under:--

(2) The amount referred to in sub-section (1) shall be included in the person’s income chargeable to tax in the tax year 621[to which such amount relates]

- (i) in the tax year to which such amount relates if the amount representing investment, money, valuable article or expenditure is situated or incurred in Pakistan or concealed income is Pakistan-source; and
- (ii) in the tax year immediately preceding the tax year in which the investment, money, valuable article or expenditure is discovered by the Commissioner and is situated or incurred outside Pakistan and concealed income is foreign-source.

Explanation.—For the removal of doubt, it is clarified that where the investment, money, valuable article or expenditure is acquired or incurred outside Pakistan in a prior tax year and is liable to be included in the income of tax year 2018 and onwards on the basis of discovery made by the Commissioner during tax year 2019 and onwards and the person explains the acquisition of such asset or expenditure from sources relating to tax year in which such asset was acquired or expenditure was incurred, such explanation shall not be rejected on the basis that the source does not relate to the tax year in which the amount chargeable to tax is to be included.]

⁶²²[(3) Where the declared cost of any investment or valuable article or the declared amount of expenditure of a person is less than reasonable cost of the investment or the valuable article, or the reasonable amount of the expenditure, the Commissioner may, having regard to all the circumstances, include the difference in the person's income chargeable to tax under the head "Income from Other Sources" in the tax year ⁶²³[immediately preceding the financial year in which the difference is discovered]

⁶²⁴[(4) Sub-section (1) does not apply, -

- (a) to any amount of foreign exchange remitted from outside Pakistan through normal banking channels ⁶²⁵[not exceeding ten million Rupees in a tax year] that is encashed into rupees by a scheduled bank and a certificate from such bank is produced to that effect ⁶²⁶[.]

⁶²⁷[***]

- ⁶²⁸[(c) to an amount invested in acquiring immovable property and computed according to the following formula, namely:

$$A - B$$

Where.-

A is the value of immovable property determined under section 68;

622 Substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution sub-section (3) was as under:--

"(3) Where the declared value of any investment, valuable article or expenditure of a person is less than the cost of the investment or valuable article, or the amount of the expenditure, the Commissioner may, having regard to all the circumstances, include the difference in the person's income chargeable to tax under the head —Income from i[Other Sources] in the tax year in which the difference is discovered."

i. Substituted for the word "Business" vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

623 The words immediately preceding the financial year in which the difference is discovered were substituted vide the Finance Act, 2010 (XVI of 2010)

624 Substituted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of substitution sub-section (4) was as under:-

"(4) Sub-section (1) does not apply to any amount of foreign exchange remitted i[***] from outside Pakistan through normal banking channels that is encashed into rupees by a scheduled bank and a certificate from such bank is produced to that effect".

i. The words "by a person" omitted vide Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

625 Inserted vide the Finance Act, 2018 assented on 22nd May, 2018.

626 Substituted for the semicolon and the word "and" vide the Finance Act, 2010 (XVI of 2010)

627 Clause (b) omitted vide Finance Act, 2010 (XVI of 2010) At the time of omission clause (b) was as under:-

"(b) to any amount referred to in sub-section (1), relating to a period beyond preceding five tax years or assessment years."

628 Inserted vide Income Tax (Amendment) Act, 2016 passed by NA on 30th November, 2016

B is the value recorded by the authority registering or attesting the transfer:

Provided that this clause shall only apply if the value as computed under section 68 is greater than the value recorded by the authority registering or attesting the transfer;

Explanation: For the removal of doubt, it is clarified that: (1) Subsection (1) shall continue to apply to the amount representing value recorded by the authority registering or attesting the transfer.

(2) Where a person has paid tax under section 236W, the person shall be entitled to incorporate in the books of accounts the amount computed under this clause in tangible form.]

(5) The ⁶²⁹[Board] may make rules under section ⁶³⁰[237] for the purposes of this section.

112. Liability in respect of certain security transactions.-(1) Where the owner of any security disposes of the security and thereafter re-acquires the security and the result of the transaction is that any income payable in respect of the security is receivable by any person other than the owner, the income shall be treated, for all purposes of the Ordinance, as the income of the owner and not of the other person.

(2) In this section, “security” includes ⁶³¹[bonds, certificates, debentures,] stocks and shares.

CHAPTER IX MINIMUM TAX

⁶³²[**113. Minimum tax on the income of certain persons.**-(1) This section shall apply to a resident

629 The words “Central Board of Revenue” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

630 Substituted for figure “232” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

631 Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

632 Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). Earlier a different section 113 was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

“113. Minimum tax on the income of certain persons.-(1) This section shall apply to a resident company where, for any reason whatsoever, including the sustaining of a loss of an earlier year, exemption from tax, the application of credit or rebates, or the claiming of allowances or deductions (including depreciation and amortization deduction) allowed under this ordinance or any other law for the time being in force, no tax is payable or paid by the person for a tax year or the tax payable or paid by the person for a tax year is less than one-half percent of the amount representing the person’s turnover from all sources for that year.

2. where this section applies—

a the aggregate of the person for the year chargeable to tax ; i[***]
i The word “and” omitted vide the Finance Act, 2004 (II of 2004 assented on 30 the June, 2004
b the person shall pay as income tax for the tax year (instead of the actual tax payable under this ordinance), an amount equal to one-half percent of the person’s turnover for the year ii[; and]

ii Substituted for the full stop vide the Finance Act, 2004 (II of 2004 assented on 30the June, 2004
iii(c) where tax paid under sub-section (1) exceeds the actual tax payable under part 1, Division 11 of the first Schedule, the excess amount of tax paid shall be carried forward for adjustment against tax liability under part1, Division 11 of the first schedule of the subsequent tax year:

Provided that the amount under this clause shall be carried forward and adjusted against tax liability for five tax years immediately succeeding the tax year for which the amount was paid]

iii Clause (c) inserted vide the Finance Act, 2004 (II of 2004 assented on 30 he June, 2004

3 In this section, “turnover” means---

- (a) the gross receipts, exclusive of iv[sales tax and v[Federal] excise duty or] any trade discounts shown on invoices or bills, derived from the sale of goods;
- (b) the gross fees for the rendering of services vi[or giving benefits], including commissions;
- (c) the gross receipts from the execution of contracts; and
- (d) the company’s share of the amounts stated above of any association of persons of

company ⁶³³[an individual (having turnover of ⁶³⁴[ten] million rupees or above in the tax year ⁶³⁵[2017] or in any subsequent tax year) and an association of persons (having turnover of ⁶³⁶[ten] million rupees or above in the tax year ⁶³⁷[2017] or in any subsequent tax year)] where, for any reason whatsoever allowed under this Ordinance, including any other law for the time being in force –

- (a) loss for the year;
- (b) the setting off of a loss of an earlier year;
- (c) exemption from tax;
- (d) the application of credits or rebates; or
- (e) the claiming of allowances or deductions (including depreciation and amortization deductions) no tax is payable or paid by the person for a tax year or the tax payable or paid by the person for a tax year is less than ⁶³⁸[⁶³⁹[the percentage as specified in column (3) of the Table in Division IX of Part-I of the First Schedule per cent] of the amount representing the person's turnover from all sources for that year:

⁶⁴⁰[***]

⁶⁴¹[**Explanation.**—For the purpose of this sub-section, the expression “tax payable or paid” does not include—

- (a) tax already paid or payable in respect of deemed income which is assessed as final discharge of the tax liability under section 169 or under any other provision of this Ordinance; and
 - (b) tax payable or paid under section 4B.]
- (2) Where this section applies:
- (a) the aggregate of the person's turnover as defined in sub-section (3) for the tax year shall be treated as the income of the person for the year chargeable to tax;
 - (b) the person shall pay as income tax for the tax year (instead of the actual tax payable under this Ordinance), ⁶⁴²[minimum tax computed on the basis of

which the company is a member. '

- iv *The words inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002*
- v *Substituted for the word “central” vide the Finance Act, 2005 (II of 2005 assented on 29th June, 2005*
- vi *The words inserted vide the Finance Act, 2004 (XXVII of 2002 assented on 15 he June, 2002)*
- 633 *Inserted vide the Finance Act, 2010 (XVI of 2010)*
- 634 *Substituted for the word “fifty” vide the Finance Act, 2016 (XXIX of 2016)*
- 635 *Substituted for the figure “2009” vide the Finance Act, 2016 (XXIX of 2016)*
- 636 *Substituted for the word “fifty” vide the Finance Act, 2016 (XXIX of 2016)*
- 637 *Substituted for the figure “2007” vide the Finance Act, 2016 (XXIX of 2016)*
- 638 *The word “one” substituted the word “one-half” vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. Earlier the word “one-half” substituted the word i[one] vide Finance Act, 2012.*
- i. *Substituted for the word “one-half” vide Finance Act, 2010 (XVI of 2010)*
- 639 *Substituted for the words “one per cent” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*
- 640 *Proviso was omitted vide the Finance Act, 2016 (XXIX of 2016). At the time of omission the proviso was as under:--*
Provided that this sub-section shall not apply in the case of a company, which has declared gross loss before set off of depreciation and other inadmissible expenses under the Ordinance. If the loss is arrived at by setting off the aforesaid or changing accounting pattern, the Commissioner may ignore such claim and proceed to compute the tax as per historical accounting pattern and provision of this Ordinance and all other provisions of the Ordinance shall apply accordingly.
- 641 *Explanation was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution the Explanation was as under:--*
i Explanation.—For the purpose of this sub-section, the expression “tax payable or paid” does not include tax already paid or payable in respect of deemed income which is assessed as final discharge of the tax liability under section 169 or under any other provision of this Ordinance.]
- i *Explanation added vide Finance Act, 2012*
- 642 *Substituted for the words “an amount equal to i[one] per cent of the person's turnover for the year” vide the Finance Act, 2014*

rates as specified in Division IX of Part I of First Schedule]

- (c) where tax paid under sub-section (1) exceeds the actual tax payable under Part I, ⁶⁴³[clause (1) of Division I, or] Division II of the First Schedule, the excess amount of tax paid shall be carried forward for adjustment against tax liability under the aforesaid Part of the subsequent tax year:

Provided that the amount under this clause shall be carried forward and adjusted against tax liability for ⁶⁴⁴[five] tax years immediately succeeding the tax year for which the amount was paid.

- (3) “turn over” means,-

- (a) the ⁶⁴⁵[gross sales] gross receipts, exclusive of Sales Tax and Federal Excise duty or any trade discounts shown on invoices, or bills, derived from the ⁶⁴⁶[gross sales or] sale of goods, and also excluding any amount taken as deemed income and is assessed as final discharge of the tax liability for which tax is already paid or payable;
- (b) the gross fees for the rendering of services for giving benefits including commissions; except covered by final discharge of tax liability for which tax is separately paid or payable;
- (c) the gross receipts from the execution of contracts; except covered by final discharge of tax liability for which tax is separately paid or payable; and
- (d) The company’s share of the amounts stated above of any association of persons of which the company is a member.]

⁶⁴⁷[***]

⁶⁴⁸[***]

i. The word “one” substituted the word “one-half” vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

Earlier the word “one-half” was substituted the word a[one]” vide the Finance Act, 2012

a. Substituted for the word “one-half” vide Finance Act, 2010 (XVI of 2010)

⁶⁴³ Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁶⁴⁴ Substituted for the word “three” vide Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶⁴⁵ The words inserted vide Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶⁴⁶ Inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶⁴⁷ Section 113A was omitted vide the Finance Act, 2016 (XXIX of 2016). At the time of omission section 113A was as under:-

i 113A. Minimum tax on builders.-(1) Subject to this Ordinance, where a person derives income from the business of construction and sale of residential, commercial or other buildings, he shall pay minimum tax at the rates as the Federal Government may notify in the official Gazette, The Federal Government may also specify the mode, manner and time of payment of such amount of tax.

(2) The tax paid under this section shall be minimum tax on the income of the builder from the sale of such residential, commercial or other building.

ii (3) This section shall not have effect till 30th June, 2018]

i Section 113A, which was added vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004), was substituted vide the Finance Act, 2013 (Act No. XXII of 2013 assented on 29th June, 2013). At the time of substitution section 113A was as under:-

113A. Tax on Income of certain persons.-(1) Subject to this Ordinance, where a retailer being an individual or an association of persons has turnover up to rupees five million for any tax year, such person may opt for payment of tax as a final tax at the rates specified in Division IA of Part I of the First Schedule.

(2) For the purposes of this section,

(a) “retailer” means a person selling goods to general public for the purpose of consumption;

(b) “turnover” shall have the same meaning as assigned to it in sub-section (3) of section 113.

(3) The tax paid under this section shall be a final tax on the income arising from the turnover as specified in sub-section a(1). b[The retailer shall not be entitled to claim any adjustment of withholding tax collected or deducted under any head during the year.”

a. For (1), the“(2)” was substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

b. Inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

ii Added vide Finance Act, 2015

⁶⁴⁹[113C. **Alternative Corporate Tax.**-(1) Notwithstanding anything contained in this Ordinance, for tax year 2014 and onwards, tax payable by a company ⁶⁵⁰[in respect of income which is subject to tax under Division II of Part I of the First Schedule or minimum tax under any of the provisions of this ordinance] shall be higher of the Corporate Tax or Alternative Corporate Tax;

(2) For the purposes of this section.-

- (a) "Accounting Income" means the accounting profit before tax for the tax year, as disclosed in the financial statements or as adjusted under sub-section (7) or sub-section (11) excluding share from the associate recognized under equity method of accounting;
- (b) "Alternative Corporate Tax" means the tax at a rate of seventeen per cent of a sum equal to accounting income less the amounts, as specified in sub-

648 Section 113B was omitted vide the Finance Act, 2016 (XXIX of 2016). At the time of omission section 113B was as under:--

i 113B. **Minimum tax on land developers.**-(1) Subject to this Ordinance, where a person derives income from the business of development and sale of residential, commercial or other plots, he shall pay minimum tax ii[at the rate of two per cent of the value of land notified by any authority for the purpose of stamp duty] The Federal Government may also specify the mode, manner and time of payment of such amount of tax.

(2) The tax paid under this section shall be minimum tax on the income of the developer from the sale of such residential, commercial or other plots sold or booked.

iii[Provided that turnover chargeable to tax under this section shall not include the sale of goods on which tax is deducted or deductible under clause (a) of sub-section (1) of section 153.]

i. Section 113B was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.. At the time of substitution, section 113B was as under:--

*[113B. **Taxation of income of certain retailers.**-Subject to this Ordinance, a retailer being an individual or association of persons,

(a) whose turnover exceeds five million rupees; and

(b) who is subject to special procedure for payment of sales tax under i[Chapter II of the Sales Tax Special Procedures Rules, 2007] shall pay final tax at the ii[following rates] which shall form part of single stage sales tax iii[***] as envisaged in the aforesaid rules iv[:];]

v/S. No.	Amount of turnover	Rate of tax
1.	Where turnover exceeds Rs. 5,000,000 but does not exceed Rs. 10,000,000	Rs.25,000 plus 0.5% of the turnover exceeding Rs.5 ,000,000
2.	Where turnover exceeds Rs. 10,000,000	Rs.50,000 plus 0.75% of the turnover exceeding Rs.10,000,000

i. Substituted for the figure and comma "chapter III of the sales Tax Special procedure Rules, 2006 vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

ii. The words "rate of one per cent of turnover for a tax year" substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

iii. The words "at the rate of three percent of the declared turnover" omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

iv. Full stop substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

v. Inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

(c) The retailer shall not be entitled to claim any adjustment of withholding tax collected or deducted under any head during the year vi[:];]

vi. Full stop substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

*. Substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

At the time of above substitution section 113B was as under which was initially inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005):-

"113B. **Tax on income of certain retailers.**-Subject to this Ordinance, where a retailer of textile fabrics and articles of apparel including ready-made garments or fashion wear, articles of leather including footwear, carpets, surgical goods and sports goods, being an individual or an AOP, has turnover exceeding five million rupees for any tax year, such person shall pay final tax at the rate of 1% of turnover. This tax shall form part of the single stage sales tax at the rate 3% of the declared turnover."

ii Substituted for the expression "at the rates as the Federal Government may notify in the Official Gazette" vide Finance Act, 2015

iii Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

649 Inserted vide the Finance Act, 2014

650 Inserted vide Finance Act, 2015

section (8), and determined in accordance with provisions of sub-section (7) hereinafter;

⁶⁵¹[(c) Corporate tax" means higher of tax payable by the company under Division II of Part I of the First Schedule and minimum tax payable under any of the provisions of this Ordinance.]

(3) The sum equal to accounting income, less any amount to be excluded therefrom under sub-section (8), shall be treated as taxable income for the purpose of this section.

(4) The excess of Alternative Corporate Tax paid over the Corporate Tax payable for the tax year shall be carried forward and adjusted against the tax payable under Division II of Part I of the First Schedule, for following year.

(5) If the excess tax, as mentioned in sub-section (4), is not wholly adjusted, the amount not adjusted shall be carried forward to the following tax year and adjusted as specified in sub-section (4) in that year, and so on, but the said excess cannot be carried forward to more than ten tax years immediately succeeding the tax year for which the excess was first computed.

Explanation.-For the purpose of this sub-section the mechanism for adjustment of excess of Alternative Corporate Tax over Corporate Tax, specified in this section, shall not prejudice or affect the entitlement of the taxpayer regarding carrying forward and adjustment of minimum tax referred to in section 113 of this Ordinance.

(6) If Corporate Tax or Alternative Corporate Tax is enhanced or reduced as a result of any amendment, or as a result of any order under the Ordinance, the excess amount to be carried forward shall be reduced or enhanced accordingly.

(7) For the purposes of determining the "Accounting Income", expenses shall be apportioned between the amount to be excluded from accounting income under sub-section (8) and the amount to be treated as taxable income under sub-section (3).

(8) The following amounts shall be excluded from accounting income for the purposes of computing Alternative Corporate Tax:-

(i) exempt income;

⁶⁵²[(ii) income which is subject to tax other than under Division II of Part I of the First Schedule or minimum tax under any of the provisions of this Ordinance;]

(iii) income subject to tax credit under section 650 , ⁶⁵³[65E and 100C;]

⁶⁵⁴[***]

(9) The provisions of this section shall not apply to taxpayers chargeable to tax in accordance with the provisions contained in the Fourth, Fifth and Seventh Schedules.

(10) Tax credit under ⁶⁵⁵[sections 648 and] 658 shall be allowed against Alternative Corporate Tax.

651 Clause (c) was substituted vide Finance Act, 2015. At the time of substitution clause (c) was as under:-
“(c) "Corporate Tax" means total tax payable by the company, including tax payable on account of minimum tax and final taxes payable, under any of the provisions of this Ordinance but not including those mentioned in sections 8, 161 and 162 and any amount charged or paid on account of default surcharge or penalty and the tax payable under this section.”

652 Clause (ii) was substituted vide Finance Act, 2015. At the time of substitution clause (ii) was as under:-
“(ii) income subject to tax under section 37A and final tax chargeable under sub-section (7) of section 148, section 150, sub-section (3) of section 153, sub-section (4) of sections 154, 156 and sub-section (3) of section 233;”

653 Substituted for the expression “and 65E;” vide Finance Act, 2015

654 Clause (iv) and (v) was omitted vide Finance Act, 2015. At the time of omission clause (iv) and (v) was as under:-

“(iv) income subject to tax credit under section 100C: and

(v) income of the company subject to clause (18A) of Part-II of the Second Schedule;”

655 Substituted for the word “section” vide Finance Act, 2015

(11) The Commissioner may make adjustments and proceed to compute accounting income as per historical accounting pattern after providing an opportunity of being heard.]

⁶⁵⁶[**Explanation.**—For the removal of doubt, it is clarified that taxes paid or payable other than payable under Division II of Part I of the First Schedule shall remain payable in accordance with the mode or manner prescribed under the respective provisions of this Ordinance.;

CHAPTER X PROCEDURE

PART I RETURNS

114. Return of income.—(1) Subject to this Ordinance, the following persons are required to furnish a return of income for a tax year, namely:—

- ⁶⁵⁷[(a) every company;]
- ⁶⁵⁸[(ab) every person (other than a company) whose taxable income for the year exceeds the maximum amount that is not chargeable to tax under this Ordinance for the year; ⁶⁵⁹[; or]]
- ⁶⁶⁰[(ac) any non-profit organization as defined in clause (36) of section 2; ⁶⁶¹[***]]
- ⁶⁶²[(ad) any welfare institution approved under clause (58) of Part I of the Second Schedule;]
- ⁶⁶³[(b) any person not covered by clause ⁶⁶⁴[(a), (ab), (ac) or (ad)] who, -
 - (i) has been charged to tax in respect of any of the two preceding tax years;
 - (ii) claims a loss carried forward under this Ordinance for a tax year;
 - (iii) owns immovable property with a land area of two hundred and fifty square yards or more or owns any flat located in areas falling within the municipal limits existing immediately before the commencement of Local Government laws in the provinces; or areas in a Cantonment; or the Islamabad Capital Territory ⁶⁶⁵[;]

⁶⁵⁶ Inserted vide Finance Act, 2015

⁶⁵⁷ Substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

“(a) Every company and any other person whose taxable income for the year exceeds the maximum amount that is not chargeable to tax under this Ordinance for the year; and”

⁶⁵⁸ Inserted vide the Finance Act, 2003 (I of 2003 assented on 30th June, 2003)

⁶⁵⁹ The words were added vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶⁶⁰ Clause (ac) Inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

⁶⁶¹ The word “and” omitted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶⁶² Clause (ad) Inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

⁶⁶³ Substituted for clause (b) vide the Finance Act, 2005 (VII of 2005 assented on 30th June, 2005). At the time of substitution clause (b) was as under:—

“(b) any person not covered by clause (a) i[or (ab)] who –

- (i) has been charged to tax in respect of any of the four preceding tax years;
- (ii) claims a loss carried forward under this Ordinance for a tax year;
- (iii) owns immovable property, with a land area of two hundred and fifty square yards or more, located in areas falling in the limits of a Metropolitan/Municipal Corporation, a Cantonment Board, or the Islamabad Capital Territory or owns any flat;
- (iv) owns a motor vehicle (other than a motor cycle) in Pakistan;
- (v) subscribes for a telephone including a mobile phone in Pakistan;
- (vi) has undertaken foreign travel in the tax year other than travel by a non-resident person or any travel for the purposes of the Haj, Umrah, or Ziarat; or
- (vii) is member of a club where the monthly subscription exceeds five hundred rupees or the admission fee exceeds twenty-five thousand rupees.”

i. The word, brackets and letters inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁶⁶⁴ The letters and word “(a) or (ab)” substituted vide the Finance Act, 2006 (I of 2006 assented on 30th June, 2006)

⁶⁶⁵ Full stop substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

- ⁶⁶⁶[(iv) owns immovable property with a land area of five hundred square yards or more located in a rating area;]
- ⁶⁶⁷[(v) owns a flat having covered area of two thousand square feet or more located in a rating area;]
- ⁶⁶⁸[(vi) owns a motor vehicle having engine capacity above 1000 CC; ⁶⁶⁹***]
- ⁶⁷⁰[(vii) has obtained National Tax Number ⁶⁷¹[; or]
- ⁶⁷²[(viii) is the holder of commercial ⁶⁷³*** industrial connection of electricity where the amount of annual bill exceeds rupees ⁶⁷⁴[five hundred thousand] ⁶⁷⁵[;]]
- ⁶⁷⁶[(ix) is ⁶⁷⁷[a resident person] registered with any chamber of commerce and industry or any trade or business association or any market committee or any professional body including Pakistan Engineering Council, Pakistan Medical and Dental Council, Pakistan Bar Council or any Provincial Bar Council, Institute of Chartered Accountants of Pakistan or Institute of Cost and Management Accountants of Pakistan ⁶⁷⁸[; or]]
- ⁶⁷⁹[(x) every resident person being an individual required to file foreign income and assets statement under section 116A.]
- ⁶⁸⁰[(1A) Every individual whose income under the head ‘Income from business’ exceeds rupees three hundred thousand but does not exceed rupees ⁶⁸¹[four hundred thousand] in a tax year is required to furnish return of income for the tax year.]

⁶⁸²[(2) A return of income –

- (a) shall be in the prescribed form and shall be accompanied by such annexures, statements or documents as may be prescribed;
- (b) shall fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; ⁶⁸³***]

⁶⁶⁶ Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁶⁶⁷ Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁶⁶⁸ Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁶⁶⁹ The word “and” omitted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶⁷⁰ Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁶⁷¹ Substituted for the full stop vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶⁷² Inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶⁷³ Omitted vide the Finance Act, 2018 assented on 22nd May, 2018.

⁶⁷⁴ Substituted for the words “one million” vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁶⁷⁵ Substituted for the full stop vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁶⁷⁶ Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁶⁷⁷ Inserted vide the Finance Act, 2014

⁶⁷⁸ Substituted vide the Finance Act, 2018 assented on 22nd May, 2018.

⁶⁷⁹ Added vide the Finance Act, 2018 assented on 22nd May, 2018.

⁶⁸⁰ Sub-section (1A) added vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶⁸¹ Substituted for “three hundred and fifty thousand” vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁶⁸² Sub-section (2) substituted vide the Finance Act, 2003 (I of 2003 assented on 30th June, 2003). At the time of substitution sub-section (2) was as under:--

“(2) A return of income –

(a) shall be in the prescribed form;

(b) shall state the information required by the form, including a declaration of the records kept by the taxpayer;

(c) in the case of a person carrying on a business, shall include an income statement, balance sheet, and any other document as may be prescribed for the tax year; and

(d) shall be signed by the person or the person’s representative.”

⁶⁸³ The word “and” omitted vide the Finance Act, 2011 assent on 29th June, 2011). Earlier the word “and” was added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

- (c) shall be signed by the person, being an individual, or the person's representative where section 172 applies⁶⁸⁴[:]
- ⁶⁸⁵[(d) shall be accompanied with due payment of tax as per return of income;
⁶⁸⁶***]
- (e) shall be accompanied with a wealth statement as required under section 116⁶⁸⁷[: and]]
- ⁶⁸⁸[(f) shall be accompanied with a foreign income and assets statement as required under section 116A.]

⁶⁸⁹[(2A) A return of income filed electronically on the web or any magnetic media or any other computer readable media as may be specified by the Board shall also be deemed to be a return for the purpose of sub-section (1); and the Board may, by notification in the official Gazette, make rules for determining eligibility of the data of such returns and e-intermediaries who will digitize the data of such returns and transmit the same electronically to the Income Tax Department under their digital signatures⁶⁹⁰[and other matters relating to electronic filing of returns, statements or documents, etc.]]

(3) The Commissioner may, by notice in writing, require a person, or a person's representative, as the case may be, to furnish a return of income by the date specified in the notice for a period of less than twelve months, where -

- (a) the person has died;
- (b) the person has become bankrupt or gone into liquidation;
- (c) the person is about to leave Pakistan permanently;
- ⁶⁹¹***]
- (e) the Commissioner otherwise considers it appropriate to require such a return to be furnished.

(4) Subject to sub-section (5), the Commissioner may, by notice in writing, require any person who, in the Commissioner's opinion, is required to file a return of income under this section for a tax year⁶⁹²[or assessment year] but who has failed to do so to furnish a return of income for that year within thirty days from the date of service of such notice or such longer⁶⁹³[or shorter] period as may be specified in such notice or as the Commissioner may allow.

(5) A notice under sub-section (4) may be issued⁶⁹⁴[in respect of one or more]⁶⁹⁵[of the] last five completed tax years⁶⁹⁶[or assessment years]⁶⁹⁷[:]

⁶⁸⁴ Substituted for the full stop vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶⁸⁵ Clause (d) & (e) added vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁶⁸⁶ Omitted vide the Finance Act, 2018 assented on 22nd May, 2018.

⁶⁸⁷ Substituted vide the Finance Act, 2018 assented on 22nd May, 2018.

⁶⁸⁸ Added vide the Finance Act, 2018 assented on 22nd May, 2018.

⁶⁸⁹ Sub-section (2A) inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

⁶⁹⁰ Inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

⁶⁹¹ Clause (d) Omitted vide Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier clause (d) was omitted vide Notification. No. SRO 633(1)/2002, dated 14th September, 2002, and which was SRO 633(1)/2002, dated 14th September, 2002 rescinded vide SRO 608(1)/2003, dated 24th June, 2003 with effect from 1st July, 2003. At the time of omission clause (d) was as under:--

“(d) the person is otherwise about to cease caring on business in Pakistan”

⁶⁹² Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁶⁹³ Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁶⁹⁴ The words “only in respect of the” substituted vide Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier this amendment was made vide Notification. No. SRO 633(1)/2002, dated 14th September, 2002, and which was SRO 633(1)/2002, dated 14th September, 2002 rescinded vide SRO 608(1)/2003, dated 24th June, 2003 with effect from 1st July, 2003.

⁶⁹⁵ Inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

⁶⁹⁶ Inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

⁶⁹⁷ Full stop was Substituted with a “colon” and thereafter new proviso was added vide the Finance Act, 2016 (XXIX of 2016)

Provided that in case of a person who has not filed return for any of the last five completed tax years, notice under sub-section (4) may be issued in respect of one or more of the last ten completed tax years.]

⁶⁹⁸[(6) Subject to sub-section (6A), any person who, having furnished a return, discovers any omission or wrong statement therein, may file revised return subject to the following conditions, namely:-

- (a) it is accompanied by the revised accounts or revised audited accounts, as the case may be; ⁶⁹⁹[***]
- (b) the reasons for revision of return, in writing, duly signed, by the taxpayers are filed with the return ⁷⁰⁰[: ⁷⁰¹[***]]
- ⁷⁰²[(ba) it is accompanied by approval of the Commissioner in writing for revision of return; and]
- ⁷⁰³[(c) taxable income declared is not less than and loss declared is not more than income or loss, as the case may be, determined by an order issued under sections 121, 122, 122A, ⁷⁰⁴[***] 129, 132, 133 or 221:

Provided that if any of the above conditions is not fulfilled, the return furnished shall be treated as an invalid return as if it had not been furnished ⁷⁰⁵[:]

Provided further that the condition specified in clause (ba) shall not apply if revised return is filed within 60 days of filing of return.”;

⁷⁰⁶[Provided also that condition specified in clause (ba) shall not apply and the approval required thereunder shall be deemed to have been granted by the Commissioner, if—

- (a) the Commissioner has not made an order of approval in writing, for revision of return, before the expiration of sixty days from the date when the revision of return was sought; or
- (b) taxable income declared is more than or the loss declared is less than the income or loss, as the case may be, determined under section 120.]

Provided further that the mode and manner for seeking the revision shall be as prescribed

⁶⁹⁸ Substituted vide the Finance (amendment) Ordinance, 2010 (XVI of 2010) effective from 5th June, 2010. Earlier this sub-section was substituted vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009). At the time of substitution sub-section (6) was as under:--

if (6) Any person who, having furnished a return, discovers any omission or wrong statement therein, without prejudice to any other liability, which he may incur under this Ordinance, may furnish a revised return for that tax year at any time, within five years from the end of the financial year in which original return was filed, subject to the following, namely:--

- (a) it is accompanied by the revised accounts or revised audited accounts, as the case may be;
- (b) the reason of revision of return, in writing, duly signed, is filed therewith; and
- (c) it is filed before the issuance of the notice for amendment of assessment.]

i. Sub-section (6) substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009).

At the time of substitution sub-section (6) was as under:--

“(6) Any person who, having furnished a return, discovers any omission or wrong statement therein may furnish a revised return, within five years of the date that the original return was furnished.”

⁶⁹⁹ The word “and” omitted vide Finance Act, 2012

⁷⁰⁰ Substituted for the full stop vide Finance Act, 2012

⁷⁰¹ The word “and” was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁷⁰² Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁷⁰³ Clause (c) added vide Finance Act, 2012

⁷⁰⁴ The expression “122C,” was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁷⁰⁵ A full stop was substituted with a colon and thereafter new provisos were added vide Finance Act, 2015

⁷⁰⁶ Proviso was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution proviso was as under:--

Provided further that where the Commissioner has not made an order of approval in writing, for revision of return, before the expiration of sixty days from the date when the revision of return was sought, the approval required under clause (ba) shall be deemed to have been granted by the commissioner, and condition specified in clause (ba) shall not apply:

by the Board.];]

(6) Subject to sub-section (6A), any person who, having furnished a return, discovers any omission or wrong statement therein, may file revised return subject to the following conditions, namely:

- (a) it is accompanied by the revised accounts or revised audited accounts, as the case may be; and
- (b) the reasons for revision of return, in writing, duly signed, by the taxpayers are filed with the return’;

⁷⁰⁷[(6A) If a taxpayer ⁷⁰⁸[files] a revised return voluntarily along with deposit of the amount of tax short paid or amount of tax sought to be evaded along with the default surcharge, whenever it comes to his notice, before receipt of notice under sections 177 or sub-section(9) of 122, no penalty shall be recovered from him:

Provided that in case the taxpayer ⁷⁰⁹[deposits] the amount of tax as pointed out by the Commissioner during the audit or before the issuance of notice under sub-section (9) of section 122, he shall deposit the amount of tax sought to be evaded, the default surcharge and twenty-five per cent of the penalties leviable under the Ordinance along with the revised return:

Provided further that in case the taxpayer ⁷¹⁰[revises] the return after the issuance of a show cause notice under subsection (9) of section 122, he shall deposit the amount of tax sought to be evaded, default surcharge and fifty per cent of the leviable penalties under the Ordinance along with the revised return and thereafter, the show cause notice shall stand abated.]

(7) Every return purporting to be made or signed by, or on behalf of a person shall be treated as having been duly made by the person or with the person’s authority until the person proves the contrary.

115. Persons not required to furnish a return of income.-⁷¹¹[(1) Where the entire income of a taxpayer in a tax year consists of income chargeable under the head “Salary”, Annual Statement of Deduction of Income Tax from Salary, filed by the employer of such taxpayer, in prescribed form, the same shall, for the purposes of this Ordinance, be treated as a return of income furnished by the taxpayer under section 114:

707 Sub-section (6A) inserted vide the Finance Act, 2010 effective from 5th June, 2010. Earlier this sub-section was inserted vide the Finance (Amendment) Ordinance, 2010 (III of 2010) promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009) promulgated on 28th October, 2009.

708 Substituted for the words “wishes” to file” vide Finance Act, 2011 (XVI of 2011 assented on 29th October, 2011)

709 Substituted for the word “wishes” to deposit” vide Finance Act, 2011 (XVI of 2011 assented on 29th October, 2011)

710 Substituted for the word “wishes” to revise” vide Finance Act, 2011 (XVI of 2011 assented on 29th October, 2011)

711 Sub-section (I) substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of substitution sub-section (I) was as under:--

“(I) Where the entire income of a taxpayer in a tax year consists of income chargeable under the head “Salary”, the taxpayer may, instead of furnishing a return as required under section 114 furnish –

(a) a certificate from the person’s employer in the prescribed form stating such particulars, and accompanied by such statements, and verified in such manner, as may be prescribed, and such certificate shall be, for the purposes of this Ordinance, treated as a return of income furnished under section 114 if:]

iiProvided that a taxpayer shall not be required to furnish a certificate, if his employer has furnished for the same tax year, Annual Statement of Deduction of Income Tax From Salary as prescribed under the Income Tax Rules, 2002.

i. Substituted for the semicolon and word “, and” vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

ii. Proviso added vide the finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

(b) iii[***] a wealth statement referred to iv[in] section 116.

iii. The words, brackets, figure and comma “subject to sub-section (2) “ omitted vide the finance Act, 2004 (II of 2004 assented on 30th June, 2004)

iv. The word inserted vide the Finance ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002

⁷¹²[***]

⁷¹³[***]

(3) The following persons shall not be required to furnish a return of income for a tax year solely by reason of ⁷¹⁴[sub-clause (iii)] ⁷¹⁵[, (iv), (v) and (vi)] of clause (b) of sub-section (1) of section 114 –

- (a) A widow;
- (b) an orphan below the age of twenty-five years;
- (c) a disabled person; or
- (d) in the case of ownership of immovable property, a non-resident person.

⁷¹⁶[(4) Any person who is not obliged to furnish a return for a tax year because all the person's income is subject to final taxation under sections 5, 6, 7, 148, 151 and 152, sub-section (3) of section 153, sections 154, 156 and 156A, sub-section (3) of section 233 or sub-section (3) of section 234A shall furnish to the Commissioner a statement showing such particulars relating to the

712 *Proviso was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission proviso was as under:--*

“Provided that where salary income, for the tax year is five hundred thousand rupees or more, the taxpayer shall file return of income electronically in the prescribed form and it shall be accompanied by the proof of deduction or payment of tax and wealth statement as required under section 116.”

Initially, proviso was substituted vide the Finance Act, 2009 (I of 2009) assented on 30th June, 2009). At the time of substitution proviso was as under:--

“Provided that where salary income, for the tax year or the last tax year is five hundred thousand rupees or more, the taxpayer shall file wealth statement as required under section 116.”

713 *Sub-section (2) was omitted vide the Finance Act, 2004 (I of 2004 assented on 30th June, 2004). At the time of omission sub-section (2) was as under:--*

“(2) Clause (b) of sub-section (1) shall not apply to a person whose declared income for the tax year, or whose last declared or assessed income, is less than two hundred thousand rupees.”

714 *The words, brackets and figures “sub-clauses (iii) through (vii)” substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)*

715 *Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*

716 *Substituted for sub-section (4) vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of substitution the proviso was as under:--*

*“(4) Any person who is not obliged to furnish a return for a tax year because all the person's income is subject to final taxation under sections i[***] ii[5, 6, 7, iii[15,] iv[113A,] v[113B,] 148, vi[vii[***] viii[section 151], section 152, ix[clauses (a),(c) and (d) of sub-section (3) of section 153], 154, 156 x[, 156A, sub-section (3) of section 233, xi[***] or sub-section (5) of section 234 xii[or sub-section (3) of section 234A]] shall furnish to the Commissioner a statement showing such particulars relating to the person's income for the tax year in such form and verified in such manner as may be prescribed.”*

i. *The figure and comma “148,” omitted by vide Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*

ii. *Substituted for the figures, letters, brackets and commas “151(a)(b), 153, 154, 156, 157 or 234(5)” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*

iii. *The figure and comma inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)*

iv. *The figure, letter and comma inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)*

v. *The figure, letter and comma inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)*

vi. *The words, brackets, letters, comma and figures was inserted vide the Finance Act, 2006 (III of 2006)*

vii. *The words, brackets, letters, comma and figure “clauses (a) and (c) of sub-section (1) of section (1) omitted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)*

viii. *Inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)*

ix. *Substituted for the words, brackets and figures of clauses (a), and (c) of sub-section (1) of section 153” vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)*

a. *The word, comma, brackets and figure inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)*

x. *The commas, figure, words and brackets were inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)*

xi. *The words, brackets and figures “clause (a) and clause (b) of sub-section (1) of section 233A omitted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)*

xii. *The words, brackets and figures and letter inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)*

person's income for the tax year in such form and verified in such manner as may be prescribed.]

⁷¹⁷[(4A) Any person who, having furnished a statement, discovers any omission or wrong statement therein, he may, without prejudice to any other liability which he may incur under this Ordinance, furnish a revised statement for that tax year, at any time within five years from the end of the financial year in which the original statement was furnished.]

⁷¹⁸[***]

⁷¹⁹[(5) Subject to sub-section (6), the Commissioner may, by notice in writing, require any person who, in his opinion, is required to file a prescribed statement under this section for a tax year but who has failed to do so, to furnish a prescribed statement for that year within thirty days from the date of service of such notice or such longer period as may be specified in such notice or as he may, by order in writing, allow.]

⁷²⁰[(6) A notice under sub-section (5) may be issued in respect of one or more of the last five completed tax years]

116. Wealth statement.-(1) ⁷²¹[The] Commissioner may, by notice in writing, require any person ⁷²²[being an individual] to furnish, on the date specified in the notice, a statement (hereinafter referred to as the “wealth statement”) in the prescribed form and verified in the prescribed manner giving particulars of –

- (a) the person's total assets and liabilities as on the date or dates specified in such notice;
- (b) the total assets and liabilities of the person's spouse, minor children, and other dependents as on the date or dates specified in such notice;
- (c) any assets transferred by the person to any other person during the period or periods specified in such notice and the consideration for the transfer; ⁷²³[***]
- (d) the total expenditures incurred by the person, and the person's spouse, minor children, and other dependents during the period or periods specified in the notice and the details of such expenditures ⁷²⁴[; and]

⁷²⁵[(e) the reconciliation statement of wealth]

(2) Every resident taxpayer ⁷²⁶[, being an individual,] filing a return of income for any tax year ⁷²⁷[***] shall furnish a wealth statement ⁷²⁸[and wealth reconciliation statement] for that year along with such return,

⁷¹⁷ Sub-section (4A) inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁷¹⁸ Sub-section (4B) was omitted vide the Finance Act, 2010 (XVI of 2010 assented on 30th June, 2010). At the time of omission sub-section (4B) was as under:--

i[(4B) Every person (other than a company) filing statement under sub-section (4), falling under final tax regime (FTR) and has paid tax amounting to twenty thousand rupees or more for the tax year, shall file a wealth statement along with reconciliation of wealth statement.]

i. Sub-section (4B) was inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁷¹⁹ Sub-section (5) was added vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

⁷²⁰ Sub-section (6) was added vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

⁷²¹ The words, brackets, figure, comma and word “Subject to sub-section (2)”. The “ substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

⁷²² Inserted for sub-section (4) vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.

⁷²³ The word “and” omitted by vide Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁷²⁴ Full stop was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁷²⁵ Clause (e) inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁷²⁶ The words and comma inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁷²⁷ The words and comma i[whose last declared or assessed income ii[or the declared income for the year], is iii[one million rupees] or more] were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013 and this amendment shall be effective for the tax year 2013 and onwards.

i. The words and comma inserted vide the Finance Act, 2004 (XVI of 2004 assented on 30th June, 2004)

ii The words inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

iii Substituted for the word “five hundred thousand “ vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁷²⁸ The words inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁷²⁹[Provided that every member of an association of persons ⁷³⁰[***] shall also furnish wealth statement and wealth reconciliation statement for the year along with return of income of the association.]

⁷³¹[***]

⁷³²[(3) Where a person, who has furnished a wealth statement, discovers any omission or wrong statement therein, he may, without prejudice to any liability incurred by him under any provision of this Ordinance, furnish a revised wealth statement ⁷³³[along with the revised wealth reconciliation and the reasons for filing revised wealth statement,] at any time before ⁷³⁴[the receipt of notice under sub-section (9) of section 122, for the tax year to which it relates]]

⁷³⁵[(4) Every person (other than a company) ⁷³⁶[or an association of persons] filing statement under sub-section (4) of section 115, falling under final tax regime (FTR) ⁷³⁷[***] shall file a wealth statement along with reconciliation of wealth statement.]

⁷³⁸**[116A. Foreign income and assets statement.]**-(1) Every resident taxpayer being an individual having foreign income of not less than ten thousand United States dollars or having foreign assets with a value of not less than one hundred thousand United States dollars shall furnish a statement, hereinafter referred to as the foreign income and assets statement, in the prescribed form and verified in the prescribed manner giving particulars of—

- (a) the person's total foreign assets and liabilities as on the last day of the tax year;
- (b) any foreign assets transferred by the person to any other person during the tax year and the consideration for the said transfer; and
- (c) complete particulars of foreign income, the expenditure derived during the tax year and the expenditure wholly and necessarily for the purposes of deriving the said income.

729 *Proviso was added vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)*

730 *The words and commas "whose share from the income of such association of persons, before tax, for the year is one million rupees or more" were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013 and this amendment shall be effective for the tax year 2013 and onwards.*

731 *Sub-section (2A) was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of substitution sub-section (2A) was as under:--*

i[(2A) Where a person, being an individual or an association of persons, files a return in response to provisional assessment order under section 122C, such return shall be accompanied by wealth statement along with a wealth reconciliation statement and an explanation of source of acquisition of assets specified therein in the case of an individual and wealth statements of all members in the case of an association of persons and such wealth statements shall be accompanied by wealth reconciliation statements and explanation of source of acquisition of assets specified therein.]

i. Sub-section (2A) was substituted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011). At the time of substitution sub-section (2A) was as under:--

ii[(2A) Where a person files a return in response to a provisional assessment under section 122C, he shall furnish a wealth statement for that year along with that return and such wealth statement shall be accompanied by a wealth reconciliation statement and an explanation of sources of acquisition of assets specified therein.]

ii. Sub-section (2A) was inserted vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931) Earlier this sub-section was inserted vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

732 *Sub-section (3) was added vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*

733 *Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.*

734 *Substituted for "an assessment, for the tax year to which it relates, is made under sub-section (1) or sub-section (4) of section 122" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*

735 *Sub-section (4) was added the Finance Act, 2010 (III of 2010). This amendment was effective from 5th June, 2010 by declaration made under the provisional collection of Taxes Act, 1931 (XXVI of 1931)*

736 *Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.*

737 *The words and comma "and has paid tax amounting to thirty-five thousand rupees or more for the tax year," were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013 and this amendment shall be effective for the tax year 2013 and onwards.*

738 *Inserted vide the Finance Act, 2018 assented on 22nd May, 2018.*

(2) The Commissioner may by a notice in writing require any person being an individual who, in the opinion of the Commissioner on the basis of reasons to be recorded in writing, was required to furnish a foreign income and assets statement under sub-section (1) but who has failed to do so to furnish the foreign income and assets statement on the date specified in the notice.]

117. Notice of discontinued business.-(1) Any person discontinuing a business shall give the Commissioner a notice in writing to that effect within fifteen days of the discontinuance.

(2) The person discontinuing a business shall, under the provisions of this Ordinance or on being required by the Commissioner by notice, in writing, furnish a return of income for the period commencing on the first day of the tax year in which the discontinuance occurred and ending on the date of discontinuance and this period shall be treated as a separate tax year for the purposes of this Ordinance.

(3) Where no notice has been given under sub-section (1) but the Commissioner has reasonable grounds to believe that a business has discontinued or is likely to discontinue, the Commissioner may serve a notice on the person who has discontinued the business or is likely to discontinue the business to furnish to the Commissioner within the time specified in the notice a return of income for the period specified in the notice.

(4) A return furnished under this section shall be treated for all purposes of this Ordinance as a return of income, including the application of Section 120.

118. Method of furnishing returns and other documents.-(1) A return of income under section 114 ⁷³⁹[***] a statement required under sub-section (4) of section 115 ⁷⁴⁰[.] a wealth statement under section 116 ⁷⁴¹[or a foreign income and assets statement under 116A, if applicable] shall be furnished in the prescribed manner.

(2) A return of income ⁷⁴²[under section 114 or a statement under sub-section (4) of section 115] of a company shall be furnished –

- (a) in the case of a company with a tax year ending any time between the first day of January and the thirtieth day of June, on or before the thirty-first day of December next following the end of the tax year to which the return relates; or
- (b) in any other case, on or before the thirtieth day of September next following the end of the tax year to which the return relates.

⁷⁴³[(2A) Where salary income for the tax year is five hundred thousand rupees or more, the taxpayer shall file return of income electronically in the prescribed form and it shall be accompanied by the proof of deduction or payment of tax and wealth statement as required under section 116 ⁷⁴⁴[or a foreign income and assets statement under 116A, if applicable] ⁷⁴⁵[.]

Provided that the Board may amend the condition specified in this sub-section or direct that the said condition shall not apply for a tax year.]

⁷⁴⁶[(3) A return of income for any person (other than a company), ⁷⁴⁷[***] or a statement

739 The words, figure and comma “an employer’s certificate under section 115,” were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

740 Substituted vide the Finance Act, 2018 assented on 22nd May, 2018.

741 Inserted vide the Finance Act, 2018 assented on 22nd May, 2018.

742 The words brackets and figures inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

743 Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

744 Added vide the Finance Act, 2018 assented on 22nd May, 2018.

745 A full stop was substituted with a colon and thereafter new proviso was added vide Finance Act, 2015

746 Sub-section (3) was substituted vide Finance Act, 2010 (XVI of 2010 assented on 30th June, 2010). At the time of substitution sub-section (3) was as under:--

“(3) A return of income for any person (other than a company), an employer certificate of an individual or a statement required under sub-section (4) of section 115 shall be furnished on or before the thirtieth day of September next following the end of the tax year to which the return, certificate or statement relates”.

747 The words and comma “an Annual Statement of deduction of income tax from salary, filed by the employer of an individual” were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

required under sub-section (4) of section 115 shall be furnished as per the following schedule, namely:

⁷⁴⁸[(a) in the case of a statement required under sub-section (4) of section 115 or a return required to be filed through e-portal in the case of a salaried individual, on or before the 31st day of August next following the end of the tax year to which the statement or return relates; or]

(b) in the case of a return of income for any person (other than a company), as described under clause (a), on or before the 30th day of September next following the end of the tax year to which the return relates.]

(4) A wealth statement shall be furnished by the due date specified in the notice requiring the person to furnish such statement or, where the person is required to furnish the wealth statement for a tax year under sub-section (2) of section 116, by the due date for furnishing the return of income for that year.

(5) A return required to be furnished by a notice issued under section 117 shall be furnished by the due date specified in the notice.

(6) Where a taxpayer is not borne on the National Tax Number Register and fails to file an application in the prescribed form and manner with the taxpayer's return of income ⁷⁴⁹***], such return or certificate shall not be treated as a return ⁷⁵⁰***] furnished under this section.

119. Extension of time for furnishing returns and other documents.-(1) A person required to furnish –

(a) a return of income under section 114 or 117;

⁷⁵¹***]

(c) a statement required under sub-section (4) of section 115; or

(d) a wealth statement under section 116, may apply, in writing, to the Commissioner for an extension of time to furnish the return, ⁷⁵²***] or statement, as the case may be.

(2) An application under sub-section (1) shall be made by the due date for furnishing the return of income, ⁷⁵³***] or ⁷⁵⁴***] statement to which the application relates.

(3) Where an application has been made under sub-section (1) and the Commissioner is satisfied that the applicant is unable to furnish the return of income, ⁷⁵⁵***] or ⁷⁵⁶***] statement to which the application relates by the due date because of –

748 Clause (a) was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of substitution clause (a) was as under:--

“(a) In the case of an Annual Statement of deduction of income tax from salary, filed by the employer of an individual, return of income through e-portal in the case of a salaried person or a statement required under sub-section (4) of section 115, on or before the 31st day of August next following the end of the tax year to which the return, Annual Statement of deduction of income tax from salary, filed by the employer or statement relates.”

749 The words “or employer’s certificate” were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

750 The words “or certificate” were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

751 clause (b) was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission clause (b) was as under:--

“(b) an employer’s certificate under section 115;”

752 The word and comma “certificate,” were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

753 The words and comma “employer’s certificate,” were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

754 The word “wealth” omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

755 The words and comma “employer’s certificate,” were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

756 The word “wealth” omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

- (a) absence from Pakistan;
- (b) sickness or other misadventure; or
- (c) any other reasonable cause,

the Commissioner may, by ⁷⁵⁷[order], in writing, grant the applicant an extension of time for furnishing the return, ⁷⁵⁸[***] or statement, as the case may be.

(4) An extension of time under sub-section (3) should not exceed fifteen days from the due date for furnishing the return of income, employer's certificate, or ⁷⁵⁹[***] statement, as the case may be, unless there are exceptional circumstances justifying a longer extension of time ⁷⁶⁰[:

Provided that where the Commissioner has not granted extension for furnishing return under sub-section (3) or sub-section (4), the Chief Commissioner may on an application made by the taxpayer for extension or further extension, as the case may be, grant extension or further extension for a period not exceeding fifteen days unless there are exceptional circumstances justifying a longer extension of time.]

⁷⁶¹[***]

(6) An extension of time granted under sub-section (3) shall not ⁷⁶²[, for the purpose of charge of ⁷⁶³[default surcharge'] under sub-section (1) of section 205,] change the due date for payment of income tax under section 137.

PART II ASSESSMENTS

⁷⁶⁴[**120. Assessments.**-(1) Where a taxpayer has furnished a complete return of income (other than a revised return under sub-section (6) of section 114) for a tax year ending on or after the 1st day of July, 2002,-

- (a) the Commissioner shall be taken to have made an assessment of taxable income for that tax year, and the tax due thereon, equal to those respective amounts specified in the return; and
- (b) the return shall be taken for all purposes of this Ordinance to be an assessment order issued to the taxpayer by the Commissioner on the day the return was

⁷⁵⁷ Substituted for the word "notice" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁷⁵⁸ The word and comma "certificate," were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁷⁵⁹ The word "wealth" omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁷⁶⁰ For the full stop, a colon was substituted and thereafter the proviso was added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁷⁶¹ Sub-section (5) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission sub-section (5) was as under:--
"(5) An applicant dissatisfied with a decision under sub-section (3) may challenge the decision only under the Part III of this Chapter."

⁷⁶² The words inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁷⁶³ Substituted for the words "additional Tax" vide the Finance Act, 2010 (XVI of 2010 assented on 30th June, 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

⁷⁶⁴ Section 120 substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution section 120 was as under:--

"**120. Assessments.**- Where a taxpayer has furnished a return of income (other than a revised return under sub-section (6) of section 114) for a tax year [ending on or after the 1st day of July, 2002.] –

- (a) the Commissioner shall be taken to have made an assessment of the taxable income of the taxpayer for the year and the tax due thereon, equal to those respective amounts specified in the return; and
- (b) the taxpayer's return shall be taken for all purposes of this Ordinance to be an assessment order issued to the taxpayer by the Commissioner on the day the return was furnished."

i. The words, figure and commas were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

furnished.

⁷⁶⁵[(1A) Notwithstanding the provisions of sub-section (1), the Commissioner may
⁷⁶⁶[conduct audit of the income tax affairs of a person] affairs under section 177 and all the provisions of that section shall apply accordingly.]

(2) A return of income shall be taken to be complete if it is in accordance with the provisions of sub-section (2) of section 114.

(3) Where the return of income furnished is not complete, the Commissioner shall issue a notice to the taxpayer informing him of the deficiencies (other than incorrect amount of tax payable on taxable income, as specified in the return, or short payment of tax payable) and directing him to provide such information, particulars, statement or documents by such date specified in the notice.

(4) Where a taxpayer fails to fully comply, by the due date, with the requirements of the notice under sub-section (3), the return furnished shall be treated as an invalid return as if it had not been furnished.

(5) Where, in response to a notice under sub-section (3), the taxpayer has, by the due date, fully complied with the requirements of the notice, the return furnished shall be treated to be complete on the day it was furnished and the provisions of sub-section (1) shall apply accordingly.

(6) No notice under sub-section (3) shall be issued after the ⁷⁶⁷[expiry of one hundred and eighty days from the end of the financial year in which return was furnished], and the provisions of sub-section (1) shall apply accordingly.]

⁷⁶⁸[***]

⁷⁶⁹[**121. Best judgment assessment.**-(1) Where a person fails to -

-
- ⁷⁶⁵ Sub-section (1A) was inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
- ⁷⁶⁶ Substituted for the words, select a person for audit of his income tax affairs" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010. This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931)
- ⁷⁶⁷ Substituted for the words "end of the financial year in which return was furnished" vide the Finance Act, 2012
- ⁷⁶⁸ Section 120A was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission section 12A was as under:
"120A. **Investment Tax on income.**- (1) Subject to this Ordinance, the Board may make a scheme of payment of investment tax in respect of undisclosed income, representing any amount or investment made in movable or immovable assets.
(2) Where any person declares undisclosed income under sub-section (1) in accordance with the scheme and the rules, the tax on such income called investment tax shall be charged at such rate as may be prescribed.
(3) Where a person has paid tax on his undisclosed income in accordance with the scheme and the rules, he shall –
(a) be entitled to incorporate in his books of account such undisclosed income in tangible form; and
(b) not be liable to pay any tax, charge, levy, penalty or prosecution in respect of such income under this Ordinance.
(4) For the purposes of this section –
(i) "undisclosed income" means any income, including any investment to be deemed as income under section 111 or any other deemed income, for any year or years, which was chargeable to tax but was not so charged; and
(ii) "investment tax" means tax chargeable on the undisclosed income under the scheme under sub-section (1) and shall have the same meaning as given in clause (63) of section 2 of the Income Tax Ordinance, 2001."
- ⁷⁶⁹ Initially, section 120A was inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)
Section 121 was substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time substitution section 121 was as under:--
"121. **Assessment of persons who have not furnished a return.**-(1) Where a person required i[by the Commissioner through a notice] to furnish a return of income for a tax year fails to do so by the due date, the Commissioner may, based on any available information and to the best of the Commissioner's judgment, make an assessment of the taxable income of the person and the tax due thereon for the year.
i. Substituted for the words and comma "under this Ordinance a[, or the repealed Ordinance]" by SRO 633(I)/ 2002, dated 14th September, 2002 and which was SRO 633(I)/2002, dated 14th September, 2002 rescinded by SRO 608(I)/2003, dated 24th June, 2003 with effect from 1st July, 2003.

⁷⁷⁰[***]

⁷⁷¹[(aa) furnish a statement as required by a notice under sub-section (5) of section 115; or]

⁷⁷²[(ab) furnish return of income in response to notice under sub- section (3) or sub-section (4) of section 114; or]

(b) furnish a return as required under section 143 or section 144; or

(c) furnish the statement as required under section 116; or

(d) produce before the Commissioner, or ⁷⁷³[a special audit panel appointed under sub-section (11) of section 177 or] any person employed by a firm of chartered accountants ⁷⁷⁴[or a firm of cost and management accountants] under section 177, accounts, documents and records required to be maintained under section 174, or any other relevant document or evidence that may be required by him for the purpose of making assessment of income and determination of tax due thereon, the Commissioner may, based on any available information or material and to the best of his judgment, make an assessment of the taxable income ⁷⁷⁵[or income] of the person and the tax due thereon ⁷⁷⁶[and the assessment, if any, treated to have been made on the basis of return or revised return filed by the taxpayer shall be of no legal effect].

(2) As soon as possible after making an assessment under this section, the Commissioner shall issue the assessment order to the taxpayer stating-

(a) the taxable income;

(b) the amount of tax due;

(c) the amount of tax paid, if any; and

(d) the time, place and manner of appealing the assessment order.

(3) An assessment order under this section shall only be issued within five years after the end of the tax year or the income year to which it relates ⁷⁷⁷[;]

a. *The commas and words inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*

(2) *As soon as possible after making an assessment under this section, the Commissioner shall issue, in writing, an assessment order to the taxpayer stating –*

(a) *the taxable income of the taxpayer for the year;*

(b) *the amount of tax due;*

(c) *the amount of tax paid, if any; and*

(d) *the time, place, and manner of appealing the assessment order.*

(3) *An assessment order shall only be issued within five years after the end of the tax year, ii[or the income year.] to which it relates iii[***]*

ii. *The commas and words were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*

iii. *The words, brackets and figures “and shall be alternative to the application of in sub-section (4) of section 114 “ omitted ”by Notification SRO 633(I)/ 2002, dated 14th September, 2002 and which was SRO 633(I)/2002, dated 14th September, 2002 rescinded by SRO 608(I)/2003, dated 24th June, 2003 with effect from 1st July, 2003.*

⁷⁷⁰ *Clause (a) omitted vide the Finance Act, 2010. This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this Clause was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009). At the time of omission clause (a) was as under:--*

“(a) furnish a return of income as required by a notice under sub-section (3) or sub-section (4) of section 114; or”

⁷⁷¹ *Clause (aa) inserted vide the Finance Act, 2009 (I of 2009 assented on 30th October, 2009)*

⁷⁷² *Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*

⁷⁷³ *Inserted vide Finance Act, 2015*

⁷⁷⁴ *Inserted vide the Finance Act, 2010 (XVI of 2010)*

⁷⁷⁵ *Inserted vide Finance Act, 2010 (XVI of 2010)*

⁷⁷⁶ *The words and commas inserted vide Finance Act, 2012*

⁷⁷⁷ *Substituted vide the Finance Act, 2018 assented on 22nd May, 2018.*

⁷⁷⁸[Provided that where notice for furnishing a return of income under sub-section (4) of section 114 is issued in respect of one or more of the last ten completed tax years in pursuance of proviso to sub-section (5) of section 114 an assessment order under this section shall only be issued within two years from the end of tax year in which such notice is issued.]

122. Amendment of assessments.-(1) Subject to this section, the Commissioner may amend an assessment order treated as issued under section 120 or issued under section 121 ⁷⁷⁹[, ⁷⁸⁰***] ⁷⁸¹[, or ⁷⁸²***] by making such alterations or additions as the Commissioner considers necessary ⁷⁸³***].

⁷⁸⁴[(2) No order under sub-section (1) shall be amended by the Commissioner after the expiry of five years from the end of the financial year in which the Commissioner has issued or treated to have issued the assessment order to the taxpayer.]

(3) Where a taxpayer furnishes a revised return under sub-section (6) ⁷⁸⁵[or (6A)] [of section 114 -

- (a) the Commissioner shall be treated as having made an amended assessment of the taxable income and tax payable thereon as set out in the revised return; and
- (b) the taxpayer's revised return shall be taken for all purposes of this Ordinance to be an amended assessment order issued to the taxpayer by the Commissioner on the day on which the revised return was furnished.

(4) Where an assessment order (herein after referred to as the "original assessment") has been amended under sub-section (1) ⁷⁸⁶[, (3), ⁷⁸⁷[or 5A] the Commissioner may further amend, ⁷⁸⁸[as many times as may be necessary,] the original assessment within the later of -

- (a) five years ⁷⁸⁹[from the end of the financial year in which] the Commissioner has issued or is treated as having issued the original assessment order to the taxpayer; or
- (b) one year ⁷⁹⁰[from the end of the financial year in which] the Commissioner has issued or is treated as having issued the amended assessment order to the taxpayer.

⁷⁹¹[(4A) In respect of an assessment made under the repealed Ordinance, nothing contained

⁷⁷⁸ Added vide the Finance Act, 2018 assented on 22nd May, 2018.

⁷⁷⁹ The comma and words inserted vide the Finance Act, 2012

⁷⁸⁰ The expression "or issued under section 122C," was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁷⁸¹ Inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁷⁸² The words, commas and the figures "issued under section 59,59A, 62, 63 or 65 of the repealed Ordinance" omitted vide the Finance Act, 2012

⁷⁸³ The words "to ensure that the taxpayer is liable for correct amount of tax for the tax year to which the assessment order relates" omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁷⁸⁴ Sub-section (2) substituted vide the Finance Act, 2009 (I of 2009 assented on 30th October, 2009). At the time of substitution sub-section (2) was as under:-

"(2) An assessment order shall only be amended under subsection (1) within five years after the Commissioner has issued or is treated as having issued the assessment order on the taxpayer."

⁷⁸⁵ Inserted vide the Finance Act, 2010. (XVI of 2010) This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

⁷⁸⁶ Substituted for the word "or" vide Finance Act, 2010. (XVI of 2010), effective from 1st July, 2003

⁷⁸⁷ The word, figures and brackets added vide Finance Act, 2010 (XVI of 2010), effective from 1st July, 2003

⁷⁸⁸ The comma and words inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁷⁸⁹ The word "after" was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th October, 2009)

⁷⁹⁰ The word "after" was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th October, 2009)

⁷⁹¹ Sub-section (4A) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier a different Sub-section (4A) inserted vide Notification NO. SRO 633(I)/2002, dated 14th September, 2002 and which was SRO 633(I)/2002 dated 14th September, 2002 rescinded vide SRO 633(I)/2003, dated 24th June, 2003 with effect from 1st July, 2003

in sub-section (2) or, as the case may be, sub-section (4) shall be so construed as to have extended or curtailed the time limit specified in section 65 of the aforesaid Ordinance in respect of an assessment order passed under that section and the time-limit specified in that section shall apply accordingly.]

⁷⁹²[(5) An assessment order in respect of tax year, or an assessment year, shall only be amended under sub-section (1) and an amended assessment for that year shall only be further amended under sub-section (4) where, on the basis of definite information acquired from an audit or otherwise, the Commissioner is satisfied that –

- (i) any income chargeable to tax has escaped assessment; or
- (ii) total income has been under-assessed, or assessed at too low a rate, or has been the subject of excessive relief or refund; or
- (iii) any amount under a head of income has been misclassified.]

⁷⁹³[(5A) Subject to sub-section (9), the Commissioner may ⁷⁹⁴[, after making, or causing to be made, such enquiries as he deems necessary.] amend, or further amend, an assessment order, if he considers that the assessment order is erroneous in so far it is prejudicial to the interest of revenue.]

⁷⁹⁵[(5AA) In respect of any point or issue which was not the subject matter which was not in dispute in and appeal the Commissioner shall have and shall deemed to have, and always to have had the powers to amend or further amend as assessment order under sub-section (5A)]

⁷⁹⁶[(5B) Any amended assessment order under sub-section (5A) may be passed within the time-limit specified in sub-section (2) or sub-section (4), as the case may be.]

(6) As soon as possible after making an amended assessment under ⁷⁹⁷[sub-section (1), sub-section (4) or sub-section (5A)], the Commissioner shall issue an amended assessment order to the taxpayer stating –

- (a) the amended taxable income of the taxpayer; the
- (b) amended amount of tax due;
- (c) the amount of tax paid, if any; and
- (d) the time, place, and manner of appealing the amended assessment.

792 Sub-section (5) was substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution sub-section (5) was as under:--

“(5) An assessment order shall only be amended under sub-section (1) and an amended assessment shall only be amended under subsection (4) where the Commissioner –

- (a) is of the view that this Ordinance i[or the repealed Ordinance] has been incorrectly applied in making the assessment (including the misclassification of an amount under a head of income ii[, incorrect payment of tax with the return of income, an incorrect claim for tax relief or rebate,] an incorrect claim for exemption of any amount or an incorrect claim for a refund); or
- i. The words inserted vide Notification SRO 633(I)/ 2002, dated 14th September, 2002 which was rescinded vide SRO 608(I)/2003, dated 24th June, 2003 with effect from 1st July, 2003.
- ii. Substituted for the words “to claim tax relief” by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
 - (b) has definite information acquired from an audit or otherwise that the iii[income has been concealed or inaccurate particulars of income have been furnished or the assessment is otherwise incorrect.]”
- iii. Substituted for the words “assessment is in correct” by Notification No. SRO 633(I)/ 2002, dated 14th September, 2002 which was rescinded vide SRO 608(I)/2003, dated 24th June, 2003 with effect from 1st July, 2003.

793 Sub-section (5A) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier a different sub-section (5A) inserted vide Notification N0. SRO 633(I)/2002, dated 14th September, 2002 which was rescinded vide SRO 633(I)/2003, dated 24th June, 2003 with effect from 1st July, 2003

794 The words and commas inserted vide Finance Act, 2012

795 Sub-section (5AA) was inserted vide Finance Act, 2010 (XVI of 2010)

796 Sub-section (5B) was inserted vide the Finance Act, 2003

797 Substituted for the words, brackets and figures “sub-section (I) or (4)” vide the Finance Act, 2003

(7) An amended assessment order shall be treated in all respects as an assessment order for the purposes of this Ordinance, other than for the purposes of sub-section (1).

(8) For the purposes of this section, “definite information” includes information on sales or purchases of any goods made by the taxpayer, ⁷⁹⁸[receipts of the taxpayer from services rendered or any other receipts that may be chargeable to tax under this Ordinance,] and on the acquisition, possession or disposal of any money, asset, valuable article or investment made or expenditure incurred by the taxpayer.

⁷⁹⁹[(9) No assessment shall be amended, or further amended, under this section unless the taxpayer has been provided with an opportunity of being heard]

⁸⁰⁰[**122A. Revision by the Commissioner.**-(1) The Commissioner may ⁸⁰¹[⁸⁰²[, suo moto,]] call for the record of any proceeding under this Ordinance or under the repealed Ordinance in which an order has been passed by any ⁸⁰³[Officer of Inland Revenue] other than the Commissioner (Appeals).

(2) Subject to sub-section (3), where, after making such inquiry as is necessary, Commissioner considers that the order requires revision, the Commissioner may make such revision to the order as the Commissioner deems fit.

(3) An order under sub-section (2) shall not be prejudicial to the person to whom the order relates.

(4) The Commissioner shall not revise any order under sub-section (2)

(a) an appeal against the order lies to the Commissioner (Appeals) or to the Appellate Tribunal, the time within which such appeal may be made has not expired; or

(b) the order is pending in appeal before the Commissioner (Appeals) or has been made the subject of an appeal to the Appellate Tribunal.]

⁸⁰⁴[**122B. Revision by the Regional Commissioner.**-(1) The ⁸⁰⁵[Chief Commissioner] may, either of his own motion or on an application made by the taxpayer for revision, call for the record of any proceedings relating to issuance of an exemption or lower rate certificate with regard to collection or deduction of tax at source under this Ordinance, in which an order has been passed by any authority subordinate to him.

(2) Where, after making such inquiry as is necessary, ⁸⁰⁶[Chief Commissioner] considers that the order requires revision, the ⁸⁰⁷[Chief Commissioner] may, after providing reasonable opportunity of being heard to the taxpayer, make such order as he may deem fit in the circumstances of the case.]

⁸⁰⁸[***]

798 The words and comma were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

799 Sub-section (9) was added vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

800 Section 122A inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

801 The words inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

802 The word “suo moto” substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

803 Word “Taxation Officer” substituted vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

804 Section 122B was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

805 Substituted for the words “Regional Commissioner” vide the Finance Act, 2014

806 Substituted for the words “Regional Commissioner” vide the Finance Act, 2014

807 Substituted for the words “Regional Commissioner” vide the Finance Act, 2014

808 Section 122C was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of omission section 122C was as under:-

i[**122C. Provisional assessment.**-(1) Where in response to a notice under sub-section (3) or sub-section (4) of section 114 a person fails to furnish return of income for any tax year, the Commissioner may, based on any

123. Provisional assessment in certain cases.-(1) Where a concealed asset of any person is impounded by any department or agency of the Federal Government or a Provincial Government, the Commissioner may, at any time before issuing any assessment order under section 121 or any amended assessment order under section 122, issue to the person a provisional assessment order or provisional amended assessment order, as the case may be, for the last completed tax year of the person taking into account the concealed asset.

(2) The Commissioner shall finalize a provisional assessment order or a provisional amended assessment order as soon as practicable ⁸⁰⁹[***].

(3) In this section, “concealed asset” means any property or asset which, in the opinion of the Commissioner, was acquired from any income subject to tax under this Ordinance.

124. Assessment giving effect to an order.-(1) Except where sub-section (2) applies, where, in consequence of, or to give effect to, any finding or direction in any order made under Part III of this Chapter by the Commissioner (Appeals), Appellate Tribunal, High Court, or Supreme Court an assessment order or amended assessment order is to be issued to any person, the Commissioner shall issue the order within two years from the end of the financial year in which the order of the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court, as the case may be, was served on the Commissioner.

(2) Where, by an order made under Part III of this Chapter by the ⁸¹⁰[***] Tribunal, High Court, or Supreme Court, an assessment order is set aside ⁸¹¹[wholly or partly,] and the Commissioner ⁸¹²[or Commissioner (Appeals), as the case may be,] is directed to ⁸¹³[pass] a new assessment order, the Commissioner ⁸¹⁴[or Commissioner (Appeals), as the case may be,] shall ⁸¹⁵[pass] the new order within ⁸¹⁶[one year from the end of the financial year in which] the

available information or material and to the best of his judgment, make a provisional assessment of the taxable income of the person and issue a provisional assessment order specifying the taxable income assessed and the tax due thereon.

(2) Notwithstanding anything contained in this Ordinance, the provisional assessment completed under sub-section (1) shall be treated as the final assessment after the expiry of 808[forty-five] days from the date of service of order of provisional assessment and the provisions of this Ordinance shall apply accordingly:

808[Provided that the provisions of this sub-section shall not apply, if—

- (a) return of income along with wealth statement, wealth reconciliation statement and other documents required under sub-section (2A) of section 116 are filed by the person being an individual or an association of persons for the relevant tax year during the said period of forty-five days; and
- (b) the individual or an association of persons presents accounts and documents for conducting audit of income tax affairs for that tax year:

Provided further that the provisions of sub-section (2) shall not apply—

- (a) to a company, if return of income tax alongwith audited accounts or final accounts, as the case may be, for the relevant tax year are filed by the company electronically during the said period of forty-five days; and
 - (b) if the company presents accounts and documents for conducting audit of its income tax affairs for that tax year.]
- i. *Section 122C was inserted vide the Finance Act, 2010. This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this Section was inserted vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*

⁸⁰⁹ The words “after making it” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁸¹⁰ The words and brackets “Commissioner (Appeals)” were omitted vide Finance Act, 2010 (XVI of 2010)

⁸¹¹ The words and Comma inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁸¹² The words, brackets and Commas were inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

⁸¹³ Substituted for the word “make” vide Finance Act, 2010 (XVI of 2010)

⁸¹⁴ The words, brackets and Commas were inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

⁸¹⁵ Substituted for the word “make” vide Finance Act, 2010 (XVI of 2010)

⁸¹⁶ Substituted for the words “six months from the date” vide the Finance Act, 2002 (XXVII of 2002 assented on 29th June, 2002)

Commissioner⁸¹⁷[or Commissioner (Appeals), as the case may be,] is served with the order⁸¹⁸[.]

⁸¹⁹[Provided that limitation under this sub-section shall not apply, if an appeal or reference has been preferred, against the order⁸²⁰[***] passed by a⁸²¹[***] Appellate Tribunal or a High Court.]

(3) Where an assessment order has been set aside or modified, the proceedings may commence from the stage next preceding the stage at which such setting aside or modification took place and nothing contained in this Ordinance shall render necessary the re-issue of any notice which had already been issued or the re-furnishing or re-filing of any return, statement, or other particulars which had already been furnished or filed.

(4) Where direct relief is provided in an order under section 129 or 132, the Commissioner shall issue appeal effect orders within two months of the date the Commissioner is served with the order.

(5) Where, by any order referred to in sub-section (1), any income is excluded –

- (a) from the computation of the taxable income of a taxpayer for any year and held to be included in the computation of the taxable income of the taxpayer for another year; or
- (b) from the computation of the taxable income of one taxpayer and held to be included in the computation of the taxable income of another taxpayer, the assessment or amended assessment relating to that other tax year or other taxpayer, as the case may be, shall be treated as an assessment or amended assessment to be made in consequence of, or to give effect to, a finding or direction contained in such order.

(6) Nothing in this Part shall prevent the issuing of an assessment order or an amended assessment order to give effect to an order made under Part III of this Chapter by the Commissioner (Appeals), Appellate Tribunal, High Court, or Supreme Court.

⁸²²[(7) The provisions of this section shall in like manner apply to any order issued by any High Court or the Supreme Court in exercise of original or appellate jurisdiction.]

⁸²³[**124A. Powers of tax authorities to modify orders, etc.**-(1) Where a question of law has been decided by a High Court or the Appellate Tribunal in the case of a taxpayer, on or after first day of July 2002, the Commissioner may, notwithstanding that he has preferred an appeal against the decision of the High Court or made an application for reference against the order of the Appellate Tribunal, as the case may be, follow the said decision in the case of the said taxpayer in so far as it applies to said question of law arising in any assessment pending before the Commissioner until the decision of the High Court or of the Appellate Tribunal is reversed or modified.

(2) In case the decision of High Court or the Appellate Tribunal, referred to in sub-section (1), is reversed or modified, the Commissioner may, notwithstanding the expiry of period of limitation prescribed for making any assessment or order, within a period of one year from the date of receipt of decision, modify the assessment or order in which the said decision was applied so that it conforms to the final decision.]

125. Assessment in relation to disputed property.-Where the ownership of any property the income from which is chargeable to tax under this Ordinance is in dispute in any Civil Court in Pakistan, an assessment order or amended assessment order in respect of such income may be issued at any time within one year after the end of the financial year in which the decision of the

817 Inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

818 The full stop was substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

819 Proviso was inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

820 The words comma "setting aside the assessment" were omitted vide Finance Act, 2010 (XVI of 2010)

821 The words and brackets "a Commissioner (Appeals)" were omitted vide Finance Act, 2010 (XVI of 2010)

822 Sub-section (7) was added vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

823 Section (124A) was inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

Court is made.

126. Evidence of assessment.-(1) The production of an assessment order or a certified copy of an assessment order shall be conclusive evidence of the due making of the assessment and, except in proceedings under Part III of this Chapter relating to the assessment, that the amount and all particulars of the assessment are correct.

(2) Any ⁸²⁴[order] of assessment or other document purporting to be made, issued, or executed under this Ordinance may not be –

- (a) quashed or deemed to be void or voidable for want of form; or
- (b) affected by reason of any mistake, defect, or omission therein, if it is, in substance and effect, in conformity with this Ordinance and the person assessed, or intended to be assessed or affected by the document, is designated in it according to common understanding.

PART III APPEALS

127. Appeal to the Commissioner (Appeals).⁸²⁵[(1) Any person dissatisfied with any order passed by a Commissioner or an ⁸²⁶[Officer of Inland Revenue]] under section 121, 122, 143, 144, ⁸²⁷[162,] 170, 182, ⁸²⁸[***] ⁸²⁹[or 205], or an order under sub-section (1) of section 161 holding a person to be personally liable to pay an amount of tax, or an order under clause (f) of sub-section (3) of section 172 ⁸³⁰[declaring] a person to be the representative of a non-resident person [or an order giving effect to any finding or directions in any order made under this Part by the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court], or an order under section 221 refusing to rectify the mistake, either in full or in part, as claimed by the taxpayer or an order having the effect of enhancing the assessment or reducing a refund or otherwise increasing the liability of the person, ⁸³¹[***] may prefer an appeal to the Commissioner (Appeals) against the order.]

⁸³²[(2) No appeal under sub-section (1), shall be made by a taxpayer against an order of assessment unless the taxpayer has paid,--

- (a) the amount of tax due under sub-section (1) of section 137, and
- ⁸³³[(b) No appeal under sub-section (1), shall be made by a taxpayer ⁸³⁴[against]

⁸²⁴ Substituted for the word “notice” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁸²⁵ Substituted vide the Finance Ordinance, 2002 (XXVII of 2002 assented on 29th June, 2002). At the time of substitution sub-section (1) was as under:--

“(1) Any person dissatisfied with any proceeding under this Ordinance in which an order has been issued by a Commissioner of Income Tax (other than the Commissioner (Appeals)) or a taxation officer may prefer an appeal to the Commissioner (Appeals) against the order.”

⁸²⁶ Substituted for the words “taxation officer” vide the Finance Act, 2014. The same words were substituted earlier vide the Finance Act, 2010 (XVI of 2010). Earlier this clause was as inserted vide finance amendment ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the finance amendment ordinance, 2009 (XXII of 2009 promulgated on 28th June, 2009)

⁸²⁷ The comma and figure inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

⁸²⁸ The figures & commas “183, 184, 185, 186, 187, 188, 189” omitted vide Finance Act, 2010 (XVI of 2010)

⁸²⁹ Substituted for the word and figure “or 189” vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁸³⁰ Substituted for the word “treating” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁸³¹ Omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of omission, the expression was as under:--

i[, except ii[an] assessment order under section 122C,]

i. inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

ii. Substituted for the words “a provisional” vide the Finance Act, 2012

⁸³² Substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-section (2) was as under:--

“(2) No appeal may be made by a tax payer against an assessment unless the amount of tax due under the assessment that is not in dispute and fifteen percent of the disputed tax has been paid by the tax payer.”

⁸³³ Clause (b) substituted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of substitution clause (b) was as under:--

“(b) an amount equal to-

an order of assessment unless the taxpayer has paid the amount of tax due under sub-section (1) of section 137.]]

- (3) An appeal under sub-section (1) shall--
- (a) be in the prescribed form;
 - (b) be verified in the prescribed manner;
 - (c) state precisely the grounds upon which the appeal is made;
 - (d) be accompanied by the prescribed fee specified in sub-section (4); and
 - (e) be lodged with the Commissioner (Appeals) within the time set out in sub-section (5).
- (4) The prescribed fee ⁸³⁵[shall be] –
- (a) in the case of an appeal against an assessment, ⁸³⁶[one thousand rupees] ⁸³⁷[***]; or
 - (b) in any other case –
 - (i) where the appellant is a company, one thousand rupees; or
 - (ii) where the appellant is not a company, two hundred rupees.

⁸³⁸[(5) An appeal shall be preferred to the Commissioner (Appeals) within thirty days of the following--

- (a) where the appeal relates to any assessment or penalty, the date of service of the notice of demand relating to the said assessment or penalty, as the case may be; and
- (b) in any other case, the date on which the order to be appealed against is served.]

(6) The Commissioner (Appeals) may, upon application in writing by the appellant, admit an appeal after the expiration of the period specified in sub-section (5) if the Commissioner (Appeals) is satisfied that the appellant was prevented by sufficient cause from lodging the appeal within that period.

128. Procedure in appeal.-(1) The Commissioner (Appeals) shall give notice of the day fixed for the hearing of the appeal to the appellant and to the Commissioner against whose order the appeal has been made.

⁸³⁹[(1A) Where in a particular case, the Commissioner (Appeals) is of the opinion that the recovery of tax levied under this Ordinance, shall cause undue hardship to the taxpayer, he, after

- (i) fifteen percent of the amount of tax assessed as is in excess of the tax due under sub-section of section 137, or
- (ii) twenty percent of the amount of tax assessed for the immediately preceding tax year, and where a person has not been assessed to tax for that tax year, thirty percent of the amount of tax mentioned in clause (a), whichever is less. “

834 Substituted for the word “again” vide the Finance Act, 2014

835 Substituted for the word “is” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

836 The words “the lesser of one thousand rupees or ten per cent of the tax assessed” were substituted vide the Finance Act, 2009 (I of 2009 assented on 29th June, 2009)

837 The words “or ten per cent of the tax assessed” were Omitted vide Finance Act, 2010 while these words already deleted vide the finance Act, 2009 (I of 2009 assented on 30th June, 2009)

838 Substituted by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-section (5) was as under:--

“(5) An appeal shall be lodged with the Commissioner (Appeals) –

- (a) where the appeal relates to an assessment order, within thirty days of the date of service of the demand relating to the assessment; or
- (b) in any other case, within thirty days of the date of service of the notice of the decision or determination appealed against.

839 Sub-section (1A) inserted vide the Finance Act, 2012

affording opportunity of being heard to the Commissioner against whose order appeal has been made, may stay the recovery of such tax for a period not exceeding thirty days in aggregate.]

⁸⁴⁰ [(1AA) The Commissioner (Appeals), after affording opportunity of being heard to the Commissioner against whose order appeal has been made, may stay the recovery of such tax for a further period of thirty days, provided that the order on appeal shall be passed within the said period of thirty days.]

(2) The Commissioner (Appeals) may adjourn the hearing of the appeal from time to time.

(3) The Commissioner (Appeals) may, before the hearing of an appeal, allow an appellant to file any new ground of appeal not specified in the grounds of appeal already filed by the appellant where the Commissioner (Appeals) is satisfied that the omission of the ground from the form of the appeal was not willful or unreasonable.

(4) The Commissioner (Appeals) may, before disposing of an appeal, call for such particulars as the Commissioner (Appeals) may require respecting the matters arising in the appeal or cause further enquiry to be made by the Commissioner.

(5) The Commissioner (Appeals) shall not admit any documentary material or evidence which was not produced before the Commissioner unless the Commissioner (Appeals) is satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the Commissioner.

129. Decision in appeal.-(1) In disposing of an appeal lodged under section 127, the Commissioner (Appeals) may –

⁸⁴¹[(a) make an order to confirm, modify or annul the assessment order after examining such evidence as required by him respecting the matters arising in appeal or causing such further enquires to be made as he deems fit; or]

(b) in any other case, make such order as the Commissioner (Appeals) thinks fit.

(2) The Commissioner (Appeals) shall not increase the amount of any assessment order or decrease the amount of any refund unless the appellant has been given a reasonable opportunity of showing cause against such increase or decrease, as the case may be.

(3) Where, as the result of an appeal, any change is made in the assessment of an association of persons or a new assessment of an association of persons is ordered to be made, the Commissioner (Appeals) may authorize the Commissioner to amend accordingly any assessment order made on a member of the association and the time limit in sub-section (2) of section 122 shall not apply to the making such amended assessment.

(4) As soon as practicable after deciding an appeal, the Commissioner (Appeals) shall serve ⁸⁴²*** his order on the appellant and the Commissioner ⁸⁴³[.]

⁸⁴⁴[Provided that such order shall be passed not later than one hundred and twenty days from the date of filing of appeal or within an extended period of sixty days, for reasons to be recorded in writing by the Commissioner (Appeals):

Provided further that any period during which the hearing of an appeal is adjourned at the request of the appellant or is postponed due to any appeal or proceedings or stay order, remand or

⁸⁴⁰ Inserted vide Finance Act, 2015

⁸⁴¹ Clause (a) was substituted vide the Finance Act, 2005 (VII of 2011 assented on 29th June, 2005)

“(a) in the case of an appeal against an assessment order –

(i) make an order to set aside the assessment order and direct the Commissioner to make a new assessment order in accordance with any directions or recommendations of the Commissioner (Appeals); or

(ii) make an order to confirm, modify or annul the assessment order; or”

⁸⁴² The words “notice of” were omitted vide the Finance ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁸⁴³ Full stop substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁸⁴⁴ Proviso added vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

alternative dispute resolution proceedings or for any other reason, shall be excluded in the computation of the aforementioned periods.]

⁸⁴⁵[***]

⁸⁴⁶[***]

⁸⁴⁷[***]

130. Appointment of the Appellate Tribunal.-(1) There shall be established an Appellate Tribunal to exercise the functions conferred on the Tribunal by this Ordinance.

(2) The Appellate Tribunal shall consist of a chairperson and such other judicial and accountant members as are appointed by the Federal Government having regard to the needs of the Tribunal.

(3) A person may be appointed as a judicial member of the Appellate Tribunal if the person –

(a) has exercised the powers of a District Judge and is qualified to be a Judge of a High Court; ⁸⁴⁸[***] ⁸⁴⁹[or]

(b) is or has been an advocate of a High Court and is qualified to be a Judge of the High Court ⁸⁵⁰[.]

⁸⁵¹[***]

⁸⁵²[(4) A person may be appointed as an accountant member of the Appellate Tribunal if—

⁸⁴⁵ Sub-section (5) omitted vide the Finance Act, 2012. At the time of omission sub-section (5) was as under:--
“(5) Where the Commissioner (Appeals) has not made an order on an appeal before the expiration of i[four] months from the end of the month in which the appeal was lodged, the relief sought by the appellant in the appeal shall be treated as having been given and all the provisions of this Ordinance shall have effect accordingly.”

i. Substituted for the word “three” vide the finance Act, 2008 (I of 2008 assented on 26th June, 2008)
⁸⁴⁶ Sub-section (6) omitted vide the Finance Act, 2012. At the time of omission sub-section (5) was as under:--
(6) For the purposes of sub-section (5), any period during which the hearing of an appeal is adjourned on the request of the appellant shall be excluded in the computation of the period of i[four] months referred to in that sub-section.”

i. Substituted for the word “three” vide the finance Act, 2008 (I of 2008 assented on 26th June, 2008)
⁸⁴⁷ Sub-section (7) omitted vide the Finance Act, 2012. At the time of omission sub-section (5) was as under:--
(7) The provisions of sub-section (5) shall not apply unless a notice by the appellant stating that no order under sub-section (1) has been made is personally served by the appellant on the Commissioner (Appeals) not less than thirty days before the expiration of the period of i[four] months.”

i. Substituted for the word “three” vide the finance Act, 2008 (I of 2008 assented on 26th June, 2008)

⁸⁴⁸ The word “or” was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁸⁴⁹ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁸⁵⁰ For “; or” a full stop was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017.
“; or” was earlier substituted for full stop vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

⁸⁵¹ Clause (C) was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of omission clause (C) was as follows:-

i[(c) is in officer of inland Revenue Service in BS-20 or above and is a law graduate.]

i. Clause (C) was added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 201 3
⁸⁵² Substituted for the Sub-section (4) vide the Finance Act, 2010 (XVI of 2010). At the time of substitution sub-section (4) was as under:--

*[(4) A person may be appointed as an accountant member of the Appellate Tribunal if the person is i[an officer of Inland Revenue] Group equivalent in rank to that of a Regional Commissioner and the ii[Commissioner Inland Revenue] or iii[Commissioner Inland Revenue (Appeals)] having at least five years experience as Commissioner shall also be eligible for appointment.”

i. Substituted for the words “an officer of income Tax” vide the Finance (Amendment) Ordinance, 2010 (III of 2010 Promulgated on 6th February, 2010). Earlier this amendment was made vide the Finance (Amendment ordinance, 2009 (XXII of 2009 Promulgated on 28th October, 2009)

ii. Substituted for the words “Commissioner of income Tax” vide the Finance (Amendment) Ordinance, 2010 (III of 2010 Promulgated on 6th February, 2010). Earlier this amendment was made vide the Finance (Amendment ordinance, 2009 (XXII of 2009 Promulgated on 28th October, 2009)

iii. Substituted for the words “Commissioner of income Tax (Appeals)” vide the Finance (Amendment) Ordinance, 2010 (III of 2010 Promulgated on 6th February, 2010). Earlier this amendment was made

- (a) he is an person is an officer of Inland Revenue ⁸⁵³[Service] equivalent in the rank of Regional Commissioner; ⁸⁵⁴[***]
- (b) a Commissioner Inland Revenue or Commissioner Inland Revenue (Appeals) having at least ⁸⁵⁵[three] years experience as Commissioner or Collector] ⁸⁵⁶[; ⁸⁵⁷[***]]
- ⁸⁵⁸[(c) a person who has, for a period of not less than ten years, practiced professionally as a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961) ⁸⁵⁹[; or]]
- ⁸⁶⁰[(d) a person who has, for a period of not less than ten years, practiced professionally as a cost and management accountant within the meaning of Cost and Management Accountants Act, 1966 (XIV of 1966).]
- (5) The Federal Government shall appoint a member of the Appellate Tribunal as Chairperson of the Tribunal ⁸⁶¹["and, except in special circumstances, the person appointed should be a judicial member"] ⁸⁶²[***]
- (6) The powers and functions of the Appellate Tribunal shall be exercised and discharged by Benches constituted from members of the Tribunal by the Chairperson of the Tribunal.
- (7) Subject to sub-section (8), a Bench shall consist of not less than two members of the Appellate Tribunal and shall be constituted so as to contain an equal number of judicial and accountant members, or so that the number of members of one class does not exceed the number of members of the other class by more than one.
- (8) The Federal Government may direct that all or any of the powers of the Appellate Tribunal shall be exercised by –
- (a) any one member; or
- (b) more members than one, jointly or severally.
- ⁸⁶³[(8A) Notwithstanding anything contained in sub-sections (7) and (8), the ⁸⁶⁴[Chairperson] may constitute as many benches consisting of a single member as he may deem necessary to hear such cases or class of cases as the Federal Government may by order in writing, specify.]

⁸⁶⁵[(8AA) The ⁸⁶⁶[Chairperson] or other member of the Appellate Tribunal authorised, in

vide the Finance (Amendment ordinance, 2009 (XXII of 2009 Promulgated on 28th October, 2009)
 *. *Sub-section (4) was earlier substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of substitution sub-section (4) was as under:--*

*“(4) A person may be appointed as an accountant member of the Appellate Tribunal if the person is an officer of the income tax Group equivalent in rank to that of a Regional Commissioner a[***]”*

a. The words “of income Tax” were omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁸⁵³ *The word inserted vide the Finance Act, 2012*

⁸⁵⁴ *The word “or” was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013*

⁸⁵⁵ *Substituted for the word “five” vide the Finance Act, 2012*

⁸⁵⁶ *Semicolon and the word “; or” was substituted for full stop vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013*

⁸⁵⁷ *The word “or” was omitted vide the Finance Act, 2014*

⁸⁵⁸ *Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013*

⁸⁵⁹ *Substituted for the full stop vide the Finance Act, 2014*

⁸⁶⁰ *Added vide the Finance Act, 2014*

⁸⁶¹ *Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013*

⁸⁶² *The words and commas “and, except in special circumstances, the person appointed should be a judicial member” omitted vide the Finance Act, 2012*

⁸⁶³ *Sub-section (8A) was inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)*

⁸⁶⁴ *Substituted for the word “Chairman” vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)*

⁸⁶⁵ *Sub-section (8AA) was inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)*

⁸⁶⁶ *Substituted for the word “Chairman” vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)*

this behalf by the ⁸⁶⁷ [“Chairperson”] may, sitting singly, dispose of any case where the amount of tax or penalty involved does not exceed ⁸⁶⁸ [one] million rupees.]

(9) Subject to sub-section (10), if the members of a Bench differ in opinion on any point, the point shall be decided according to the opinion of the majority.

(10) If the members of a ⁸⁶⁹[Bench] are equally divided on a point, they shall state the point on which they differ and the case shall be referred by the Chairperson for hearing on that point by one or more other members of the Appellate Tribunal, and the point shall be decided according to the opinion of the majority of the members of the Tribunal who have heard the case including those who first heard it.

(11) If there are an equal number of members of the Appellate Tribunal, the Federal Government may appoint an additional member for the purpose of deciding the case on which there is a difference of opinion.

(12) Subject to this Ordinance, the Appellate Tribunal shall have the power to regulate its own procedure, and the procedure of Benches of the Tribunal in all matters arising out of the discharge of its functions including the places at which the Benches shall hold their sittings.

131. Appeal to the Appellate Tribunal.-(1) Where the ⁸⁷⁰[taxpayer] or Commissioner objects to an order passed by the Commissioner (Appeals), the ⁸⁷¹[taxpayer] or Commissioner may appeal to the Appellate Tribunal against such order.

(2) An appeal under sub-section (1) shall be—

- (a) in the prescribed form;
- (b) verified in the prescribed manner;
- (c) accompanied ⁸⁷²[, except in case of an appeal preferred by the Commissioner,] by the prescribed fee specified in sub-section (3); and
- ⁸⁷³[(d) preferred to the Appellate Tribunal within sixty days of the date of service of order of the Commissioner (Appeals) on the taxpayer or the Commissioner, as the case may be]

⁸⁷⁴[(3) The prescribed fee shall be two thousand rupees.]

(4) The Appellate Tribunal may, upon application in writing, admit an appeal after the expiration of the period specified in clause (d) of sub-section (2) if it is satisfied that the person appealing was prevented by sufficient cause from filing the appeal within that period.

⁸⁷⁵[(5) notwithstanding that an appeal has been filed under this section, tax shall, unless

⁸⁶⁷ Substituted for the word “Chairman” vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁸⁶⁸ Substituted for the word “five” vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁸⁶⁹ Substituted for the word “majority” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁸⁷⁰ Substituted for the word “appellant” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁸⁷¹ Substituted for the word “appellant” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁸⁷² The commas and words were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁸⁷³ Clause (d) was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution clause (d) was as under:--

“(d) filed with the Appellate Tribunal within sixty days of the date of service of notice of the Commissioner (Appeals)’s decision to the appellant or Commissioner as the case may be.”

⁸⁷⁴ Sub-section (3) was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). At the time of substitution sub-section (3) was as under:--

“(3) The prescribed fee shall be—

- (a) in the case of an appeal in relation to an assessment order, the lesser of two thousand five hundred rupees or ten percent of the tax assessed; or
- (b) in any other case —
 - (i) where the appellant is a company, two thousand rupees; or
 - (ii) where the appellant is not a company, five hundred rupees.”

recovery thereof has been stayed by the Appellate Tribunal, be payable in accordance with the assessment made in the case:

⁸⁷⁶[Provided that if on filing of application in a particular case, the Appellate Tribunal is of the opinion that the recovery of tax levied under this Ordinance and upheld by the Commissioner (Appeals), shall cause undue hardship to the taxpayer, the Tribunal, after affording opportunity of being heard to the Commissioner, may stay the recovery of such tax for a period not exceeding one hundred and eighty days in aggregate:

Provided further that in computing the aforesaid period of one hundred and eighty days, the period, if any, for which the recovery of tax was stayed by a High Court, shall be excluded ⁸⁷⁷[;]

⁸⁷⁸[Provided further that where recovery of tax has been stayed under this section, such stay order shall cease to have effect on expiration of the said period of one hundred and eighty days following the date on which the stay order was made and the Commissioner shall proceed to recover the said tax:]

132. Disposal of appeals by the Appellate Tribunal.-(1) The Appellate Tribunal may, before disposing of an appeal, call for such particulars as it may require in respect of the matters arising on the appeal or cause further enquiry to be made by the Commissioner.

⁸⁷⁹[(2) The Appellate Tribunal shall afford an opportunity of being heard to the parties to the appeal and, in case of default by any of the party on the date of hearing, the Tribunal ⁸⁸⁰["omitted"] may proceed ex parte to decide the appeal on the basis of the available record.]

⁸⁸¹[(2A) The Appellate Tribunal shall decide the appeal within six months of its filing;]

(3) Where the appeal relates to an assessment order, the Appellate Tribunal may, ⁸⁸²[without prejudice to the powers specified in sub-section (2),] make an order to –

(a) affirm, modify or annul the assessment order; or

⁸⁸³[***]

⁸⁸⁴[(c) remand the case to the Commissioner or the Commissioner (Appeals) for

⁸⁷⁵ Sub-section (5) was added vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003).

⁸⁷⁶ Substituted for the first, second and third provisos vide the Finance Act, 2012

Provided that where recovery of tax has been stayed by the Appellate Tribunal by an order, such order shall cease to have effect on the expiration of a period of three months following the date on which it is made, unless the appeal is decided, or such order be withdrawn by the Appellate Tribunal earlier:

Provided further that the Appellate Tribunal shall not make an order which has the effect of staying the recovery of tax beyond the period of six months in aggregate]

i[Provided further that the Appellate Tribunal may stay the recovery of the tax on filing the appeal which order will remain operative for thirty days and during which period a notice shall be issued to the respondent and after hearing the parties, order may be confirmed or varied as the Tribunal deems fit but stay order shall in no case remain operative for more than one hundred and eighty days.]

i. Proviso was added vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁸⁷⁷ Substituted vide the Finance Act, 2018 assented on 22nd May, 2018.

⁸⁷⁸ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018.

⁸⁷⁹ Sub-section (2) was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time substitution sub-section (2) was as under:---

"(2) The Appellate Tribunal shall give both parties to the appeal an opportunity of being heard either in person or through an authorized representative."

⁸⁸⁰ The words and commas "may, if it deems fit, dismiss the appeal in default or" were omitted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

⁸⁸¹ Sub-section (2A) was added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

⁸⁸² The commas, words, bracket and figure were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 Promulgated on 15th June, 2002).

⁸⁸³ Clause (b) omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of omission clause (b) was as under:--

"(b) set aside the assessment order and direct the Commissioner to make a new assessment order in accordance with the directions or recommendations of the Tribunal if; or]"

i. Substituted for the full stop vide the Finance Ordinance, 2002 (XXVII of 2002 Promulgated on 15th June, 2002)

⁸⁸⁴ Clause (C) was added vide the Finance Ordinance, 2002 (XXVII of 2002 Promulgated on 15th June, 2002)

making such enquiry or taking such action as the Tribunal may direct]

(4) The Appellate Tribunal shall not increase the amount of any assessment ⁸⁸⁵[or penalty] or decrease the amount of any refund unless the taxpayer has been given a reasonable opportunity of showing cause against such increase or decrease, as the case may be.

(5) Where, as the result of an appeal, any change is made in the assessment of an association of persons or a new assessment of an association of persons is ordered to be made, the Appellate Tribunal may authorize the Commissioner to amend accordingly any assessment order made on a member of the association and the time limit in sub-section (2) of section 122 shall not apply to the making of such amended assessment.

(6) Where the appeal relates to a decision other than in respect of an assessment, the Appellate Tribunal may make an order to affirm, vary or annul the decision, and issue such consequential directions as the case may require.

⁸⁸⁶[(7) The Appellate Tribunal shall communicate its order to the taxpayer and the Commissioner.]

⁸⁸⁷[***]

⁸⁸⁸[***]

(10) Save as provided in section 133, the decision of the Appellate Tribunal on an appeal shall be final.

⁸⁸⁹[133. Reference to High Court.-(1) Within ninety days of the communication of the order of

885 The words were inserted vide the Finance Act, 2003 (1 of 2003 assented on 30th June, 2003)

886 Sub-section (7) was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 Promulgated on 15th June, 2002). At the time of substitution sub-section (7) was as under:--

“(7) The Appellate Tribunal shall serve a notice of its order on the appellant and the Commissioner.”

887 Sub-section (8) omitted vide Finance Act, Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission sub-section (8) was as under:--

“(8) Where the Appellate Tribunal has not made an order in respect of an appeal before the expiration of six months from the end of the month in which the appeal was filed, the relief sought by the appellant in the appeal shall be treated as having been given and all the provisions of this Ordinance shall have effect accordingly.”

888 Sub-section (9) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 Promulgated on 15th June, 2002). At the time of omission sub-section (9) was as under:--

“(9) For the purposes of sub-section (8), any period during which the hearing of an appeal is adjourned on the request of the appellant shall be excluded in the computation of the period of six months referred to in that sub-section.”

889 Section 133 was substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution section 133 was as under:--

“133. Reference to High Court.-(1) Where the Appellate Tribunal has made an order on an appeal under section 132, the i[taxpayer] or Commissioner may, by application in such form and accompanied by such documents as may be prescribed, require the Appellate Tribunal to refer any question of law arising out of such order to the High Court.

i. Substituted for the word “appellant” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

(2) An application under sub-section (1) shall be made within ninety days of the date on which the ii[taxpayer] or Commissioner, as the case may be, was served with iii[***] the Appellate Tribunal's order.

ii. Substituted for the word “appellant” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

iii. The words “notice of” omitted vide the Finance Act, 2003 (1 of 2003 Assented on 16th June, 2003)

(3) Where, on an application under sub-section (1), the Appellate Tribunal is satisfied that a question of law arises out of its order, it shall, within ninety days of receipt of the application, draw up a statement of the case and refer it to the High Court.

(4) Where, on an application under sub-section (1), the Appellate Tribunal refuses to state the case on the ground that no question of law arises, the iv[taxpayer] or the Commissioner, as the case may be, may apply to the High Court and the High Court may, if it is not satisfied with the correctness of the decision of the Appellate Tribunal, frame a question of law for its consideration.

iv. Substituted for the word “appellant” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

(5) An application under sub-section (4) shall be made within one-hundred and twenty days from the date on which the v[taxpayer] or Commissioner, as the case may be, was served with vi[order] of the refusal.

the Appellate Tribunal under sub-section (7) of section 132, the aggrieved person or the Commissioner may prefer an application, in the prescribed form along with a statement of the case, to the High Court, stating any question of law arising out of such order.

(2) The statement to the High Court referred to in sub-section (1), shall set out the facts, the determination of the Appellate Tribunal and the question of law which arises out of its order.

(3) Where, on an application made under sub-section (1), the High Court is satisfied that a question of law arises out of the order referred to in sub-section (1), it may proceed to hear the case.

(4) A reference to the High Court under this section shall be heard by a Bench of not less than two judges of the High Court and, in respect of the reference, the provisions of section 98 of the Code of Civil Procedure, 1908 (Act V of 1908), shall apply, so far as may be, notwithstanding anything contained in any other law for the time being in force.

(5) The High Court upon hearing a reference under this section shall decide the question of law raised by the reference and pass judgment thereon specifying the grounds on which such judgment is based and the Tribunal's order shall stand modified accordingly. The Court shall send a copy of the judgment under the seal of the Court to the Appellate Tribunal.

(6) Notwithstanding that a reference has been made to the High Court, the tax shall be payable in accordance with the order of the Appellate Tribunal:

v. Substituted for the word "appellant" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

vi. Substituted for the words "notice" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)
(6) Sub-sections (10) through (14) shall apply to a question of law framed by the High Court in the same manner as they apply to a reference made under sub-section (1).

(7) If, on an application under sub-section (1), the Appellate Tribunal rejects the application on the ground that it is time-barred, the vii[taxpayer] or Commissioner may apply to the High Court and, if the High Court is not satisfied with the correctness of the Appellate Tribunal's decision, the Court may require the Appellate Tribunal to treat the application as made within the time allowed under sub-section viii[(2)]

vii. Substituted for the word "appellant" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

viii. Substituted for the brackets and figure "(1)" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

(8) An application under sub-section (7) shall be made within ix[ninety days] from the date on which the x[taxpayer] or Commissioner, as the case may be, was served with xi[order] of the rejection.

ix. Substituted for the words "three months" vide the Finance Ordinance, 2002 (XXVII of 2002 Promulgated on 15th June, 2002)

x. Substituted for the word "appellant" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

xi. Substituted for the words "notice" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

(9) If the High Court is not satisfied that the statement in a case referred under sub-section (3) is sufficient to enable it to determine the question raised thereby, the Court may refer the case back to the Appellate Tribunal to make such modification therein as the Court may direct.

(10) A reference to the High Court under this section shall be heard by a Bench of not less than two Judges of the High Court and, in respect of the reference, the provisions of section 98 of the Code of Civil Procedure, 1908 (V of 1908) shall apply, so far as may be, notwithstanding anything contained in any other law for the time being in force.

(11) The High Court upon hearing a reference under this section shall decide the questions of law raised by the reference and deliver judgment thereon containing the grounds on which such decision is founded.

(12) A copy of the judgment of the High Court shall be sent under the seal of the Court and the signature of the Registrar to the Appellate Tribunal which shall pass such orders as are necessary to dispose of the case conformably to such judgment.

(13) The costs of a reference to the High Court under this section shall be at the discretion of the Court.

(14) Where a reference relates to an assessment, the tax due under the assessment shall be payable in accordance with the assessment, unless recovery of the tax has been stayed by the High Court.

(15) Section 5 of the Limitation Act, 1908 (IX of 1908) shall apply to an application under sub-section (1).

(16) An application under sub-section (1) by a person other than the Commissioner shall be accompanied by a fee of one hundred rupees."

Provided that, if the amount of tax is reduced as a result of the judgment in the reference by the High Court and the amount of tax found refundable, the High Court may, on application by the Commissioner within thirty days of the receipt of the judgment of the High Court that he wants to prefer petition for leave to appeal to the Supreme Court, make an order authorizing the Commissioner to postpone the refund until the disposal of the appeal by the Supreme Court.

(7) Where recovery of tax has been stayed by the High Court by an order, such order shall cease to have effect on the expiration of a period of six months following the day on which it was made unless the appeal is decided or such order is withdrawn by the High Court earlier.

(8) Section 5 of the Limitation Act, 1908 (IX of 1908), shall apply to an application made to the High Court under sub-section (1).

(9) An application under sub-section (1) by a person other than the Commissioner shall be accompanied by a fee of one hundred rupees.]

⁸⁹⁰[***]

⁸⁹¹[134A. **Alternative Dispute Resolution.**-(1) Notwithstanding any other provision of this

⁸⁹⁰ Section 134 omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution section 134 was as under:-

“134. Appeal to Supreme Court.-(1) An appeal shall lie to the Supreme Court from any judgment of the High Court delivered on a reference made or question of law framed under section 133 in any case which the High Court certifies to be a fit one for appeal to the Supreme Court.

(2) The provisions of the Code of Civil Procedure, 1908 (V of 1908), relating to appeals to the Supreme Court shall apply, so far as may be, in the case of an appeal under this section in like manner as they apply in the case of an appeal from decrees of a High Court.

(3) Where the judgment of the High Court is varied or i[reversed] in appeal under this section, effect shall be given to the order of the Supreme Court in the manner provided in sub-section ii[(12)] of section 133 in the case of a judgment of the High Court.

(4) The provisions of sub-sections (11), (12) and (13) of section 133 shall apply in the case of an appeal to the Supreme Court made under this section as they apply to an appeal to the High Court under section 133.”

i. Substituted for the words “reserved” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003

ii. Substituted for the brackets and figures “(10)” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003

⁸⁹¹ Section 134A omitted vide the Finance Act, 2018 assented on 1st June, 20018. At the time of substitution section 134A was as under:-

⁸⁹¹[134A. ⁸⁹¹[**Alternative**] **Dispute Resolution.**-(1) Notwithstanding any other provision of this Ordinance, or the rules made there under an aggrieved person, in connection with any matter pending before an Appellate Authority, may apply to Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application ⁸⁹¹[except where prosecution proceedings have been initiated or where interpretation of question of law having effect on identical other cases].]

(2) The ⁸⁹¹[Board] after examination of the application of an aggrieved person, shall ⁸⁹¹[within sixty days of receipt of such application in the Board] appoint a committee consisting of an officer of ⁸⁹¹[Inland Revenue ⁸⁹¹[not below the rank of Commissioner]] and two persons from a⁸⁹¹[panel comprising] of Chartered or Cost Accountants, Advocates, Income Tax Practitioners or reputable taxpayers for the resolution of the hardship or dispute.

⁸⁹¹[(3) The Committee constituted under sub-section (2) shall examine the issue and may if it deem fit necessary conduct inquiry seek expert opinion, direct any officer of the ⁸⁹¹[Inland Revenue] or any other person to conduct an audit and shall make recommendations within ninety days of its constitution in respect of the resolution of the dispute. If the committee fails to make recommendations within the said period the Board shall dissolve the committee and constitute a new committee which shall decide the matter within a further period of ninety days. If after the expiry of that period the dispute is not resolved the matter shall be taken up by the appropriate forum for decision.]

(4) The ⁸⁹¹[Board] may, on the recommendation of the committee, pass such order, as it may deem appropriate ⁸⁹¹[within ⁸⁹¹[ninety] days of the receipt of recommendations of the Committee] ⁸⁹¹[:]

Provided that if such order is not passed within the aforesaid period, recommendations of the committee shall be treated to be an order passed by the Board under this sub-section.]

⁸⁹¹[(4A) Notwithstanding anything contained in sub-section (4), the Chairman Federal Board of Revenue may, on the application of an aggrieved person, for reasons to be recorded in writing, and on being satisfied that there is an error in order or decision, pass such order as may be deemed just and equitable.]

Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to—

- (a) the liability of tax against the aggrieved person, or admissibility of refunds, as the case may be;
- (b) the extent of waiver of default surcharge and penalty; or
- (c) any other specific relief required to resolve the dispute,

may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated or where interpretation of question of law is involved having effect on other cases.

(2) The Board may, after examination of the application of an aggrieved person, appoint a committee, within sixty days of receipt of such application in the Board, comprising,—

- (i) an officer of Inland Revenue not below the rank of a Commissioner;
- (ii) person to be nominated by the taxpayer from a panel notified by the Board comprising,—
 - (a) senior chartered accountants and senior advocates having experience in the field of taxation; and
 - (b) reputable businessmen as nominated by Chambers of Commerce and Industry:

Provided that the taxpayer shall not nominate a Chartered Accountant or an advocate if the said Chartered Accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer; and

- (iii) a retired Judge not below the rank of District and Sessions Judge, to be nominated through consensus by the members appointed under clauses (i) and (ii).

(3) The aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority, after constitution of the committee by the Board under sub-section (2).

(4) The committee shall not commence the proceedings under sub-section (5) unless the order of withdrawal by the court of law or the Appellate Authority is communicated to the Board:

Provided that if the order of withdrawal is not communicated within seventy five days of the appointment of the committee, the said committee shall be dissolved and provisions of this section shall not apply.

(5) *The aggrieved person may make the payment of income tax and other taxes as determined by the 891[Board] in its order under sub-section (4) and all decisions, orders and judgments made or passed shall stand modified to that extent and all proceedings under this Ordinance or the rules made there under by any authority shall abate:*

*Provided that 891[***] an 891[order passed by] the Board in the light of recommendations of the committee shall be submitted before that authority, tribunal or the court 891[where the matter is subjudice] for consideration and orders as deemed appropriate 891[***]*

891[Provided further that if the taxpayer is not satisfied with the said order, he may continue to pursue his remedy before the relevant authority, tribunal or court as if no such order had been made by the Board.]

891[***]

(7) *The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.*

(5) The Committee appointed under sub-section (2) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:

Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (4) shall be excluded.

(6) The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed under sub-section (2) shall be deemed to have been stayed on withdrawal of appeal up to the date of decision by the Committee.

(7) The decision of the committee under sub-section (5) shall be binding on the Commissioner and the aggrieved person.

(8) If the Committee fails to decide within the period of one hundred and twenty days under sub-section (5), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the Appellate Authority which issued the order of withdrawal under sub-section (4) and the appeal shall be treated to be pending before such court of law or the Appellate Authority as if the appeal had never been withdrawn.

(9) The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.

(10) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the Appellate Authority, which shall decide the appeal within six months of the communication of said order.

(11) The aggrieved person may make the payment of income tax and other taxes as decided by the committee under sub-section (5) and all decisions, orders and judgments made or passed shall stand modified to that extent.

(12) The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (i) of sub-section (2).

(13) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.]

⁸⁹² [***]

892 Section 135 omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

“135. Revision by the Commissioner.-(1) The Commissioner may either of the Commissioner’s own motion or on application in writing by a person for revision, call for the record of any proceeding under this Ordinance in which an order has been passed by any taxation officer other than the Commissioner (Appeals).”

(2) Subject to sub-section (3), where, after making such inquiry as is necessary, Commissioner considers that the order requires revision, the Commissioner may make such revision to the order as the Commissioner thinks fit.

(3) An order under sub-section (2) shall not be prejudicial to the person to whom the order relates.

(4) The Commissioner shall not revise any order under sub-section (2) if –

- (a) where an appeal against the order lies to the Commissioner (Appeals) or to the Appellate Tribunal, the time within which such appeal may be made has not expired, or the person has not waived their right of appeal;
- (b) the order is pending on appeal before the Commissioner (Appeals) or has been made the subject of an appeal to the Appellate Tribunal; or
- (c) in the case of an application made by a person, the application has not been made within ninety days of the date on which such order was served on the person, unless the Commissioner is satisfied that the person was prevented by sufficient cause from making the application within the time allowed.

(5) No application for revision of an assessment order may be made under sub-section (1) unless the amount of tax due under the assessment that is not in dispute has been paid by the taxpayer.

(6) An application under sub-section (1) shall be accompanied by –

- (a) in relation to an assessment order, a fee of the lesser of two thousand five hundred rupees or ten percent of the tax assessed; or
- (b) in any other case –

136. Burden of proof.-In any appeal ⁸⁹³[by a taxpayer] under this Part, the burden shall be on the taxpayer to prove, on the balance of probabilities –

- (a) in the case of an assessment order, the extent to which the order does not correctly reflect the taxpayer's tax liability for the tax year; or
- (b) in the case of any other decision, that the decision is erroneous.

PART IV COLLECTION AND RECOVERY OF TAX

137. Due date for payment of tax.-(1) The tax payable by a taxpayer on the taxable income of the taxpayer ⁸⁹⁴[including the tax payable under ⁸⁹⁵[***]] ⁸⁹⁶[section ⁸⁹⁷[113 or] 113A] for a tax year shall be due on the due date for furnishing the taxpayer's return of income for that year.

⁸⁹⁸[(2) Where any tax is payable under an assessment order or an amended assessment order or any other order issued by the Commissioner under this Ordinance, a notice shall be served upon the taxpayer in the prescribed form specifying the amount payable and thereupon the sum so specified shall be paid within ⁸⁹⁹[Thirty] days from the date of service of the notice ⁹⁰⁰[⁹⁰¹[⁹⁰²[;]]]]

⁹⁰³[Provided that the due date for payment of tax payable under sub-section (7) of section 147 shall be the date specified in sub-section (5) or sub-section (5A) or first proviso to sub-section (5B) of section 147.]

⁹⁰⁴[***]

- (i) where the applicant is a company, a fee of two thousand rupees; or
- (ii) where the applicant is not a company, a fee of five hundred rupees.

(7) An order by the Commissioner declining to interfere shall not be treated as an order prejudicial to the applicant."

⁸⁹³ The words inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁸⁹⁴ The words inserted vide the Finance Act, 2003(I of 2003 assented on 16th June, 2003). Earlier this amendment was made vide Notification No. SRO 633(I)/2002 dated 14th September, 2002 and which was SRO 633(I)/2002 dated 14th September, 2002 rescinded vide Notification No.SRO 608(I)/2003 dated 24th June, 2003 with effective from 1st July, 2003

⁸⁹⁵ The words and figure "section 113 or" omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

⁸⁹⁶ The words figure and letter were inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

⁸⁹⁷ The figure and word were inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁸⁹⁸ Sub-section (2) was substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution sub-section (2) was as under:--

"(2) Where an assessment order or amended assessment order is issued by the Commissioner, the tax payable under the order shall be payable within fifteen days from the date of the assessment order is issued."

⁸⁹⁹ Substituted for the word "fifteen" vide the Finance Act, 2015

⁹⁰⁰ Substituted for the full stop vide Finance Act, 2010 (XVI of 2010 assented on 30th June, 2010). This amendment was effective from 5th June, 2010 by the declaration made under the provisional collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made by the finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the finance (Amendment) ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009.

⁹⁰¹ For the colon, , a full stop was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁹⁰² Substituted vide the Finance Act, 2018 assented on 22nd May, 2018.

⁹⁰³ Added vide the Finance Act, 2018 assented on 22nd May, 2018.

⁹⁰⁴ Proviso was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of omission proviso was as under:-

i[Provided that the tax payable as a result of provisional assessment ii[order] under section 122C, as specified in the notice under sub-section (2) shall be payable iii[immediately] after a period of iv[forty-five] days from the date of service of the notice v[:]]

i. Proviso was added vide Finance Act, 2010 (XVI of 2010) assented on 30th June, 2010) effective from 5th June, 2010 by the declaration made under the provisional collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made by the Finance (Amendment) Ordinance, 2010 (III of 2010) promulgated on 6th February, 2010 and the finance (Amendment) Ordinance, 2009 (XXII of 2009) promulgated on 28th October, 2009.

ii. The word inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

iii. The word inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

iv. Substituted for the word "sixty" vide the Finance Act, 2015

v. Substituted for the full stop vide Finance Act, 2012

⁹⁰⁵[***]

(3) Nothing in sub-section (2) ⁹⁰⁶[or (4)] shall affect the operation of sub-section (1).

(4) Upon written application by a taxpayer, the Commissioner may, where good cause is shown, grant the taxpayer an extension of time for payment of tax due ⁹⁰⁷[under sub-section (2)] or allow the taxpayer to pay ⁹⁰⁸[such tax] in installments of equal or varying amounts as the Commissioner may determine having regard to the circumstances of the case.

(5) Where a taxpayer is permitted to pay tax by installments and the taxpayer defaults in payment of any installments, the whole balance of the tax outstanding shall become immediately payable.

(6) The grant of an extension of time to pay tax due or the grant of permission to pay tax due by installments shall not preclude the liability for ⁹⁰⁹[default surcharge] arising under section 205 from the due date of the tax under sub-section ⁹¹⁰[(2)].

⁹¹¹ [***]

⁹¹²[**138. Recovery of tax out of property and through arrest of taxpayer.**-(1) For the purpose of recovering any tax due by a taxpayer, the Commissioner may serve upon the taxpayer a notice in the prescribed form requiring him to pay the said amount within such time as may be specified in the notice.

(2) If the amount referred to in the notice issued under sub-section (1) is not paid within the time specified therein or within the further time, if any, allowed by the Commissioner, the Commissioner may proceed to recover from the taxpayer the said amount by one or more of the following modes, namely:-

- (a) attachment and sale of any movable or immovable property of the taxpayer;
- (b) appointment of a receiver for the management of the movable or immovable property of the taxpayer; and
- (c) arrest of the taxpayer and his detention in prison for a period not exceeding six months.

⁹⁰⁵ Proviso was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of omission proviso was as under:-

i[Provided further that the taxpayer may pay the tax payable prior to expiry of the period of sixty days specified in the first proviso]

i. Proviso added vide Finance Act, 2012

⁹⁰⁶ The word, brackets and figure inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier this amendment was made vide Notification No. SRO 633(I)/2002 dated 14th September, 2002 and which was SRO 633(I)/2002 dated 14th September, 2002 rescinded vide Notification No. SRO 608(I)/2003 dated 24th June, 2003 with effective from 1st July, 2003

⁹⁰⁷ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁹⁰⁸ Substituted for the words "any tax due" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁹⁰⁹ The word "additional Tax" substituted vide Finance Act, 2010. This amendment was effective from 5th June, 2010 by the declaration made under the provisional collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made by the finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the finance (Amendment) ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009).

⁹¹⁰ Substituted for the brackets and figure "(I)" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁹¹¹ Sub-section (7) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission sub-section (7) was as under:-

"(7) A taxpayer dissatisfied with a decision under sub-section (4) may challenge the decision only under Part III of this Chapter."

⁹¹² Section 138 was substituted vide Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution section 138 was as under:-

"**138. Tax as a debt due to the Federal Government.**-(1) Any tax due under this Ordinance by a taxpayer shall be a debt due to the Federal Government and shall be payable in the manner and at the place prescribed.

(2) Any tax that has not been paid by the due date may be sued for and recovered in any court of competent jurisdiction by the Commissioner acting in the Commissioner's official name.

(3) In any suit under sub-section (2), the production of a certificate signed by the Commissioner stating the name and address of the taxpayer and the amount of tax due shall be conclusive evidence of the amount of tax due by such taxpayer."

(3) For the purposes of recovery of tax under sub-section (2), the Commissioner shall have the same powers as a Civil Court has under the Code of Civil Procedure, 1908 (Act V of 1908), for the purposes of the recovery of any amount due under a decree.

(4) The ⁹¹³[Board] may make rules regulating the procedure for the recovery of tax under this section and any other matter connected with, or incidental to, the operation of this section.]

⁹¹⁴[**138A. Recovery of tax by District Officer (Revenue).**-(1) The Commissioner may forward to the District Officer (Revenue) of the district in which the taxpayer resides or carries on business or in which any property belonging to the taxpayer is situated, a certificate specifying the amount of any tax due from the taxpayer, and, on receipt of such certificate, the District Officer (Revenue) shall proceed to recover from the taxpayer the amount so specified as, it were an arrear of land revenue.

(2) Without prejudice to any other power of the District Officer (Revenue) in this behalf, he shall have the same powers as a Civil Court has under the Code of Civil Procedure, 1908 (Act V of 1908), for the purpose of the recovery of the amount due under a decree.]

⁹¹⁵[**138B. Estate in bankruptcy.**-(1) If a taxpayer is declared bankrupt, the tax liability under this Ordinance shall pass on to the estate in bankruptcy.

(2) If tax liability is incurred by an estate in bankruptcy, the tax shall be deemed to be a current expenditure in the operations of the estate in bankruptcy and shall be paid before the claims preferred by other creditors are settled]

139. Collection of tax in the case of private companies and associations of persons.-(1) Notwithstanding anything in the Companies Ordinance, 1984 (XLVII of 1984), where any tax payable by a private company (including a private company that has been wound up or gone into liquidation) in respect of any tax year cannot be recovered from the company, every person who was, at any time in that tax year –

- (a) a director of the company, other than an employed director; or
- (b) a shareholder in the company owning not less than ten per cent of the paid-up capital of the company, shall be jointly and severally liable for payment of the tax due by the company.

(2) Any director who pays tax under sub-section (1) shall be entitled to recover the tax paid from the company or a share of the tax from any other director.

(3) A shareholder who pays tax under sub-section (1) shall be entitled to recover the tax paid from the company or from any other shareholder to whom clause (b) of sub-section (1) applies in proportion to the shares owned by that other shareholder.

(4) Notwithstanding anything in any law, where any tax payable by a member of an association of persons in respect of the member's share of the income of the association in respect of any tax year cannot be recovered from the member, the association shall be liable for the tax due by the member.

(5) The provisions of this Ordinance shall apply to any amount due under this section as if it were tax due under an assessment order.

140. Recovery of tax from persons holding money on behalf of a taxpayer.-(1) For the purpose of recovering any tax due by a taxpayer, the Commissioner may, by notice, in writing, require any person –

- (a) owing or who may owe money to the taxpayer; or
- (b) holding or who may hold money for, or on account of the taxpayer;

⁹¹³ The words "Central Board of Revenue" was substituted vide the Finance Act, 2007 (I of 2007 assented on 30th June, 2007)

⁹¹⁴ Section 138A was inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

⁹¹⁵ Section 138B was added vide Finance Act, 2010 (XVI of 2010)

- (c) holding or who may hold money on account of some other person for payment to the taxpayer; or
- (d) having authority of some other person to pay money to the taxpayer, to pay to the Commissioner so much of the money as set out in the notice by the date set out in the notice ⁹¹⁶[:

Provided that the Commissioner shall not issue notice under this sub-section for recovery of any tax due from a taxpayer if the said taxpayer has filed an appeal under section 127 in respect of the order under which the tax sought to be recovered has become payable and the appeal has not been decided by the Commissioner (Appeals), subject to the condition that ⁹¹⁷[ten] per cent of the said amount of tax due has been paid by the taxpayer.]

- (2) Subject to sub-section (3), the amount set out in a notice under sub-section (1) –
 - (a) where the amount of the money is equal to or less than the amount of tax due by the taxpayer, shall not exceed the amount of the money; or
 - (b) in any other case, shall be so much of the money as is sufficient to pay the amount of tax due by the taxpayer.

(3) Where a person is liable to make a series of payments (such as salary) to a taxpayer, a notice under sub-section (1) may specify an amount to be paid out of each payment until the amount of tax due by the taxpayer has been paid.

(4) The date for payment specified in a notice under sub-section (1) shall not be a date before the money becomes payable to the taxpayer or held on the taxpayer's behalf.

(5) The provisions of sections 160, 161, 162 and 163, so far as may be, shall apply to an amount due under this section as if the amount were required to be deducted from a payment under Division III of Part V of this Chapter.

(6) Any person who has paid any amount in compliance with a notice under sub-section (1) shall be treated as having paid such amount under the authority of the taxpayer and the receipt of the Commissioner constitutes a good and sufficient discharge of the liability of such person to the taxpayer to the extent of the amount referred to in such receipt.

⁹¹⁸[***]

⁹¹⁹[***]

⁹²⁰[***]

- (10) In this section, "person" includes any Court, Tribunal or any other authority.

141. Liquidators.-(1) Every person (hereinafter referred to as a "liquidator") who is –

⁹¹⁶ Full stop was Substituted with a "colon" and thereafter new proviso was Added vide the Finance Act, 2016 (XXIX of 2016)

⁹¹⁷ Substituted for the word "twenty-five" vide the Finance Act, 2018 assented on 22nd May, 2018.

⁹¹⁸ Sub-section (7) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission sub-section (7) was as under:--

"(7) Where an amount has been paid under sub-section (1), the taxpayer shall be allowed a tax credit for the amount (unless the amount paid represents a final tax on the taxpayer's income) in computing the tax due by the taxpayer on the taxpayer's taxable income for the tax year in which the amount was paid."

⁹¹⁹ Sub-section (8) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission sub-section (8) was as under:--

"(8) The tax credit allowed under this section shall be applied in accordance with sub-section (3) of section 4."

⁹²⁰ Sub-section (9) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission sub-section (9) was as under:--

"(9) A tax credit or part of a tax credit allowed under this section for a tax year that is not able to be credited under sub-section (3) of section 4 for the year must be refunded to the taxpayer in accordance with section 170."

- (a) a liquidator of a company;
- (b) a receiver appointed by a Court or appointed out of Court;
- (c) a trustee for a bankrupt; or
- (d) a mortgagee in possession, shall, within fourteen days of being appointed or taking possession of an asset in Pakistan, whichever occurs first, give written notice thereof to the Commissioner.

(2) The Commissioner shall, within three months of being notified under sub-section (1), notify the liquidator in writing of the amount which appears to the Commissioner to be sufficient to provide for any tax which is or will become payable by the person whose assets are in the possession of the liquidator.

(3) A liquidator shall not, without leave of the Commissioner, part with any asset held as liquidator until the liquidator has been notified under sub-section (2).

(4) A liquidator -

- (a) shall set aside, out of the proceeds of sale of any asset by the liquidator, the amount notified by the Commissioner under sub-section (2), or such lesser amount as is subsequently agreed to by the Commissioner;
- (b) shall be liable to the extent of the amount set aside for the tax of the person who owned the asset; and
- (c) may pay any debt that has priority over the tax referred to in this section notwithstanding any provision of this section.

(5) A liquidator shall be personally liable to the extent of any amount required to be set aside under sub-section (4) for the tax referred to in sub-section (2) if, and to the extent that, the liquidator fails to comply with the requirements of this section.

(6) Where the proceeds of sale of any asset are less than the amount notified by the Commissioner under sub-section (2), the application of sub-sections (4) and (5) shall be limited to the proceeds of sale.

(7) This section shall have effect notwithstanding anything contained in any other law for the time being in force.

(8) The provisions of this Ordinance shall apply to any amount due under this section as if it were tax due under an assessment order.

142. Recovery of tax due by non-resident member of an association of persons.-(1) The tax due by a non-resident member of an association of persons in respect of the member's share of the profits of the association shall be assessable in the name of the association or of any resident member of the association and may be recovered out of the assets of the association or from the resident member personally.

(2) A person making a payment under this section shall be treated as acting under the authority of the non-resident member and is hereby indemnified in respect of the payment against all proceedings, civil or criminal, and all processes, judicial or extra-judicial, notwithstanding any provisions to the contrary in any written law, contract or agreement.

(3) The provisions of this Ordinance shall apply to any amount due under this section as if it were tax due under an assessment order.

143. Non-resident ship owner or charterer.-(1) Before the departure of a ship owned or chartered by a non-resident person from any port in Pakistan, the master of the ship shall furnish to the Commissioner a return showing the gross amount specified in sub-section (1) of section 7 in respect of the ship.

(2) Where the master of a ship has furnished a return under sub-section (1), the

Commissioner shall ⁹²¹[, after calling for such particulars, accounts or documents as he may require,] determine the amount of tax due under section 7 in respect of the ship and, as soon as possible, notify the master, in writing, of the amount payable.

(3) The master of a ship shall be liable for the tax notified under sub-section (2) and the provisions of this Ordinance shall apply to such tax as if it were tax due under an assessment order.

(4) Where the Commissioner is satisfied that the master of a ship or non-resident owner or charterer of the ship is unable to furnish the return required under sub-section (1) before the departure of the ship from a port in Pakistan, the Commissioner may allow the return to be furnished within thirty days of departure of the ship provided the non-resident owner or charterer has made satisfactory arrangements for the payment of the tax due under section 7 in respect of the ship.

(5) The Collector of Customs or other authorised officer shall not grant a port clearance for a ship owned or chartered by a non-resident person until the Collector or officer is satisfied that any tax due under section 7 in respect of the ship has been paid or that arrangements for its payment have been made to the satisfaction of the Commissioner.

(6) This section shall not relieve the non-resident owner or charterer of the ship from liability to pay any tax due under this section that is not paid by the master of the ship.

144. Non-resident aircraft owner or charterer.-(1) A non-resident owner or charterer of an aircraft ⁹²²[***] liable for tax under section 7, or an agent authorised by the non-resident person for this purpose, shall furnish to the Commissioner, within forty-five days from the last day of each quarter of the financial year, a return, in respect of the quarter, showing the gross amount specified in sub-section (1) of section 7 of the non-resident person for the quarter.

(2) Where a return has been furnished under sub-section (1), the Commissioner shall ⁹²³[, after calling for such particulars, accounts or documents as he may require,] determine the amount of tax due under section 7 by the non-resident person for the quarter and notify the non-resident person, in writing, of the amount payable.

(3) The non-resident person shall be liable to pay the tax notified under sub-section (2) within the time specified in the notice and the provisions of this Ordinance shall apply to such tax as if it were tax due under an assessment order.

(4) Where the tax referred to in sub-section (3) is not paid within three months of service of the notice, the Commissioner may issue to the authority by whom clearance may be granted to the aircraft operated by the non-resident person a certificate specifying the name of the non-resident person and the amount of tax due.

(5) The authority to whom a certificate is issued under sub-section (4) shall refuse clearance from any airport in Pakistan to any aircraft owned or chartered by the non-resident until the tax due has been paid.

⁹²⁴[**145. Assessment of persons about to leave Pakistan.**-(1) Where any person is likely to leave

921 Inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

922 The words "shall be" omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

923 The comma and words were inserted vide the Finance ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

924 Section 145 was substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution section 145 was as under:--

"145. Collection of tax from persons leaving Pakistan permanently.-(1) Where the Commissioner has reasonable grounds to believe that a person may leave Pakistan permanently without paying tax due under this Ordinance, the Commissioner may issue a certificate containing particulars of the tax due to the Commissioner of Immigration and request the Commissioner of Immigration to prevent that person from leaving Pakistan until that person -

(a) makes payment of tax in full; or

(b) makes an arrangement satisfactory to the Commissioner for payment of the tax due.

(2) A copy of a certificate issued under sub-section (1) shall be served on the person named in the certificate if it is practicable to do so.

Pakistan during the currency of tax year or shortly after its expiry with no intention of returning to Pakistan, he shall give to the Commissioner a notice to that effect not less than fifteen days before the probable date of his departure (hereinafter in this section referred to as the 'said date').

(2) The notice under sub-section (1) shall be accompanied by a return or returns of taxable income in respect of the period commencing from the end of the latest tax year for which an assessment has been or, where no such assessment has been made, a return has been made, as the case may be, and ending on the said date, or where no such assessment or return has been made, the tax year or tax years comprising the period ending on the said date; and the period commencing from the end of the latest tax year to the said date shall, for the purposes of this section, be deemed to be a tax year (distinct and separate from any other tax year) in which the said date falls.

(3) Notwithstanding anything contained in sub-sections (1) and (2), the Commissioner may serve a notice on any person who, in his opinion, is likely to leave Pakistan during the current tax year or shortly after its expiry and has no intention of returning to Pakistan, to furnish within such time as may be specified in such notice, a return or returns of taxable income for the tax year or tax years for which the taxpayer is required to furnish such return or returns under sub-section (2).

(4) The taxable income shall be charged to tax at the rates applicable to the relevant tax year and all the provisions of this Ordinance shall, so far as may be, apply accordingly.]

146. Recovery of tax from persons assessed in Azad Jammu and Kashmir⁹²⁵[and Gilgit-Baltistan].-(1) Where any person assessed to tax for any tax year under the law relating to income tax in the Azad Jammu and Kashmir⁹²⁶[or Gilgit-Baltistan] has failed to pay the tax and the income tax authorities of the Azad Jammu and Kashmir⁹²⁷[or Gilgit-Baltistan] cannot recover the tax because –

- (a) the person's residence is in Pakistan; or
- (b) the person has no movable or immovable property in the Azad Jammu and Kashmir⁹²⁸[or Gilgit-Baltistan], the Deputy Commissioner in the Azad Jammu and Kashmir⁹²⁹[or Gilgit-Baltistan] may forward a certificate of recovery to the Commissioner and, on receipt of such certificate, the Commissioner shall recover the tax referred to in the certificate in accordance with this Part.

(2) A certificate of recovery under sub-section (1) shall be in the prescribed form specifying–

- (a) the place of residence of the person in Pakistan;
- (b) the description and location of movable or immovable property of the person in Pakistan; and
- (c) the amount of tax payable by the person.

⁹³⁰[**146A. Initiation, validity, etc., of recovery proceedings.**-(1) Any proceedings for the recovery of tax under this Part may be initiated at any time.

(2) The Commissioner may, at any time, amend the certificate issued under section 138A, or recall such certificate and issue fresh certificate, as he thinks fit.

(3) It shall not be open to a taxpayer to question before the District Officer (Revenue) the validity or correctness of any certificate issued under section 138A, or any such certificate as

(3) *Payment of the tax specified in the certificate to a customs or immigration officer or the production of a certificate signed by the Commissioner stating that the tax has been paid or satisfactory arrangements for payment have been made shall be sufficient authority for allowing the person to leave Pakistan."*

⁹²⁵ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁹²⁶ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁹²⁷ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁹²⁸ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁹²⁹ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

⁹³⁰ Section 146A inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

amended, or any fresh certificate issued, under sub-section (2).

(4) The several modes of recovery provided in this Part shall be deemed to be neither mutually exclusive nor affect in any way any other law for the time being in force relating to the recovery of debts due to the Government and the Commissioner may have recourse to any such mode of recovery notwithstanding that the tax due is being recovered from a taxpayer by any other mode.]

⁹³¹[**146B. Tax arrears settlement incentives scheme.**-(1) Subject to provisions of this Ordinance, the Board may make scheme in respect of recovery of tax arrears or withholding taxes and waiver of ⁹³²[default surcharge] or penalty levied thereon.

(2) The Board may make rules under section 237 for implementation of such scheme.]

PART V ADVANCE TAX AND DEDUCTION OF TAX AT SOURCE

Division I Advance Tax Paid by the Taxpayer

147. Advance tax paid by the taxpayer.-(1) Subject to sub-section (2), every taxpayer ⁹³³[whose income was charged to tax for the latest tax year under this Ordinance or latest assessment year under the repealed Ordinance] other than –

⁹³⁴[***]

(b) income chargeable to tax under sections 5, 6 and 7;

⁹³⁵[***]

(c) income subject to deduction of tax at source under section 149; ⁹³⁶[and]

⁹³⁷[***]

(d) income from which tax has been collected under Division II or deducted under Division III ⁹³⁸[or deducted or collected under Chapter XII] and for which no tax credit is allowed as a result of sub-section (3) of section 168, shall be liable to pay advance tax for the year in accordance with this section.

(2) This section does not apply to an individual ⁹³⁹[***]] where the individual's ⁹⁴⁰[or ⁹⁴¹[***]] latest assessed taxable income excluding income referred to in clauses (a), (b), ⁹⁴²[(ba),] (c)

⁹³¹ Inserted vide the Finance Act, 2008

⁹³² The word “additional tax” substituted vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the provisional collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made by the finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the finance (Amendment) ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009).

⁹³³ Substituted for the words “who derives or expects to derive income chargeable to tax under this Ordinance in a tax year” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003).

⁹³⁴ Clause (a) omitted vide Finance Act, 2010 (XVI of 2010). At the time of omission clause (a) was as under:--
“(a) income chargeable to tax under the head —Capital Gains”

⁹³⁵ Clause (ba) was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission clause (ba) was as under:--
“(ba) income chargeable to tax under section 15;”

⁹³⁶ The word “or” was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁹³⁷ Clause (ca) omitted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). At the time of omission clause (ca) was as under:--
i[(ca) income chargeable to tax under section 233 and clauses (a) and (b) of sub-section (I) of section 233A;”

i. Clause (ca) inserted vide the finance Act, 2006 (III of 2006 assented on 30th June, 2006)

⁹³⁸ The words and figure were inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁹³⁹ The words “or association of person” were omitted vide Finance Act, 2010 (XVI of 2010). Earlier, the words “or association of person” were inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

⁹⁴⁰ The words were inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

⁹⁴¹ The words i[or ii[association of person] omitted vide Finance Act, 2010 (XVI of 2010)

i. The words were inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

ii. Substituted for the words “association of persons” vide the finance Act, 2005 (VII of 2005 assented

and (d) of sub-section (1) is less than ⁹⁴³[one million] rupees.

⁹⁴⁴[***]

⁹⁴⁵[(4) Where the taxpayer is ⁹⁴⁶[an association of persons or] a company, the amount of advance tax due for a quarter shall be computed according to the following formula, namely ⁹⁴⁷[.]]

⁹⁴⁸[Provided that where the taxpayer fails to provide turnover or the turnover for the quarter is not known, it shall be taken to be one-fourth of one hundred and ten percent of the turnover of the latest tax year for which a return has been filed;]

(A x B/C)–D

Where –

A is the taxpayer's turnover for the quarter;

-
- on 29th June, 2005
- 942 The brackets, letters and comma inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
- 943 For the words "five hundred thousand", the words "one million" was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. Earlier, for word "two" the word "five" was substituted for Finance Act, 2010 (XVI of 2010). Whereas, the word "two" replaced "one" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003), which was part of the words "one hundred and fifty thousand"
- 944 Sub-section (3) omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of omission sub-section (3) was as under:--
- "(3) Advance tax shall be payable by a taxpayer in respect of the following periods, namely:--
- (a) 1st of July to 30th September (referred to as the "September quarter");
- (b) 1st October to 31st December (referred to as the "December quarter");
- (c) 1st January to 31st March (referred to as the "March quarter"); and
- (d) 1st April to 30th June (referred to as the "June quarter")."
- 945 Substituted for the sub-section (4) vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). At the time of substitution sub-section (4) was as under:-
- i[(4) where the taxpayer is a company, the amount of advance tax due for a quarter shall be computed according to the following formula, namely:-
- (A/4) - B
- Where –
- A is the tax assessed to the taxpayer for the latest tax year or latest assessment year under the repealed Ordinance; and
- B is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section 149 or 155."
- i. Sub-section (4) was substituted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of substitution sub-section (4) was as under:-
- (4) iif where the taxpayer is a company or an association of persons, the amount of advance tax due for a quarter shall be computed according to the following formula, namely:-
- (A X B/C) - D
- Where –
- A is the taxpayer's turnover for the quarter,
- B is the tax assessed to the taxpayer for the latest tax year or latest assessment year iii[or the latest assessment year under the repealed Income Tax Ordinance, 1979]
- C is the taxpayer's turnover for the latest tax year iv[or the latest assessment year under the repealed Income Tax Ordinance, 1979]; and
- D is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section v[155]."
- ii. Substituted for the words "The amount" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)
- iii. The words, comma and figure added vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier this Amendment was made vide Notification No. SRO 380(I)/2003 dated 3rd may, 2003 and which was SRO 380(I)/2003 dated 3rd may, 2003 rescinded vide SRO 608(I)/2003 dated 24th June, 2003 with effect from 1st July, 2003.
- iv. The words, comma and figure added vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier this Amendment was made vide Notification No. SRO 380(I)/2003 dated 3rd may, 2003 and which was SRO 380(I)/2003 dated 3rd may, 2003 rescinded vide SRO 608(I)/2003 dated 24th June, 2003 with effect from 1st July, 2003.
- v. Substituted for the figure "149" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003
- 946 Substituted for the word "is" vide Finance Act, 2010
- 947 Substituted vide the Finance Act, 2018 assented on 22nd May, 2018.
- 948 Added vide the Finance Act, 2018 assented on 22nd May, 2018.

- B is the tax assessed to the taxpayer for the latest tax year;
- C is the taxpayer's turnover for the latest tax year; and
- D is the tax paid in the quarter for which a tax credit is allowed under section 168⁹⁴⁹[***]⁹⁵⁰;

Explanation.- For removal of doubt it is clarified that tax assessed includes tax under sections 113 and 113C.]

⁹⁵¹[(4A) Any taxpayer ⁹⁵²[including a banking company] who is required to make payment of advance tax in accordance with sub-section (4), shall estimate the tax payable for the relevant tax year, at any time before the second installment is due. In case the tax payable is likely to be more than the amount that the taxpayer ⁹⁵³[including a banking company] is required to pay under sub-section (4), the taxpayer ⁹⁵⁴[including a banking company] shall furnish to the Commissioner on or before the due date of the second quarter an estimate of the amount of tax payable by the taxpayer ⁹⁵⁵[including a banking company] and thereafter pay fifty per cent of such amount by the due date of the second quarter of the tax year after making adjustment for the amount (if any) already paid in terms of sub-section (4). The remaining fifty per cent of the estimate shall be paid after the second quarter in two equal installments payable by the due date of the third and fourth quarter of the tax year.]

⁹⁵⁶[***]

⁹⁵⁷[(4AA) Tax liability under ⁹⁵⁸[sections 113 and 113C] shall also be taken into account while working out payment of advance tax liability under this section.]

⁹⁵⁹[⁹⁶⁰[4B]] Where the taxpayer is an individual ⁹⁶¹[***] having latest assessed income of ⁹⁶²[one million] or more as determined under sub-section (2), the amount of advance tax due for a quarter shall be computed according to the following formula, namely: -

(A/4) - B

Where –

- A is the tax assessed to the taxpayer for the latest tax year or latest assessment year

⁹⁴⁹ The comma and words, “; other than tax deducted under section 155” were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.

⁹⁵⁰ Full stop was Substituted with a “semi-colon” and thereafter new Explanation was Added vide the Finance Act, 2016 (XXIX of 2016)

⁹⁵¹ Sub-section (4A) was substituted vide Finance Act, 2015. At the time of substitution sub-section (4A) was as under:-

if (4A) Any taxpayer who is required to make payment of advance tax in accordance with sub-section (4), shall estimate the tax payable by him for the relevant tax year, at any time before the last installment is due. In case the tax payable is likely to be more than the amount he is required to pay under sub-section (4), the taxpayer shall furnish to the Commissioner an estimate of the amount of tax payable by him and thereafter pay such amount after making adjustment for the amount (if any) already paid in terms of sub-section (4).]

i. Sub-section (4A) inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006

⁹⁵² *Inserted vide the Finance Act, 2018 assented on 22nd May, 2018.*

⁹⁵³ *Inserted vide the Finance Act, 2018 assented on 22nd May, 2018.*

⁹⁵⁴ *Inserted vide the Finance Act, 2018 assented on 22nd May, 2018.*

⁹⁵⁵ *Inserted vide the Finance Act, 2018 assented on 22nd May, 2018.*

⁹⁵⁶ Sub-section (4AA) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission sub-section (4AA) was as under:

if (4AA) Tax liability under section 113 shall also be taken into account while working out payment of advance tax liability under this section.]

i. Sub-section (4AA) inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

⁹⁵⁷ Sub-section (4AA) inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁹⁵⁸ Substituted for the expression “section 113” vide the Finance Act, 2016 (XXIX of 2016)

⁹⁵⁹ Sub-section (4A) inserted vide Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁹⁶⁰ Sub-section (4A) re-numbered vide the Finance Act, 2006 (III of 2006)

⁹⁶¹ The words *if (or an association of person)* was omitted vide the Finance Act, 2010 (XVI of 2010)

i. The words inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

⁹⁶² For the words “five hundred thousand”, the words “one million” was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. Earlier, the word “five” of the words “five hundred thousand” was substituted in place of “two” vide the Finance Act, 2010 (XVI of 2010)

under the repealed Ordinance; and

B is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section 149 ⁹⁶³[***].]

- (5) Advance tax is payable by ⁹⁶⁴[an individual ⁹⁶⁵[***]] to the Commissioner –
- (a) in respect of the September quarter, on or ⁹⁶⁶[before] the ⁹⁶⁷[15th day of September];
 - (b) in respect of the December quarter, on or before the ⁹⁶⁸[15th day of December];
 - (c) in respect of the March quarter, on or before the ⁹⁶⁹[15th day of March]; and
 - (d) in respect of the June quarter, on or before the ⁹⁷⁰[15th day of June].

⁹⁷¹[(5A) Advance tax shall be payable by an association of persons or a company to the Commissioner--

- (a) in respect of the September quarter, on or before the 25th day of September;
- (b) in respect of the December quarter, on or before the 25th day of December;
- (c) in respect of the March quarter, on or before the 25th day of March; and
- (d) in respect of the June quarter, on or before the 15th day of June.]

⁹⁷²[(5B) Adjustable advance tax on capital gain from sale of securities shall be chargeable as under, namely:—

TABLE

S. No.	Period	Rate of Advance Tax
(1)	(2)	(3)
1	Where holding period of a security is less than six months	2% of the capital gains derived during the quarter.
2	Where holding period of a security is more than six months but less than twelve month	1.5% of the capital gains derived during the quarter:

Provided that such advance tax shall be payable to the Commissioner within a period of ⁹⁷³[twenty-one] days after the close of each quarter:

⁹⁶³ The words and figure, “or 155” were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.

⁹⁶⁴ The words “a taxpayer” substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁹⁶⁵ The words “or an association of person” were omitted vide Finance Act, 2010 (XVI of 2010)

⁹⁶⁶ The word “by” substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

⁹⁶⁷ Substituted for the figure and words “7th day of October” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004

⁹⁶⁸ Substituted for the figure and words “7th day of January” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004

⁹⁶⁹ Substituted for the figure and words “7th day of April” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004

⁹⁷⁰ Substituted for the figure and words “21st day of June” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004

⁹⁷¹ Sub-section (5A) was substituted vide the Finance Act, 2010 (XVI of 2010). At the time of substitution sub-section (5A) was as under:--

i[(5A) Advance tax is payable by a company to the Commissioner –

- (a) in respect of the September quarter, on or before the 15th day of October;
- (b) in respect of the December quarter, on or before the 15th day of January;
- (c) in respect of the March quarter, on or before the 15th day of April; and
- (d) in respect of the June quarter, on or before the 15th day of June.”

i. Sub-section (5A) inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

⁹⁷² Sub-section (5B) was inserted vide the Finance Act, 2010 (XVI of 2010)

⁹⁷³ Substitution for the word “seven” vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011

Provided further that the provisions of this sub-section shall not be applicable to individual investors.]

⁹⁷⁴[(6) If any taxpayer who is required to make payment of advance tax under sub-section (1) estimates at any time before the last installment is due, that the tax payable by him for the relevant tax year is likely to be less than the amount he is required to pay under sub-section (1), the taxpayer may furnish to the Commissioner an estimate of the amount of the tax payable by him, and thereafter pay such estimated amount, as reduced by the amount, if any, already paid under sub-section (1), in equal installments on such dates as have not expired ⁹⁷⁵[.]]

⁹⁷⁶[Provided that an estimate of the amount of tax payable shall contain turnover for the completed quarters of the relevant tax year, estimated turnover of the remaining quarters along with reasons for any decline in estimated turnover, documentary evidence of estimated expenses or deductions which may result in lower payment of advance tax and the computation of the estimated taxable income of the relevant tax year:

Provided further that where the Commissioner is not satisfied with the documentary evidence provided or where an estimate of the amount of tax payable is not accompanied by details mentioned in the first proviso, the Commissioner may reject the estimate after providing an opportunity of being heard to the taxpayer and the taxpayer shall pay advance tax according to the formula contained in sub-section (4).]

⁹⁷⁷[(6A) notwithstanding anything contained in this section, where the taxpayer is a company or an association of persons, advance tax shall be payable by it in the absence of last assessed income or declared turnover also. The taxpayer shall estimate the amount of advance tax payable on the basis of quarterly turnover of the company or an association of persons, as the case may be, and thereafter pay such amount after,--

- (a) taking into account tax payable under ⁹⁷⁸[sections 113 and 113C] as provided in sub-section (4AA); and
- (b) making adjustment for the amount (if any) already paid.]

(7) The provisions of this Ordinance shall apply to any advance tax due under this section as if the amount due were tax due under an assessment order.

(8) A taxpayer who has paid advance tax under this section for a tax year shall be allowed a tax credit for that tax in computing the tax due by the taxpayer on the taxable income of the taxpayer for that year.

(9) A tax credit allowed for advance tax paid under this section shall be applied in

974 Sub-section (6) was substituted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of substitution sub-section (6) was as under:--

“(6) The turnover of a taxpayer for the period from 16th to 30th June of the June quarter shall be taken to be equal to the turnover for the period from 1st to 15th June of that quarter.”

975 Substituted vide the Finance Act, 2018 assented on 22nd May, 2018.

976 Added vide the Finance Act, 2018 assented on 22nd May, 2018.

977 Sub-section (6A) was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). Before substitution sub-section (6A) which was inserted vide Finance Act, 2007 was as under:--

[(6A) Notwithstanding anything contained in this section, where the taxpayer is a company, advance tax shall be payable by it in the absence of last assessed income also. The taxpayer shall estimate the amount of advance tax payable on the basis of estimated quarterly accounting profit of the company and thereafter pay such amount after if[making adjustment for the amount (if any) already paid].]

ii[***]

iii[***]]

i. The words, brackets and full stop was added vide Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

ii. Clause (a) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (a) was as under:--

“(a) taking into account tax payable under section 113 as provided in sub-section (4AA);”

iii. Clause (b) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (b) was as under:--

“(b) making adjustment for the amount (if any) already paid.”

978 Substituted for the expression “section 113” vide the Finance Act, 2016 (XXIX of 2016)

accordance with sub-section (3) of section 4.

(10) A tax credit or part of a tax credit allowed under this section for a tax year that is not able to be credited under sub-section (3) of section 4 for the year shall be refunded to the taxpayer in accordance with section 170.

⁹⁷⁹[***]

⁹⁸⁰[**147A. Advance tax from provincial sales tax registered person.**-(1) Every provincial sales tax registered person shall be liable to pay adjustable advance tax at the rate of three per cent of the turnover declared before the provincial revenue authority.

(2) The advance tax under sub-section (1) shall be paid monthly at the time when sales tax return is to be filed with the provincial revenue authority.

(3) Advance tax paid under this section may be taken into account while working out advance tax payable under section 147.

(4) The provisions of this Ordinance shall apply to any advance tax due under this section as if the amount due were tax due under an assessment order.

(5) A taxpayer who has paid advance tax under this section for a tax year shall be allowed a tax credit for that tax in computing the tax due by the taxpayer on the taxable income of the taxpayer for that year.

(6) A tax credit allowed for advance tax paid under this section shall be applied in accordance with sub-section (3) of section 4.

(7) A tax credit or part of a tax credit allowed under this section for a tax year that is not able to be credited under sub-section (3) of section 4 for the year shall be refunded to the taxpayer in accordance with section 170.

(8) This section shall not apply to a person who was filer on the thirtieth day of June of the previous tax year.]

Division II

Advance Tax Paid to a Collection Agent

148. Imports.-(1) The Collector of Customs shall collect advance tax from every importer of goods on the value of the goods at the rate specified in Part II of the First Schedule.

⁹⁸¹[***]

⁹⁸²(2A) Notwithstanding omission of sub-section (2) any notification issued under the said

⁹⁷⁹ Sub-section (11) was omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of omission sub-section (11) was as under:--

“(11) In this section, —turnover shall not include amounts referred to in clauses (a), (b), i[(ba)], (c) and (d) of sub-section (1).”

i. The comma, brackets and letters inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003. Earlier this amendment was made vide SRO 633(I)/2002 dated 14th September, 2002 which was rescinded vide SRO 608(1)/2003, dated 24th June, 2003 with effect from 1st July 2003

⁹⁸⁰ Inserted vide the Finance Act, 2016 (XXIX of 2016)

⁹⁸¹ Sub-section (2) was omitted vide the Finance Act, 2015. At the time of omission sub-section (2) was as under:--

“(2) Nothing contained in sub-section (1) shall apply to any goods or class of goods or persons or class of persons importing such goods or class of goods as may be specified by the i[Board.]”

i. Substituted for the word “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007

Earlier, the sub-section (2) was substituted vide the Finance Act, 2007. At the time of substitution the sub-section was as under:--

“(2) This section shall not apply to—

(a) The re-importation of re-useable containers for the export qualifying for customs duty and sales tax exemption on temporary import under the customs notification No. S.R.O. 345(I)/95, dated the 20th day of April, 1995

(b) The importation of the following petroleum products—
“Motor Spirit (MS), Furnace Oil (FO), JP-1 and MTBE”. ”

⁹⁸² Sub-section (2A) was inserted vide the Finance Act, 2015

sub-section and for the time being in force, shall continue to remain in force, unless ⁹⁸³[amended or] rescinded by the Board through notification in the official Gazette.]

⁹⁸⁴[***]

⁹⁸⁵[***]

⁹⁸⁶[***]

(5) Advance tax shall be collected in the same manner and at the same time as the customs-duty payable in respect of the import or, if the goods are exempt from customs-duty, at the time customs-duty would be payable if the goods were dutiable.

(6) The provisions of the Customs Act, 1969 (IV of 1969), in so far as relevant, shall apply to the collection of tax under this section.

⁹⁸⁷[(7) The tax ⁹⁸⁸[required to be] collected under this section shall be a final tax

⁹⁸³ *Inserted vide the Finance Act, 2018 assented on 22nd May, 2018.*

⁹⁸⁴ Sub-section (3) omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of omission sub-section (3) was as under:--

“(3) Where a manufacturer imports raw materials (other than edible oils) exclusively for the manufacturer's own use, the Commissioner may certify a reduction (of up to i[seventy five] per cent) of the rate of advance tax applicable under this section if the aggregate of tax paid or collected in a tax year equals the amount of tax paid by the manufacturer in the immediately preceding year.”

i. Substituted for the word “one hundred” vide the finance Act, 2006 (111 of 2006 assented on 30th June, 2006)

⁹⁸⁵ Sub-section (4) omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of omission sub-section (3) was as under:--

ii[(4) Notwithstanding the provisions of sub-section (3), a person being a manufacturer who is liable to pay advance tax under section 147, imports raw materials (other than edible oils) exclusively for his, or as the case may be, its own use, the Commissioner shall upon application in writing by such person, issue an exemption certificate effective from the date on which the certificate is issued to the 30th day of June next falling:

Provided that where the person to whom an exemption certificate has been issued fails to pay any installment due, the Commissioner may cancel the certificate.]

ii. Sub-section (4) substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution sub-section (4) was as under:--

“(4) A certification of a reduction of tax under sub-section (3) shall not be made in the first year of a manufacturer business.”

⁹⁸⁶ Sub-section (4A) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission sub-section (4A) was as under:--

i[(4A) Where, in the case of a person whose income is not subject to final taxation, the Commissioner is satisfied that such person is not likely to pay any tax (other than tax under section 113), the Commissioner shall, upon application in writing made by such person, issue certificate allowing payment of tax collectable under this section at a reduced rate of 0.5%.]

i. Sub-section (4A) was substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007).

Initially, sub-section (4A) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution in 2007 sub-section (4A) was as under:--

“(4A) Where, in the case of a person being a manufacturer importing raw materials (other than edible oils) exclusively for his or, as the case may be, its own use, the commissioner is that the income of the person during the tax year is exempt from tax or such person is not likely to pay any tax (other than tax under section 113) on account of depreciation ii[***] or brought forward loss, the commissioner shall, upon application in writing made by such person, issue the person certificate of exemption from the tax collectible under section 148 iii[.]”

ii. The word “allowance” was omitted vide the Finance Act, 2004 (II of 2004 assented on 29th June, 2004)

iii. Full stop was added vide the Finance Act, 2005 (II of 2005 assented on 29th June, 2005)

⁹⁸⁷ Sub-section (7) was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution sub-section (7) was as under:--

“(7) Except in the case of an industrial undertaking importing goods as raw materials, i[plant, machinery and equipment] for its own use, the tax collected under this section shall be a final tax on the income of the importer arising from the imports subject to sub-section (I).”

i. The words and comma was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

⁹⁸⁸ The words “required to be” inserted vide Finance Act, 2012

⁹⁸⁹[except as provided under sub-section (8)] on the income of the importer arising from the imports subject to sub-section (1) and this sub-section shall not apply in the case of import of--

- (a) raw material, plant, machinery, equipment and parts by an industrial undertaking for its own use;

⁹⁹⁰[***]

- (c) ⁹⁹¹[motor vehicles] in CBU condition by manufacturer of ⁹⁹²[motor vehicles]⁹⁹³[:];

⁹⁹⁴[(d) large import houses, who--

- (i) have paid-up capital of exceeding Rs.⁹⁹⁵[250] million;
- (ii) have imports exceeding Rs.500 million during the tax year;
- (iii) own total assets exceeding Rs.⁹⁹⁶[350] million at the close of the tax year;
- (iv) is single object company;
- (v) maintain computerized records of imports and sale of goods;
- (vi) maintain a system for issuance of 100% cash receipts on sales;
- (vii) present accounts for tax audit every year;
- (viii) is registered ⁹⁹⁷[under the Sales Tax Act, 1990]; and
- (ix) make sales of industrial raw material of manufacturer registered ⁹⁹⁸[under the Sales Tax Act, 1990] ⁹⁹⁹[: and]]

¹⁰⁰⁰[(e) a foreign produced film imported for the purposes of screening and viewing.]

¹⁰⁰¹[(8) The tax required to be collected from a person under this section shall be minimum tax for a tax year on the import of—

- (a) goods where goods are sold in the same condition as they were when imported:

Provided that the minimum tax payable under this clause shall be five percent of the import value as increased by customs duty, sales tax and federal excise duty;”;

- (b) edible oil;
- (c) packing material; and
- (d) plastic raw material imported by an industrial undertaking falling under PCT headings 39.01 to 39.12.]

989 The words, brackets and figure were inserted vide Finance Act, 2010 (XVI of 2010)

990 Clause (b) was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of omission clause (b) was as under:-

“(b) fertilizer by manufacturer of fertilizer; and”

991 The word “cars” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

992 The word “cars” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

993 For the full stop at the end, a semicolon was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

994 Clause (d) was added vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

995 The figure “100” was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

996 The figure “100” substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009).

997 Substituted for the words “ with Sales Tax Department” vide the Finance Act, 2014

998 Substituted for the words, “ for sales tax purposes” vide the Finance Act, 2014

999 The semi colon and the word “and” were substituted for full stop vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

1000 Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

1001 Substituted vide the Finance Act, 2018 assented on 22nd May, 2018. At the time of substitution sub-section (8) was as under:--

[(8) The tax [required to be] collected from a person under this section on the import of [plastic raw material imported by an industrial undertaking falling under PCT heading 39.01 to 39.12,] edible oil [and packing material] for a tax year shall be [minimum] tax.]

¹⁰⁰²[(8A) The tax collected under this section at the time of import of ships by ship-breakers shall be final tax.]

(9) In this section –

“Collector of Customs” means the person appointed as Collector of Customs under section 3 of the Customs Act, 1969 (IV of 1969), and includes a Deputy Collector of Customs, an Additional Collector of Customs, or an officer of customs appointed as such under the aforesaid section; ¹⁰⁰³[***]

¹⁰⁰⁴["value of goods" means the value of the goods as determined under the Customs Act, 1969 (IV of 1969), as if the goods were subject to *ad valorem* duty increased by the customs-duty, federal excise duty and sales tax, if any, payable in respect of the import of the goods.]

¹⁰⁰⁵[***]

¹⁰⁰⁶[Explanation.-For the purpose of this section the expression “edible oils” includes crude oil, imported as raw material for manufacture of ghee or cooking oil.]

¹⁰⁰⁷[148A. Tax on local purchase of cooking oil or vegetable ghee by certain persons.-(1) The manufacturers of cooking oil or vegetable ghee, or both, shall be chargeable to tax at the rate of two percent on purchase of locally produced edible oil.

(2) The tax payable under sub-section (1) shall be final tax in respect of income accruing from locally produced edible oil.]

Division III Deduction of Tax at Source

149. Salary.-(1) Every ¹⁰⁰⁸[person responsible for] paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employee’s average rate of tax computed at the rates specified in Division I of Part I of the First Schedule on the estimated income of the employee chargeable under the head “Salary” for the tax year in which the payment is made after

1002 Inserted vide the Finance Act, 2014

1003 The word “and” omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

1004 The definition of “value of goods” was substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007 and shall be deemed always to have been so substituted and shall have effect accordingly. At the time of substitution it was as under:---

“value of goods means the value of the goods as determined under section 25 of the Customs Act, 1969 (IV of 1969), as if the goods were subject to *ad valorem* duty increased by the customs-duty and sales tax, if any, payable in respect of the import of the goods if; and]”

i. Substituted for the full stop vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

1005 Definition omitted vides the Finance Act, 2005 (II of 2005 assented on 30th June, 2005). Earlier this definition added vide the finance Act, 2004 (II of 2004 assented on 30th June, 2004).At the time of omission Definition was as under:--

“Industrial undertaking” means an undertaking which is set up or commenced in Pakistan on or after the 14th day of August,1947, and which employs(i) ten or more persons in Pakistan and involves the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal agency ; or (ii) twenty or more person in Pakistan and does not involve the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal agency and which is:--

(i) engage in—

(a) the manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition

(b) ship-building;

(c) generation, transformation ,conversion, transmission or distribution of electrical energy ,or the supply of hydraulic power, or

(d) The working of any mine , oil-well or any other source of mineral deposits not being an undertaking to which the Fifth Schedule applies; or

(ii) any other industrial undertaking which may be approved by the Central Board of Revenue for the purposes of this clause”

1006 Explanation was added vide the Finance Act, 2006 (VII of 2006 assented on 29th June, 2006)

1007 Inserted vide Finance Act, 2015

1008 For the word “employer” the words “person responsible for” was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

making ¹⁰⁰⁹[adjustment of tax withheld from employee under other heads and tax credit admissible under sections 61, 62, 63 and 64 during the tax year after obtaining documentary evidence, as may be necessary for ¹⁰¹⁰[:]

- ¹⁰¹¹[(i) tax withheld from the employee under this Ordinance during the tax year;]
- (ii) any excess deduction or deficiency arising out of any previous deduction; or
- (iii) failure to make deduction during the year;]

(2) The average rate of tax of an employee for a tax year for the purposes of sub-section (1) shall be computed in accordance with the following formula, namely:—

A/B

where —

- A** is the tax that would be payable if the amount referred to in component
- B** of the formula were the employee's taxable income for that year; and **B** is the employee's estimated income under the head "Salary" for that year.

¹⁰¹²[(3) Notwithstanding anything contained in sub-sections (1) and (2), every person responsible for making payment for directorship fee or fee for attending board meeting or such fee by whatever name called, shall at the time of payment, deduct tax at the rate of twenty percent of the gross amount payable.

- (4) Tax deductible under sub-section (3) shall be adjustable.]

150. Dividends.—Every ¹⁰¹³[person] paying a dividend shall deduct tax from the gross amount of the dividend paid ¹⁰¹⁴[***] at the rate specified in ¹⁰¹⁵[Division I of Part III] of the First Schedule.

¹⁰¹⁶[**150A** ¹⁰¹⁷**Return on investment in Sukuks.**—Every special purpose vehicle ¹⁰¹⁸[, or a company, at the time of] making payment of a return on investment in sukuks to a 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.]

151. Profit on debt.—(1) Where —

- ¹⁰¹⁹[(a) a person pays yield on an account, deposit or a certificate under the National Savings Scheme or Post Office Savings Account;]
- (b) a banking company ¹⁰²⁰[or] financial institution pays any profit on a debt, being an account or deposit maintained with the company or institution; ¹⁰²¹[***]

¹⁰⁰⁹ The words "such adjustment" were substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁰¹⁰ Inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁰¹¹ The words "any excess deduction or deficiency arising out of any previous deduction or failure to make a deduction during the year." were substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁰¹² Added vide the Finance Act, 2014

¹⁰¹³ The words "resident company" was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

¹⁰¹⁴ The commas and words "or collect tax from the shareholder in the case of bonus shares," omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁰¹⁵ Substituted for the expression "Division III of Part I" vide the Finance Act, 2014

¹⁰¹⁶ Inserted vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 1016 (Ordinance No. V of 2016)

¹⁰¹⁷ Substituted for the marginal note "**Deduction of tax by special purpose vehicle**" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁰¹⁸ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁰¹⁹ Clause (a) substituted vides the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution clause (a) was as under:—

"(a) a person pays yield on a National Savings Deposit Certificate, including a Defence Savings Certificate, under the National Savings Scheme;"

¹⁰²⁰ Substituted for the word "and" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁰²¹ The word "or" was omitted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁰²²[(c) the Federal Government, a Provincial Government or a ¹⁰²³[Local Government] pays to any person ¹⁰²⁴[***] profit on any security ¹⁰²⁵[other than that referred to in clause (a)] issued by such Government or authority; or]

¹⁰²⁶[(d) a banking company, a financial institution, a company referred to in ¹⁰²⁷[sub-clauses (i) and (ii) of clause (b)] of sub-section (2) of section 80, or a finance society pays any profit on any bond, certificate, debenture, security or instrument of any kind (other than a loan agreement between a borrower and a banking company or a development finance institution) to any person other than financial institution.]

the payer of the profit shall deduct tax at the rate specified in Division ¹⁰²⁸[IA] of Part III of the First Schedule from the gross amount of the yield or profit paid as reduced by the amount of Zakat, if any, paid by the recipient under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), at the time the profit is paid to the recipient.

(2) This section shall not apply to any profit on debt that is subject to sub-section (2) of section 152.

¹⁰²⁹[(3) Tax deductible under this section shall be a final tax on the profit on debt arising to a taxpayer, except where:

- (a) taxpayer is a company; or
- (b) profit on debt is taxable under section 5A.]

¹⁰³⁰[(4) Tax deducted on profit on debt from Debt instruments, Government securities including Treasury Bills and Pakistan Investment Bonds, shall be final tax on profit or debt.]

152. Payments to non-residents.-(1) Every person paying an amount of ¹⁰³¹[royalty] or fees for technical services to a non-resident person that is chargeable to tax under section 6 shall deduct tax from the gross amount paid at the rate specified in Division IV of Part I of the First Schedule.

¹⁰³²[(1A) Every person making a payment in full or part (including a payment by way of advance) to a non-resident person on the execution of—

- (a) a contract or sub-contract under a construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project; or
- (b) any other contract for construction or services rendered relating thereto; or

1022 Clause (c) was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002) At the time of substitution clause (a) was as under:—

“(c) the Federal Government, a Provincial Government, a local authority, banking company, financial institution, company referred to in clauses (a) and (b) of the definition of —company in sub-section (2) of section 80, or finance society pays any profit on any bond, certificate, debenture, security or instrument of any kind (other than a loan agreement between a borrower and a banking company or a development finance institution) to any person other than a financial institution,”

1023 The words “local authority” were substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

1024 The commas and words “, other than a financial institution,” was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1025 The words, brackets and letter were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1026 Clause (d) was added vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1027 The words, letters and brackets “clauses (a) and (b)” were substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1028 Substituted for the figure “1” vide the Finance Act, 2014

1029 Sub-section (3) was Substituted vide Finance Act, 2015. At the time of substitution sub-section (3) was as under:—

“(3) Tax [deductible] under this section shall be a final tax on the profit on debt arising to a taxpayer other than a company from [***]”

1030 Sub-section (4) were added vide Finance Act, 2010 (XVI of 2010)

1031 Substituted for the word “royalties” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1032 Sub-section (1A) was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

- (c) a contract for advertisement services rendered by T.V. Satellite Channels, shall deduct tax from the gross amount payable under the contract at the rate specified in Division II of Part III of the First Schedule.]

¹⁰³³[(1AA) Every person making a payment of insurance premium or re-insurance premium to a non-resident person shall deduct tax from the gross amount paid at the rate specified in Division II of Part III of the First Schedule.]

¹⁰³⁴[(1AAA) Every person making a payment for advertisement services to a non-resident media person relaying from outside Pakistan shall deduct tax from the gross amount paid at the rate specified in ¹⁰³⁵[Division II] of Part III of the First Schedule.]

¹⁰³⁶[(1B) The tax ¹⁰³⁷[deductible] under sub-section (1A) shall be a final tax on the income of a non-resident person arising from a contract] ¹⁰³⁸[:

Provided that the provisions of this sub-section shall not apply in respect of a non-resident person unless he opts for the final tax regime.]

¹⁰³⁹[(1BB) The tax ¹⁰⁴⁰[deductible] under sub-section (1AA) shall be a final tax on the income of the non-resident person arising out of such payment.]

¹⁰⁴¹[(1C) Every banking company or a financial institution remitting outside Pakistan an amount of fee for offshore digital services, chargeable to tax under section 6, to a non-resident person on behalf of any resident or a permanent establishment of a non-resident in Pakistan shall deduct tax from the gross amount paid at the rate specified in Division IV of Part I of the First Schedule.]

(2) Subject to sub-section (3), every person paying an amount to a non-resident person (other than an amount to which sub-section (1) ¹⁰⁴²[or sub-section (1A)] ¹⁰⁴³[(1AA)] ¹⁰⁴⁴[(1AAA) or (2A)] applies) shall deduct tax from the gross amount paid at the rate specified in Division II of Part III of the First Schedule.

¹⁰⁴⁵[(2A) Every prescribed person making a payment in full or part including a payment by way of advance to a permanent establishment in Pakistan of a non-resident person—

¹⁰⁴⁶[(a)] for the sale of goods ¹⁰⁴⁷[except where the sale is made by the importer of the goods and tax under section 148 in respect of such goods has been paid and the goods are sold in the same condition as they were when imported];

¹⁰⁴⁸[(b)] for the rendering of or providing services; and

¹⁰⁴⁹[(c)] on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing services, shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division II of Part III of the First Schedule,]

¹⁰³³ Sub-section (1AA) was inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹⁰³⁴ Sub-section (1AAA) vide the Finance Act, 2012

¹⁰³⁵ Substituted for "Division IIIA" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁰³⁶ Sub-section (1B) was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

¹⁰³⁷ Substituted for the word "deducted" vide the Finance Act, 2012

¹⁰³⁸ For the full stop at the end, a colon was substituted and thereafter added the proviso vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁰³⁹ Sub-section (1BB) was inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹⁰⁴⁰ Substituted for the word "deducted" vide the Finance Act, 2012

¹⁰⁴¹ Inserted vide Finance Act 2018, assented on 22nd May, 2018.

¹⁰⁴² The words, brackets, figure and letter were inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁰⁴³ The comma, brackets, letter, words were inserted vide Finance Act, 2010 (XVI of 2010)

¹⁰⁴⁴ The comma, brackets, figure and letter inserted vide the Finance Act, 2012

¹⁰⁴⁵ Sub-section (2A) was substituted vide the Finance Act, 2012

¹⁰⁴⁶ Clause (i) was renumbered as (a) vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁰⁴⁷ Added vide the Finance Act, 2016 (XXIX of 2016)

¹⁰⁴⁸ Clause (ii) was renumbered as (b) vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁰⁴⁹ Clause (iii) was renumbered as (c) vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁰⁵⁰[(2AA) Sub-section (1AA) shall not apply to an amount, with the written approval of the Commissioner, that is taxable to a permanent establishment in Pakistan of the non-resident person.]

¹⁰⁵¹[(2B) The tax deductible under clause (b) of sub-section (2A) shall be a minimum tax and the provisions of sub-clauses (i), (ii) and (iii) of clause (b) of sub-section (3) and sub-section (4A) of section 153 shall mutatis mutandis apply.]

(3) Sub-section (2) does not apply to an amount –

- (a) that is subject to deduction of tax under section 149, 150, ¹⁰⁵²[[***], ¹⁰⁵³[[***] 156 ¹⁰⁵⁴[or 233];
- (b) with the written approval of the Commissioner, that is taxable to a permanent establishment in Pakistan of the non-resident person;
- (c) that is payable by a person who is liable to pay tax on the amount as representative of the non-resident person under sub-section (3) of section 172; or
- (d) where the non-resident person is not chargeable to tax in respect of the amount ¹⁰⁵⁵[;]

¹⁰⁵⁶[Provided that in the case of a non-filer other than a company the final tax shall be equal to the tax deductible in the case of filer and the tax deducted in excess of that shall be advance income tax adjustable against tax liability.]

(4) Where a person claims to be a representative of a non-resident person for the purposes of clause (c) of sub-section (3), the person shall file a declaration to that effect with the Commissioner prior to making any payment to the non-resident person.

¹⁰⁵⁷[(4A) The Commissioner may, on application made by the recipient of payment referred to in sub-section (1A) having permanent establishment in Pakistan, or by a recipient of payment referred to in sub-section (2A), as the case may be, and after making such inquiry as the Commissioner thinks fit, allow by order in writing, in cases where the tax deductible under sub-section (1) or sub-section (2A) is adjustable, any person to make the payment without deduction of tax or deduction of tax at a reduced rate.]

(5) Where a person intends to make a payment to a non-resident person without deduction of tax under this section, ¹⁰⁵⁸[other than payments liable to reduced rate under relevant agreement for avoidance of double taxation,] the person shall, before making the payment, furnish to the Commissioner a notice in writing setting out –

- (a) the name and address of the non-resident person; and
- (b) the nature and amount of the payment.

¹⁰⁵⁹[(5A) The Commissioner on receipt of notice shall ¹⁰⁶⁰[, within thirty days,] pass an

¹⁰⁵⁰ Sub-section (2AA) inserted vide the Finance Act, 2012

¹⁰⁵¹ Inserted vide Finance Act 2018, assented on 22nd May, 2018.

¹⁰⁵² The figure and comma "153" was omitted vide the Finance Act, 2012

¹⁰⁵³ The figure and comma "155," were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. Earlier, for the word "or" comma was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

¹⁰⁵⁴ The word and figure inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

¹⁰⁵⁵ Substituted for the full stop vide the Finance Act, 2014

¹⁰⁵⁶ Added vide the Finance Act, 2014

¹⁰⁵⁷ Substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of substitution sub-section 4A was as follows:-

i[(4A) The Commissioner may, on application made by the recipient of a payment referred to in sub-section (2A) and after making such inquiry as the Commissioner thinks fit, may allow in cases where the tax deductible under sub-section (2A) is adjustable, by order in writing, any person to make the payment, without deduction of tax or deduction of tax at a reduced rate.]

i. Inserted vide Finance Act, 2015

¹⁰⁵⁸ The word and comma inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹⁰⁵⁹ Sub-section (5A) inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

order accepting the contention or making the order under sub-section (6).]

(6) Where a person has notified the Commissioner of a payment under sub-section (5) and the Commissioner has reasonable grounds to believe that the non-resident person is chargeable to tax under this Ordinance in respect of the payment, the Commissioner may, by ¹⁰⁶¹[order] in writing, direct the person making the payment to deduct tax from the payment in accordance with sub-section (2).

(7) Sub-section (5) shall not apply to a payment on account of –

¹⁰⁶²[(a) an import of goods where title to the goods passes outside Pakistan and is supported by import documents, except where—

(i) the supply is made in connection with the overall arrangement for the supply of goods, installation, construction, assembly, commission, guarantees or supervisory activities and all or principal activities are undertaken or performed either by the associates of the person supplying the goods or its permanent establishment, whether or not the title passes outside Pakistan and whether or not the goods are imported in the name of the associate or any other person; or

(ii) the supply is made by a resident person or a Pakistan permanent establishment of a non-resident person in connection with the overall arrangement as referred to in sub-clause (i); or]

(b) educational and medical expenses remitted in accordance with the regulations of the State Bank of Pakistan.

¹⁰⁶³[(8) In this section “prescribed person” means a prescribed person as defined in sub-section (7) of section 153.]

¹⁰⁶⁴[**152A. Payment for foreign produced commercials.**-(1) Every person responsible for making payment directly or through an agent or intermediary to a non resident person for foreign produced commercial for advertisement on any television channel or any other media shall deduct tax at the rate of twenty percent from the gross amount paid.

(2) The tax deductible under sub-section (1), shall be final tax on the income of non-resident person arising out of such payment.]

¹⁰⁶⁵[**153. Payments for goods, services and contracts.**-(1) Every prescribed person making a payment in full or part including a payment by way of advance to a resident person or ¹⁰⁶⁶[***] -

1060 The comma and words were inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

1061 Substituted for the word “notice” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

1062 Substituted vide Finance Act 2018, assented on 22nd May, 2018. At the time of substitution was as under:-

(a) an import of goods where title to the goods passes outside Pakistan ¹⁰⁶²[and is supported by import documents], except an [***] import that is part of an overall arrangement for the supply of goods, their installation, and any commission and guarantees in respect of the supply where –

(i) the supply is made by the head office outside Pakistan of a person to a permanent establishment of the person in Pakistan;

(ii) the supply is made by a permanent establishment of the person outside Pakistan to a permanent establishment of the person in Pakistan;

(iii) the supply is made between associates; or

(iv) the supply is made by a resident person or a Pakistan permanent establishment of a non-resident person; or

1063 Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

1064 Inserted vide the Finance Act, 2016 (XXIX of 2016)

1065 Section 153 substituted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011). At the time of substitution section 153 was as under:-

“153. **Payments for goods and services.**-(1) Every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person—

(a) for the sale of goods;

(b) for the rendering of i[or providing of] ii[***] services;

(c) on the execution of a contract, other than a contract for the iii[sale] of goods or the

- rendering of iv[or providing off v[***] services, shall, at the time of making the payment, deduct tax from the gross amount payable at the rate specified in Division III of Part III of the First Schedule.
- i.. The words inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
- ii. The word “professional” was omitted vide the Finance ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
- iii. Substituted for the word “supply” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)
- iv. The words inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
- v. The word “Professional” was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)
- vi[(1A) Every exporter or an export house making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person for the rendering of or providing of services of stitching, dying, printing, embroidery, washing, sizing and weaving, shall at the time of making the payment, deduct tax from the gross amount payable at the rate specified in Division IV of Part III of the First Schedule.
- vi. Sub-section (1A) was inserted vide the Finance Act, (III of 2006 assented on 30th June, 2006)
- (2) The gross amount payable for a sale of goods shall include the sales tax, if any, payable in respect of the sale.
- vii[***]
- vii. Sub-section (3) was omitted vide the Finance Act, (III of 2006 assented on 30th June, 2006). At the time of omission sub-section (3) was as under:--
- “(3) Every prescribed person making a payment in full or part (including a payment by way of advance) to a non-resident person on the execution of—
- a[(a) ***
- (b) ***]
- (c) a contract or sub-contract under a construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project; or
- (d) any other contract for construction or services rendered, other than a contract to which section 152 applies, b[or]
- c[(e) a contract for advertisement services rendered by T.V. Satellite Channels,] shall deduct tax from the gross amount payable under the contract at the rate specified in Division III of part III of the First schedule.”
- a Clauses (a) & (b) were omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clauses (a) & (b) were as under:--
- “(a) a turnkey contract
- (b) a contract or sub-contract for the design, construction or supply of plant and equipment under a power project;”
- b The word inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)
- c Clause (e) was added vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)
- (4) The Commissioner may, on application made by the recipient of a payment referred to in sub-section (1) viii[***] and after making such enquiry as the Commissioner thinks fit, allow, by order in writing, any person to make the payment without deduction of tax.
- viii. The word, brackets and figure “or (3)” omitted vide the finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- (5) Sub-section (I) shall not apply to –
- (a) a sale of goods where –
- (i) the sale is made by the importer of the goods;
- (ii) the importer has paid tax under section 148 in respect of the goods; and
- (iii) the goods are sold in the same condition they were in when imported;
- (b) a refund of any security deposit;
- ix[(ba) a payment made by the Federal Government, a Provincial Government or a x[Local Government] to a contractor for construction materials supplied to the contractor by the said Government or the authority;]
- ix. Clause (ba) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)
- x. Substituted for the words “Local authority” vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)
- xi[(bb) a cotton ginner who deposits in the Government Treasury, an amount equal to the amount of tax deductible on the payment being made to him, and evidence to this effect is provided to the —prescribed person;]
- xi. Clause (bb) was inserted vide the finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- (c) the purchase of an asset under a lease and buy back agreement by a modaraba, leasing company, banking company or financial institution; or
- (d) any payment for securitization of receivables by a Special Purpose Vehicle to the Originator .xii[; or]
- xii. Substituted for the full stop vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
- xiii[***]

- xiii. Clause (e) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (e) was as under:--
a[e] a payment made by a small Company as defined in section 2]
- a. Clause (e) was added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
*[(6) The tax deducted under this section shall be a final tax on the income of a resident person arising from transactions referred to in sub-section (I) or (IA):
Provided that sub-section (6) shall not apply to companies in respect of transactions referred to in clause (b) of sub-section (I) xiv[:]]
xv[Provided further that this sub-section shall not apply to payments received on account of
(i) advertisement services, by owners of newspapers and magazines;
(ii) sale of goods and execution of contracts by a public company listed on a registered stock exchange in Pakistan xvi[:]; and]
xvii[(iii) the rendering of or providing of services referred to in sub-clause (b) of sub-section (I):
Provided that tax deducted under sub-clause (b) of sub-section (I) of section 153 shall be minimum tax.]
- xiv. Substituted for the full stop vide the finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- xv. Proviso was added vide the finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- xvi. Substituted for the full stop vide the finance Act, 2009 (I of 2009 assented on 30th June, 2009)
- xvii. Sub-clause (iii) was inserted vide the finance Act, 2009 (I of 2009 assented on 30th June, 2009)
- *, Sub-section (6) was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006).
At the time of substitution sub-section (6) was as under:-
“(6) The tax deducted under this section shall be a final tax on the income of a resident person arising from transactions referred to in a[e] clause] (a) or (c) of sub-section (I)” substituted for the word “clauses” vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)”
- a. Substituted for the word “clauses” vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
xviii[(6A) The provisions of sub-section (6) in so far as they relate to payments on account of supply of goods from which tax is deductible under this section shall not apply in respect of xix[a company] being a manufacturer of such goods. xx[***]
- xviii. Sub-section (6A) was inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
- xix. Substituted for the words “any person” vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)
- xx. The words and full stop “The provision of this sub-section shall be deemed always to have been so enacted and shall have had effect accordingly.” omitted by the finance Act, 2008 (I of 2008 assented on 26th June, 2008)
xxi[***]
- xxi. Sub-section (6B) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission sub-section (6B) was as under:--
a[e] (6B) The provision of sub-section (6) in so far as they relate to payment on account of sale of goods from which tax is deductible under this section shall apply on account of an individual and Aop. This sub sub-section shall be applicable from tax year 2007.]
- a. Sub-section (6B) was inserted vide the finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
xxii[***]
- xxii. Sub-section (7) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution sub-section (7) was as under:-
“(7) The tax deducted under this section shall be a final tax on the income of a non-resident person arising from a contract a[e] specified in sub-section (3)]”
- a. Substituted for the words and comma “under a construction, assembly or a like project in Pakistan” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
(8) Where any tax is deducted by a person making a payment to a Special Purpose Vehicle, on behalf of the Originator, the tax is credited to the Originator.
xxiii[***]
- xxiii. Sub-section (8A) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission sub-section (8A) was as under:-
*[(8A) Every person from whom tax is being collected under this section shall disclose his national tax number to the withholding Agent. In case of there being no National Tax Number (NTN), Computerized National Identity Card Number (CNIC) shall be provided , where a person fails to disclose his NTN or CNIC number, as the case may be , at the time of collection or deduction of tax, the rated of withholding tax shall be two percent over and above the rates specified in Division 111 of part 111 of the First schedule;]
- *, Sub-section (8A) was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
(9) In this section, –
prescribed person means –
(a) the Federal Government;
(b) a company xxiv[***];
- xxiv. The words, comma, brackets and figures “other than a small company, as defined in clause (59A) of

- (a) for the sale of goods ¹⁰⁶⁷[except where payment is less than seventy-five thousand Rupees in aggregate, during a financial year];
- (b) for the rendering of or providing of services ¹⁰⁶⁸[except where payment is less than thirty thousand Rupees in aggregate, during a financial year];
- (c) on the execution of a contract, ¹⁰⁶⁹[including contract signed by a sportsperson] ¹⁰⁷⁰[but not including] a contract for the sale of goods or the rendering of or providing of services, shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division III of Part III of the First Schedule ¹⁰⁷¹[:

Provided that where the recipient of the payment under clause (b) receives the payment through an agent or any other third person and the agent or, as the case may be, the third person retains service charges or fee, by whatever name called, from the payment remitted to the recipient, the agent or the third person shall be treated to have been paid the service charges or fee by the recipient and the recipient shall collect tax along with the payment received.]

section 2” were omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008. Earlier these were inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

- (c) an association of persons xxv[constituted by, or under] law;
- xxv. Substituted for the words “registered under” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
xxvi[(cc) a non-profit organization;]
- xxvi. Clause (cc) was inserted vide the finance Act, 2009 (I of 2009 assented on 30th June, 2009)
(d) a foreign contractor or consultant; xxvii [***]
- xxvii. The word “or” was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
(e) a consortium or joint venture; xxviii[***]
- xxviii. The word “or” was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008. Earlier it was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
xxix[(f) an exporter or an export house for the purpose of sub-section (1A) xxx[:]]
- xxix. Clause (f) was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
- xxx. Substituted for the full stop vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)
xxxi[(g) an association of persons, having turnover of fifty million rupees or above in tax year 2007 xxxii[or in any subsequent tax year];]
- xxxi. Clause (g) was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)
- xxxii. Substituted for the words “and onwards” vide the 2010 (XVI of 2010)
xxxiii[(h) an individual, having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent year.]
- xxxiii. Clause (h) was inserted vide the 2010 (XVI of 2010)
xxxiv[***] Services includes the services of accountants, architects, dentists, doctors, engineers, interior decorators and lawyers, otherwise than as an employee sale of goods includes a sale of goods for cash or on credit, whether under written contract or not xxxv[***].
- xxxiv. The word “professional” was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)
- xxxv. The semicolon and word “; and” was omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
xxxvi[“manufacturer” for the purpose of this section means, a person who is engaged in production or manufacturing of goods, which includes-
- (a) any process in which an article singly or in combination with other articles, material, components, is either converted into another distinct article or produce is so changed, transferred, or reshaped that it becomes capable of being put to use differently or distinctly; or
- (b) a process of assembling, mixing, cutting xxxvii[***] or preparation of goods in any other manner.]
- xxxvi. Expression was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)
- xxxvii. The commas and words “,packing, repacking “was omitted was inserted vide the finance Act, 2009 (I of 2009 assented on 30th June, 2009)

1066 The words “permanent establishment in Pakistan of a non-resident person” were omitted vide the Finance Act, 2012

1067 Inserted vide Finance Act 2018, assented on 22nd May, 2018.

1068 Inserted vide Finance Act 2018, assented on 22nd May, 2018.

1069 Inserted vide the Finance Act, 2014

1070 Substituted for the words “other than” vide the Finance Act, 2014

1071 For the full stop, a colon was substituted and thereafter the proviso was added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

(2) Every exporter or an export house making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person for rendering of or providing of services of stitching, dying, printing, embroidery, washing, sizing and weaving, shall at the time of making the payment, deduct tax from the gross amount payable at the rate specified in Division IV of Part III of the First Schedule.

(3) The tax ¹⁰⁷²[deductible] under clauses (a) and (c) of sub-section (1) and under sub-section (2) of this section, on the income of a resident person or ¹⁰⁷³***], shall be final tax.

Provided that,--

(a) tax deducted under clause (a) of sub-section (1) shall be adjustable where payments are received on sale or supply of goods, by a,--

(i) company being a manufacturer of such goods; or

(ii) public company listed on a registered stock exchange in Pakistan;

(b) tax ¹⁰⁷⁴[deductible] shall be a minimum tax on transactions referred to in clause (b) of sub-section (1) ¹⁰⁷⁵[, provided that-

(i) where the aforesaid minimum tax for providing or rendering services, in respect of sectors as specified in clause (94) of Part IV of the Second Schedule is in excess of tax payable under Division II of Part I of the First Schedule, the excess amount of tax paid shall be carried forward for adjustment against tax liability under the aforesaid Part of the subsequent tax year;

(ii) where the excess tax is not wholly adjusted, the amount not adjusted shall be carried forward to the following tax year and adjusted against tax liability under the aforesaid Part for that year, and so on, but the said excess shall not be carried forward to more than five tax years immediately succeeding the tax year for which the excess was first paid; and

(iii) the said excess amount shall not be carried forward in case of a company for which provisions of this clause are not applicable under clause (94) of Part IV of the Second Schedule; ¹⁰⁷⁶***]]

(c) tax deducted under clause (c) of sub-section (1) shall be adjustable if payments are received by a public company listed on a registered stock exchange in Pakistan, on account of execution of contracts ¹⁰⁷⁷[; ¹⁰⁷⁸***]

(d) tax deducted under clause (c) of sub-section (1) in respect of a sportsperson shall be final tax with effect from tax year 2013¹⁰⁷⁹[;and]]

¹⁰⁸⁰[(e) tax deducted under clause (b) of sub-section (1) by person making payments to electronic and print media for advertising services shall be final tax with effect from the 1st July, 2016.]

(4) The Commissioner may, on application made by the recipient of a payment referred to in sub-section (1) and after making such inquiry as the Commissioner thinks fit, may

¹⁰⁷² Substituted for the word "deducted" vide the Finance Act, 2012

¹⁰⁷³ The words "permanent establishment in Pakistan of a non-resident person" Omitted vide Finance Act, 2012

¹⁰⁷⁴ Substituted for the word "deducted" vide Finance Act, 2012

¹⁰⁷⁵ For semicolon and the word "; and" the expression ", provided that-" was substituted and thereafter the sub-clauses were added vide the Finance (Second Amendment) Act, 2016 (II of 2016 assented on 29th January, 2016)

¹⁰⁷⁶ The word "and" was omitted vide the Finance Act, 2016 (XXIX of 2016)

¹⁰⁷⁷ Semi-Colon and word "and" was substituted for full stop and thereafter new clause was added vide Finance Act, 2015

¹⁰⁷⁸ The word "and" was omitted vide the Finance Act, 2016 (XXIX of 2016)

¹⁰⁷⁹ Substituted for the "full stop" vide the Finance Act, 2016 (XXIX of 2016)

¹⁰⁸⁰ Added vide the Finance Act, 2016 (XXIX of 2016)

allow in cases where tax deductible under sub-section (1) is adjustable, by an order in writing, any person to make the payment,

- (a) without deduction of tax; or
- (b) deduction of tax at a reduced rate.

¹⁰⁸¹[(4A) The Commissioner, on an application made by the recipient of a payment referred to in clause (94) of Part IV of the Second Schedule, in cases where the said recipient has fulfilled the conditions as specified in the said clause, by an order in writing for a period of at least three months, may allow any person to make the payment without deduction of tax in respect of payments as referred to in clauses (b) of sub-section (1) of section 153:

Provided that the recipient of the payment has made advance payment of tax equal to two percent of the total turnover of the corresponding period of the immediately preceding tax year.]

(5) Sub-section (1) shall not apply to –

- (a) a sale of goods where the sale is made by the importer of the goods and tax under section 148 in respect of such goods has been paid and the goods are sold in the same condition as they were when imported;
- (b) payments made to traders of yarn by the taxpayers specified in the zero-rated regime of sales tax (as provided under clause (45A) of Part-IV of the Second Schedule);
- (c) a refund of any security deposit;
- (d) a payment made by the Federal Government, a Provincial Government or a Local Government to a contractor for construction materials supplied to the contractor by the said Government or the authority;

¹⁰⁸²[***]

- (f) the purchase of an asset under a lease and buy back agreement by a modaraba, leasing company, banking company or financial institution; or
- (g) any payment for securitization of receivables ¹⁰⁸³[or issuance of sukuk] by a Special Purpose Vehicle to the Originator.

(6) Where any tax is deducted by a person making a payment for Special Purpose Vehicle, on behalf of the Originator, the tax is credited to the Originator.

(7) In this section,-

- (i) “prescribed person” means,—
 - (a) the Federal Government;
 - (b) a company ;
 - (c) an association of persons constituted by, or under, law;
 - (d) a non-profit organization;
 - (e) a foreign contractor or consultant;
 - (f) a consortium or joint venture;
 - (g) an exporter or an export house for the purpose of subsection (2);

1081 Clause (iv) and the proviso was vide the Finance (Second Amendment) Act, 2016 (II of 2016 assented on 29th January, 2016)

1082 Clause (e) was omitted vide the Finance Act, 2016 (XXIX of 2016). At the time of omission clause (e) was as under:--

(e) a cotton ginner who deposits in the Government Treasury, an amount equal to the amount of tax deductible on the payment being made to him, and evidence to this effect is provided to the “prescribed person”;

1083 Inserted vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 2016 (Ordinance No. V of 2016)

- (h) an association of persons, having turnover of fifty million rupees or above in ¹⁰⁸⁴[any of the preceding tax years] ¹⁰⁸⁵[***]
- (i) an individual, having turnover of fifty million rupees or above in the ¹⁰⁸⁶[any of the preceding tax years] ¹⁰⁸⁷[¹⁰⁸⁸[***]]
- ¹⁰⁸⁹[(j) a person registered under the Sales Tax Act, 1990; ¹⁰⁹⁰[or]]
- ¹⁰⁹¹[(k) a person deriving income from the business of construction and sale of residential, commercial or other buildings(builder); or
- (l) a person deriving income from the business of development and sale of residential, commercial or other plots (developer).]
- (ii) “services” includes the services of accountants, architects, dentists, doctors, engineers, interior decorators and lawyers, otherwise than as an employee;
- (iii) “sale of goods” includes a sale of goods for cash or on credit, whether under written contract or not;
- (iv) “manufacturer” means a person who is engaged in production or manufacturing of goods, which includes-
 - (a) 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
 - (b) a process of assembling, mixing, cutting or preparation of goods in any other manner; and
- (v) “turnover” means,-
 - (a) the gross sales or gross receipts, inclusive of sales tax and federal excise duty or any trade discounts shown on invoices, or bills, derived from the sale of goods;
 - (b) the gross fees for the rendering of services for giving benefits including commissions;
 - (c) the gross receipts from the execution of contracts; and
 - (d) the company’s share of the amounts stated above of any association of persons of which the company is a member.]

¹⁰⁹²[***]

¹⁰⁸⁴ Substituted for the word “tax year 2007 or in any subsequent tax year” vide Finance Act 2018, assented on 22nd May, 2018.

¹⁰⁸⁵ The word “or” was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁰⁸⁶ Substituted for the word “the tax year 2009 or in any subsequent year” vide Finance Act 2018, assented on 22nd May, 2018.

¹⁰⁸⁷ Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁰⁸⁸ Omitted vide Finance Act 2018, assented on 22nd May, 2018.

¹⁰⁸⁹ Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁰⁹⁰ Inserted vide Finance Act 2018, assented on 22nd May, 2018.

¹⁰⁹¹ Added vide Finance Act 2018, assented on 22nd May, 2018.

¹⁰⁹² Section 153A was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission section 153A was as under:--

i/[153A. **Payment to Traders and Distributors.**— (1) Every manufacturer, at the time of sale to distributors, dealers and wholesalers, shall collect tax at the rate specified in Part IIA of the First Schedule from the aforesaid persons, to whom such sales have been made

(2) Tax credit for the tax collected under sub-section (1) shall be allowed in computing the tax due by the person on the taxable income for the tax year in which the tax was collected.

i. Section (153A) was substituted vide the Finance Act, 2012. AT the time of substitution, section (153A) was as under:--

*[153A. **Payments to non-resident media person.**—Every person making a payment for

154. Exports.-(1) Every authorised dealer in foreign exchange shall, at the time of realization of foreign exchange proceeds on account of the export of goods by an exporter, deduct tax from the proceeds at the rate specified in Division IV of Part III of the First Schedule.

(2) Every authorised dealer in foreign exchange shall, at the time of realization of foreign exchange proceeds on account of the commission due to an indenting commission agent, deduct tax from the proceeds at the rate specified in Division IV of Part III of the First Schedule.

(3) Every banking company shall, at the time of realization of the proceeds on account of a sale of goods to an exporter under an inland back-to-back letter of credit or any other arrangement as prescribed by the ¹⁰⁹³[Board], deduct tax from the amount of the proceeds at the rate specified in Division IV of Part III of the First Schedule.

¹⁰⁹⁴[(3A) The Export Processing Zone Authority established under the Export Processing Zone Authority Ordinance, 1980 (VI of 1980), shall at the time of export of goods by an industrial undertaking located in the areas declared by the Federal Government to be a Zone within the meaning of the aforesaid Ordinance, collect tax at the rate specified in Division IV of Part III of the First Schedule.]

¹⁰⁹⁵[(3B) Every direct exporter and an export house registered under the Duty and Tax Remission for Exports Rules, 2001 provided in Sub-Chapter 7 of Chapter XII of the Customs Rules, 2001 shall, at the time of making payment for a firm contract to an indirect exporter defined under the said rules, deduct tax at the rates specified in Division IV of Part III of the First Schedule.]

¹⁰⁹⁶[(3C) The Collector of Customs at the time of clearing of goods exported shall collect tax from the gross value of such goods at the rate specified in Division IV of Part III of the First Schedule.]

(4) The tax ¹⁰⁹⁷[deductible] under ¹⁰⁹⁸[this section] shall be a final tax on the income arising from the ¹⁰⁹⁹[transactions referred to in this section]

¹¹⁰⁰[(5) The provisions of sub-section (4) shall not apply to a person who opts not to be subject to final taxation:

Provided that this sub-section shall be applicable from tax year 2015 and the option shall be exercised every year at the time of filing of return under section 114:

Provided further that the tax deducted under this sub-section shall be minimum tax.]

155. Income from property.-(1) ¹¹⁰¹[Every] prescribed person making a payment in full or part (including a payment by way of advance) to any person on account of rent of immovable property (including rent of furniture and fixtures, and amounts for services relating to such property) shall deduct tax from the gross amount of rent paid at the rate specified in Division V of Part III of the First Schedule.

advertisement services to a non-resident media person relaying from outside Pakistan shall deduct tax from the gross amount paid at the rate specified in Division IIIA of Part III of the First Schedule.

*. Section 153A inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

1093 The words "Central Board of Revenue" substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

1094 Sub-section (3A) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1095 Sub-section (3B) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1096 Sub-section (3C) inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

1097 Substituted for the word "deducted" vide Finance Act, 2012

1098 The word, figures, brackets and commas "sub-section (I), i[(3), (3A) or (3B)]" were substituted vide the Finance Act, 2006

i. The words were added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002

1099 The words "export or sale to an exporter" were substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

1100 Inserted vide Finance Act, 2015

1101 The words, brackets, figure and comma "Subject to sub-section (2), every" substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

¹¹⁰²[**Explanation.**—“gross amount of rent” includes the amount referred to in sub-section (1) or (3) of section 16, if any.]

¹¹⁰³[Omitted]

¹¹⁰⁴[(3) In this section, “prescribed person” means—

- (i) the Federal Government;
- (ii) a provincial Government;
- (iii) ¹¹⁰⁵[Local Government];
- (iv) a company;
- (v) a non-profit organization; ¹¹⁰⁶[or a charitable institution]
- (vi) a diplomatic mission of a foreign state; ¹¹⁰⁷[***]
- ¹¹⁰⁸[(via) a private educational institution, a boutique, a beauty parlour, a hospital, a clinic or a maternity home;
- (vib) individuals or association of persons paying gross rent of rupees one and a half million and above in a year; or]
- (vii) any other person notified by the ¹¹⁰⁹[Board] for the purpose of this section.]

156. Prizes and winnings.—(1) Every person paying ¹¹¹⁰[prize on] a prize bond, or winnings from a raffle, lottery, ¹¹¹¹[prize on winning a quiz, prize offered by companies for promotion of sale,] or cross-word puzzle shall deduct tax from the gross amount paid at the rate specified in Division VI of Part III of the First Schedule.

¹¹¹²[(2) Where a prize, referred to in sub-section (1), is not in cash, the person while giving the prize shall collect tax on the fair market value of the prize.]

¹¹¹³[(3) The tax ¹¹¹⁴[deductible] under sub-section (1) or collected under ¹¹¹⁵[sub-]

1102 Explanation was added vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

1103 Sub-section (2) was omitted vide Finance Act, 2010. At the time of omission sub-section (2) was as under:--

“(2) The tax deducted under sub-section (1) shall be a final tax on the income from property if[***].”

ii. The words and figure “subject to section 15” omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June 2008. Earlier these were inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

Earlier, the sub-section (2) was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution sub-section (2) was as under:-

“(2) Sub-section (1) shall apply only where the annual rent exceeds a[three] hundred thousand rupees.”

a. Substituted for the word b[two] vide the Finance Act, 2004 (I of 2004)

b. Substituted for the word one vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1104 Sub-section (3) was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution sub-section (3) was as under:--

“(3) In this section, prescribed person means the Federal Government, a Provincial Government, local authority, a company, a non-profit organization or a diplomatic mission of a foreign state.”

1105 Substituted for the words “local authority” vide the Finance Act, 2008 (I of 2008 assented on 26th June 2008.

1106 Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

1107 The word “or” was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

1108 Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

1109 Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

1110 The words and comma were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1111 The words and commas inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1112 Sub-section (2) substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution sub-section (2) was as under:--

“(2) The tax deducted under sub-section (1) shall be a final tax on the income from property.”

1113 Sub-section (3) was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-section (3) was as under:--

“(3) The tax deducted under sub-section (1) shall be a final tax on the prize bond or winnings.”

1114 Substituted for the word “deducted” vide Finance Act, 2012

1115 Inserted vide the Finance Act, 2014

section (2) shall be final tax on the income from prizes or winnings referred to in the said sub-sections.]

¹¹¹⁶**[156A. Petroleum Products.-**(1) Every person selling petroleum products to a petrol pump operator shall deduct tax from the amount of commission or discount allowed to the operator at the rate specified in Division VIA of Part III of the First schedule.

(2) The tax ¹¹¹⁷[deductible] under sub-section (1) shall be a final tax on the income arising from the sale of petroleum products to which sub-section (1) applies.]

¹¹¹⁸**[156B. Withdrawal of balance under Pension Fund.-**(1) A pension fund manager making payment from individual pension accounts, maintained under any approved Pension Fund, shall deduct tax at the rate specified in sub-section (6) of section 12 from any amount –

(a) Withdrawn before the retirement age ¹¹¹⁹[:]

¹¹²⁰[Provided that the tax shall not be deducted in case of the eligible person suffering from any disability as mentioned in sub-rule (2) of rule 17 of the Voluntary Pension System Rules, 2005 which renders him unable to continue with any employment at the age which he may so elect to be treated as the retirement age or the age as on the date of such disability if not so elected by him.]

¹¹²¹[Provided further that the tax shall not be deducted on the share of the nominated survivor of the deceased eligible person and would be treated as if the eligible person had reached the age of retirement]

(b) withdrawn, if in excess of ¹¹²²[fifty percent] of his accumulated balance at or after the retirement age:

¹¹²³[Provided that the tax shall not be deducted in case, the balance in the eligible persons' individual pension account is invested in an approved income payment plan of a pension fund manager or paid to a life insurance company for the purchase of an approved annuity plan or is transferred to another individual pension account of the eligible person or the survivors' pension account in case of death of the eligible person maintained with any other pension fund manager as specified in the Voluntary Pension System Rules, 2005.]

¹¹²⁴[***]

¹¹²⁵**[158. Time of deduction of tax.-**A person required to deduct tax from an amount paid

1116 Section 156A was added vide the Finance Act, 2004 (I of 2004 assented on 30th June, 2004)

1117 Substituted for the word "deducted" vide Finance Act, 2012

1118 Section 156B was inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

1119 The semicolon was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

1120 Proviso was added vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

1121 Proviso was added vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

1122 Substituted for the figure "25%" vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

1123 Proviso was substituted by the by the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution proviso was as under:--

"Provided that the tax shall not be deducted in case, the balance in the persons' individual pension account is invested in an approved income payment plan of a pension fund manager or paid to a life insurance company for the purchase of an approved annuity plan or is transferred to another individual pension account of the taxpayer maintained with any other Pension Fund Manager under Change of Pension Fund Manager option specified in the Voluntary Pension System Rules, 2005."

1124 Section 157 was omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission section 157 was as under:--

"157. **Petroleum products.-**(1) Every person selling petroleum products to a petrol pump operator shall deduct tax from the amount of commission or discount allowed to the operator at the rate specified in Division VII of Part III of the First Schedule.

(2) The tax deducted under sub-section (1) shall be a final tax on the income arising from the sale of petroleum products to which sub-section (1) applies."

1125 Section 158 was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission section 157 was as under:--

"158. **Time of deduction of tax.-** A person required to deduct tax from an amount paid by the person shall deduct the tax at the earlier of –

(a) the time the amount is credited to the account of the recipient; or
(b) the time of amount is actually paid."

by the person shall deduct tax -

- (a) in the case of deduction under section 151, at the time the amount is ¹¹²⁶[paid or] credited to the account of recipient ¹¹²⁷[, whichever is earlier]; and
- (b) in other cases, at the time the amount is actually paid ¹¹²⁸[; and
- (c) amount actually paid shall have the meaning as may be prescribed.]

Division IV General Provisions Relating to the Advance Payment of Tax or the Deduction of Tax at Source

159. Exemption or lower rate certificate.-(1) Where the Commissioner is satisfied that an amount ¹¹²⁹[***] to which Division II or III of this Part ¹¹³⁰[or Chapter XII] applies is -

- (a) exempt from tax under this Ordinance; or
- (b) subject to tax at a rate lower than that specified in the First Schedule, the Commissioner shall, upon application in writing by the person, issue the person with an exemption or lower rate certificate ¹¹³¹[;or]

¹¹³²[(c) is subject to hundred per cent tax credit under section 100C,]

¹¹³³[(1A) The Commissioner shall, upon application from a person whose income is not likely to be chargeable to tax under ¹¹³⁴[***] this Ordinance, issue exemption certificate for the profit on debt referred to in clause (c) of sub-section (1) of section 151.]

(2) A person required to collect advance tax under Division II of this Part or deduct tax from a payment under Division III of this Part ¹¹³⁵[or deduct or collect tax under Chapter XII] shall collect or deduct the full amount of tax specified in Division II or III ¹¹³⁶[or Chapter XII], as the case may be, unless there is in force a certificate issued under sub-section (1) relating to the collection or deduction of such tax, in which case the person shall comply with the certificate.

¹¹³⁷[***]

(6) Notwithstanding omission of sub-section (3), (4) and (5) any notification issued under the said sub-sections and for the time being in force, shall continue to remain in force unless rescinded by the Board through notification in the official Gazette;]

160. Payment of tax collected or deducted.-Any tax that has been collected or purported to be collected under Division II of this Part or deducted or purported to be deducted under Division III

1126 The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1127 The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1128 Full stop was substituted with “; and” and thereafter new clause was inserted vide Finance Act, 2015

1129 The words “paid to a person” were omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1130 The words and figure were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1131 Substituted for the comma, a semicolon and the word “; or” vide the Finance Act, 2014

1132 Added vide the Finance Act, 2014

1133 Sub-section (1A) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1134 The word “the” was omitted vide the Finance Act, 2004 (I of 2004 assented on 30th June, 2004)

1135 The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1136 The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1137 Sub-sections 3 to 5 were omitted vide Finance Act, 2015. Sub-section (6) was added vide the Finance Act, 2015.

At the time of omission sub-sections were as under:-

“(3) The Board may, from time to time, by notification in the official Gazette -

(a) amend the rates of withholding tax prescribed under this Ordinance; or

(b) exempt persons, class of persons, goods or class of goods from withholding tax under this Ordinance.

i[(4) All such amendments shall have effect in respect of any tax year beginning on any date before or after the commencement of the financial year in which the notification is issued and shall not be applicable in respect of income on which tax withheld is treated as discharge of final tax liability.]

i Sub-section (4) was added vide the Finance Act, 2007

ii[(5) The Board shall place all notifications issued under sub-section (3) in a financial year before both Houses of Majlis-e-Shoora (Parliament)]”

ii Sub-section (5) was added vide the Finance Act, 2007

of this Part ¹¹³⁸[or deducted or collected, or purported to be deducted or collected under Chapter XII] shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

161. Failure to pay tax collected or deducted.-(1) Where a person –

- (a) fails to collect tax as required under Division II of this Part ¹¹³⁹[or Chapter XII] or deduct tax from a payment as required under Division III of this Part ¹¹⁴⁰[or Chapter XII] ¹¹⁴¹[or as required under section 50 of the repealed Ordinance]; or
- (b) having collected tax under Division II of this Part ¹¹⁴²[or Chapter XII] or deducted tax under Division III of this Part ¹¹⁴³[or Chapter XII] fails to pay the tax to the Commissioner as required under section 160, ¹¹⁴⁴[or having collected tax under section 50 of the repealed Ordinance pay to the credit of the Federal Government as required under sub-section (8) of section 50 of the repealed Ordinance,]

the person shall be personally liable to pay the amount of tax to the Commissioner ¹¹⁴⁵[who may ¹¹⁴⁶[pass an order to that effect and] proceed to recover the same.]

¹¹⁴⁷[(1A) No recovery under sub-section (1) shall be made unless the person referred to in sub-section (1) has been provided with an opportunity of being heard.

(1B) Where at the time of recovery of tax under sub-section (1) it is established that the tax that was to be deducted from the payment made to a person or collected from a person has meanwhile been paid by that person, no recovery shall be made from the person who had failed to collect or deduct the tax but the said person shall be liable to pay ¹¹⁴⁸[default surcharge] at the rate of ¹¹⁴⁹[twelve] percent per annum from the date he failed to collect or deduct the tax to the date the tax was paid.]

(2) A person personally liable for an amount of tax under sub-section (1) as a result of failing to collect or deduct the tax shall be entitled to recover the tax from the person from whom the tax should have been collected or deducted.

162. Recovery of tax from the person from whom tax was not collected or deducted.-(1) Where a person fails to collect tax as required under Division II of this Part ¹¹⁵⁰[or Chapter XII] or deduct tax from a payment as required under Division III of this Part ¹¹⁵¹[or Chapter XII,] the

1138 The words, comma and figure was inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1139 The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1140 The words and figure were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1141 The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003. Earlier this amendment was made vide Notification No. SRO.633(I)/2002, dated 14th September, 2002 and which of SRO.633(I)/2002, dated 14th September, 2002 rescinded vide Notification No. SRO 608(I)/2003 dated 24th June, 2003 with effect from 1st July, 2003.

1142 The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1143 The words and figure were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1144 The words and figures, brackets were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003. Earlier this amendment was made vide SRO 633(I)/2002, dated 14th September, 2002 and which of SRO.633(I)/2002, dated 14th September, 2002 rescinded vide SRO 608(I)/2003 dated 24th June, 2003 with effect from 1st July, 2003.

1145 The words were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1146 The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1147 New sub-sections “(1A) & (1B)” were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1148 Substituted for the word “additional tax” vide the Finance Act, 2010 (XVI of 2010. This amendment was effective from 5th June, 2010 vide the declaration made under the provisional Collection of taxes Act, 1931 (XVI of 1931. Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th June, 2010) and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

1149 Substituted for the word “eighteen” vide Finance Act, 2015

1150 The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1151 The words and figure were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

Commissioner may ¹¹⁵²[pass an order to that effect and] recover the amount not collected or deducted from the person from whom the tax should have been collected or to whom the payment was made.

(2) The recovery of tax under sub-section (1) does not absolve the person who failed to deduct tax as required under Division III of this Part ¹¹⁵³[or Chapter XII] from any other legal action in relation to the failure, or from a charge of ¹¹⁵⁴[default surcharge] or the disallowance of a deduction for the expense to which the failure relates, as provided for under this Ordinance.

163. Recovery of amounts payable under this Division.-The provisions of this Ordinance shall apply to any amount required to be paid to the Commissioner under this Division as if it were tax due under an assessment order.

164. Certificate of collection or deduction of tax.-(1) Every person collecting tax under Division II of this Part or deducting tax from a payment under Division III of this Part ¹¹⁵⁵[or ¹¹⁵⁶[deducting or collecting tax under] Chapter XII] shall, at the time of collection or deduction of the tax, furnish to the person from whom the tax has been collected or to whom the payment from which tax has been deducted has been made, ¹¹⁵⁷[copies of the challan of payment or any other equivalent document along with] a certificate setting out the amount of tax collected or deducted and such other particulars as may ¹¹⁵⁸[***] be prescribed.

(2) A person required to furnish a return of taxable income for a tax year shall attach to the return ¹¹⁵⁹[copies of the challan of payment on the basis of which a certificate is] provided to the person under this section in respect of tax collected or deducted in that year ¹¹⁶⁰[***].]

165. Statements.-(1) Every person collecting tax under Division II of this Part ¹¹⁶¹[or Chapter XII] or deducting tax from a payment under Division III of this Part ¹¹⁶²[or Chapter XII] shall, ¹¹⁶³[***], furnish to the Commissioner a ¹¹⁶⁴[monthly] statement in the prescribed form setting out—

- (a) the name ¹¹⁶⁵[Computerized National Identity Card Number, National Tax Number] and address of each person from whom tax has been collected under Division II of this Part ¹¹⁶⁶[or Chapter XII] or to whom payments have been made from which tax has been deducted under Division III of this Part ¹¹⁶⁷[or Chapter XII] in ¹¹⁶⁸[each

1152 The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1153 Inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002) (XXVII of 2002 promulgated on 15th June, 2002)

1154 The word “additional tax” was substituted vide the Finance Act, 2010 (XVI of 2010. This amendment was effective from 5th June, 2010 vide the declaration made under the provisional Collection of taxes Act, 1931 (XVI of 1931 Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th June, 2010) and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

1155 The words and figure were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1156 The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1157 The words were inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

1158 The words “pass an order to that effect and” omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

1159 The words “any certificate” were substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

1160 The words and figure “and such certificate shall be treated as sufficient evidence of the collection or deduction for the purposes of section 168” were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. These words and figure were added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1161 The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1162 The words and figure were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1163 The words and comma “within two months after the end of the financial year or within such further time as the commissioner may allow by i[order] in writing “were omitted vide the Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010

i. Substituted for the word “notice” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1164 The words were inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

1165 The words were inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

1166 The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1167 The words and figure were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th

quarter]

- (b) the total amount of payments made to a person from which tax has been deducted under Division III of this Part ¹¹⁶⁹[or Chapter XII] in ¹¹⁷⁰[each ¹¹⁷¹[month]
- (c) the total amount of tax collected from a person under Division II of this Part ¹¹⁷²[or Chapter XII] or deducted from payments made to a person under Division III of this Part ¹¹⁷³[or Chapter XII] in ¹¹⁷⁴[each ¹¹⁷⁵[month] and
- (d) such other particulars as may be prescribed ¹¹⁷⁶[:]

¹¹⁷⁷[Provided that every person as provided in sub-section (1) shall be required to file withholding statement even where no withholding tax is collected or deducted during the period]

¹¹⁷⁸[Explanation.-For the removal of doubt, it is clarified that this sub-section overrides all conflicting provisions contained in the Protection of Economic Reforms Act, 1992 (XII of 1992), the Banking Companies Ordinance, 1962 (LVII of 1962), the Foreign Exchange Regulation Act, 1947 (VII of 1947) and the regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956), if any, on the subject, in so far as divulgence of information under section 165 is concerned.]

¹¹⁷⁹[(2) Every prescribed person collecting tax under Division II of this Part or Chapter XII or deducting tax from a payment under Division III of this Part or Chapter XII shall furnish or e-file statements under sub-section (1) by the 15th day of the month following the month to which the withholding tax pertains.]

¹¹⁸⁰[(2A) Any person who, having furnished statement under sub-section (1) or sub-section (2), discovers any omission or wrong statement therein, may file a revised statement within sixty days of filing of statement under sub-section (1) or sub-section (2), as the case may be.]

June, 2002)

- 1168 Substituted for the words "the year" vide Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010
 - 1169 The words and figure were inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
 - 1170 Substituted for the words "the year" vide Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010
 - 1171 Substituted for the words "quarter" vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)
 - 1172 The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)
 - 1173 The words and figure were inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
 - 1174 Substituted for the words "the year" vide Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010
 - 1175 Substituted for the words "quarter" vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)
 - 1176 Substituted for the full stop vide Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010
 - 1177 Proviso was added vide Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010
 - 1178 Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013
 - 1179 Sub-section (2) was substituted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011. At the time of substitution sub-section (2) was as under:--
 - if (2) Every prescribed person collecting tax under Division II of this Part or Chapter XII or deducting tax under Division III of this Part or Chapter XII shall furnish statements under sub-section (1) as per the following schedule, namely:—
 - (a) in respect of the September quarter, on or before the 20th day of October;
 - (b) in respect of the December quarter, on or before the 20th day of January;
 - (c) in respect of the March quarter, on or before the 20th day of April; and
 - (d) in respect of the June quarter, on or before the 20th day of July.]
 - i. Sub-section (2) was substituted vide Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010. At the time of substitution sub-section (2) was as under:--
 - “(2) In addition to the annual statement required to be furnished under sub-section (1), a person collecting tax under Division II of this part a[or Chapter XII] or deducting tax under tax Division III of this part b[or Chapter XII] may be required to furnished statement on a c[monthly,] quarterly or six monthly basis as may be prescribed.”
 - a. The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)
 - b. The words and figure were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
 - c. The words and figure were inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
- 1180 Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹¹⁸¹[(3) ¹¹⁸²[Board] may prescribe a statement requiring any person to furnish information ¹¹⁸³[***] in respect of any transactions in the prescribed form and verified in the prescribed manner ¹¹⁸⁴[.]

¹¹⁸⁵[(4) A person required to furnish a statement under sub-section ¹¹⁸⁶[(1)], may apply in writing, to the Commissioner for an extension of time to furnish the statement after the due date and the Commissioner if satisfied that a reasonable cause exists for non-furnishing of the statement by the due date may, by an order in writing, grant the applicant an extension of time to furnish the statement.]

¹¹⁸⁷[(5) The Board may make rules relating to electronic furnishing of statements under this section including.]

- (a) mandatory electronic filing of statements; and
- (b) determination of eligibility of the data of such statements and e-intermediaries, etc.]

¹¹⁸⁸[(6) Every person deducting tax from payment under section 149 shall furnish to the Commissioner an annual statement in the prescribed form and manner ¹¹⁸⁹[.]

¹¹⁹⁰[***]

¹¹⁹¹**[165A. Furnishing of information by banks.-**(1) Notwithstanding anything contained in any law for the time being in force including but not limited to the Banking Companies Ordinance, 1962 (LVII of 1962), the Protection of Economic Reforms Act, 1992 (XII of 1992), the Foreign Exchange Regulation Act, 1947 VII of 1947) and the regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956), if any, on the subject, every banking company shall make arrangements to provide to the Board in the prescribed form and manner,-

- ¹¹⁹²[(a) a list of persons containing particulars of cash withdrawals exceeding fifty thousand Rupees in a day and tax deductions thereon for filers and non-filers, aggregating to Rupees one million or more during each preceding calendar month.]
- (b) a list containing particulars of deposits aggregating rupees ¹¹⁹³[ten] million or more made during the preceding calendar month;
- (c) a list of payments made by any person against bills raised in respect of a credit card issued to that person, aggregating to rupees ¹¹⁹⁴[two] hundred thousand or more during the preceding calendar month;

1181 Sub-section (3) was added vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

1182 The words "Central Board of Revenue" were substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

1183 The word "periodically" was omitted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

1184 Substituted for the colon vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

1185 Sub-section (4) was added vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

1186 Substituted for the brackets and figure "(2)" vide Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010

1187 Sub-section (5) was added vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

1188 Sub-section (6) was added vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

1189 For the semicolon a full stop was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.

1190 The proviso was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission the proviso appeared as follows:-

"Provided that annual statement shall also be filed where the income exceeds rupees three hundred thousand but does not exceed rupees three hundred and fifty thousand in a tax year."

1191 Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

1192 Substituted vide Finance Act 2018, assented on 22nd May, 2018. At the time of substitution the proviso appeared as follows:-

(a) online access to its central database containing details of its account holders and all transactions made in their accounts;

1193 Substituted for the word "one" vide Finance Act 2018, assented on 22nd May, 2018.

1194 Substituted for the word "one" vide Finance Act 2018, assented on 22nd May, 2018.

- (d) a consolidated list of loans written off exceeding rupees one million during a calendar year; and
 - (e) a copy of each currency transactions report and suspicious transactions report generated and submitted by it to the Financial Monitoring Unit under the Anti-Money Laundering Act, 2010 (VII of 2010).
- (2) Each banking company shall also make arrangements to nominate a senior officer at the head office to coordinate with the Board for provision of any information and documents in addition to those listed in sub-section (1), as may be required by the Board.
- (3) The banking companies and their officers shall not be liable to any civil, criminal or disciplinary proceedings against them for furnishing information required under this Ordinance.
- (4) Subject to section 216, all information received under this section shall be used only for tax purposes and kept confidential.]
- ¹¹⁹⁵**[165B. Furnishing of information by financial institutions including banks.-(1)** Notwithstanding anything contained in any law for the time being in force including but not limited to the Banking Companies Ordinance, 1962 (LVII of 1962), the Protection of Economic Reforms Act, 1992 (XII of 1992), the Foreign Exchange Regulation Act, 1947 (VII of 1947) and any regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956), on the subject every financial institution shall make arrangements to provide information regarding non-resident ¹¹⁹⁶[or any other reportable] Persons to the Board in the prescribed form and manner for the purpose of automatic exchange of information under bilateral agreement or multilateral convention.
- (2) ¹¹⁹⁷[All] Subject to section 216, all information received under this section shall be used only for tax and related purposes and kept confidential.]
- ¹¹⁹⁸[(3) For the purpose of this section, the terms “reportable person” and “financial institution” shall have the meaning as provided in Chapter XIIA of the Income Tax Rules, 2002.]
- 166. Priority of tax collected or deducted.-(1)** Tax collected by a person under Division II ¹¹⁹⁹[of this Part or Chapter XII] or deducted from a payment under Division III of this Part ¹²⁰⁰[or Chapter XII] shall be –
- (a) held by the person in trust for the ¹²⁰¹[Federal] Government; and
 - (b) not subject to attachment in respect of any debt or liability of the person.
- (2) In the event of the liquidation or bankruptcy of a person who has collected ¹²⁰²[***] or deducted tax from a payment under Division III of this Part ¹²⁰³[or Chapter XII], the amount collected or deducted shall not form part of the estate of the person in liquidation or bankruptcy and the Commissioner shall have a first claim for that amount before any distribution of property is made.
- (3) Every amount that a person is required to deduct from a payment under Division III of this Part ¹²⁰⁴[or Chapter XII] shall be –
- (a) a first charge on the payment; and
 - (b) deducted prior to any other amount that the person may be required to

¹¹⁹⁵ Inserted vide Finance Act, 2015

¹¹⁹⁶ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹¹⁹⁷ Substituted for the words and figures “Subject to section 216, all” vide the Finance Act, 2016 (XXIX of 2016)

¹¹⁹⁸ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹¹⁹⁹ The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²⁰⁰ The words and figure were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹²⁰¹ The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²⁰² The words “tax under Division II of this Part” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²⁰³ The words and figure were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹²⁰⁴ The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

deduct from the payment by virtue of an order of any Court or under any other law.

167. Indemnity.—A person who has deducted tax from a payment under ¹²⁰⁵[Division III of this Part] ¹²⁰⁶[or Chapter XII] and remitted the deducted amount to the Commissioner shall be treated as having paid the deducted amount to the recipient of the payment for the purposes of any claim by the recipient for payment of the deducted tax.

168. Credit for tax collected or deducted.—(1) For the purposes of this Ordinance —

- (a) the amount of any tax deducted from a payment under Division III of this Part ¹²⁰⁷[or Chapter XII] shall be treated as income derived by the person to whom the payment was made; and
- (b) the amount of any tax collected under Division II of this Part ¹²⁰⁸[or Chapter XII] or deducted under Division III of this Part ¹²⁰⁹[or Chapter XII] shall be treated as tax paid by the person from whom the tax was collected or deducted.

(2) Subject to sub-sections ¹²¹⁰[(2A), (2B),] (3) and (4), where an amount of tax has been collected from a person under Division II of this Part ¹²¹¹[or Chapter XII] or deducted from a payment made to a person under Division III of this Part ¹²¹²[or Chapter XII], the person shall be allowed a tax credit for that tax in computing the tax due by the person on the taxable income of the person for the tax year in which the tax was collected or deducted.

¹²¹³[(2A) Where a company is a member of an association of persons which is taxed in accordance with section 92 and an amount of tax has been collected from an association of persons under Division II of this Part or Chapter XII or deducted from a payment made to the said association under Division III of this Part or Chapter XII, the company shall be allowed a tax credit, in respect of tax collected or deducted from the association of persons, according to the following formula, namely:—

$$(A/B) \times C$$

Where —

- A** is the amount of share of profits before tax received by the company as a member from the association of persons;
- B** is the taxable income of the association of persons; and
- C** is the amount of tax withheld in the name of the association of persons.

(2B) No tax credit shall be allowed for any tax collected or deducted from an association of persons in respect of an amount for which credit has been allowed under sub-section (2A) to a company being a member of the association.]

¹²¹⁴[(3) No tax credit shall be allowed for any tax collected or deducted that is a final tax

¹²⁰⁵ Substituted for the words, figure and comma “[Division II,] Division III” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²⁰⁶ The words were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹²⁰⁷ The words were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹²⁰⁸ The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²⁰⁹ The words and figure were inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹²¹⁰ Inserted vide Finance Act 2018, assented on 22nd May, 2018.

¹²¹¹ The words and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²¹² The words and figure were inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹²¹³ Added vide Finance Act 2018, assented on 22nd May, 2018.

¹²¹⁴ Sub-section (3) was substituted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011. At the time of substitution Sub-section (3) was as under:—

“(3) No tax credit shall be allowed for any tax collected or deducted that is a final tax under i[***] ii[clauses (a), (b) and (d) of sub-section (1) of section 151, sub-section (1B) of section 152.] iii[sub-

under,

- (a) sub-section (7) of section 148;
 - (b) sub-section (3) of section 151;
 - (c) sub-section (1B) and (1BB) of section 152;
 - (d) ¹²¹⁵[***] sub-section (3) of section 153;
 - (e) sub-section (4) of section 154;
 - (f) sub-section (3) of section 156;
 - (g) sub-section (2) of section 156A;
 - (h) sub-section (3) of section 233; ¹²¹⁶[and]
 - (i) sub-section (5) of section 234; and
- ¹²¹⁷[***]

(4) A tax credit allowed under this section shall be applied in accordance with sub-section (3) of section 4.

(5) A tax credit or part of a tax credit allowed under this section for a tax year that is not able to be credited under sub-section (3) of section 4 for the year shall be refunded to the taxpayer in accordance with section 170.

¹²¹⁸[(6) Notwithstanding anything contained in any other law or any rules for the time being in force, no amount shall be deducted on account of service charges from the tax withheld or collected by any person under the provisions of this Ordinance.]

¹²¹⁹[(7) In case any amount is deducted on account of service charges, by the person, the said person will be liable to pay the said amount to the Federal Government and all the provisions of this Ordinance shall apply in so far as they apply to the recovery of tax.]

169. Tax collected or deducted as a final tax.-(1) This section shall apply where –

- (a) the ¹²²⁰[advance tax required to be collected ¹²²¹[or paid]] is a final tax under sub-section (7) of section 148 ¹²²²[, 148A] ¹²²³[***] ¹²²⁴[or section 234A]] on the

section (6)] of section 153, sub-section (4) of section 154, iv[section 155] sub-section (3) of section 156,v[sub-section (2) of section 156A, section 233, clauses (a) and (b) of sub-section (I) of section 233A] or vi[sub-section (5) of section 234 vii[or section 234A.]”

- i. *The words, figure, brackets and comma “sub-section (7) of section 148, was omitted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)*
- ii. *The words, figure, brackets and comma was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)*
- iii. *Substituted for the words, brackets and figures “sub-sections (6) or (7) vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)*
- iv. *The words, figure and comma was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)*
- v. *The words, figure, brackets and comma was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)*
- vi. *Substituted for the words, brackets and figures “sub-section 157 (XXVII of 2002 promulgated on 15th June, 2002)*
- vii. *The comma, word, figure and letter was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

¹²¹⁵ *The words, comma and brackets “clauses (a), (c) and (d) of” were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013*

¹²¹⁶ *Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013*

¹²¹⁷ *Clause (i) was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission said clause was as under:-*
“(j) sub-section (3) of section 234A.”

¹²¹⁸ *Sub-section (6) was added vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)*

¹²¹⁹ *Sub-section (6) was added vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)*

¹²²⁰ *Substituted for the words “collection of advance tax” vide the Finance Act, 2012*

¹²²¹ *Inserted vide Finance Act, 2015*

¹²²² *Inserted vide Finance Act, 2015*

income to which it relates; or

- (b) the ¹²²⁵[tax required to be deducted] is a final tax under ¹²²⁶[sub-section (3) of section 151], sub-section (1B) ¹²²⁷[or sub-section (1BB)] of section 152,]] ¹²²⁸[***], ¹²²⁹[¹²³⁰[sub-section (1AAA) of section 152]] sub-section (4) of section 154, ¹²³¹[***] sub-section (3) of section 156, ¹²³²[Sub-section (3) of section 156, ¹²³³[***] ¹²³⁴[sub-section (2) of section 156A or sub-section ¹²³⁵[(1) and] (3) ¹²³⁶[or] section 233 ¹²³⁷[***]] ¹²³⁸[***] on the income from which it ¹²³⁹[was deductible].
- (2) Where this section applies -
- (a) the income shall not be chargeable to tax under any head of income in computing the taxable income of the person;
- (b) no deduction shall be allowable under this Ordinance for any expenditure incurred in deriving the income;
- (c) the amount of the income shall not be reduced by –
- (i) any deductible allowance under Part IX of Chapter III; or
- (ii) the set off of any loss;
- (d) the tax deducted shall not be reduced by any tax credit allowed under this Ordinance; ¹²⁴⁰[***]

1223 The words, brackets and figure "or sub-section (5) of section 234" were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. The words, brackets and figure were, earlier, inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1224 The words, figure and letter was Inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

1225 Substituted for the word "deduction of tax" vide the Finance Act, 2012

1226 For the words, brackets, comma and figure "clauses (a), (b) and (d) of sub-section (1) of section 151" the words, brackets and figure "sub-section (3) of section 151 was substituted vide the Finance Act, 2011 (XVI of 2006) assented on 29th June, 2011. Earlier, the words, figure, brackets and letter "clauses (a), (b) and (d) of sub-section (1) of section 151, sub-section (1B) of section 152" were inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

1227 The words, figure and comma "section 153A were inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

1228 The words, comma and brackets "clauses (a), (c) and (d) of" were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. Before omission it appeared as, "clauses (a), (c) and (d) of sub section (3) of section 153" and were substituted for the words, brackets and figure i[sub-section (6)] of section 153" vide the Finance Act, 2011 (XVI of 2006 assented on 29th June, 2011)

i. Substituted for the words, brackets and figures sub-section (6) & (7) vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

1229 The words, figure and comma "section 153A" were inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

1230 Substituted for the word and figure "section 153A" vide the Finance Act, 2002. Before substitution earlier it was inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

1231 The words, digits and comma i[section 155] were omitted vide the Finance Act, 2010 (XVI of 2010 effective from 5th June, 2010)

i. The word, figure and comma was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

1232 The words, brackets, figures and letter were inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

1233 The words, figures and brackets "or sub-section (2) of section 157" omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1234 The words, brackets figures and letter were inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

1235 The words, brackets, figures and letter were inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

1236 Substituted for the word "of" vide the Finance Act, 2014

1237 The words, brackets, figure and letters "or clause (a) and clause (b) of sub-section (1) of section 233A" were omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

1238 The comma, words, brackets and figures", or sub-section (2) of section 157 were omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

1239 Substituted for the words "has been deducted" vide the Finance Act, 2012

1240 The word "and" omitted vide the Finance Act, 2012

(e) there shall be no refund of the tax collected or deducted ¹²⁴¹[unless the tax so collected or deducted is in excess of the amount for which the taxpayer is chargeable under this Ordinance] ¹²⁴²[; and]

¹²⁴³[(f) tax deductible has not been deducted, or short deducted, the said non deduction or short deduction may be recovered under section 162, and all the provisions of this Ordinance shall apply accordingly.]

(3) Where all the income derived by a person in a tax year is subject to final taxation under the provisions referred to in sub-section (1) or under sections 5, 6 ¹²⁴⁴[and] 7, ¹²⁴⁵***] ¹²⁴⁶[an assessment shall be treated to have been made under section 120 and] the person shall not be required to furnish a return of income under section 114 for the year.

¹²⁴⁷[(4) Where the tax collected or deducted is final tax under any provision of the Ordinance and separate rates for filer and non-filer have been prescribed for the said tax, the final tax shall be the tax rate for filer and the excess tax deducted or collected on account of higher rate of non-filer shall be adjustable in the return filed for the relevant tax year.]

¹²⁴⁸**[Explanation.-**The expression, ³an assessment shall be treated to have been made under section 120 means,

(b) the Commissioner shall be taken to have made an assessment of income for that tax year, and the tax due thereon equal to those respective amounts specified in the return or statement under sub-section (4) of section 115; and

(c) the return or the statement under sub-section (4) of section 115 shall be taken for all purposes of this Ordinance to be an assessment order.]

¹²⁴⁹***]

PART VI REFUNDS

170. Refunds.-(1) A taxpayer who has paid tax in excess of the amount which the taxpayer is properly chargeable under this Ordinance may apply to the Commissioner for a refund of the excess.

¹²⁵⁰[(1A) Where any advance or loan, to which sub-clause (e) of clause (19) of section 2 applies, is repaid by a taxpayer, he shall be entitled to a refund of the tax, if any, paid by him as a result of such advance or loan having been treated as dividend under the aforesaid provision.]

¹²⁴¹ The words were added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹²⁴² Substituted for the full stop vide the Finance Act, 2012

¹²⁴³ Clause (f) was added vide Finance Act, 2012

¹²⁴⁴ The word "and" was substituted for comma vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.

¹²⁴⁵ The words "and 15, other than dividend received by a company" were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. Earlier the words "and 15," were inserted vide the Finance Act, 2010 (XVI of 2010) and the words "other than dividend received by a company" were inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹²⁴⁶ The words and figure were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹²⁴⁷ Added vide the Finance Act, 2016 (XXIX of 2016)

¹²⁴⁸ Explanation was added vide the Finance Act, 2010 (XVI of 2010)

¹²⁴⁹ Sub-section (4) was omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). The sub-section (4) was added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission sub-section (4) was as under:

"(4) Where a taxpayer, while explaining the nature and source of any amount, investment, money, valuable article, expenditure, referred to in section 111, takes into account any source of income which is subject to tax in accordance with the provisions of sections 148, 153, 154, 156 or sub-section (5) of section 234, he shall not be entitled to take credit of any sum as is in excess of an amount which if taxed at a rate or rates, other than the rate applicable to the income chargeable to tax under aforesaid sections 148, 153, 154, 156 or sub-section (5) of section 234 would have resulted in tax liability equal to the tax payable in respect of income under any of the aforesaid sections."

¹²⁵⁰ Sub-section (1A) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

- (2) An application for a refund under sub-section (1) shall be –
- (a) made in the prescribed form;
 - (b) verified in the prescribed manner; and
 - (c) made within ¹²⁵¹[three] years of the later of -
 - (i) the date on which the Commissioner has issued the assessment order to the taxpayer for the tax year to which the refund application relates; or
 - (ii) the date on which the tax was paid.
- (3) Where the Commissioner is satisfied that tax has been overpaid, the Commissioner shall-
- (a) apply the excess in reduction of any other tax due from the taxpayer under this Ordinance;
 - (b) apply the balance of the excess, if any, in reduction of any outstanding liability of the taxpayer to pay other taxes; and
 - (c) refund the remainder, if any, to the taxpayer.
- (4) The Commissioner shall, within ¹²⁵²[sixty] days of receipt of a refund application under sub-section (1), serve on the person applying for the refund an order in writing of the decision ¹²⁵³[after providing the taxpayer an opportunity of being heard].
- ¹²⁵⁴[(5) A person aggrieved by-
- (a) an order passed under sub-section (4); or
 - (b) the failure of the Commissioner to pass an order under sub-section (4) within the time specified in that sub-section, may prefer an appeal under Part III of this Chapter.]

171. Additional payment for delayed refunds.-(1) Where a refund due to a taxpayer is not paid within three months of the date on which it becomes due, the Commissioner shall pay to the taxpayer a further amount by way of compensation at the rate of ¹²⁵⁵[¹²⁵⁶[¹²⁵⁷[KIBOR plus 0.5 percent]]] per annum of the amount of the refund computed for the period commencing at the end of the three month period and ending on the date on which it was paid ¹²⁵⁸[.]

¹²⁵⁹[Provided that where there is reason to believe that a person has claimed the refund which is not admissible to him, the provision regarding the payment of such additional amount shall not apply till the investigation of the claim is completed and the claim is either accepted or rejected.]

- (2) For the purposes of this section, a refund shall be treated as having become due –
- (a) in the case of a refund required to be made in consequence of an order on an appeal to the Commissioner (Appeals), an appeal to the Appellate Tribunal, a reference to the High Court or an appeal to the Supreme Court,

¹²⁵¹ Substituted for the word "two" vide the Finance Act, 2016 (XXIX of 2016)

¹²⁵² The word "forty five" was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

¹²⁵³ The word was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003).

¹²⁵⁴ Sub-section (5) was substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution sub-section (5) was as under:-

"(5) A person dissatisfied with a decision referred to in sub-section (4) may challenge the decision only under Part III of this Chapter."

¹²⁵⁵ The words i[six] per cent" were substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

i. Substituted for the word "fifteen" vide the finance Act, 2004 assented on 30th June, 2004)

¹²⁵⁶ Substituted for the letters "KIBOR" vide the Finance Act, 2012

¹²⁵⁷ Substituted for the figure "fifteen" vide Finance Act, 2015

¹²⁵⁸ Full stop substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

¹²⁵⁹ Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

on the date of receipt of such order by the Commissioner; ¹²⁶⁰[or]

- (b) in the case of a refund required to be made as a consequence of a revision order under section ¹²⁶¹[122A], on the date the order is made by the Commissioner; or
- (c) In any other case, on the date the refund order is made.

¹²⁶²[**Explanation.**-For the removal of doubt, it is clarified that where a refund order is made on an application under sub-section (1) of section 170, for the purpose of compensation, the refund becomes due from the date refund order is made and not from the date the assessment of income treated to have been made by the Commissioner under section 120.]

PART VII REPRESENTATIVES

172. Representatives.-(1) For the purposes of this Ordinance and subject to sub-sections (2) and (3), “representative” in respect of a person for a tax year, means –

- (a) where the person is an individual under a legal disability, the guardian or manager who receives or is entitled to receive income on behalf, or for the benefit of the individual;
- (b) where the person is a company (other than a trust, a Provincial Government, or ¹²⁶³[Local Government] in Pakistan), the principal officer of the company;
- (c) where the person is a trust declared by a duly executed instrument in writing whether testamentary or otherwise (including any Wakf deed which is valid under the Mussalman Wakf Validation Act, 1913 (VI of 1913)), any trustee of the trust;
- (d) where the person is a Provincial Government, or ¹²⁶⁴[Local Government] in Pakistan, any individual responsible for accounting for the receipt and payment of moneys or funds on behalf of the Provincial Government or ¹²⁶⁵[Local Government];
- (e) where the person is an association of persons, the principal officer of the association or, in the case of a firm, any partner in the firm;
- (f) where the person is the Federal Government, any individual responsible for accounting for the receipt and payment of moneys or funds on behalf of the Federal Government; or
- (g) where the person is a public international organization, or a foreign government or political sub-division of a foreign government, any individual responsible for accounting for the receipt and payment of moneys or funds in Pakistan on behalf of the organization, government, or political sub-division of the government.

(2) Where the Court of Wards, the Administrator General, the Official Trustee, or any receiver or manager appointed by, or under, any order of a Court receives or is entitled to receive income on behalf, or for the benefit of any person, such Court of Wards, Administrator General, Official Trustee, receiver, or manager shall be the representative of the person for a tax year for the purposes of this Ordinance.

(3) Subject to sub-sections (4) and (5), where a person is a non-resident person, the representative of the person for the purposes of this Ordinance for a tax year shall be any person in

¹²⁶⁰ The word was added vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²⁶¹ Substituted for the figure “135” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²⁶² Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹²⁶³ The words “local authority” were substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹²⁶⁴ The words “local authority” were substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹²⁶⁵ The words “local authority” were substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

Pakistan –

- (a) who is employed by, or on behalf of, the non-resident person;
- (b) who has any business connection with the non-resident person ¹²⁶⁶[:]
¹²⁶⁷[**Explanation.**—In this clause the expression “business connection” includes transfer of an asset or business in Pakistan by a non-resident;]
- (c) from or through whom the non-resident person is in receipt of any income, whether directly or indirectly;
- (d) who holds, or controls the receipt or disposal of any money belonging to the non-resident person;
- (e) who is the trustee of the non-resident person; or
- (f) who is declared by the Commissioner by ¹²⁶⁸[an order] in writing to be the representative of the non-resident person.

(4) A bona fide independent broker in Pakistan who, in respect of any transactions, does not deal directly with, or on behalf of, a non-resident principal but deals with, or through a non-resident broker, shall not be treated as a representative of the non-resident principal in respect of such transactions, if –

- (a) the transactions are carried on in the ordinary course of business through the first-mentioned broker; and
- (b) the non-resident broker is carrying on such transactions in the ordinary course of its business and not as a principal.

(5) No person shall be declared ¹²⁶⁹[***] as the representative of a non-resident person unless the person has been given an opportunity by the Commissioner of being heard.

173. Liability and obligations of representatives.—(1) Every representative of a person shall be responsible for performing any duties or obligations imposed by or under this Ordinance on the person, including the payment of tax.

(2) Subject to sub-section (4), any tax that, by virtue of sub-section (1), is payable by a representative of a taxpayer shall be recoverable from the representative only to the extent of any assets of the taxpayer that are in the possession or under the control of the representative.

(3) Every representative of a taxpayer who pays any tax owing by the taxpayer shall be entitled to recover the amount so paid from the taxpayer or to retain the amount so paid out of any moneys of the taxpayer that are in the representative’s possession or under the representative’s control.

¹²⁷⁰[(3A) Any representative, or any person who apprehends that he may be assessed as a representative, may retain out of any money payable by him to the person on whose behalf he is liable to pay tax (hereinafter in this section referred to as the “principal”), a sum equal to his estimated liability under this Ordinance, and in the event of disagreement between the principal and such a representative or a person as to the amount to be so retained, such representative or person may obtain from the Commissioner a certificate stating the amount to be so retained pending final determination of the tax liability, and the certificate so obtained shall be his authority for retaining that amount.]

(4) Every representative shall be personally liable for the payment of any tax due by the representative in a representative capacity if, while the amount remains unpaid, the representative –

¹²⁶⁶ Substituted for the semi-colon vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹²⁶⁷ Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹²⁶⁸ Substituted for the word “notice” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²⁶⁹ The words “or treated” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²⁷⁰ Sub-section (3A) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

- (a) alienates, charges or disposes of any moneys received or accrued in respect of which the tax is payable; or
- (b) disposes of or parts with any moneys or funds belonging to the taxpayer that is in the possession of the representative or which comes to the representative after the tax is payable, if such tax could legally have been paid from or out of such moneys or funds.

(5) Nothing in this section shall relieve any person from performing any duties imposed by or under this Ordinance on the person which the representative of the person has failed to perform.

PART VIII

RECORDS, INFORMATION COLLECTION AND AUDIT

174. Records.-(1) Unless otherwise authorised by the Commissioner, every taxpayer shall maintain in Pakistan such accounts, documents and records as may be prescribed.

(2) The Commissioner may disallow¹²⁷¹[or reduce] a taxpayer's claim for a deduction if the taxpayer is unable, without reasonable¹²⁷²[cause], to provide a receipt, or other record or evidence of the transaction or circumstances giving rise to the claim for the deduction.

(3) The accounts and documents required to be maintained under this section shall be maintained for¹²⁷³[six] years after the end of the tax year to which they relate¹²⁷⁴[:]

¹²⁷⁵[Provided that where any proceeding is pending before any authority or court the taxpayer shall maintain the record till final decision of the proceedings.]

Explanation.- Pending proceedings include proceedings for assessment or amendment of assessment, appeal, revision, reference, petition or prosecution and any proceedings before an Alternative Dispute Resolution Committee.]

¹²⁷⁶[(4) For the purpose of this section, the expression "deduction" means any amount debited to trading account, manufacturing account, receipts and expenses account or profit and loss account.]

¹²⁷⁷[(5) The Commissioner may require any person to install and use an Electronic Tax Register of such type and description as may be prescribed for the purpose of storing and accessing information regarding any transaction that has a bearing on the tax liability of such person.]

175. Power to enter and search premises.-(1) In order to enforce any provision of this Ordinance (including for the purpose of making an audit of a taxpayer or a survey of persons liable to tax), the Commissioner or any officer authorised in writing by the Commissioner for the purposes of this section

- (a) shall, at all times and without prior notice, have full and free access to any premises, place, accounts, documents or computer;
- (b) may stamp, or make an extract or copy of any accounts, documents or computer-

¹²⁷¹ The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²⁷² Substituted for the word "excuse" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²⁷³ The word "five" was substituted vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931). Earlier this amendment was made by the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹²⁷⁴ Substituted for the full stop vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931). Earlier this amendment was made by the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹²⁷⁵ Proviso and Explanation inserted vide Finance Act, 2010. This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931). Earlier this amendment was made by the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹²⁷⁶ Sub-section (4) was added vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹²⁷⁷ Sub-section (5) was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

stored information to which access is obtained under clause (a);

- (c) may impound any accounts or documents and retain them for so long as may be necessary for examination or for the purposes of prosecution;
- (d) may, where a hard copy or computer disk of information stored on a computer is not made available, impound and retain the computer for as long as is necessary to copy the information required; and
- (e) may make an inventory of any articles found in any premises or place to which access is obtained under clause (a).

¹²⁷⁸[(2) The Commissioner may authorize any valuer or expert to enter any premises and perform any task assigned to him by the Commissioner.]

(3) The occupier of any premises or place to which access is sought under sub-section (1) shall provide all reasonable facilities and assistance for the effective exercise of the right of access.

(4) Any accounts, documents or computer impounded and retained under sub-section (1) shall be signed for by the Commissioner or an authorised officer.

(5) A person whose accounts, documents or computer have been impounded and retained under sub-section (1) may examine them and make extracts or copies from them during regular office hours under such supervision as the Commissioner may determine.

(6) Where any accounts, documents or computer impounded and retained under sub-section (1) are lost or destroyed while in the possession of the Commissioner, the Commissioner shall make reasonable compensation to the owner of the accounts, documents or computer for the loss or destruction.

(7) This section shall have effect notwithstanding any rule of law relating to privilege or the public interest in relation to access to premises or places, or the production of accounts, documents or computer-stored information.

(8) In this section, “occupier” in relation to any premises or place, means the owner, manager or any other responsible person on the premises or place.

176. Notice to obtain information or evidence.-(1) The Commissioner may, by notice in writing, require any person, whether or not liable for tax under this Ordinance –

- ¹²⁷⁹[(a) to furnish to the Commissioner or an authorised officer, any information relevant to any tax leviable under this Ordinance or to fulfill any obligation under any agreement with foreign government or governments or tax jurisdiction, as specified in the notice; or;]
- (b) to attend at the time and place designated in the notice for the purpose of being examined on oath by the Commissioner or an authorised officer concerning the tax affairs of that person or any other person and, for that purpose, the Commissioner or authorised officer may require the person examined to produce any accounts, documents, or computer-stored information in the control of the person ¹²⁸⁰[; or]
- ¹²⁸¹[(c) the firm of chartered accountants ¹²⁸²[, or a firm of cost and management accountants as defined under the Cost and Management Accountants Act, 1966

¹²⁷⁸ Sub-section (2) was substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution sub-section (2) was as under:-

“(2) The Commissioner may authorise any valuer to enter any premises or place to inspect such accounts and documents as may be necessary to enable the valuer to make a valuation of an asset for the purposes of this Ordinance.”

¹²⁷⁹ Clause (a) was Substituted vide Finance Act, 2015. At the time of substitution clause (a) was as under:-

“(a) to furnish to the Commissioner or an authorised officer, any information relevant to any tax [leviable] under this Ordinance as specified in the notice; or”

¹²⁸⁰ Full stop was substituted vide the Finance Act, 2009 (XXII of 2009 assented on 28th October, 2009)

¹²⁸¹ Clause (c) was added vide the Finance Act, 2009 (XXII of 2009 assented on 28th October, 2009)

¹²⁸² Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

(XIV of 1966)], as appointed by the ¹²⁸³[Board or the Commissioner], to conduct audit under section 177, for any tax year, may with the prior approval of the Commissioner concerned, enter the business premises of a taxpayer, ¹²⁸⁴[***] to obtain any information, require production of any record, on which the required information is stored and examine it within such premises; and such firm may if specifically delegated by the Commissioner, also exercise the powers as provided in sub- section (4).]

¹²⁸⁵[(1A) A special audit panel appointed under sub-section (11) of section 177, for any tax year, may, with the prior approval of the Commissioner concerned, enter the business premises of a taxpayer, to obtain any information, require production of any record, on which the required information is stored and examine it within such premises and such panel may if specifically delegated by the Commissioner, also exercise the powers as provided in sub-section (4).;]

(2) The Commissioner may impound any accounts or documents produced under sub-section (1) and retain them for so long as may be necessary for examination or for the purposes of prosecution.

(3) ¹²⁸⁶[The person from whom information is required, may at his option, furnish the same electronically in any computer readable media.] Where a hard copy or computer disk of information stored on a computer is not made available as required under sub-section (1), the Commissioner may require production of the computer on which the information is stored, and impound and retain the computer for as long as is necessary to copy the information required.

(4) For the purposes of this section, the Commissioner shall have the same powers as are vested in a Court under the Code of Civil Procedure, 1908 (Act V of 1908), in respect of the following matters, namely:—

- (a) enforcing the attendance of any person and examining the person on oath or affirmation;
- (b) compelling the production of any accounts, records, computer-stored information, or computer;
- (c) receiving evidence on affidavit; or
- (d) issuing commissions for the examination of witnesses.

(5) This section shall have effect notwithstanding any ¹²⁸⁷[law or rules] relating to privilege or the public interest in relation to the production of accounts, documents, or computer-stored information or the giving of information.

¹²⁸⁸**[177. Audit.**—¹²⁸⁹(1) The Commissioner may call for any record or documents including books

¹²⁸³ Substituted for the word and comma “Board,” vide the Finance Act, 2010 (XVI of 2010)

¹²⁸⁴ the words “selected for audit” were omitted vide Finance Act, 2012

¹²⁸⁵ Added vide Finance Act, 2015

¹²⁸⁶ The words, comma and full stop was inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹²⁸⁷ Substituted for the words “rule of law” vide Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

¹²⁸⁸ Section 177 was substituted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of substitution section 177 was as under:---

“177. Audit.--(1) The commissioner may select any person for an audit of the person income tax affairs having regard to—

- (a) the person’s history of compliance with this ordinance;
- (b) the amount of tax payable by the person;
- (c) the class of business conducted by the person; and
- (d) any other matter that the Commissioner considers relevant.

ii[(1A) After selection of a person for audit sub-section (1), the commissioner shall conduct an audit of the income tax affairs (including examination of accounts and records, enquiry into expenditure, assets and liabilities) of that person]

ii[(1B) After completion of the audit under sub-section (1A) or sub-section (3), the Commissioner may, if consider necessary, after obtaining taxpayers explanation on all the issues raised in the audit, amend the assessment under sub-section (1) or sub-section (4) of section 122, as the case may be.]

of accounts maintained under this Ordinance or any other law for the time being in force for conducting audit of the income tax affairs of the person and where such record or documents have been kept on electronic data, the person shall allow access to the Commissioner or the officer authorised by the Commissioner for use of machine and software on which such data is kept and the Commissioner or the officer may take into possession such machine and duly attested hard copies of such information or data for the purpose of investigation and proceedings under this Ordinance in respect of such person or any other person:

Provided that

- (a) the Commissioner may, after recording reasons in writing call for record or documents including books of accounts of the taxpayer; and
- (b) the reasons shall be communicated to the taxpayer while calling record or documents including books of accounts of the taxpayer:

Provided further that the Commissioner shall not call for record or documents of the taxpayer after expiry of six years from the end of the tax year to which they relate.]

¹²⁹⁰[(2) After obtaining the record of a person under sub-section (1) or where necessary

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- (2) *The fact that a person has been audited in a year shall not preclude the person from being audited again in the next and following years where there are responsible grounds for such audits, particularly having regard to the factors in sub-section (1)*
 - (3) *The Central Board of Revenue may appoint a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961), to conduct an audit of the income tax affairs of any person and the scope of such audit shall be as determined by the Central Board of Revenue on a case by case basis.*
 - (4) *Any person employed by a firm referred to in sub-section (3) may be authorized by the Commissioner in writing, to exercise the powers in sections 175 and 176 for the purposes of iii[conducting] an audit under that subsection"*
 - i. *Sub-section (1A) was inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*
 - ii. *Sub-section (1A) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*
 - iii. *Substituted for the words "the conduct" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*
 - 1289 *Sub-section (1) was substituted vide Finance Act, 2010 (XVI of 2010 on the introduction of Finance Bill 2010 amended was introduced effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931) which was as under:*
"(1) The Commissioner may call for any record or documents including books of accounts maintained under this Ordinance or any other law for the time being in force for conducting audit of the income tax affairs of the person and where such record or documents have been kept on electronic data, the person shall allow access to the Commissioner or the officer authorized by the Commissioner for use of machine and software on which such data is kept and the Commissioner or the officer may take into possession such machine and duly attested hard copies of such information or data for the purpose of investigation and proceedings under this Ordinance in respect of such person or any other person
Provided that—
 - (a) *the Commissioner may, after recording reasons in writing call for record or documents including books of accounts of the taxpayer; and*
 - (b) *the reasons shall be communicated to the taxpayer while calling record or documents including books of accounts of the taxpayer:**Provided that the Commissioner shall not call for record or documents of the taxpayer after expiry of six years from the end of the tax year to which they relate."*
Earlier this sub-section was substituted vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009). At the time of substitution sub-section (1) was as under:
"(1) The i[Board] may lay down criteria for selection of any person ii[or class of person] for an audit of iii[such] person's income tax affairs by the Commissioner."
 - i. *Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*
 - ii. *The words inserted vide the Finance Act, 2009 (XXII of 2009 assented on 30th October, 2009)*
 - iii. *The words inserted vide the Finance Act, 2009 (XXII of 2009 assented on 30th October, 2009)*
 - 1290 *Sub-section (2) was substituted vide Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931. Earlier this sub-section was substituted by the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009). At the time of substitution sub-section (2) was as under:-*

record is not maintained, the Commissioner shall conduct an audit of the income tax affairs (including examination of accounts and records, enquiry into expenditure, assets and liabilities) of that person or any other person and may call for such other information and documents as he may deem appropriate.]

1291 [***]

1292 [***]

1293 [***]

(6) After completion of the audit ¹²⁹⁴[***], the Commissioner may, if considered necessary, after obtaining taxpayer's explanation on all the issues raised in the audit, amend the assessment under sub-section (1) or sub-section (4) of section 122, as the case may be.

(7) The fact that a person has been audited in a year shall not preclude the person from being audited again in the next and following years ¹²⁹⁵[where there are responsible grounds for

-
- “(2) The Commissioner shall select a person i[or class of persons] for audit in accordance with the criteria laid down by the ii[Board] under sub-section (1)”
- i. The words inserted vide the Finance Act, (XXII of 2009 assented on 30th October, 2009)
 - ii. Substituted for the words “Central Board of Revenue vide the Finance Act, 2007 (IV of 2007 assented on 30th October, 2007)
- 1291 Sub-section (3) was omitted vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931). Earlier this sub-section was omitted vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009). At the time of omission sub-section (3) was as under:-
- “(3) The i[Board] shall keep the criteria confidential.”
- i. Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th October, 2007)
- 1292 Sub-section (4) was omitted vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931). Earlier this sub-section was omitted vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009). At the time of omission sub-section (4) was as under:-
- “(4) In addition to the selection referred to in sub-section (2), the Commissioner may also select a person i[or classes of persons] for an audit of the person's income tax affairs having regard to -
- (a) the person's history of compliance or non-compliance with this Ordinance;
 - (b) the amount of tax payable by the person;
 - (c) the class of business conducted by the person; and
 - (d) any other matter which in the opinion of Commissioner is material for determination of correct income.”
- i. The words inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)
- 1293 Sub-section (5) was omitted vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931). Earlier this sub-section was omitted vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009). At the time of omission sub-section (5) was as under:-
- (5) i[After] selection of a person ii[or classes of persons] for audit under sub-section (2) or (4), the Commissioner shall conduct an audit of the income tax affairs (including examination of accounts and records, enquiry into expenditure, assets and liabilities) of iii[such person or classes of persons.]
- i. Substituted for the word “after” vide the Finance Act, 2005 (VII of 2005 assented on 30th June, 2005)
 - ii. The words were inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)
 - iii. Substituted for the words “that” a[person] by the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)
 - a. Substituted for the word “persons” vide the Finance Act, 2005 (VIII of 2005 assented on 29th June, 2005)
- 1294 The word, brackets and figures “under sub-section (5) or sub-section (8)” omitted vide the Finance Act, 2010 (XVI of 2008). This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009). This amendment was expired by the efflux of time.
- 1295 The words, comma brackets and figure where there are responsible grounds for such audits, particularly having regard to the factors in sub-section (4) were omitted vide the Finance Act, 2010 (XVI of 2008). This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931 (XVI of 1931)

such audits]¹²⁹⁶[***].

(8) The ¹²⁹⁷[Board] ¹²⁹⁸[or the Commissioner] may appoint a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961),¹²⁹⁹[or a firm of Cost and Management Accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966)] to conduct an audit of the income tax affairs of any person ¹³⁰⁰[or classes of persons ¹³⁰¹[***] and the scope of such audit shall be as determined by the ¹³⁰²[Board] ¹³⁰³[or the Commissioner] on a case to case basis.

(9) Any person employed by a firm referred to in sub-section (8) may be authorised by the Commissioner, in writing, to exercise the powers in sections 175 and 176 for the purposes of conducting an audit under that sub-section.]

¹³⁰⁴[(10) Notwithstanding anything contained in sub-sections (2) and (6) where a person fails to produce before the Commissioner or a firm of Chartered Accountants or a firm of Cost and Management Accountants appointed by the Board under sub-section (8) to conduct an audit, any accounts, documents and records, required to be maintained under section 174 or any other relevant document, electronically kept record, electronic machine or any other evidence that may be required by the Commissioner or the firm of Chartered Accountants or the firm of Cost and Management Accountants for the purpose of audit or determination of income and tax due thereon, the Commissioner may proceed to make best judgment assessment under section 121 of this Ordinance and the assessment treated to have been made on the basis of return or revised return filed by the taxpayer shall be of no legal effect.]

¹³⁰⁵[**Explanation.**-For the removal of doubt, it is declared that the powers of the commissioner under this section are independent of the powers of the Board under section 214C and nothing contained in section 214C restricts the powers of the Commissioner to call for the record or documents including books of accounts of a taxpayer for audit and to conduct audit under this section.]

¹³⁰⁶[(11) The Board may appoint as many special audit panels as may be necessary, comprising two or more members from the following:-

- (a) an officer or officers of Inland Revenue;
- (b) a firm of Chartered Accountants as defined under the Chartered

¹²⁹⁶ The words, comma brackets and figure where there are responsible grounds for such audits, particularly having regard to the factors in sub-section (4) were omitted vide the Finance Act, 2010 (XVI of 2008). This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931 (XVI of 1931)

¹²⁹⁷ The words "Central Board of Revenue" was substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹²⁹⁸ The words were added vide Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931 (XVI of 1931)

¹²⁹⁹ The words comma, figure and brackets were inserted vide Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009).

¹³⁰⁰ The words were inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

¹³⁰¹ The words "selected for audit by the Commissioner or by the Board" were omitted vide Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931).

¹³⁰² The words "Central Board of Revenue" were substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹³⁰³ The words were added vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the provisional Collection of Tax Act, 1931 (XVI of 1931)

¹³⁰⁴ Sub-section (10) was added vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Tax Act, 1931 (XVI of 1931). Earlier this Sub-section was added vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹³⁰⁵ Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³⁰⁶ Added vide Finance Act, 2015

Accountants Ordinance, 1961 (X of 1961);

- (c) a firm of Cost and Management Accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966); or
- (d) any other person ¹³⁰⁷[including a foreign expert or specialist] as directed by the Board, to conduct an audit, including a forensic audit, of the income tax affairs of any person or classes of persons and the scope of such audit shall be as determined by the Board or the Commissioner on case to case basis.
- ¹³⁰⁸[(e) a tax audit expert deployed under an audit assistance programme of an international tax organization or a tax authority outside Pakistan:

Provided that in case the member is not an officer of Inland Revenue, the person shall only be included as a member in the special audit panel if an agreement of confidentiality has been entered into between the Board and the person, international tax organization or a tax authority, as the case may be.]

(12) Special audit panel shall be headed by a Chairman who shall be an officer of Inland Revenue.

(13) Powers under sections 175 and 176 for the purposes of conducting an audit under sub-section (11), shall only be exercised by an officer or officers of Inland Revenue, who are member or members of the special audit panel, and authorized by the Commissioner.

(14) Notwithstanding anything contained in sub-sections (2) and (6), where a person fails to produce before the Commissioner or a special audit panel under sub-section (11) to conduct an audit, any accounts, documents and records, required to be maintained under section 174 or any other relevant document, electronically kept record, electronic machine or any other evidence that may be required by the Commissioner or the panel, the Commissioner may proceed to make best judgment assessment under section 121 of this Ordinance and the assessment treated to have been made on the basis of return or revised return filed by the taxpayer shall be of no legal effect.

(15) If any one member of the special audit panel, other than the Chairman, is absent from conducting an audit, the proceedings of the audit may continue, and the audit conducted by the special audit panel shall not be invalid or be called in question merely on the ground of such absence.

(16) Functions performed by an officer or officers of Inland Revenue as members of the special audit Panel, for conducting audit, shall be treated to have been performed by special audit panel.

(17) The Board may prescribe the mode and manner of constitution, procedure and working of the special audit panel.;

178. Assistance to Commissioner.-Every Officer of Customs, ¹³⁰⁹[***] Provincial Excise and Taxation, District Coordination Officer, District Officers including District Officer – Revenue, the Police and the Civil Armed Forces is empowered and required to assist the Commissioner in the discharge of the Commissioner's functions under this Ordinance.

179. Accounts, documents, records and computer-stored information not in Urdu or English language.-Where any account, document, record or computer-stored information referred to in section 174, 175 or 176 is not in the Urdu or English language, the Commissioner may, by notice in writing, require the person keeping the account, document, record or computer-stored

¹³⁰⁷ Inserted vide Finance Act 2018, assented on 22nd May, 2018.

¹³⁰⁸ Added vide Finance Act 2018, assented on 22nd May, 2018.

¹³⁰⁹ The words and commas i[Federal] Excise, ii[Sales Tax,] were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

i. The word "Central" was substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

ii The comma and words were inserted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

information to provide, at the person's expense, a translation into the Urdu or English language by a translator approved by the Commissioner for this purpose.

180. Power to collect information regarding exempt income.-The ¹³¹⁰[Board] may, by notification in the official Gazette, authorize any department or agency of the Government to collect and compile any data in respect of incomes from industrial and commercial undertakings exempt from tax under this Ordinance.

¹³¹¹[PART IX TAXPAYER'S REGISTRATION

181. Taxpayer's registration.-(1) Every taxpayer shall apply in the prescribed form and in the prescribed manner for registration.

(2) The Commissioner having jurisdiction over a case, where necessitated by the facts of the case, may also register a taxpayer in the prescribed manner.

(3) Taxpayers' registration scheme shall be regulated through the rules to be notified by the Board ¹³¹²[.]

¹³¹³[***]

¹³¹⁴[(4) From tax year 2015 and onwards, in case of individuals having Computerized National Identity Card (CNIC) issued by the National Database and Registration Authority, CNIC shall be used as National Tax Number.;

¹³¹⁵[**181A. Active taxpayers' list.**-(1) The Board shall have the power to institute active taxpayers' list.

(2) Active taxpayers' list shall be regulated as may be prescribed.]

¹³¹⁶[**181 AA. Compulsory registration in certain cases.**-(1) Notwithstanding anything contained in any law, for the time being in force, any application for commercial or industrial connection of electricity or natural gas, shall not be processed and such connection shall not be provided unless the person applying for electricity or gas connection is registered under section 181.]

¹³¹⁰ The words "Central Board of Revenue" were substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹³¹¹ Part IX was substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of substitution Part IX was as under:-

"PART IX

NATIONAL TAX NUMBER i[CERTIFICATE

181. National Tax Number Certificate.-(I) Every taxpayer shall apply in the prescribed form and in the prescribed manner for a National Tax Number i[Certificate].

(2) An application under sub-section (I) shall be accompanied by the prescribed fee.

(3) The Commissioner having jurisdiction over an applicant under sub-section (I) may after examination of all relevant documents and evidence, and after satisfying himself of the genuineness of the application, may direct issuance of the National Tax Number i[Certificate] for a period prescribed by Commissioner ii[:]

iii[Provided that the Board may in the case of individuals allow use of National Identity Card, issued by the National Database and Registration Authority, in place of National Tax Number."

i. Substituted for the word "Card" vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

ii. Substituted for the full stop vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

iii. Proviso added vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹³¹² Full Stop was substituted for a "colon" vide Finance Act, 2015.

¹³¹³ Proviso was omitted vide Finance Act, 2015. At the time of Proviso was as under:-

i[Provided that the Board may in case of individual s allow, in place of National Tax Number, use of Computerized National Identity Card issued by the National Database and Registration Authority.]

i. Proviso was Added vide Finance Act, 2013

¹³¹⁴ New sub-section was inserted vide Finance Act, 2015

¹³¹⁵ Section 181A was added vide Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010

¹³¹⁶ Inserted vide the Finance Act, 2014

¹³¹⁷**[181B. Tax Payer Card.-**Subject to this Ordinance, the Board may make a scheme for introduction of a tax payer honour card for individual taxpayers, who fulfill a minimum criteria to be eligible for the benefits as contained in the scheme.]

¹³¹⁸**[181C. Displaying of National Tax Number.-**Every person deriving income from business chargeable to tax, who has been issued a National Tax Number, shall display his National Tax Number at a conspicuous place at every place of his business.]

PART X PENALTY

¹³¹⁹**[182. Offences and penalties.-**(1) Any person who commits any offence specified in column (2) of the Table below shall, in addition to and not in derogation of any punishment to which he may be liable under this Ordinance or any other law, be liable to the penalty mentioned against that offence in column (3) thereof:—

S. No.	Offences.	Penalties.	Section of the Ordinance to which offence has reference.
(1)	(2)	(3)	(4)
1.	¹³²⁰ [Where any person fails to furnish a return of income as required under section 114 within the due date.]	¹³²¹ [Such person shall pay a penalty equal to 0.1% of the tax payable in respect of that tax year for each day of default subject to a maximum penalty of 50% of the tax payable provided that if the penalty worked out as aforesaid is less than twenty thousand rupees or no tax is payable for that tax year such person shall pay a penalty of twenty thousand rupees] ¹³²² [:]	114 ¹³²⁴ [and 118]

¹³¹⁷ Section 181B was added vide Finance Act, 2012

¹³¹⁸ Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³¹⁹ Section 182 was substituted vide Finance Act, 2010 (XVI of 2010). At the time of substitution section 182 was as under:-

“182. Penalty for failure to furnish a return or statement.-(I) Any person who, without reasonable excuse, fails to furnish, within the time allowed under this Ordinance, i[return of income ii[or a statement as required under sub-section (4) of section 115 or wealth statement] for any tax year] as required under this Ordinance shall be liable for a penalty equal to one-tenth of one per cent of the tax payable for each day of default subject to a minimum penalty of five hundred rupees and a maximum penalty of twenty-five per cent of the tax payable in respect of iii[that tax year].

(2) Any person who, without reasonable excuse, fails to furnish, within the time allowed under this Ordinance, any statement required under section 165 shall be liable for a penalty of two thousand rupees.

(3) Where a person liable to a penalty under sub-section (2) continues to fail to furnish the statement, the person shall be liable for an additional penalty of two hundred rupees for each day of default after the imposition of the penalty under sub-section (2).”

i. Substituted for the words “any return of income” vide the Finance ordinance (XXVII of 2002 promulgated on 15th June, 2002)

ii. The words, brackets and figures were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

iii. Substituted for the words “the return” vide the Finance ordinance (XXVII of 2002 promulgated on 15th June, 2002)

¹³²⁰ Substituted for the words and figures “Where any person fails to furnish a return of income or a statement as required under section 115 or wealth statement or wealth reconciliation statement or statement under section 165 within the due date” vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³²¹ Substituted for the words and figures “Such person shall pay a penalty equal to 0.1% of the tax payable for each day of default subject to a minimum penalty of five thousand rupees and a maximum penalty of 25% of the tax payable in respect of that tax year” vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³²² Substituted for the full stop Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

		¹³²³ [Explanation. -For the purposes of this entry, it is declared that the expression “tax payable” means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under sections 120, 121, 122 or 122C.”]	
¹³²⁵ [1A	Where any person fails to furnish a statement as required under section 115, 165 or 165A ¹³²⁶ [165A or 165B] within the due date	¹³²⁷ [Such person shall pay a penalty of Rs. 5000 if the person had already paid the tax collected or withheld by him within the due date for payment and the statement is filed within ninety days from the due date for filing the statement and, in all other cases, a penalty of Rs. 2500 for each day of default from the due date subject to a minimum penalty of Rs. 10,000]	115, 165 and 165A ¹³²⁸ [165A and 165B]
1AA	Where any person fails to furnish wealth statement or wealth reconciliation statement.	Such person shall pay a penalty of ¹³²⁹ [0.1% of the taxable income per week or Rs.20,000, whichever is higher]	114, 115 and 116]
¹³³⁰ [1AA A	Where any person fails to furnish foreign assets and income statement within the due date.	Such persons shall pay a penalty of 2 percent of the foreign income or value of the foreign assets for each year of default.	116A]
2.	Any person who fails to issue cash memo or invoice or receipt when required under this Ordinance or the rules made there under.	Such person shall pay a penalty of five thousand rupees or three per cent of the amount of the tax involved, whichever is higher.	174 and Chapter VII of the Income Tax Rules
3.	Any person who is required to apply for registration under this Ordinance but fails to make an application for registration.	Such person shall pay a penalty of five thousand rupees.	181
4.	Any person who fails to notify the changes of material nature in the particulars of registration.	Such person shall pay a penalty of five thousand rupees.	181

¹³²⁴ Substituted for the commas, figures and words “, 115, 116 and 165” vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³²³ Explanation was inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

¹³²⁵ Serial Nos 1A & 1AA and relevant entries were Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³²⁶ Inserted vide the Finance Act, 2016 (XXIX of 2016)

¹³²⁷ Substituted vide Finance Act 2018, assented on 22nd May, 2018. At the time of substitution was as under:-
Such person shall pay a penalty of Rs.2500 for each day of default subject to a minimum penalty of [ten] thousand rupees:

¹³²⁸ Added vide the Finance Act, 2016 (XXIX of 2016)

¹³²⁹ Substituted for the expression “Rs.100 for each day of default” vide Finance Act, 2015

¹³³⁰ Inserted vide Finance Act 2018, assented on 22nd May, 2018.

5.	Any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Ordinance or rules made there under. ¹³³¹ [Provided that if the person opts to pay the tax due on the basis of an order under section 129 on or before the due date given in the notice under subsection (2) of section 137 issued in consequence of the said order, and does not file an appeal under section 131 the penalty payable shall be reduced by 50%.]	Such person shall pay a penalty of five per cent of the amount of the tax in default. For the second default an additional penalty of 25% of the amount of tax in default. For the third and subsequent defaults an additional penalty of 50% of the amount of tax in default.	137
6.	Any person who repeats erroneous calculation in the return for more than one year whereby amount of tax less than the actual tax payable under this Ordinance is paid.	Such person shall pay a penalty of five thousand rupees or three per cent of the amount of the tax involved, whichever is higher.	137
7.	Any person who fails to maintain records required under this Ordinance or the rules made there under.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax on income whichever is higher	174 ¹³³² [, 108]
8.	Where a taxpayer who, without any reasonable cause, in non compliance with the provisions of section 177— (a) fails to produce the record or documents on receipt of first notice; (b) fails to produce the record or documents on receipt of second notice; and (c) fails to produce the record or documents on receipt of third notice.	Such person shall pay a penalty of ¹³³³ [twenty-five] thousand rupees; such person shall pay a penalty of ¹³³⁴ [fifty] thousand rupees; and such person shall pay a penalty of ¹³³⁵ [one hundred] thousand rupees.	177
9.	Any person who fails to furnish the information required or to comply with any other term of the notice served under section 176	Such person shall pay a penalty of ¹³³⁶ [twenty-five] thousand rupees for the first default and ¹³³⁷ [fifty] thousand rupees for each subsequent	176 ¹³³⁸ [or 108]

¹³³¹ Proviso was added vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

¹³³² Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹³³³ For the word “five” the word “twenty-five” was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³³⁴ For the word “ten” the word “fifty” was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³³⁵ For the word “fifty” the words “one hundred” was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³³⁶ Substituted for the word “five” vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³³⁷ For the word “ten” the word “fifty” was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³³⁸ Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

		default.	
10.	Any person who- (a) makes a false or misleading statement to an Inland Revenue Authority either in writing or orally or electronically including a statement in an application, certificate, declaration, notification, return, objection or other document including books of accounts made, prepared, given, filed or furnished under this ordinance; (b) furnishes or files a false or misleading information or document or statement to an Income tax Authority either in writing or orally or electronically; (c) omits from a statement made or information furnished to an Income tax Authority any matter or thing without which the statement or the information is false or misleading in a material particular.	Such person shall pay a penalty of twenty five thousand rupees or 100% of the amount of tax shortfall whichever is higher: Provided that in case of an assessment order deemed under section 120, no penalty shall be imposed to the extent of the tax shortfall occurring as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayer's position.	114, 115, 116, 174, 176, 177 and general.
11.	Any person who denies or obstructs the access of the Commissioner or any officer authorised by the Commissioner to the premises, place, accounts, documents, computers or stocks.	Such person shall pay a penalty of twenty five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher.	175 and 177
12.	Where a person has concealed income or furnished inaccurate particulars of such income, including but not limited to the suppression of any income or amount chargeable to tax, the claiming of any deduction for any expenditure not actually incurred or any act referred to in subsection (1) of section 111, in the course of any proceeding under this Ordinance before any Income tax authority or the appellate tribunal.	Such person shall pay a penalty of twenty five thousand rupees or an amount equal to the tax which the person sought to evade whichever is higher. However, no penalty shall be payable on mere disallowance of a claim of exemption from tax of any income or amount declared by a person or mere disallowance of any expenditure declared by a person to be deductible, unless it is proved that the person made the claim knowing it to be wrong.	20, 111 and General.
13.	Any person who obstructs any Income tax Authority in the performance of his official duties.	Such person shall pay a penalty of twenty five thousand rupees.	209, 210 and General.
14.	Any person who contravenes any of the provision of this Ordinance for which no penalty has, specifically, been provided in this section.	Such person shall pay a penalty of five thousand rupees or three per cent of the amount of tax involved, whichever is higher.	General.

15.	Any person who fails to collect or deduct tax as required under any provision of this Ordinance or fails to pay the tax collected or deducted as required under section 160.	Such person shall pay a penalty of twenty five thousand rupees or the 10% of the amount of tax whichever is higher.	148,149,150,151,152, 153, 153A, 154, 155, 156, 156A, 156B, 158, 160, 231A, 231B, 233, 233A, 234, 234A, 235, 236, 236A.
¹³³⁹ [16.	Any person who fails to display NTN Certificate at the place of business as required under this Ordinance or the rules made thereunder.	Such person shall pay a penalty of five thousand rupees.	181C]
¹³⁴⁰ [17.	Any reporting financial institution or reporting entity who fails to furnish information or country-by-country report to the Board as required under section 107, 108 or 165B within the due date.	Such reporting financial institution or reporting entity shall pay a penalty of two thousand rupees for each day of default subject to a minimum penalty of twenty five thousand rupees.	107, 108 and 165B
18.	Any person who fails to keep and maintain document and information required under section 108 or Income Tax Rules, 2002.	1% of the value of transactions, the record of which is required to be maintained under section 108 and Income Tax Rules, 2002.	108.]

(2) The penalties specified under sub-section (1) shall be applied in a consistent manner and no penalty shall be payable unless an order in writing is passed by the Commissioner, Commissioner (Appeals) or the Appellate Tribunal after providing an opportunity of being heard ¹³⁴¹[:]

¹³⁴²[Provided that where the taxpayer admits his default he may voluntarily pay the amount of penalty due under this section.]

(3) Where a Commissioner (Appeals) or the Appellate Tribunal makes an order under sub-section (2), the Commissioner (Appeals) or the Appellate Tribunal, as the case may be, shall immediately serve a copy of the order on the Commissioner and thereupon all the provision of this Ordinance relating to the recovery of penalty shall apply as if the order was made by the Commissioner.

(4) Where in consequence of any order under this Ordinance, the amount of tax in respect of which any penalty payable under sub-section (1) is reduced, the amount of penalty shall be reduced accordingly.]

¹³⁴³**[182A. Return not filed within due date.**-(1) Notwithstanding anything contained in this Ordinance, where a person fails to file a return of income under section 114 by the due date as specified in section 118 or by the date as extended by the Board under section 214A or extended by the Commissioner under section 119, as the case may be, such person shall—

(a) not be included in the active taxpayers' list for the year for which return was not filed within the due date; and

“Explanation.-For the removal of doubt it is clarified that the provisions of this section shall apply from tax year 2018 and onwards for which the first Active

¹³³⁹ Serial number 16 was added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³⁴⁰ Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹³⁴¹ Substituted for the full stop vide Finance Act, 2012

¹³⁴² Proviso was added vide Finance Act, 2012

¹³⁴³ Inserted vide Finance Act 2018, assented on 22nd May, 2018.

Taxpayers List is to be issued on first day of March, 2019 under Income Tax Rules, 2002.; and

- (b) not be allowed, for that tax year, to carry forward any loss under Part VIII of Chapter IV.]

¹³⁴⁴[**183. Exemption from penalty and default surcharge.**-The Federal Government may, by notification in the official Gazette, or the Board by an order published in the official Gazette for reasons to be recorded in writing, exempt any person or class of persons from payment of the whole or part of the penalty and default surcharge payable under this Ordinance subject to such conditions and limitations as may be specified in such notification or, as the case may be, order.]

¹³⁴⁵[***]

¹³⁴⁶[***]

1344 Section 183 was substituted vide Finance Act, 2010 (XVI of 2010). At the time of substitution section 183 was as under:--

- “183. *Penalty for non-payment of tax.*-(1) A taxpayer who fails to pay any tax (other than penalty if imposed under this section) due under this Ordinance by the due date shall be liable for a penalty equal to –
- (a) in the case of the first default, five per cent of the amount of tax in default;
 - (b) in the case of a second default, an additional penalty of twenty per cent of the amount of tax in default;
 - (c) in the case of a third default, an additional penalty of twenty-five per cent of the amount of tax in default; and
 - (d) in the case of a fourth and subsequent default, an additional penalty of up to fifty per cent of the amount of tax in default as determined by the Commissioner, but the total penalty in respect of the amount of tax in default shall not exceed one hundred per cent of such amount of tax.
- (2) Where, in consequence of any order under this Ordinance, the amount of tax in respect of which any penalty imposed under sub-section (1) is reduced, the amount of the penalty shall be reduced accordingly.”

i. The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1345 Section (184) omitted vide Finance Act, 2010 (XVI of 2010)

- “184. **Penalty for concealment of income.**-(1) Where, in the course of any proceedings under this Ordinance, the Commissioner, Commissioner (Appeals), or the Appellate Tribunal is satisfied that any person has if either in the said proceedings or in any earlier proceedings relating to an assessment in respect of the same tax year] concealed income or furnished inaccurate particulars of such income, the Commissioner, Commissioner (Appeals), or the Appellate Tribunal, as the case may be, may, by an order in writing, impose upon the person a penalty equal to the amount of tax which the person sought to evade by concealment of income or the furnishing of inaccurate particulars of such income.

i. The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

- (2) For the purposes of sub-section (1), concealment of income or the furnishing of inaccurate particulars of income shall include –
- (a) the suppression of any income or amount chargeable to tax;
 - (b) the claiming of any deduction for any expenditure not actually incurred; or
 - (c) any act referred to in sub-section (1) of section 111.
- (3) Where any income or amount declared by a taxpayer is claimed by the taxpayer to be exempt from tax or any expenditure declared by a taxpayer is claimed by the taxpayer to be deductible, the mere disallowance of such claim shall not constitute concealment of income or the furnishing of inaccurate particulars of income, unless it is proved that the taxpayer made the claim knowing it to be wrong.
- (4) Where a Commissioner (Appeals) or the Appellate Tribunal makes an order under sub-section (1), the ii[Commissioner (Appeals) or the Appellate Tribunal,] as the case may be, shall immediately serve a copy of the order on the Commissioner and thereupon all the provisions of this Ordinance relating to the recovery of penalty shall apply as if the order were made by the Commissioner.

ii. Substituted for the words “Commissioner or Tribunal” vide the Finance ordinance (XXVII of 2002 promulgated on 15th June, 2002)

- iii[(5) Where, in consequence of any order under this Ordinance, the amount of tax in respect of which any penalty imposed under sub-section (1) is reduced, the amount of the penalty shall be reduced accordingly”.]

iii. Sub-section (5) was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

1346 Section (185) omitted vide Finance Act, 2010 (XVI of 2010)

- “185. **Penalty for failure to maintain records.**- A person who, without reasonable excuse, fails to maintain records as required under this Ordinance shall be liable for a penalty equal to –
- (a) in the case of the first failure, two thousand rupees;

1347[***]

1348[***]

1349[***]

-
- (b) in the case of a second failure, five thousand rupees; and
(c) in the case of a third and subsequent failure, ten thousand rupees.
- 1347 Section (186) omitted vide Finance Act, 2010 (XVI of 2010)
“186. Penalty for non-compliance with notice.-(1) A person who, without reasonable excuse, fails to comply with any notice served on the person under section 116 or 176 shall be liable for a penalty equal to –
(a) in the case of the first failure, two thousand rupees;
(b) in the case of a second failure, five thousand rupees; or
(c) in the case of a third and subsequent failure, ten thousand rupees.
(2) Where a person liable for a penalty under sub-section (1) has an assessed tax liability for the tax year in which the failure occurred of less than twenty thousand rupees, the amount of the penalty imposed under sub-section (1) shall be reduced by seventy-five percent.”
- 1348 Section (187) omitted vide Finance Act, 2010. The omitted section 187 was as follows:
“187. **Penalty for making false or misleading statements.**-(1) Where a person –
(a) makes a statement to i[an income tax authority] that is false or misleading in a material particular or omits from a statement made ii[to an income tax authority any matter or thing without which the statement is false or misleading in a material particular; and
i. Substituted for the words “a taxation officer” vide the Finance Ordinance, 2002 (XXVII of 2002 Promulgated on 15th June, 2002)
ii. Substituted for the words “a taxation officer” vide the Finance Ordinance, 2002 (XXVII of 2002 Promulgated on 15th June, 2002)
(b) the tax liability (including the liability for advance tax under section 147 of the person computed on the basis of the statement is less than it would have been if the statement had not been false or misleading (the difference hereinafter referred to as the —tax shortfall), the person shall be liable for a penalty equal to –
(i) where the statement or omission was made knowingly or recklessly, two hundred per cent of the tax shortfall; or
(ii) in any other case (other than where sub-section (2) applies), twenty-five per cent of the tax shortfall.
(2) In the case of an assessment order under section 120, no penalty shall be imposed under sub-section (1) to the extent to which the tax shortfall arose as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayer’s position.
(3) A reference in this section to a statement made to iii[an income tax authority] is a reference to a statement made in writing or orally to that iv[authority] acting in the performance of the v[authority’s] duties under this Ordinance, and shall include a statement made –
iii. Substituted for the words “a taxation officer” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
iv Substituted for the word “officer” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
v. Substituted for the word “officer’s” vide the Finance Ordinance, 2002 (XXVII of 2002 Promulgated on 15th June, 2002)
(a) in an application, certificate, declaration, notification, return, objection or other document made, prepared, given, filed or furnished under this Ordinance;
(b) in information required to be furnished under this Ordinance;
(c) in a document furnished to vi[an income tax authority] otherwise than pursuant to this Ordinance;
vi Substituted for the words “a taxation officer” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
(d) in answer to a question asked of a person by vii[an income tax authority;] or
vii Substituted for the words “a taxation officer” by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
(e) to another person with the knowledge or reasonable expectation that the statement would be conveyed to viii[an income tax authority].”
viii Substituted for the words “a taxation officer” by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002),
- 1349 Section 188 omitted by the Finance Act, 2010 (XVI of 2010). At the time of omission section 188 was as under—
“188. **Penalty for failure to give notice.**-(1) Where a person fails to give notice of the discontinuance of the person’s business as required under section i[117], the Commissioner may impose a penalty on the person not exceeding the amount of tax payable by the person for the tax year in which the business was discontinued.
(2) Where a person fails to give notice of the person’s appointment as liquidator as required under section 141, the Commissioner may impose a penalty on the person not exceeding ten thousand rupees.”
i. Substituted for the figure “124” by the Finance Act, 2003 (I of 2003), (Assented on 16th June, 2003),

1350[***]

1351[***]

PART XI OFFENCES AND PROSECUTIONS

191. Prosecution for non-compliance with certain statutory obligations.-(1) Any person who, without reasonable excuse, fails to –

- ¹³⁵²[(a) comply with a notice under sub-section (3) ¹³⁵³[and sub-section (4)] of section 114 or sub-section (1) of section 116;]
- (b) pay advance tax as required under section 147;
- (c) comply with the obligation under Part V of this Chapter ¹³⁵⁴[or Chapter XII] to collect or deduct tax and pay the tax to the Commissioner;
- (d) comply with a notice served under section 140 or 176;
- (e) comply with the requirements of ¹³⁵⁵[sub-section (3) or sub-section (4) of] section 141; or
- (f) provide reasonable facilities and assistance as required under sub-section (3) of section 175, shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

(2) If a person convicted of an offence under clause (a) of sub-section (1) fails, without reasonable excuse, to furnish the return of income or wealth statement to which the offence relates within the period specified by the Court, the person shall commit a further offence punishable on conviction with a fine ¹³⁵⁶[not exceeding fifty thousand rupees] or imprisonment for a term not exceeding two years, or both.

192. Prosecution for false statement in verification.-Any person who makes a statement in any verification in any return or other document furnished under this Ordinance which is false and

1350 Section 189 was omitted by the Finance Act, 2010 (XVI of 2010). At the time of omission section 189 was as under:--

“189. Penalty for obstruction.-Where any person obstructs the Commissioner or a taxation officer in discharge of the Commissioner or officer's functions under this Ordinance, the Commissioner may impose a penalty on the person not exceeding ten thousand rupees.”

1351 Section 190 was omitted vide the Finance Act, 2010 (XVI of 2010). At the time of omission section 190 was as under:-- .

“190 Imposition of penalty.-(1) No penalty may be imposed under this Part on any person unless the person is given a reasonable opportunity of being heard.

(2) Subject to sub-section (3), the imposition of a penalty under this Part shall be without prejudice to any other liability incurred by the person under this Ordinance.

(3) The imposition of a penalty in relation to an act or omission shall be an alternative to prosecution under Part XI of this Chapter.

(4) If a penalty has been paid under this Part and the Commissioner institutes a prosecution proceeding under Part XI of this Chapter in respect of the same act or omission, the Commissioner shall refund the amount of penalty paid, and the penalty shall not be payable unless the prosecution is withdrawn.

i[(5) A penalty under sections 182, 183, 185, 186 and 187 shall be imposed by the Commissioner.]

(6) The provisions of Parts III and IV of this Chapter shall apply to an assessment of penalty as if it were an assessment of tax.”

i.. Sub-section (5) substituted by the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution sub-section (5) was as under:-

“(5) The Commissioner shall make an assessment of any penalty imposed under this Part in accordance with the provisions of Part II of this Chapter as if the penalty were tax.”

1352 Clause (a) was substituted vide the Finance Act, 2003 (I of 2003), (Assented on 16th June, 2003). At the time of substitution clause (a) was as under:--

“(a) furnish a return of income as required under section 114 or a wealth statement as required under section 116;”

1353 Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1354 Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1355 The words, brackets and figure were inserted by the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

1356 The words were inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

which the person knows or believes to be false, or does not believe to be true, the person shall commit an offence punishable on conviction with a fine ¹³⁵⁷[up to hundred thousand rupees] or imprisonment for a term not exceeding three years, or both.

¹³⁵⁸**[192A. Prosecution for concealment of income.]**-(1) Where, in the course of any proceedings under this Ordinance, any person has either in the said proceedings or in any earlier proceedings concealed income or furnished inaccurate particulars of such income and revenue impact of such concealment or furnishing of inaccurate particulars of such income is five hundred thousand rupees or more shall commit an offence punishable on conviction with imprisonment up to two years or with fine or both.

(2) For the purposes of sub-section (1), concealment of income or the furnishing of inaccurate particulars of income shall include~

- (a) the suppression of any income or amount chargeable to tax;
- (b) the claiming of any deduction for any expenditure not actually incurred; or
- (c) any act referred to in sub-section (1) of section 111.]

193. Prosecution for failure to maintain records.-A person who fails to maintain records as required under this Ordinance shall commit an offence punishable on conviction with –

- (a) where the failure was deliberate, a fine ¹³⁵⁹[not exceeding fifty thousand rupees] or imprisonment for a term not exceeding two years, or both; or
- (b) in any other case, a fine ¹³⁶⁰[not exceeding fifty thousand rupees].

194. Prosecution for improper use of National Tax Number ¹³⁶¹**[Certificate].**-A person who knowingly or recklessly uses a false National Tax Number ¹³⁶²**[Certificate]** including the National Tax Number ¹³⁶³**[Certificate]** of another person on a return or other document prescribed or used for the purposes of this Ordinance shall commit an offence punishable with a fine ¹³⁶⁴[not exceeding fifty thousand rupees] or imprisonment for a term not exceeding two years, or both.

195. Prosecution for making false or misleading statements.-(1) A person who –

- (a) makes a statement to ¹³⁶⁵[an income tax authority] that is false or misleading in a material particular; or
- (b) omits from a statement made to ¹³⁶⁶[an income tax authority] any matter or thing without which the statement is misleading in a material particular, shall commit an offence punishable on conviction –
 - (i) where the statement or omission was made knowingly or recklessly, with a fine or imprisonment for a term not exceeding two years, or both; or
 - (ii) in any other case, with a fine.

(2) A person shall not commit an offence under sub-section (1) if the person did not know and could not reasonably be expected to have known that the statement to which the prosecution relates was false or misleading.

- (3) ¹³⁶⁷[Entry against S. No. 10 in column (2) of the Table in sub-section (1) of section

¹³⁵⁷ The words were inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

¹³⁵⁸ Section 192A was inserted by the Finance Act, 2009 (J of 2 (09), (Assented on 30th June, 2009)

¹³⁵⁹ The words were inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

¹³⁶⁰ The words were added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹³⁶¹ Substituted for the word “card” vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹³⁶² Substituted for the word “card” vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹³⁶³ Substituted for the word “card” vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹³⁶⁴ The words were inserted by the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

¹³⁶⁵ Substituted for the words “a taxation officer” vide the Finance Ordinance, 2002 (XXVII of 2002), (Promulgated on 15th June, 20.02),

¹³⁶⁶ Substituted for the words “a taxation officer” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹³⁶⁷ Substituted for the expression “Sub-section (3) of section 187” vide Finance Act, 2015

182] shall apply in determining whether a person has made a statement to ¹³⁶⁸[an income tax authority].

196. Prosecution for obstructing ¹³⁶⁹[an income tax authority].-A person who obstructs ¹³⁷⁰[an income tax authority] in discharge of functions under this Ordinance shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

197. Prosecution for disposal of property to prevent attachment.-Where the owner of any property, or a person acting on the owner's behalf or claiming under the owner, sells, mortgages, charges, leases or otherwise deals with the property after the receipt of a notice from the Commissioner with a view to reverting the Commissioner from attaching it, shall commit an offence punishable on conviction with a fine ¹³⁷¹[up to hundred thousand rupees] or imprisonment for a term not exceeding three years, or both.

198. Prosecution for unauthorized disclosure of information by a public servant.-A person who discloses any particulars in contravention of ¹³⁷²[sub-section 1B of section 107 or] section 216 shall commit an offence punishable on conviction with a fine ¹³⁷³[of not less than five hundred thousand rupees] or imprisonment for a term not exceeding ¹³⁷⁴[one year], or both.

199. Prosecution for abetment.-Where a person ¹³⁷⁵[knowingly and wilfully] aids, abets, assists, incites or induces another person to commit an offence under this Ordinance, the first-mentioned person shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding three years, or both.

200. Offences by companies and associations of persons.-(1) Where an offence under this Part is committed by a company, every person who, at the time the offence was committed, was –

- (a) the principal officer, a director, general manager, company secretary or other similar officer of the company; or
- (b) acting or purporting to act in that capacity, shall be, notwithstanding anything contained in any other law, guilty of the offence and all the provisions of this Ordinance shall apply accordingly.

(2) Where an offence under this Part is committed by an association of persons, every person who, at the time the offence was committed, was a member of the association shall be, notwithstanding anything contained in any other law, guilty of the offence and all the provisions of this Ordinance shall apply accordingly.

(3) Sub-sections (1) and (2) shall not apply to a person where –

- (a) the offence was committed without the person's consent or knowledge; and
- (b) the person has exercised all diligence to prevent the commission of the offence as ought to have been exercised having regard to the nature of the person's functions and all the circumstances.

¹³⁶⁸ Substituted for the words "a taxation officer" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹³⁶⁹ Substituted for the words "a taxation officer" vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹³⁷⁰ Substituted for the words "a taxation officer" vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹³⁷¹ The words were inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

¹³⁷² Inserted vide the Finance Act, 2016 (XXIX of 2016)

¹³⁷³ Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹³⁷⁴ For the words "six months" the words "one year" was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013 (It is not mentioned in relevant amending section of Act that to whom the words "one year" are substituting. It seems to be typographic error. However, keeping in view the scheme of words it clearly implies that the intention was to substitute the words "six months". Therefore the amendment incorporated under this reference is purely indicative without any legal backing till the time mistake rectified by the competent forum.

¹³⁷⁵ The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

201. Institution of prosecution proceedings without prejudice to other action.-Notwithstanding anything contained in any law for the time being in force, a prosecution for an offence against this Ordinance may be instituted without prejudice to any other liability incurred by any person under this Ordinance.

¹³⁷⁶**[202. Power to compound offences.**-Notwithstanding any provisions of this Ordinance, where any person has committed any offence, the ¹³⁷⁷[Chief Commissioner] may, with the prior approval of the Board, either before or after the institution of proceedings, compound such offence subject to payment of tax due along with ¹³⁷⁸[default surcharge] and penalty as is determined under the provisions of this Ordinance.]

203. Trial by Special Judge.-¹³⁷⁹[(1) The Federal Government may, by notification in the official Gazette, appoint as many special judges as it may consider necessary, and where it appoints more than one Special Judge, it shall specify in the notification the territorial limits within which each of them shall exercise jurisdiction ¹³⁸⁰[.]]

¹³⁸¹[Provided that the Federal Government may, by, notification in official Gazette, declare that a special judge appointed under section 185 of the Customs Act 1969 (IV of 1969) shall have jurisdiction to try offences under this Ordinance.]

¹³⁸²[(1A) A Special Judge shall be a person who is or has been a Sessions Judge and shall, on appointment, have the jurisdiction to try exclusively an offence punishable under this Part other than an offence referred to in section 198.

(1B) The provisions of the Code of Criminal Procedure, 1898 (Act V of 1898), except those of Chapter XXXVIII of that Code, shall apply to the proceedings of the court of a Special Judge and, for the purposes of the said provisions, the court of Special Judge shall be deemed to be a Court of Sessions trying cases, and a person conducting prosecution before the court of a Special Judge shall be deemed to be a Public Prosecutor.]

(2) A Special Judge shall take cognizance of, and have jurisdiction to try, an offence triable under sub-section (1) only upon a complaint in writing made by the Commissioner.

¹³⁸³[(3) The Federal Government may, by order in writing, direct the transfer, at any stage of the trial, of any case from the court of one Special Judge to the court of another Special Judge

¹³⁷⁶ Section 202 was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). At the time of substitution section 202 was as under:--

“202. Power to compound offences.-Where any person has committed any offence under this Part, the Commissioner may either before or after the institution of proceedings, compound such offense and order that such person pay the amount for which the offence may be compounded.”

¹³⁷⁷ Substituted for the words “Director General” vide the Finance Act, 2012

¹³⁷⁸ Substituted for the words “additional tax” by the Finance Act, 2010 (XVI of 2010). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹³⁷⁹ Sub-section (I) substituted by the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this sub- section was substituted by the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) & the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009). At the time of substitution sub-section (I) was as under:--

“(1) Notwithstanding anything contained in the Code of Criminal Procedure, 1898 (Act V of 1898) or in any other law, an offence punishable under this Part (other than an offence referred to in section 198) shall be tried exclusively by a Special Judge appointee by the Federal Government under the Pakistan Criminal Law (Amendment) Act, 1958 (XL of 1958), as if such offence were an offence specified in the Schedule to that Act.”

¹³⁸⁰ Substituted for full stop vide the Finance Act, 2014

¹³⁸¹ Added vide the Finance Act, 2014

¹³⁸² Sub-sections (I A) and (I B) inserted vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier these sub-sections were inserted by the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) & the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹³⁸³ Sub-sections (3) and (4) were added vide the Finance Act, 2010 (XVI of 2010). Earlier these sub-sections were added the Finance (Amendment) Ordinance, 2010 (III of 2010 Promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 21th October, 2009)

for disposal, whenever it appears to the Federal Government that such transfer shall promote the ends of justice or tend to the general convenience of parties or witnesses.

(4) In respect of a case transferred to a Special Judge by virtue of sub-section (1) or under sub-section (3), such Judge shall not, by reason of the said transfer, be bound to recall and rehear any witness who has given evidence in the case before the transfer and may act on the evidence already recorded by or produced before the court which tried the case before the transfer.]

¹³⁸⁴[**203A. Appeal against the order of a Special Judge.**—An appeal against the order of a Special Judge shall lie to the respective High Court of a Province within thirty days of the passing of the order and it shall be heard as an appeal under the Code of Criminal Procedure 1898 (Act V of 1898) by a single Judge of the High Court.]

204. Power to tender immunity from prosecution.—(1) The Federal Government may, for the purpose of obtaining the evidence of any person appearing to have been directly or indirectly concerned in, or privy to the concealment of income or to the evasion of tax, tender to such person immunity from prosecution for any offence under this Ordinance or under the Pakistan Penal Code (Act XLV of 1860), or under any other Federal Law on condition of the person making full and true disclosure of the whole circumstances relating to the concealment of income or evasion of tax.

(2) A tender of immunity made to, and accepted by, the person concerned shall render the person immune from prosecution for any offence in respect of which the tender was made and to the extent specified in the immunity.

(3) If it appears to the Federal Government that any person to whom immunity has been tendered under this section has not complied with the conditions on which the tender was made or is concealing anything or giving false evidence, the Federal Government may withdraw the immunity, and any such person may be tried for the offence in respect of which the tender of immunity was made or for any other offence of which the person appears to have been guilty in connection with the same matter.

PART XII

¹³⁸⁵[**DEFAULT SURCHARGE**

205. ¹³⁸⁶[**Default Surcharge.**—(1) A person who fails to pay –

¹³⁸⁷[(a) any tax, excluding the advance tax under section 147 and ¹³⁸⁸[default surcharge] under this section;]

(b) any penalty; or

(c) any amount referred to in section 140 or 141, on or before the due date for payment shall be liable for ¹³⁸⁹[default surcharge] at a rate equal to ¹³⁹⁰[¹³⁹¹[¹³⁹²[12] percent per annum]] on

¹³⁸⁴ Section 203A was inserted vide the Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010

¹³⁸⁵ Substituted for the words “ADDITIONAL TAX” vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made by the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010), the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹³⁸⁶ Substituted for the words “Additional tax” vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹³⁸⁷ Clause (a) was substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution clause (a) was as under:--

“(a) any tax, including any advance payment of tax under section 147;”

¹³⁸⁸ Substituted for the words “additional tax” vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made by the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹³⁸⁹ Substituted for the words “additional tax” vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made by the Finance (Amendment) Ordinance, 2010 (III of 2010

the tax, penalty or other amount unpaid computed for the period commencing on the date on which the tax, penalty or other amount was due and ending on the date on which it was paid ¹³⁹³[.]

¹³⁹⁴[Provided that if the person opts to pay the tax due on the basis of an order under section 129 on or before the due date given in the notice under sub-section (2) of section 137 issued in consequence of the said order, and does not file an appeal under section 131, he shall not be liable to pay default surcharge for the period beginning from the due date of payment in consequence of an order appealed against to the date of payment in consequence of notice under sub-section (2) of section 137.]

¹³⁹⁵[(1A) a person who fails to pay advance tax under section 147 shall be liable for ¹³⁹⁶[default surcharge] at a rate equal to ¹³⁹⁷[¹³⁹⁸[¹³⁹⁹[12] percent per annum]] on the amount of tax unpaid computed for the period commencing on the date on which it was due and ending on the date on which it was paid or date on which the return of income for the relevant tax year was due, whichever is earlier.]

¹⁴⁰⁰[(1B) Where, in respect of any tax year, any taxpayer fails to pay tax under sub-section ¹⁴⁰¹[(4A), or] (6) of section 147 or the tax so paid is less than ¹⁴⁰²[ninety] per cent of the tax chargeable for the relevant tax year, he shall be liable to pay ¹⁴⁰³[default surcharge] at the rate of ¹⁴⁰⁴[¹⁴⁰⁵[¹⁴⁰⁶[12] percent per annum]] on the amount of tax so chargeable or the amount by which the tax paid by him falls short of the ¹⁴⁰⁷[ninety] per cent, as the case may be; and such ¹⁴⁰⁸[default

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- promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 Promulgated on 28th October, 2009)*
- 1390 *Substituted for the letters and words i[KIBOR plus three per cent per quarter] vide the Finance Act, 2012.*
- i. *Substituted for the words a[twelve] per cent per annum" vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009),*
- a. *Substituted for the word "eighteen" vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)*
- 1391 *Substituted for the letters and words "KIBOR plus three per cent per quarter" vide Finance Act, 2012*
- 1392 *Substituted for the figure "18" vide Finance Act, 2015*
- 1393 *Substituted for the full stop at the end a colon vide Finance Act, 2012*
- 1394 *Proviso was added vide Finance Act, 2012*
- 1395 *Sub-section (1A) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*
- 1396 *Substituted for the words "additional tax" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made by the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 & the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*
- 1397 *The words i[twelve] per cent per annum" was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)*
- i. *Substituted for the word "eighteen" vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)*
- 1398 *Substituted for the letters and words "KIBOR plus three per cent per quarter" vide Finance Act, 2012*
- 1399 *Substituted for the figure "18" vide Finance Act, 2015*
- 1400 *Sub-section (1B) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)*
- 1401 *The brackets, figure, letter and word were inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)*
- 1402 *Substituted for the word "eighty" vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)*
- 1403 *Substituted for the words "additional tax" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*
- 1404 *The words "twelve per cent per annum" were substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)*
- 1405 *Substituted for the letters and words "i[KIBOR plus three per cent per quarter]" vide Finance Act, 2012*
- i. *Substituted for the words a[twelve] per cent per annum" vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)*
- a. *Substituted for the word "eighteen" vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)*
- 1406 *Substituted for the figure "18" vide Finance Act, 2015*
- 1407 *Substituted for the word "eighty" vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)*
- 1408 *Substituted for the words "additional tax" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931*

surcharge]shall be calculated from the first day of April in that year to the date on which assessment is made or the thirtieth day of June of the financial year next following, whichever is the earlier ¹⁴⁰⁹[:

Provided that in the case of person having a special tax year, the default surcharge shall be calculated on and from the first day of the fourth quarter of the special tax year till the date on which assessment is made or the last day of special tax year, whichever is earlier.]

(2) Any ¹⁴¹⁰[default surcharge] paid by a person under sub-section (1) shall be refunded to the extent that the tax, penalty or other amount to which it relates is held not to be payable.

(3) A person who fails to ¹⁴¹¹[collect tax, as required under Division II of Part V of this Chapter or Chapter XII or deduct tax as required under Division III of Part V of this Chapter or Chapter XII or fails to] pay an amount of tax collected or deducted as required under section 160 on or before the due date for payment shall be liable for ¹⁴¹²[default surcharge] at a rate equal to ¹⁴¹³[¹⁴¹⁴[¹⁴¹⁵[12] percent per annum]] on the amount unpaid computed for the period commencing on the date the amount was required to be collected or deducted and ending on the date on which it was paid to the Commissioner¹⁴¹⁶[:]

¹⁴¹⁷[Provided that if the person opts to pay the tax due on the basis of an order under section 129 on or before the due date given in the notice under sub-section (2) of section 137 issued in consequence of the said order and does not file an appeal under section 131, he shall not be liable to pay default surcharge for the period beginning from the date of order under section 161 to the date of payment.]

¹⁴¹⁸[***]

(5) The Commissioner shall make an assessment of any ¹⁴¹⁹[default surcharge] imposed under this Part in accordance with the provisions of Part II of this Chapter as if the ¹⁴²⁰[default surcharge] were tax.

(XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹⁴⁰⁹ For the full stop, a colon was substituted and thereafter the proviso was added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁴¹⁰ Substituted for the words "additional tax" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931) Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹⁴¹¹ The words, comma and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁴¹² Substituted for the words "additional tax" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 & the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹⁴¹³ The words i[twelve] per cent per annum" substituted vide the Finance Act, 2009 (Assented on 30th June, 2009) i. Substituted for the word "eighteen" vide the Finance Act, 2004 (II of 2004), (Assented on 30th June, 2004)

¹⁴¹⁴ Substituted for the letters and words "KIBOR plus three per cent per quarter" vide Finance Act, 2012

¹⁴¹⁵ Substituted for the figure "18" vide Finance Act, 2015

¹⁴¹⁶ Substituted for the full stop vide Finance Act, 2012

¹⁴¹⁷ Proviso was added vide Finance Act, 2012

¹⁴¹⁸ Sub-section (4) omitted vide the Finance Act, 2003 (I of 2003), (Assented on 16th June, 2003). At the time of omission sub-section (4) was asunder:--

"(4) Additional tax imposed under sub-section (3) shall be borne personally by the person obliged to collect or deduct the tax, and no part shall be recoverable from the taxpayer."

¹⁴¹⁹ Substituted for the words "additional tax" by the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010)

¹⁴²⁰ Substituted for the words "additional tax" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made by the Finance (Amendment) Ordinance, 2010 (III of 2010

(6) The provisions of Parts III and IV apply to an assessment of ¹⁴²¹[default surcharge] as if it were an assessment of tax.

¹⁴²²**[205A. Reduction in** ¹⁴²³[default surcharge], consequential to reduction in tax or penalty.- Where, in consequence of any order made under this Ordinance, the amount of tax or penalty in respect of which ¹⁴²⁴[default surcharge] is chargeable under section 205 is reduced, the ¹⁴²⁵[default surcharge], if any, levied under the aforesaid section shall be reduced accordingly.]

PART XIII CIRCULARS

206. Circulars.-(1) To achieve consistency in the administration of this Ordinance and to provide guidance to taxpayers and officers of the ¹⁴²⁶[Board], the ¹⁴²⁷[Board] may issue Circulars setting out the Board's interpretation of this Ordinance.

¹⁴²⁸[(2) A circular issued by the ¹⁴²⁹[Board] shall be binding on all Income Tax Authorities and other persons employed in the execution of the Ordinance, under the control of the said Board other than Commissioners of Income Tax (Appeals).]

(3) A Circular shall not ¹⁴³⁰[be] binding on a taxpayer.

¹⁴³¹**[206A. Advance ruling.**-(1) The ¹⁴³²[Board] may, on application in writing by a non-resident taxpayer, issue to the taxpayer an advance ruling setting out the Commissioner's position regarding the application of this Ordinance to a transaction proposed or entered into by the taxpayer.

(2) Where the taxpayer has made a full and true disclosure of the nature of all aspects of the transaction relevant to the ruling and the transaction has proceeded in all material respects as described in the taxpayer's application for the ruling, the ruling is ¹⁴³³[binding] on the

promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

1421 *Substituted for the words "additional tax" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010), (Promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009),*

1422 *Section 205A was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*

1423 *Substituted for the words "additional tax" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*

1424 *Substituted for the words "additional tax" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010), (Promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*

1425 *Substituted for the words "additional tax" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931) Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010), (Promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*

1426 *Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

1427 *Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007),*

1428 *Sub-section (2) substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution sub-section (2) was as under:-*

"(2) A Circular shall be binding on the Central Board of Revenue, other than the Commissioner (Appeals)."

1429 *Substituted for the words "Central Board of Revenue" vide the Finance Act. 2007 (IV of 2007 assented on 30th June, 2007)*

1430 *The word inserted by the Finance Ordinance. 2002 (XXVII of 2002 promulgated on 15th June, 2002)*

1431 *Section 206A inserted by the Finance Act. 2003 (I of 2003 assented on 16th June, 2003)*

1432 *Substituted for the words "Central Board of Revenue" vide the Finance Act. 2007 (IV of 2007 assented on 30th June, 2007)*

1433 *Substituted for the word "blinding" vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)*

Commissioner with respect to the application to the transaction of the law as it stood at the time the ruling was issued.

(3) Where there is any inconsistency between a circular and an advance ruling, priority shall be given to the terms of the advance ruling¹⁴³⁴[.]

¹⁴³⁵[***]

CHAPTER XI ADMINISTRATION

PART I GENERAL

¹⁴³⁶[**207. Income tax authorities.**-(1) There shall be the following Income Tax authorities for the purposes of this Ordinance and rules made there under, namely:

- (a) Board;
- (b) Chief Commissioner Inland Revenue;
- (c) Commissioner Inland Revenue;
- (d) Commissioner Inland Revenue (Appeals);
- (e) Additional Commissioner Inland Revenue;

¹⁴³⁴ For the colon, a full stop was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. The said colon was earlier substituted in place of a full stop vide the Finance Act, 2011 (XVI of 2011) assented on 29th June, 2011)

¹⁴³⁵ Proviso was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of omission, the provision appeared as follows:-
i[Provided that this section shall not apply to a non resident tax payer having a permanent establishment in Pakistan]

¹⁴³⁶ i. Proviso was added vide the Finance Act, 2011 (XVI of 2011) assented on 29th June, 2011)
Section 207 substituted vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931) Earlier a different Section was substituted vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) & the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009). At the time of substitution section 207 was as under:--

*[**207. Income tax authorities.**-(1) There shall be the following income tax authorities for the purposes of this Ordinance, namely:--

- (a) i[Board]
- i. Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007) assented on 30th June, 2007)
 - (b) Regional Commissioners of Income Tax;
 - (c) Commissioners of Income Tax;
 - (d) Commissioners of Income Tax (Appeals); and
 - (e) Taxation Officers.
 - (2) The ii[Board] shall exercise the general administration of this
- ii. Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007) assented on 30th June, 2007)
 - (3) The Regional Commissioners of Income Tax and the Commissioners of Income Tax (Appeals) shall be subordinate to the iii[Board] and the Commissioners of Income Tax shall be subordinate to the Regional Commissioners.
- iii. Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007) assented on 30th June, 2007)
 - (4) Subject to sub-section (5), the taxation officers shall be subordinate to the Commissioners of Income Tax.
 - (5) A taxation officer invested with the powers and functions of the Commissioner, under sub-section (2) of section 209, shall be subordinate to the Regional Commissioner of Income Tax.]

*. Earlier, the section 207 substituted by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002. At the time of substitution section 207 was as under:-

"**207. Income tax authorities.**-(1) There shall be the following income tax authorities for the purposes of this Ordinance, namely:--

- (b) Regional Commissioners of Income Tax; and
- (c) Commissioners of Income Tax.
- (2) The Commissioners of Income Tax shall be subordinate to the Regional Commissioners of Income Tax within whose jurisdiction they perform their functions."

- (f) Deputy Commissioner Inland Revenue;
 - (g) Assistant Commissioner Inland Revenue;
 - ¹⁴³⁷[(ga) special audit panel;]
 - (h) Inland Revenue Officer;
 - (i) Inland Revenue Audit Officer;
 - ¹⁴³⁸[(ia) District Taxation Officer Inland Revenue;
 - (ib) Assistant Director Audit.]
 - (j) Superintendent Inland Revenue;
 - (k) Inspector Inland Revenue; and
 - (l) Auditor Inland Revenue.
- (2) The Board shall examine, supervise and oversee the general administration of this Ordinance.

¹⁴³⁹[(3) income tax authorities specified in sub-section (1) except in clause (a) shall be subordinate to the Board.]

¹⁴⁴⁰[(3A) Commissioners Inland Revenue, Additional Commissioners Inland Revenue, Deputy Commissioners Inland Revenue, Assistant Commissioners Inland Revenue, Inland Revenue Officers, Inland Revenue Audit ¹⁴⁴¹[Officers] ¹⁴⁴²[, District Taxation Officer Inland Revenue, Assistant Director Audit], Superintendents Inland Revenue, Auditors Inland Revenue and Inspectors Inland Revenue, shall be subordinate to the Chief Commissioners Inland Revenue.]

(4) Subject to sub-section (5), Additional Commissioners Inland Revenue, Deputy Commissioners Inland Revenue, Assistant Commissioners Inland Revenue, Inland Revenue Officers, Inland Revenue Audit Officers ¹⁴⁴³[, District Taxation Officer Inland Revenue, Assistant Director Audit], Superintendents Inland Revenue, Auditors Inland Revenue and Inspectors Inland Revenue shall be subordinate to the Commissioners Inland Revenue.

(4A) Deputy Commissioners Inland Revenue, Assistant Commissioners Inland Revenue, Inland Revenue Officers, Inland Revenue Audit Officers ¹⁴⁴⁴[, District Taxation Officer Inland Revenue, Assistant Director Audit], Superintendents Inland Revenue, Auditors Inland Revenue and Inspectors Inland Revenue shall be subordinate to the Additional Commissioners Inland Revenue.

(5) An officer vested with the powers and functions of Commissioner shall be subordinate to the Chief Commissioner Inland Revenue.

¹⁴⁴⁵**[208 Appointment of income tax authorities.-** ¹⁴⁴⁶[(1) The Board may appoint as many Chief

¹⁴³⁷ Inserted vide Finance Act, 2015

¹⁴³⁸ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁴³⁹ Sub-section (3) substituted by the Finance Act, 2012. At the time of substitution sub-section (3) was as under:-
“(3) The Chief Commissioners Inland Revenue and Commissioners Inland Revenue (Appeals) shall be subordinate to the Board and Commissioners Inland Revenue shall be subordinate to the Chief Commissioner Inland Revenue.”

¹⁴⁴⁰ Sub-section (3A) inserted vide Finance Act, 2012

¹⁴⁴¹ Substituted for the word “Officer” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁴⁴² Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁴⁴³ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁴⁴⁴ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁴⁴⁵ Section 208 substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on ' 15th June, 2002). At the time of substitution section 208 was as under:-

“208. **Central Board of Revenue.**-The Central Board of Revenue shall exercise the general administration of this Ordinance.”

¹⁴⁴⁶ Sub-section (1) substituted. vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931) At the time of substitution sub-section (1) was as under:-

Commissioners Inland Revenue, Commissioners Inland Revenue, Commissioners Inland Revenue (Appeals), Additional Commissioners Inland Revenue, Deputy Commissioners Inland Revenue, Assistant Commissioners Inland Revenue, Inland Revenue Officers, Inland Revenue Audit Officers ¹⁴⁴⁷], District Taxation Officer Inland Revenue, Assistant Director Audit], Superintendents Inland Revenue, Inspectors Inland Revenue, Auditors Inland Revenue and such other executive or ministerial officers and staff as may be necessary.]

(2) Subject to such orders or directions as may be issued by the ¹⁴⁴⁸[Board], any income tax authority may appoint any income tax authority subordinate to it and such other executive or ministerial officers and staff as may be necessary.

(3) All appointments, other than of valuers, chartered accountants or experts, made under this Ordinance, shall be subject to rules and orders of the Federal Government regulating the terms and conditions of persons in public services and posts.]

¹⁴⁴⁹**[209. Jurisdiction of income tax authorities.-]**¹⁴⁵⁰[(1) Subject to this Ordinance, the ¹⁴⁵¹[Chief Commissioners], the Commissioners and the Commissioners (Appeals) shall perform all or such functions and exercise all or such powers under this Ordinance as may be assigned to them in respect of such persons or classes of persons or such areas as the ¹⁴⁵²[Board] may direct ¹⁴⁵³[.]]

¹⁴⁵⁴ [Provided that the Board or the Chief Commissioner, as the case may be, may transfer jurisdiction in respect of cases or persons from one Commissioner to another.]

(2) The ¹⁴⁵⁵[Board] or the ¹⁴⁵⁶[Chief Commissioner] may, by an order, confer upon or assign to any ¹⁴⁵⁷[Officer of Inland Revenue] all or any of the powers and functions conferred upon

“(1) The i[Board] may appoint as many Regional Commissioners of Income Tax, Commissioners of Income Tax, Commissioners of Income Tax (Appeals), taxation officers and such other executive or ministerial officers and staff as may be necessary.”

i. Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁴⁴⁷ *Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*

¹⁴⁴⁸ *Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

¹⁴⁴⁹ *Section 209 was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution section 209 was as under:--*

“209. Appointment of Regional Commissioners of Income Tax and Commissioners of Income Tax.-(1) The Central Board of Revenue may appoint as many Regional Commissioners of Income Tax and Commissioners of Income Tax as may be necessary.

(2) Subject to such orders or directions as may be issued by the Central Board of Revenue, any Regional Commissioner of Income Tax may appoint any subordinate income tax authority subordinate and such other executive or ministerial officers and staff as may be necessary.

(3) Subject to such orders or directions as may be issued by the Central Board of Revenue, any Commissioner of Income Tax may appoint such executive or ministerial officers and staff as may be necessary.

(4) All appointments under this Ordinance shall be subject to the rules and orders of the Federal Government regulating the terms and conditions of service of persons in public services and posts.”

¹⁴⁵⁰ *Sub-section (1) was substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution sub-section (1) was as under:--*

“(1) Subject to this Ordinance, the Regional Commissioners, the Commissioners and the Commissioners (Appeals) shall perform all or such functions and exercise all or such powers, under this Ordinance, in respect of such persons or classes of persons or such areas, as may be assigned to them by orders or directions issued by the Central Board of Revenue.”

¹⁴⁵¹ *Substituted for the words “Regional Commissioners” vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931)*

¹⁴⁵² *Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

¹⁴⁵³ *Substituted for the full stop vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)*

¹⁴⁵⁴ *Proviso was added vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)*

¹⁴⁵⁵ *Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

¹⁴⁵⁶ *Substituted for the words “Regional Commissioner” vide the Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010*

¹⁴⁵⁷ *Substituted for the words “taxation officer” vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010)*

or assigned to the Commissioner, under this Ordinance, in respect of any person or persons or classes of persons or areas ¹⁴⁵⁸[as may be specified in the order].

(3) An order under sub-section (2) by the ¹⁴⁵⁹[Chief Commissioner] shall be made only with the approval of the ¹⁴⁶⁰[Board].

(4) The ¹⁴⁶¹[Officer of Inland Revenue] referred to in sub-section (2) shall, for the purposes of this Ordinance, be treated to be the Commissioner.

(5) Within the area assigned to him, the Commissioner shall have jurisdiction,-

(a) in respect of any person carrying on business, if the person's place of business is within such area, or where the business is carried on in more than one place, the person's principal place of business is within such area; or

(b) in respect of any other person, if the person resides in such area.

(6) Where a question arises as to whether a Commissioner has jurisdiction over a person, the question shall be decided by the ¹⁴⁶²[Chief Commissioner], or ¹⁴⁶³[Chief Commissioners], concerned and, if they are not in agreement, by the ¹⁴⁶⁴[Board]

(7) No person shall call into question the jurisdiction of a Commissioner after that person has furnished a return of income to the Commissioner or, where the person has not furnished a return of income, after the time allowed by any notice served on the person for furnishing such return has expired.

(8) Notwithstanding anything contained in this section, every commissioner shall have all the powers conferred by, or under, this Ordinance on him in respect of any income arising within the area assigned to him.

¹⁴⁶⁵[(8A) The power to confer jurisdiction under this section shall include the power to transfer jurisdiction from one income tax authority to another.]

(9) Where, in respect of any proceedings under this Ordinance, an income tax authority is succeeded by another, the succeeding authority may continue the proceedings from the stage it was left by that authority's predecessor.]

¹⁴⁶⁶[**210. Delegation.**-(1) The Commissioner ¹⁴⁶⁷[subject to sub-section (1A),] may, by an order in

promulgated on 6th February, 2010) and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

1458 *The words inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*

1459. *Substituted for the words "Regional Commissioner" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931)*

1460 *Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

1461 *Substituted for the words "taxation officer" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*

1462 *Substituted for the words "Regional Commissioner" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931)*

1463 *Substituted for the words "Regional Commissioners" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931)*

1464 *Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007),*

1465 *Sub-section (8A) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*

1466 *Section 210 substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution section 210 was as under:-*

"210. Jurisdiction of Regional Commissioners of Income Tax and Commissioners of Income Tax.-(1)

Subject to this Ordinance, the Regional Commissioners of Income Tax and the Commissioners of Income Tax shall perform such functions in respect of such persons or classes of person, or such areas, as may be assigned

writing, delegate to any ¹⁴⁶⁸[Officer of Inland Revenue, subordinate to the Commissioner] all or any of the powers or functions conferred upon or assigned to the Commissioner under this Ordinance, other than the power of delegation.

¹⁴⁶⁹[(1A) The Commissioner shall not delegate the powers of amendment of assessment contained in sub-section (5A) of section 122 to ¹⁴⁷⁰[an officer of Inland Revenue below the rank of Additional Commissioner Inland Revenue]

¹⁴⁷¹[(1B) The Commissioner may, by an order in writing, delegate to a special audit panel appointed under sub-section (11) of section 177, or to a firm of chartered accountants or a firm of Cost and Management Accountants appointed by the Board or the Commissioner to conduct an audit of person under section 177, all or any of the powers or functions to conduct an audit under this Ordinance.]

(2) An order under sub-section (1) may be in respect of all or any of the persons, classes of persons or areas falling in the jurisdiction of the Commissioner.

(3) The Commissioner shall have the power to cancel, modify, alter or amend an order under sub-section (1).

¹⁴⁷²**[211. Power or function exercised.]**-(1) Where, by virtue of an order under section 210, a ¹⁴⁷³[an

to them by directions issued by the Central Board of Revenue.

(2) *Where any directions issued under sub-section (1) have assigned to two or more income tax authorities the same function in respect of the same persons or 'class of persons, or the same areas, they shall perform their functions in accordance with such orders..as the Central Board of Revenue, or any other authority to whom they are subordinate, may make for the allocation of functions and the distribution of the work performed.*

(3) *Within a Commissioner's assigned area, the Commissioner shall have jurisdiction,--*

(a) *in respect of any person carrying on business, if the person's place of business is within such area, or where the business is carried on in more than one place, the person's principal place of business is within such area; or*

(b) *in respect of any other person, if the person resides within such area.*

(4) *Where a question arises as to whether a Commissioner has Jurisdiction over any person, the question shall be decided by the Regional Commissioner or Regional Commissioners concerned and, if they are not in agreement, by the Central Board of Revenue.*

(5) *No person shall call into question the jurisdiction of a Commissioner after the person has furnished a return of income to the Commissioner or, where the person has not furnished a return, after the time allowed by any notice served- on the person for furnishing such return has expired.*

(6) *Notwithstanding anything contained in this section, every Commissioner shall have all the powers conferred by, or under this Ordinance on a Commissioner in respect of any income arising within the Commissioner's assigned area.*

(7) *Where any application may be made by a person under this Ordinance, the application shall be made to the Commissioner with jurisdiction over the person or to the taxation officer with delegated power in respect of the application."*

1467 *The words, brackets, figure and letter were inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)*

1468 *Substituted for the words "taxation officer" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made by the Finance (Amendment) Ordinance, 2016 (III of 2010 promulgated on 6th February, 2010) "the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 21st October, 2009)*

1469 *Sub-section (1A) was added vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)*

1470 *Substituted for the words "taxation officer below the rank of Additional Commissioner of Income Tax" vide the Finance Act, 2010 (XVI Of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*

1471 *Sub-section (1B) was Substituted vide Finance Act, 2015. At the time of substitution sub-section (1B) was as under:-*

*i[(1B) The Commissioner may delegate the powers to a firm of chartered accountants [or a firm of Cost and Management Accountants] appointed by the [Board or the Commissioner] to conduct the audit of persons [***] for audit under section 177.]*

i. Sub-section (1B) was Added vide Finance Act, 2009

1472 *Section 211 substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution section 211 was as under:-*

"211. Delegation.-*The Commissioner may delegate- to any taxation officer any duty, power, or function*

officer of Inland Revenue ¹⁴⁷⁴[or by a special audit panel appointed under subsection (11) of section 177]] exercises a power or performs a function of the Commissioner, such power or function shall be treated as having been exercised or performed by the Commissioner.

(2) The exercise of a power, or the performance of a function, of the Commissioner by a ¹⁴⁷⁵[an officer of Inland Revenue] shall not prevent the exercise of the power, or the performance of the function, by the Commissioner.]

¹⁴⁷⁶[(3) the Board or with the approval of the Board an authority appointed under this Ordinance, shall be competent to exercise all powers conferred upon any authority subordinate to it.]

¹⁴⁷⁷[**212 . Authority of approval.**-The ¹⁴⁷⁸[Board] may, by a general or special order, authorize the Regional Commissioner or the Commissioner to grant approval in any case where such approval is required from the ¹⁴⁷⁹[Board] under any provision of this Ordinance.]

¹⁴⁸⁰[**213. Guidance to income tax authorities.**-In the course of any proceedings under this Ordinance, the Commissioner or any taxation officer may be assisted, guided or instructed by any income tax authority to whom he is subordinate or any other person authorized in this behalf by the ¹⁴⁸¹[Board].]

¹⁴⁸²[**214. Income tax authorities to follow orders of the** ¹⁴⁸³[Board].-(1) Subject to sub-section (2), all income tax authorities and other persons employed in the execution of this Ordinance shall observe and follow the orders, instructions and directions issued by the ¹⁴⁸⁴[Board].

conferred or imposed on the Commissioner under this Ordinance, other than the power of delegation under this section."

¹⁴⁷³ *Substituted for the words "a taxation officer" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 Promulgated on 6th February, 2010) and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*

¹⁴⁷⁴ *Inserted vide Finance Act, 2015*

¹⁴⁷⁵ *Substituted for the words "a taxation officer" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*

¹⁴⁷⁶ *Sub-section (3) was added vide Finance Act, 2012*

¹⁴⁷⁷ *Section 212 substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution section 212 was as under:--*

"212 Authority of approval.-The Central Board of Revenue may, by general or special order, in writing, authorize the Regional Commissioner or the Commissioner to grant approval in any case where such approval is required from the Central Board of Revenue under any provision of this Ordinance."

¹⁴⁷⁸ *Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

¹⁴⁷⁹ *Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

¹⁴⁸⁰ *Section 213 substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution section 213 was as under:--*

"213. Exercise of jurisdiction by successor.-Where, in respect of any proceedings under this Ordinance, an income tax authority is succeeded by another, the succeeding authority may continue the proceedings from the stage at which it was left by that authority's predecessor."

¹⁴⁸¹ *Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

¹⁴⁸² *Section 214 substituted' vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution section 214 was as under:--*

"214. Guidance to Commissioner or taxation officer.-In the course of any proceedings under this Ordinance, the Commissioner or any taxation officer with delegated power under section 211 may be assigned guided or instructed by any income tax authority to whom he is subordinate or any other person authorized in this behalf by the Central Board of Revenue."

¹⁴⁸³ *Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

¹⁴⁸⁴ *Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

(2) No orders, instructions or directions shall be given by the ¹⁴⁸⁵[Board] that will interfere with the discretion of the Commissioner (Appeals) in the exercise of his appellate function.]

¹⁴⁸⁶ [214A. **Condonation of time limit.**-Where any time or period has been specified under any of the provisions of the Ordinance or rules made there-under within which any application is to be made or any act or thing is to be done, the Board may, in any case or class of cases, permit such application to be made or such act or thing to be done within such time or period as it may consider appropriate ¹⁴⁸⁷[.]

¹⁴⁸⁸[**Explanation.**-For the purpose of this section, the expression ‘any act or thing is to be done’ includes any act or thing to be done by the taxpayer or by the authorities specified in section 207.]

Provided that the Board may, by notification in the official Gazette, and subject to such limitations or conditions as may be specified therein, empower any Commissioner or ¹⁴⁸⁹[Chief Commissioner] under this Ordinance to exercise the powers under this section in any case or class of cases.]

¹⁴⁹⁰[214B. **Power of the Board to call for records.**-(1) The Board may, of its own motion, call for and examine the record of any departmental proceedings under this Ordinance or the rules made there-under for the purpose of satisfying itself as to the legality or propriety of any decision or order passed therein and may pass such order as it may think fit:

Provided that no order imposing or enhancing any tax or penalty than the originally levied shall be passed unless the person affected by such order has been given an opportunity of showing cause and of being heard

(2) No proceedings under this section shall be initiated in a case where an appeal is pending.

(3) No order shall be made under this section after the expiry of three years from the date of original decision or order.]

¹⁴⁹¹[214C. **Selection for audit by the Board.**-(1) The Board may select persons or classes of persons for audit of Income Tax affairs through computer ballot which may be random or parametric as the Board may deem fit.

¹⁴⁹²[(1A) Notwithstanding anything contained in this Ordinance or any other law, for the time being in force, the Board shall keep the parameters confidential.]

(2) Audit of Income Tax affairs of persons selected under sub-section (1) shall be conducted as per procedure given in section 177 and all the provisions of the Ordinance, except the first proviso to sub-section (1) of section 177, shall apply accordingly.

(3) For the removal of doubt it is hereby declared that Board shall be deemed always to have had the power to select any persons or classes of persons for audit of Income Tax affairs.]

¹⁴⁹³[**Explanation.**-For the removal of doubt, it is declared that the powers of the Commissioner under section 177 are independent of the powers of the Board under this section and nothing contained in this section restricts the powers of the Commissioner to call for the record or documents including books of accounts of a taxpayer for audit and to conduct audit under section 177.]

1485 Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

1486 Section 214A inserted by the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

1487 Substituted for the colon vide the Finance Act, 2012

1488 Explanation was added vide the Finance Act, 2012

1489 Substituted for the word “Director General” vide the Finance Act, 2012

1490 Section 214B was inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

1491 Section 214C was added by the Finance Act, 2010 (XVI of 2010)

1492 Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

1493 Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁴⁹⁴[***]

¹⁴⁹⁵[**215. Furnishing of returns, documents etc.**-(1) Where, by virtue of an order under section 210, the Commissioner has delegated to any ¹⁴⁹⁶[an officer of Inland Revenue] the function and power to receive, or to call for and receive, any returns of income, certificates, documents, accounts and statements from any person or persons or class of persons (hereinafter called ‘filer’), the filer shall furnish such returns, certificates, documents, accounts and statements to that ¹⁴⁹⁷[officer of Inland Revenue] and, when furnished, shall be treated as having been furnished to the Commissioner.

(2) where a person is allowed, under any provision of this Ordinance, to make an application to the Commissioner and the Commissioner has delegated to any ¹⁴⁹⁸[officer of Inland Revenue] the function or power to receive the application, such application, when made, shall be treated as having been made to the Commissioner.]

216. Disclosure of information by a public servant.-(1) All particulars contained in –

¹⁴⁹⁴ *Omitted vide Finance Act 2018, assented on 22nd May, 2018. At the time of Omission section 214D was as under:--*

[**214D. Automatic selection for audit.**-(1) A person shall be automatically selected for audit of its income tax affairs for a tax year if-

- (a) the return is not filed within the date it is required to be filed as specified in section 118, or, as the case may be, not filed within the time extended by the Board under section 214A or further extended for a period not exceeding thirty days by the Commissioner under section 119; or
- (b) the tax payable under sub-section (1) of 137 has not been paid.

(2) Audit of income tax affairs of persons automatically selected accordingly:

Provided that audit proceedings shall only be initiated after the expiry of ninety days from the date as mentioned in sub-section (1)

(3) Subject to section 182, 205 and 214C, sub-section (1) shall not apply if the person files the return within ninety days from the date as mentioned in sub-section (1) and-

- (a) twenty five percent higher tax, than the tax paid during immediately preceding tax year, has been paid by a person on the basis of taxable income and had declared taxable income in the return for immediately preceding tax year; or
- (b) tax at the rate of two percent of the turnover or the tax payable under Part of the First Schedule, whichever is higher, has been paid by a person along with the return and in the immediately preceding tax year has either not filed a return or had declared income below taxable limit:

Provided that where return has been filed for the immediately preceding tax year, turnover declared for the tax year is not less than the turnover declared for the immediately preceding tax year.

(4) The provisions of sub-section (1) and sections 177 and 214C shall not apply, for a tax year, to a person registered as retailer under rule (4) of the Sales Tax Special Procedure Rules, 2007 subject to the condition that name of the person registered under rule (4) of the Sales Tax Special Procedure Rules, 2007 remained on the sales tax active taxpayers' list throughout the tax year;

(5) Sub-section (4) shall have effect from the date appointed by the Board through Notification in the official gazette.]

¹⁴⁹⁵ *Section 215 substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution section 215 was as under:--*

“215 Taxation officers to follow orders of Central Board of Revenue.-(1) Subject to sub-section (2), all taxation officers and other persons employed in the execution of this Ordinance shall observe and follow the orders instructions and directions of the Central Board of Revenue.

(2) No orders, instructions or directions shall be given by the Central Board of Revenue that will interfere with the discretion of the Commissioner (Appeals) in the exercise the appellate function of the Commissioner (Appeals).”

¹⁴⁹⁶ *Substituted for the words “taxation officer” vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*

¹⁴⁹⁷ *Substituted for the words “taxation officer” vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931) Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010), (Promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*

¹⁴⁹⁸ *Substituted for the words “taxation officer” vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931) Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)*

- (a) any statement made, return furnished, or accounts or documents produced under the provisions of this Ordinance;
 - (b) any evidence given, or affidavit or deposition made, in the course of any proceedings under this Ordinance, other than proceedings under Part XI of Chapter X; or
 - (c) any record of any assessment proceedings or any proceeding relating to the recovery of a demand, shall be confidential and no public servant save as provided in this Ordinance may disclose any such particulars.
- (2) Notwithstanding anything contained in the Qanun-e-¹⁴⁹⁹[Shahadat], 1984 (P.O. Order No. 10 of 1984), or any other law for the time being in force, no court or other authority shall be, save as provided in this Ordinance, entitled to require any public servant to produce before it any return, accounts, or documents contained in, or forming a part of the records relating to any proceedings under this Ordinance, or any records of the Income Tax Department generally, or any part thereof, or to give evidence before it in respect thereof.
- (3) Nothing contained in sub-section (1) shall preclude the disclosure of any such particulars—
- (a) to any person acting in the execution of this Ordinance, where it is necessary to disclose the same to him for the purposes of this Ordinance;
 - (b) to any person authorised by the Commissioner in this behalf, where it is necessary to disclose the same to such person for the purposes of processing of data and preparation of computer printouts relating to returns of income or calculation of tax;
 - (c) where the disclosure is occasioned by the lawful employment under this Ordinance of any process for the service of any notice or the recovery of any demand;
 - (d) to the Auditor-General of Pakistan for the purpose of enabling the Auditor-General to discharge his functions under the Constitution;
 - (e) to any officer appointed by the Auditor-General of Pakistan or the Commissioner to audit income tax receipts or refunds;
 - (f) to any officer of the Federal Government or a Provincial Government authorised by such Government in this behalf as may be necessary for the purpose of enabling that Government to levy or realize any tax imposed by it;
 - (g) to any authority exercising powers under ¹⁵⁰⁰[the ¹⁵⁰¹[Federal Excise Act, 2005],] the Sales Tax Act, 1990, the Wealth Tax Act, 1963 (XV of 1963), or the Customs Act, 1969 (IV of 1969), as may be necessary for the purpose of enabling its duty to exercise such powers;
 - (h) occasioned by the lawful exercise by a public servant of powers under the Stamp Act, 1899 (II of 1899) to impound an insufficiently stamped document;
 - (i) to the State Bank of Pakistan to enable it to compile financial statistics of international investment and balance of payment;
 - (j) as may be required by any order made under sub-section (2) of section 19 of the Foreign Exchange Regulation Act, 1947 (VII of 1947), or for the

¹⁴⁹⁹ Substituted for the word "Shadat" vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹⁵⁰⁰ Substituted for the words, commas, figures and brackets "the Central Excises and Salt Act 1944 (101' 1944), the Estate Duty Act, 1950 (X of 1950)" vide the Finance Ordinance, 2002 (XXVI of 2002 promulgated on 15th June, 2002)

¹⁵⁰¹ Substituted for the words, comma, figure and brackets "Central Excises Act, 1944 (I of 1944)" vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

purposes of any prosecution for an offence under section 23 of that Act;

- (k) to the Securities and Exchange Commission or the Monopolies Control Authority for the purposes of the Securities and Exchange Ordinance, 1969 (XVII of 1969), the Monopolies and Restrictive Trade Practices (Control and Prevention) Ordinance, 1970 (VI of 1970), the Companies Ordinance, 1984 (XLVII of 1984) or the Securities and Exchange Commission of Pakistan Act, 1997, as the case may be;

¹⁵⁰²[(ka) Employees Old Age Benefit Institution in respect of information regarding salaries in statements furnished under section 165;]

¹⁵⁰³[(kb) to National Database and Registration Authority for the purpose of broadening of the tax base;

- (l) Relevant to any inquiry into a charge of misconduct in connection with income tax proceedings against a legal practitioner or an accountant;
- (m) to a Civil Court in any suit or proceeding to which the Federal Government or any income tax authority is a party which relates to any matter arising out of any proceedings under this Ordinance;
- (n) for the purposes of a prosecution for any offence under the Pakistan Penal Code, 1860 (XLVI of 1860), in respect of any such statement, returns, accounts, documents, evidence, affidavit or deposition, or for the purposes of a prosecution for any offence under this Ordinance;
- (o) relevant to any inquiry into the conduct of an official of the Income Tax Department to any person or officer appointed to hold such inquiry, or to a Public Service Commission, established under the Federal Public Service Commission Ordinance, 1977 (XLV of 1977), when exercising its functions in relation to any matter arising out of such inquiry;
- (p) as may be required by any officer or department of the Federal Government or of a Provincial Government for the purpose of investigation into the conduct and affairs of any public servant, or to a Court in connection with any prosecution of the public servant arising out of any such investigation;
- (q) to an authorised officer of the government of any country outside Pakistan with which the Government has entered into an agreement under section 107 for the avoidance of double taxation and the prevention of fiscal evasion as may be required to be disclosed in pursuance of that agreement; or
- (r) to the Federal Tax Ombudsman appointed under the Establishment of the Office of Federal Tax Ombudsman Ordinance, 2000 (XXXV of 2000).

(4) Nothing in this section shall apply to the production by a public servant before a Court of any document, declaration, or affidavit filed or the giving of evidence by a public servant in respect thereof.

(5) Nothing contained in sub-section (1) shall prevent the ¹⁵⁰⁴[Board] from publishing, with the prior approval of the Federal ¹⁵⁰⁵[¹⁵⁰⁶Government]], any such particulars as are referred to in that sub-section.

(6) Nothing contained in sub-section (1) shall prevent the Federal Government from

¹⁵⁰² Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁵⁰³ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

¹⁵⁰⁴ Substituted for the word "Commissioner" vide Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

¹⁵⁰⁵ Substituted for the word "Government" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁵⁰⁶ Substituted for word "Minister-in-charge" vide the Finance Act, 2018 assented on 22nd May, 2018

publishing particulars and the amount of tax paid by a holder of a public office as defined in the ¹⁵⁰⁷[National Accountability Bureau Ordinance, 1999 (XVIII of 1999).]

(7) Any person to whom any information is communicated under this section, and any person or employee under the first-mentioned person's control, shall be, in respect of that information, subject to the same rights, privileges, obligations, and liabilities as if the person were a public servant and all the provisions of this Ordinance, so far as may be, shall apply accordingly.

(8) No prosecution may be instituted under this section except with the previous sanction of the ¹⁵⁰⁸[Board].

217. Forms and notices; authentication of documents.-(1) Forms, notices, returns, statements, tables and other documents required under this Ordinance may be in such form as determined by the ¹⁵⁰⁹[Board] for the efficient administration of this Ordinance and publication of such documents in the official Gazette shall not be required.

(2) The Commissioner shall make the documents referred to in sub-section (1) available to the public in the manner prescribed.

(3) A notice or other document issued, served or given by the Commissioner under this Ordinance shall be sufficiently authenticated if the name or title of the Commissioner, or authorised ¹⁵¹⁰[officer of Inland Revenue] taxation officer, is printed, stamped or written on the notice or document ¹⁵¹¹[or if it is computer generated and bears the authentication in the manner prescribed by the Board].

218. Service of notices and other documents.-(1) Subject to this Ordinance, any notice, order or requisition required to be served on a resident individual (other than in a representative capacity) for the purposes of this Ordinance shall be treated as properly served on the individual if –

- (A) personally served on the individual or, in the case of an individual under a legal disability or a non-resident individual, the representative of the individual;
- (B) sent by registered post or courier service to the place specified in clause (b) ¹⁵¹²[of sub-section (2)] or to the individual's usual or last known address in Pakistan; or
- (C) served on the individual in the manner prescribed for service of a summons under the Code of Civil Procedure, 1908 (V of 1908) ¹⁵¹³[or]

¹⁵¹⁴[(D) served on the individual electronically in the prescribed manner,]

(2) Subject to this Ordinance, any notice, order or requisition required to be served on any person (other than a resident individual to whom sub-section (1) applies) for the purposes of this Ordinance shall be treated as properly served on the person if –

- (A) personally served on the representative of the person;
- (B) sent by registered post or courier service to the person's registered office or address for service of notices under this Ordinance in Pakistan, or where the person does not have such office or address, the notice is sent by registered post to any office or place of business of the person in Pakistan;

¹⁵⁰⁷ Substituted for the word, comma, figures and brackets Ehtesab Act, 1997 (IX of 1997) vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁵⁰⁸ Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁵⁰⁹ Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁵¹⁰ Substituted for the words "taxation officer" vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931)

¹⁵¹¹ The words were added vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931)

¹⁵¹² The words brackets and figure were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁵¹³ Substituted vide the Finance Act, 2018 assented on 22nd May, 2018

¹⁵¹⁴ Added vide the Finance Act, 2018 assented on 22nd May, 2018

or

- (C) served on the person in the manner prescribed for service of a summons under the Code of Civil Procedure, 1908 (V of 1908).

(3) Where an association of persons is dissolved, any notice, order or requisition required to be served under this Ordinance on the association may be served on any person who was ¹⁵¹⁵[the principal officer or] a member of the association immediately before such dissolution.

(4) Where section 117 applies, any notice, order or requisition required to be served under this Ordinance on the person discontinuing the business may be served on the person personally or on any individual who was the person's representative at the time of discontinuance.

(4) The validity of any notice issued under this Ordinance or the validity of any service of a notice under this Ordinance shall not be called into question after the return to which the notice relates has been furnished or the notice has been otherwise complied with.

219. Tax or refund to be computed to the nearest Rupee.-In the determination of any amount of tax or refund payable under this Ordinance, fractions of a rupee less than fifty paise shall be disregarded and fractions of a rupee equal to or exceeding fifty paise shall be treated as one rupee.

220. Receipts for amounts paid.-The Commissioner shall give a receipt for any tax or other amount paid or recovered under this Ordinance.

221. Rectification of mistakes.-(1) The Commissioner, the Commissioner (Appeals) or the Appellate Tribunal may, by an order in writing, amend any order passed by ¹⁵¹⁶[him] to rectify any mistake apparent from the record on ¹⁵¹⁷[his or its] own motion or any mistake brought to ¹⁵¹⁸[his or its] notice by a taxpayer or, in the case of the Commissioner (Appeals) or the Appellate Tribunal, the Commissioner.

¹⁵¹⁹[(1A) The Commissioner may, by an order in writing, amend any order passed under the repealed Ordinance by the Deputy Commissioner, or an Income Tax Panel, as defined in section 2 of the repealed Ordinance to rectify any mistake apparent from the record on his own motion or any mistake brought to his notice by a taxpayer and the provisions of sub-section (2), sub-section (3) and sub-section (4) shall apply in like manner as these apply to an order under sub-section (1).]

(2) No order under sub-section (1) which has the effect of increasing an assessment, reducing a refund or otherwise applying adversely to the taxpayer shall be made unless the taxpayer has been given a reasonable opportunity of being heard.

(3) Where a mistake apparent on the record is brought to the notice of the Commissioner ¹⁵²⁰[or] Commissioner (Appeals) ¹⁵²¹[***], as the case may be, and no order has been made under sub-section (1) before the expiration of the financial year next following the date on which the mistake was brought to their notice, the mistake shall be treated as rectified and all the provisions of this Ordinance shall have effect accordingly.

(4) No order under sub-section (1) may be made after five years from the date of the order sought to be rectified.

222. Appointment of expert.-The Commissioner may appoint any expert as the Commissioner considers necessary for the purposes of this Ordinance, including for the purposes of audit or

¹⁵¹⁵ The words inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁵¹⁶ Substituted for the word "them" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁵¹⁷ Substituted for the word "their" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁵¹⁸ Substituted for the word "their" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁵¹⁹ Sub-section (1A) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier a different Sub-section (1A) was inserted vide SRO 633(1)/2002, dated 14 September, 2002 and sub-section as was inserted vide SRO 633(1)/2002, dated 14 September, 2002, and rescinded vide SRO 608(1)/2003, dated 24 June, 2003 with effect from 1st July, 2003. At the time of rescission of Sub-section (1A), it was as under:--

"(1A) The Commissioner may amend by an order in writing, any order passed under the repealed Ordinance by the DCIT, or an Income Tax Panel, as defined in section 2 of the repealed Ordinance."

¹⁵²⁰ Substituted for the comma vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁵²¹ The words "or the Appellate Tribunal" omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

valuation.

223. Appearance by authorised representative.-(1) Any taxpayer who is entitled or required to attend before the Commissioner, the Commissioner (Appeals) or the Appellate Tribunal in connection with any proceeding under this Ordinance may, except when required under section 176 to attend personally, attend by an authorised representative.

(2) For the purposes of this section and subject to sub-section (3), an authorised representative of a taxpayer shall be a person who is a representative of the person under section 172 and any of the following persons, namely:—

- (a) A relative of the taxpayer;
- (b) a current full-time employee of the taxpayer;
- (c) any officer of a scheduled bank with which the taxpayer maintains a current account or has other regular dealings;
- (d) any legal practitioner entitled to practice in any Civil Court in Pakistan;
- (e) any accountant; or
- (f) any income tax practitioner.

(3) For the purposes of this section —

- (a) no person who has been dismissed or removed from service in the Income Tax Department shall be entitled to represent a taxpayer under sub-section (1);
- (b) no person having resigned from service after having been employed in the Income Tax Department for not less than two years shall be entitled to represent a taxpayer under sub-section (1) for a period of two years from the date of resignation;
- (c) no person having retired from service in the Income Tax Department shall be entitled to represent a taxpayer under sub-section (1) for a period of one year from the date of retirement in any case in which the person had made or approved, as the case may be, any order of assessment, refund or appeal within one year before the date of retirement; or
- (d) no person who has become insolvent shall be entitled to represent a taxpayer under sub-section (1) for so long as the insolvency continues;
- (e) no person who has been convicted of an offence in relation to any income tax proceedings under this Ordinance shall be entitled to represent a taxpayer under sub-section (1) for such period as the Commissioner may, by order in writing, determine.

(4) Where any legal practitioner or accountant is found guilty of misconduct in a professional capacity by any authority entitled to take disciplinary action against the legal practitioner or accountant, an order passed by that authority shall have effect in relation to any right to represent a taxpayer under sub-section (1) as it has in relation to the person's right to practice as a legal practitioner or accountant.

(5) Where any person (other than a person to whom sub-section (4) applies) is found guilty of misconduct in relation to any income tax proceeding, the Commissioner may, by an order in writing, direct that the person cease to represent a taxpayer under sub-section (1) before the Commissioner, Commissioner (Appeals) or Appellate Tribunal.

(6) The Commissioner shall not make an order under clause (e) of sub-section (3) or sub-section (5) in respect of any person, unless the Commissioner has given the person a reasonable opportunity to be heard.

(7) Any person against whom an order under clause (e) of sub-section (3) or sub-section (5) has been made may, within thirty days of service of notice of the order, appeal to the

¹⁵²²[Board] to have the order cancelled.

(8) The ¹⁵²³[Board] may admit an appeal after the expiration of the period specified in sub-section (7) if satisfied that the appellant was prevented by sufficient cause from lodging the appeal within the period.

(9) No order made under clause (e) of sub-section (3) or sub-section (5) shall take effect until thirty days after notice of the order is served on the person or, where an appeal has been lodged under sub-section (7), until the disposal of the appeal.

(10) The ¹⁵²⁴[Board] may make rules under section ¹⁵²⁵[237] for the registration of income tax practitioners and related matters, including establishing a code of conduct for such practitioners.

(11) In this section – “accountant” means –

- (a) a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961);
- (b) a cost and management accountant within the meaning of the Cost and Management Accountants Act, 1966 (XIV of 1966); or
- (c) a member of any association of accountants recognized for the purposes of this section by the ¹⁵²⁶[Board]; and “income tax practitioner” means a person who is registered as such by the ¹⁵²⁷[Board], being a person who possesses such qualifications as may be prescribed for the purposes of this section or who has retired after putting in satisfactory service in the Income Tax Department for a period of not less than ten years in a post or posts not below that of Income Tax Officer.

224. Proceedings under the Ordinance to be judicial proceedings.—Any proceedings under this Ordinance before the Commissioner, Commissioner (Appeals) or Appellate Tribunal shall be treated as judicial proceedings within the meaning of sections 193 and 228 of the Pakistan Penal Code, 1860 (Act XLV of 1860), and for the purposes of section 196 of the Pakistan Penal Code, 1860 (Act XLV of 1860).

225. Proceedings against companies under liquidation.—Notwithstanding anything contained in section 316 of the Companies Ordinance, 1984 (XLVII of 1984), leave of the Court shall not be required for continuing with or commencing any proceeding under this Ordinance against a company in respect of which a winding up order has been made or Provisional Liquidator appointed.

226. Computation of limitation period.—In computing the period of limitation, there shall be excluded –

- (a) in the case of an appeal or an application under this Ordinance, the day on which the order complained of was served and, if the taxpayer was not furnished with a copy of the order when the notice of order was served on the taxpayer, the time requisite for obtaining a copy of such order; and

¹⁵²⁸[(b) in the case of an assessment or other proceeding under this Ordinance,

¹⁵²² Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007) assented on 30th June, 2007),

¹⁵²³ Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007) assented on 30th June, 2007),

¹⁵²⁴ Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁵²⁵ Substituted for the figure “232” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁵²⁶ Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁵²⁷ Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁵²⁸ Clause (b) substituted vide the Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010. At the time of

- (i) the period, if any, for which such proceedings were stayed by any Court, Appellate Tribunal or any other authority or]
- (ii) the period, if any, for which any proceeding for the tax year remained pending before any Court, Appellate Tribunal or any other authority

227. Bar of suits in Civil Courts.-¹⁵²⁹[(1)] No suit or other legal proceeding shall be brought in any Civil Court against any order made ¹⁵³⁰[or any notice issued] under this Ordinance, and no prosecution, suit or other proceedings shall be made against any person for anything which is in good faith done or intended to be done under this Ordinance or any rules or orders made ¹⁵³¹[or any notice issued] there under.

¹⁵³²[*Explanation.*-For the removal of doubt, it is clarified that Civil Court includes any court exercising power of the civil court.]

¹⁵³³[(2) Notwithstanding anything contained in any other law for the time being in force, no investigation or inquiry shall be undertaken or initiated by any governmental agency against any officer or official for anything done in his official capacity under this Ordinance, rules, instructions or direction made or issued there-under without the prior approval of the Board.]

¹⁵³⁴[**227A. Reward to Inland Revenue officers and officials.**-(1) in cases ¹⁵³⁵[(i)] involving concealment or evasion of income tax and other taxes, cash reward shall, only after realization of part or whole of the taxes involved in such cases, be sanctioned to the officers and officials of Inland Revenue for their meritorious conduct in such cases ¹⁵³⁶[and (ii) for other meritorious services] and to the informer providing credible information leading to such detection.

(2) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf and also specify the apportionment of reward sanctioned under this section for individual performance or to collective welfare of the officers and officials of Inland Revenue.]

¹⁵³⁷[**227B. Reward to whistleblowers.**-(1) The Board may sanction reward to whistleblowers in cases of concealment or evasion of income tax, fraud, corruption or misconduct providing credible information leading to such detection of tax.

(2) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf and also specify the apportionment of reward sanctioned under this section for whistleblowers.

(3) The claim for reward by the whistleblower shall be rejected if-

- (a) the information provided is of no value;
- ¹⁵³⁸[(aa) the information is not supported by any evidence;]
- (b) the Board already had the information;
- (c) the information was available in public records; or

substitution clause (b) was as under:-

“(b) in the case of an assessment or other proceeding under this Ordinance, the period, if any, for which such proceedings were stayed vide i/[any Court, iif Appellate 1 Tribunal or any other authority)

i. Substituted for the words, brackets and comma “the Commissioner (Appeals), the Tribunal or any Court” by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

ii The word inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁵²⁹ Existing section renumbered as sub-section (I) vide the Finance Act, 2010 (XVI of 2010)

¹⁵³⁰ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

¹⁵³¹ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

¹⁵³² Added vide the Finance Act, 2018 assented on 22nd May, 2018

¹⁵³³ Sub-section (2) was added vide the Finance Act, 2010 (XVI of 2010)

¹⁵³⁴ Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁵³⁵ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁵³⁶ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁵³⁷ Inserted vide Finance Act, 2015

¹⁵³⁸ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

- (d) no collection of taxes is made from the information provided from which the Board can pay the reward.

(4) For the purpose of this section, “whistleblower” means a person who reports concealment or evasion of income tax leading to detection or collection of taxes, fraud, corruption or misconduct, to the competent authority having power to take action against the person or an income tax authority committing fraud, corruption, misconduct, or involved in concealment or evasion of taxes.]

¹⁵³⁹[**227C. Restriction on purchase of certain assets.**-Notwith-standing anything contained in any law, for the time being in force,—

- (a) any application for booking, registration or purchase of a new locally manufactured motor vehicle or for first registration of an imported vehicle shall not be accepted or processed by any vehicle registering authority of Excise and Taxation Department or a manufacturer of a motor vehicle respectively, unless the person is a filer.; and
- (b) any application or request by a person to any authority responsible for registering, recording or attesting transfer of any immovable property , exceeding five million rupees, for registering or attesting the transfer shall not be accepted or processed by such authority, unless the person is a filer.]

PART II

¹⁵⁴⁰[**DIRECTORATES-GENERAL**]

¹⁵⁴¹[**228. The Directorate General of** ¹⁵⁴²[***] **Internal Audit.**-(1) The Directorate General of ¹⁵⁴³[***] Internal Audit shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate General of ¹⁵⁴⁴[***] Internal Audit.]

¹⁵⁴⁵[**229. Directorate General of Training and Research.**-(1) The Directorate General of Training and Research shall consist of a Director General, Additional Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such officers as the Board, may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions,

¹⁵³⁹ *Inserted vide the Finance Act, 2018 assented on 22nd May, 2018*

¹⁵⁴⁰ *Substituted for the heading “DIRECTORATE-GENERAL OF [INTERNAL AUDIT] vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013*

i. *Substituted for the word “INSPECTION” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

¹⁵⁴¹ *Section 228 substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution section 228 was as under:--*

“228. Appointment of Directorate-General of Inspection.-(1) The Federal Government shall appoint a Directorate-General of Inspection to exercise the powers and discharge the functions conferred on it under this Part.

(2) The Directorate-General shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors, Extra- Assistant Directors and Inspectors, as the Director-General may consider necessary to be appointed from among the officers of the Income Tax Group.”

¹⁵⁴² *The words were “Inspection and” omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

¹⁵⁴³ *The words were “Inspection and” omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

¹⁵⁴⁴ *The words were “Inspection and” omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

¹⁵⁴⁵ *Section 229 was added vide the Finance Act, 2010 (XVI of 2010). Earlier a different Section 229 was omitted vide the Finance Act. 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission 229 was as under:--*

“229 Inspection authorities.-(1) there shall be the following classes of inspection authorities for the purposes of this Ordinance, namely:--

(a) The Director-General of Inspection; and

(b) Directors of Inspection.

(2) The Directors of Inspection shall be subordinate to the Director-General of Inspection.”

jurisdiction and powers of the Directorate General of Training and Research and its officers]

¹⁵⁴⁶[**230. Directorate General (Intelligence and Investigation), Inland Revenue.**-(1) The Directorate General (Intelligence and Investigation) Inland Revenue shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

- (2) The Board may, by notification in the official Gazette,
- (a) specify the functions and jurisdiction of the Directorate General and its officers; and
 - (b) confer the powers of authorities specified in section 207 upon the Directorate General and its officers.]

¹⁵⁴⁷[***]

¹⁵⁴⁸[**PART III**
¹⁵⁴⁹[**DIRECTORATES-GENERAL**]

230A. Directorate-General of Withholding Taxes.-(1) The Directorate-General of Withholding Taxes shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate-General of Withholding Taxes.]

¹⁵⁵⁰[**230B. Directorate-General of Law.**-(1) Directorate- General of Law shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors, Law Officers and such other officers as the Board may, by notification in the official Gazette, appoint.

¹⁵⁴⁶ Section (230) added vide Finance Act, 2012. Section 230 added by the Finance Act, 2012. Earlier a different Section 230 was omitted vide the Finance Act. 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission section 230 was as under:--

“230. Jurisdiction of Inspection Authorities.- (I) Subject to the provisions of this Chapter, the Directors of Inspection shall perform their functions in respect of such persons or classes of persons or such areas as may be assigned to them by the Director-General.

(2) The Director-General or a Director of Inspection may assign any function in respect of any area, or office or offices located within an-area, case, class of cases; person or classes of persons to any inspection officer working under this control.

(3) In this section, “inspection officer” means an Additional Director of Inspection, a Deputy Director of Inspection, an Assistant Director and an Extra-Assistant Director.”

¹⁵⁴⁷ Section 231 omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission section 231 was as under:--

“231. Functions and Powers of Directorate.-(I) The functions of the Directorate-General of Inspection shall be, namely:--

- (a) To carry out inspections of income tax cases and offices;
 - (b) to investigate or cause investigation to be carried out in respect of--
 - (i) cases involving leakage of revenue or evasion of taxes; and
 - (ii) Regional Commissioners of Income Tax, Commissioners of Income Tax, taxation officers and any other staff of income tax offices allegedly involved in corruption and malpractice, and recommend to the competent authority appropriate disciplinary action;
 - (c) to carry out audit of cases or offices involving income tax revenues;
 - (d) to recommend to the Central Board of Revenue in matters of tax policy, tax administration and tax operations;
 - (e) to furnish an annual report about the workings of Income Tax Offices to the Central Board of Revenue by the thirty-first day of December, following the end of the financial year to which it relates; and
 - (f) to carry out any other work or function that may be assigned to It by the Federal Government.
- (2) In discharge of its functions under sub-section (I), the Directorate-General shall have the powers Specified In section 176”

¹⁵⁴⁸ Part III was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹⁵⁴⁹ Substituted for the heading “DIRECTORATE-GENERAL OF WITHHOLDING TAXES” vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁵⁵⁰ New sections inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

(2) The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate-General of Law.

230C. Directorate-General of Research and Development.-(1) The Directorate-General of Research and Development shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate-General of Research and Development.]

¹⁵⁵¹**[230D. Directorate-General of Broadening of Tax Base.**-(1) The Directorate-General of Broadening of Tax Base shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate-General of Broadening of Tax Base.

230E. Directorate-General of Transfer Pricing.-(1) The Directorate-General of Transfer Pricing shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The functions of the Directorate General of Transfer Pricing shall be to conduct transfer pricing audit.

Explanation: For the removal of doubt, it is clarified that transfer pricing audit refers to the audit for determination of transfer price at arm's length in transactions between associates and is independent of audit under section 177, 214C or 214D which is audit of the income tax affairs of the taxpayer.

(3) The Board may, by notification in the official Gazette, specify the criteria for selection of the taxpayer for transfer pricing audit and may further specify functions, jurisdiction and powers of the Directorate-General of Transfer Pricing.]

¹⁵⁵²**[230F. Directorate General of Immovable Property.**—(1) The Directorate-General of Immovable Property, (hereinafter referred to as Directorate-General in this section, shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions and jurisdiction of the Directorate-General and its officers.

(3) The Directorate-General may, subject to the provisions and conditions as may be prescribed, initiate proceedings for the acquisition of property for the reasons and purposes specified in sub-section (4).

(4) The proceedings under sub-section (3) shall be initiated, where the Directorate-General, on the basis of valuation made by it, has reason to believe that any immovable property of a fair market value has been transferred by a person, hereinafter referred to as the transferor, to another person, hereinafter referred to as the transferee, for a consideration which is less than the fair market value of the immovable property and that the consideration for such transfer as agreed to between the transferor and transferee has been understated in the instrument of transfer for the purposes of—

- (a) the avoidance or reduction of withholding tax obligations under this Ordinance;
- (b) concealment of unexplained amount referred to in sub-section (1) of section 111 representing investment in immovable property; or
- (c) avoidance or reduction of capital gains tax under section 37.

¹⁵⁵¹ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁵⁵² Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

(5) The Directorate-General may appoint any valuer or expert as it considers necessary for the purposes of determination of valuation including fair market value of immovable property.

(6) The mode and manner of appointment of a valuer or expert shall be as may be prescribed.

(7) The valuation made under sub-section (4) and reasons that consideration is less than the fair market value shall be recorded in writing.

(8) No proceedings shall be initiated in respect of any immovable property after expiration of a period of six months from the end of the month in which the instrument of transfer in respect of such property is registered, recorded or attested.

(9) The mode and manner of initiation of proceedings and acquisition of immovable property under this section shall be as may be prescribed:

Provided that the proceedings shall not be initiated unless the transferee is provided with an opportunity of being heard and where the objection by the transferee, if any, is rejected by the Directorate-General, it shall record in writing the reasons for rejection through an order.

(10) If the Directorate-General is satisfied with the objections or reasons furnished by the transferee or the transferor, it shall, by order in writing, declare that the property shall not be acquired under this section.

(11) If after hearing the objections, if any, and after taking into account all the relevant material on record, the Directorate-General is satisfied that the fair market value of such property exceeds the consideration by more than fifty per cent of such consideration and that transfer as agreed to between the transferor and the transferee has not been truly stated in the instrument of transfer it may, after obtaining approval of the Board, make an order for acquisition of the immovable property under this section.

(12) The transferee may prefer express appeal to the Appellate Tribunal of Immovable Property against the order of acquisition of any immovable property under sub-section (11) within sixty days of service of a copy of such order.

(13) There shall be established an Appellate Tribunal of Immovable Property to exercise the powers conferred on the Tribunal under this section.

(14) The appointment of members of the Tribunal, powers, functions, constitution of the Tribunal and mode and manner of disposal of appeals shall be as may be prescribed.

(15) The Appellate Tribunal may, after giving the appellant and the Directorate-General an opportunity of being heard, pass such order as it thinks fit.

(16) The transferee or the Directorate-General aggrieved by any order of the Tribunal may, within sixty days of the date on which the order under sub-section (15) is served, prefer an appeal against such order to the High Court.

(17) As soon as may be after the order for acquisition of immovable property made under sub-section (11) becomes final, the Directorate-General may, by notice in writing, order the transferee or any other person who may be in possession of the immovable property to surrender or deliver possession thereof to the Directorate-General within thirty days of the date of the service of the notice.

(18) The order referred to in sub-section (11) becomes final if either no appeal has been there against filed or on appeal filed before the Tribunal, the order is confirmed and no appeal is filed before the High Court or on appeal filed before the High Court the order is confirmed.

(19) Notwithstanding anything contained in any law or any agreement for the time being in force, where order referred to in sub-section (11) becomes final, the immovable property and all rights including ownership rights thereof shall be vested in the Federal Government and shall be treated to be in the same position in relation to such rights as the person in whom such rights would have continued to vest if such order had not become final.

(20) Where any immovable property is acquired under this section, the Board shall make the payment of consideration for acquisition to the person or persons entitled thereto, as soon as may be, after the property becomes vested in the Federal Government.

(21) Notwithstanding the provisions of section 68, for the purpose of this section,—

- (a) “consideration for acquisition” means a sum equal to the aggregate of the amount of the consideration for the transfer of immovable property and hundred per cent of such consideration;
- (b) “fair market value” in relation to an immovable property means the price that the immovable property would ordinarily fetch on sale in the open market on the date of execution of the instrument of transfer of such property;
- (c) “immovable property” means any land with or without a superstructure or any building or part of a building or any rights therein and includes, where any land or any building or part of a building is transferred along-with any machinery, plant, equipment, furniture and fittings; and
- (d) “transfer” in relation to any immovable property means transfer of such property by way of sale or exchange or lease for a term of not less than ten years.

(22) The provisions of this section shall come into force on such date as the Federal Government may, by notification in official Gazette, appoint.

(23) From the date of appointment as mentioned in sub-section (22), rates mentioned in column (3) of the Table in Division XVIII shall be 1% and provisions of clause (c) of sub-section (4) of section 111, section 236C, section 236W and Division X of Part IV of the First Schedule shall not apply.]

CHAPTER XII TRANSITIONAL ADVANCE TAX PROVISIONS

¹⁵⁵³[**231A. Cash withdrawal from a bank.**-¹⁵⁵⁴(1) Every banking company shall deduct tax at the rate specified in Division VI of Part IV of the First Schedule, if the payment for cash withdrawal, or the sum total of the payments for cash withdrawal in a day, exceeds ¹⁵⁵⁵[fifty] thousand rupees.]

¹⁵⁵⁶[**Explanation.**-For removal of doubt, it is clarified that the said fifty thousand rupees shall be aggregate withdrawals from all the bank accounts in a single day.]

¹⁵⁵⁷[***]

¹⁵⁵⁸[**231AA. Advance tax on transactions in bank.**-(1) Every banking company shall deduct tax at the rate specified in Division VIA of Part IV of the First Schedule, if the payment for withdrawal is made through any mode of banking transactions including Demand Draft, Payment Order, Online Transfer, Telegraphic Transfer, CDR, STDR, RTC, or any other instrument of bearer nature or non receipt of cash on cancellation of any of these instruments ¹⁵⁵⁹[.

¹⁵⁵³ Section 231A was inserted by the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹⁵⁵⁴ Sub-section (1) was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution sub-section (1) was as under:-

“(1) Every banking company shall, at the time of making a payment for cash withdrawal exceeding twenty-five thousand rupees, deduct tax from the, payment at the rate specified in Division VI of Part IV of the First Schedule”

¹⁵⁵⁵ Substituted for the word “twenty-five” vide the Finance Act, 2012

¹⁵⁵⁶ Added vide the Finance Act, 2016 (XXIX of 2016)

¹⁵⁵⁷ Sub-section (2) was omitted vide Finance Act, 2015. At the time of omission sub-section (2) was as under:-

(2) Advance tax under this section shall not be collected in the case of withdrawals made by,

- (a) the Federal Government or a Provincial Government;
- (b) a foreign diplomat or a diplomatic mission in Pakistan; or
- (c) a person who produces a certificate from the Commissioner that his income during the tax year is exempt.]

¹⁵⁵⁸ Section 231AA was inserted vide the Finance Act, 2010 (XVI of 2010)

¹⁵⁵⁹ Colon was Substituted with full stop and thereafter proviso was omitted vide Finance Act, 2015. At the time of

***]

(2) every banking company, non banking financial institution, exchange company or any authorized dealer of foreign exchange shall collect advance tax at the time of transfer of any sum against cash through online transfer, telegraphic transfer, mail transfer or any other mode of electronic transfer.

(3) The advance tax under this section shall be collected at the rate specified in Division VIA of part IV of the first schedule, where the sum total of payments for transactions mentioned in sub-section (1) or sub-section (2) as the case may be, exceeds twenty-five thousand rupees in a day.

¹⁵⁶⁰[***]

¹⁵⁶¹[**231B. Advance tax on private motor vehicles.**-(1) Every motor vehicle registering authority of Excise and Taxation Department shall collect advance tax at the time of registration of a motor vehicle, at the rates specified in Division VII of Part IV of the First Schedule ¹⁵⁶²]:

Provided that no collection of advance tax under this sub-section shall be made after five years from the date of first registration as specified in clauses (a), (b) and (c) of sub-section (6).]

¹⁵⁶³[(1A) Every leasing company or a scheduled bank or a non-banking financial institution or an investment bank or a modaraba or a development finance institution, whether

omission proviso was as under:-

“Provided that this sub-section shall not be applicable in case of inter-bank or intra-bank transfer and also where payment is made through a crossed cheque for purchase of a financial instrument as referred to in sub-section (1).”

¹⁵⁶⁰ sub-section (4) was omitted vide Finance Act, 2015. At the time of omission sub-section (4) was as under:-

- “(4) Advance tax under this section shall not be collected in the case of transactions made by,
- (a) the Federal Government or a Provincial Government;
 - (b) a foreign diplomat or a diplomatic mission in Pakistan; or
 - (c) a person who produces a certificate from the Commissioner that his income during the tax year is exempt.”

¹⁵⁶¹ Substituted for section 231B, vide the Finance Act, 2014. At the time of substitution section 231B was as under:-
i[**231 B. Advance tax on private motor vehicles.**-Every motor vehicle registering authority of Excise and Taxation Department shall collect advance tax at the time of registration of a new locally manufactured motor vehicle, at the rates specified in Division VII of Part IV of the First Schedule:

Provided that the provisions of this section shall not be applicable in the case of-

- (a) the Federal Government;
- (b) the Provincial Government;
- (c) the Local Government;
- (d) a foreign diplomat; or
- (e) a diplomatic mission in Pakistan.]”

i. Section 231 B substituted by the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). At the time of substitution section 231 B was as under:-

a[(**231B). Purchase of motor cars and jeeps.**-Every person shall pay, at the time of registration of a new motor car or a jeep, advance tax at the rates specified in Division VII of Part IV of the First Schedule: Provided that the provisions of this section shall not be applicable in the case of-

- (i) the Federal Government;
- (ii) the Provincial Government;
- (iii) a foreign diplomat; or
- (iv) a diplomatic mission in Pakistan.]”

a. Section 231B was substituted by the Finance Act, 2008 (I of 2008 assented on 26th June 2008). At the time of substitution section 231B was as under:-

b[**231B. Purchase of motor cars.**-(1) Every manufacturer or authorized dealer of motor cars shall at the time of sale of a motor car, collect advance tax at the rate specified in Division VIII of Part IV, of the First Schedule.

- (2) Advance tax under this section shall not be collected in the case of purchase made by-
- (i) the Federal Government or a Provincial Government; or
 - (ii) a foreign diplomat or diplomatic mission in Pakistan]”

b. Section 231 B was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007.

¹⁵⁶² Full stop was substituted with a “colon” and thereafter new proviso was added vide the Finance Act, 2016 (XXIX of 2016)

¹⁵⁶³ Substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of substitution sub-section (1A) was as under:-

i[(1A) Every leasing company or a scheduled bank or an investment bank or a development finance institution or a modaraba shall, at the time of leasing of a motor vehicle to a non-filer, collect advance tax at the rate of three per cent of the value of the motor vehicle.]

shariah compliant or under conventional mode, at the time of leasing of a motor vehicle to a non-filer, either through ijara or otherwise, shall collect advance tax at the rate of four per cent of the value of the motor vehicle.]

(2) Every motor vehicle registering authority of Excise and Taxation Department shall collect advance tax at the time of transfer of registration or ownership of a private motor vehicle, at the rates specified in Division VII of Part IV of the First Schedule:

Provided that no collection of advance tax under this sub-section shall be made all transfer of vehicles after five years from the date of first registration in Pakistan.

(3) Every manufacturer of a motor ¹⁵⁶⁴[vehicle] shall collect, at the time of sale of a motor car or jeep, advance tax at the rate specified in Division VII of Part IV of the First Schedule from the person to whom such sale is made.

(4) Sub-section (1) shall not apply if a person produces evidence that tax under sub-section (3) in case of a locally manufactured vehicle or tax under section 148 in the case of imported vehicle was collected from the same person in respect of the same vehicle.

(5) The advance tax collected under this section shall be adjustable:

Provided that the provisions of this section shall not be applicable in the case of-

- (a) the Federal Government;
- (b) a Provincial Government;
- (c) a Local Government;
- (d) a foreign diplomat; or
- (e) a diplomatic mission in Pakistan.]

¹⁵⁶⁵[(6) For the purposes of this section the expression "date of first registration" means_

- (a) the date of issuance of broad arrow number in case a vehicle is acquired from the Armed Forces of Pakistan;
- (b) the date of registration by the Ministry of Foreign Affairs in case the vehicle is acquired from a foreign diplomat or a diplomatic mission in Pakistan;
- (c) the last day of the year of manufacture in case of acquisition of an unregistered vehicle from the Federal or a Provincial Government; and
- (d) in all other cases the date of first registration by the Excise and Taxation department.

(7) For the purpose of this section "motor vehicle" includes car, jeep, van, sports utility vehicle, pick-up trucks for private use, caravan automobile, limousine, wagon and any other automobile used for private purpose.]

¹⁵⁶⁶[***]

i. Initially it was added vide the Finance Act, 2016 (XXIX of 2016)

1564 Substituted for "car or jeep" vide Finance Act, 2015

1565 Added vide Finance Act, 2015

1566 Section 232 omitted vide the Finance Ordinance, 2002 (XXVII of 2002, promulgated on 15th June, 2(02). At the time of omission section 232 was as under:--

"232. Transfer of funds.-(I) Advance tax at the rate specified in Part-IV of the First Schedule shall be collected by a person--

- (a) clearing an outstation cheque of an amount excluding twenty-five thousand rupees;
 - (b) issuing a demand draft, pay order, special deposit receipts, cash deposit-receipt or rupee traveller's cheque; and
 - (c) effecting a telegraphic or electronic transfer of funds, from the drawer of such cheque, draft, pay order, receipt or person ordering transfer of funds.
- (2) Advance tax under sub-section (I) shall not be collected in the case of payments made by-
- (a) Federal Government, Provincial Governments, statutory bodies and universities;
 - (b) a non-profit organization within the meaning of clause (37) of section 2;
 - (c) an industrial undertaking or institution exempt from tax under the Second

¹⁵⁶⁷[**233. Brokerage and commission.**-(1) Where any payment on account of brokerage or commission is made by the Federal Government, a Provincial Government, a ¹⁵⁶⁸[Local Government], a company or an association of persons constituted by, or under any law (hereinafter called the “principal”) to a ¹⁵⁶⁹[***] person (hereinafter called the “agent”), the principal shall deduct advance tax at the rate specified in ¹⁵⁷⁰[Division II of] Part IV of the First Schedule from such payment.

(2) If the agent retains Commission or brokerage from any amount remitted by him to the principal, he shall be deemed to have been paid the commission or brokerage by the principal and the principal shall collect advance tax from the agent.

¹⁵⁷¹[(2A) Notwithstanding the provisions of sub-section (1), where the principal is making payment on account of commission to an advertising agent, directly or through electronic or print media, the principal shall deduct tax (in addition to tax required to be deducted under clause (b) of sub-section (1) of section 153 on advertising services excluding commission), at the rate specified in Division II of Part IV of the First Schedule on the amount equal to—

$$\frac{A \times 15}{85}$$

Where A = amount paid or to be paid to electronic or print media for advertising services (excluding commission) on which tax is deductible under clause (b) of sub-section (1) of section 153.

(2B) Tax deducted under sub-section (2A) shall be final tax on the income of the advertising agent.]

(3) Where any tax is ¹⁵⁷²[required to be] collected from a person under sub-section (1), ¹⁵⁷³[such tax] the tax so collected shall be the final tax on the income of such persons.]

-
- Schedule;*
- (d) a public company whose shares are traded on a registered stock exchange in Pakistan;
 - (e) a foreign diplomat or a foreign diplomatic mission in Pakistan;
 - (f) a branch or office of a company to another branch or office of such company;
 - (g) a person who holds National Tax Number and furnishes a statement to that bank in the prescribed form and manner."

¹⁵⁶⁷ Section 233 substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution section 233 was as under:--

“233. Brokerage and Commission.-(1) Where any payment on account of brokerage or commission is made by the Federal Government, a Provincial Government, a local authority, a company or an association of persons [other than travel agents and insurance agents] ii[constituted by, or under, any law] (hereinafter called the “principal”) to any person (hereinafter called the “agent”), the principal shall deduct advance tax at the rate specified in Part IV of the First Schedule from such payment. .

(2) If the agent retains commission or brokerage from any amount remitted by him to the principal, he shall be deemed to have been paid the commission or brokerage by the principal and the principal shall collect advance tax from the agent

iii[(3) Where any payment on account of brokerage or commission is made by the principal to a 'travel agent or an insurance agent, the principal shall deduct advance tax at the rate specified in Part IV of the First Schedule from such payment

(4) where any tax is collected from a person under sub-section (1) or sub-section (3) the tax so collected shall be the final tax on the income of such persons.]”

i. The words inserted by the Finance Act, 2004 (II of 2004 assented on ; 30th June, 2004)

ii. The words and commas inserted vide the Finance Act, 2003 (I of 2003 assented on ; 16th June, 2003)

iii. Sub-sections (3) and (4) added vide the Finance Act, 2004 (II of 2004 assented on ; 30th June, 2004)

¹⁵⁶⁸ Substituted for the words “local authority” vide the Finance Act, 2008 (I of 2008 assented on ; 26th June, 2008)

¹⁵⁶⁹ The word “resident” was omitted vide the Finance Act, 2006 (III of 2006 assented on ; 30th June, 2006),

¹⁵⁷⁰ The words were inserted vide Finance Act, 2010 (XVI of 2010),

¹⁵⁷¹ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁵⁷² The words inserted vide Finance Act, 2012

¹⁵⁷³ Substituted for the words “the tax so collected” vide Finance Act, 2012

¹⁵⁷⁴[233A. Collection of tax by a stock exchange registered in Pakistan.-

- (1) A stock exchange registered in Pakistan shall collect advance tax,-
 - (a) at the rates specified in Division IIA of Part IV of First Schedule from its Members on purchase of shares in lieu of ¹⁵⁷⁵[tax on] the commission earned by such Members; ¹⁵⁷⁶[and]
 - (b) at the rates specified in Division IIA of Part IV of First ¹⁵⁷⁷[Schedule] from its Members on sale of shares in lieu of ¹⁵⁷⁸[tax on] the commission earned by such Members ¹⁵⁷⁹[.and]

¹⁵⁸⁰[***]

¹⁵⁸¹[***]

- ¹⁵⁸²[(2) The tax collected under sub-section (1) shall be ¹⁵⁸³[adjustable]

¹⁵⁸⁴[233AA. Collection of tax by NCCPL.-NCCPL shall collect advance tax from the members of Stock Exchange registered in Pakistan, ¹⁵⁸⁵[, margin financiers, trading financiers and lenders] in respect of margin financing in share business ¹⁵⁸⁶[or providing of any margin financing, margin trading or securities lending under Securities (Leveraged Markets and Pledging) Rules, 2011 in share business” shall be inserted] at the rate specified in Division ¹⁵⁸⁷[IIB] of Part IV of First Schedule]¹⁵⁸⁸[:

Provided that the provisions of this section shall not apply to any Mutual Fund specified in sub-clause (2) of clause (57) of Part I of the Second Schedule.]

-
- ¹⁵⁷⁴ Section 233A inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)
- ¹⁵⁷⁵ The words were inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- ¹⁵⁷⁶ the word “and” added vide Finance Act, 2012
- ¹⁵⁷⁷ Substituted for the word “schedule” vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
- ¹⁵⁷⁸ The words were inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- ¹⁵⁷⁹ Substituted for semicolon vide Finance Act, 2012
- ¹⁵⁸⁰ Clause (c) omitted vide the Finance Act, 2012. Earlier the same Clause (c) was omitted by the Finance (Amendment) Ordinance, 2012 (III of 2012 promulgated on 24th April, 2012. At the time of omission clause (c) was as under:--
- “(c) from its i[Members] in respect of trading of shares by the Members at the rates specified in Division IIA of Part IV of First Schedule; and”
- i. Substituted for the word “members” vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
- ¹⁵⁸¹ Clause (d) omitted vide the Finance Act, 2012. At the time of omission clause (d) was as under:--
- (d.) from its i[Members] in respect of financing of carryover trades ii[***] in share business at the rate specified in Division IIA of Part IV of First Schedule.”
- i. Substituted for the word “Member” vide the Finance Act, 2005 (VII of 2 (05), (Assented on 29th June, 2 (05)
- ii The brackets and word “(Badia)” omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June,
- ¹⁵⁸² Sub-section (2) was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of substitution clause (c) was as under:--
- i[(2) The tax collected under clauses (a) to ii[(b)] of sub-section (1) shall be iii[adjustable.]
- i. Sub-section (2) was substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of substitution sub-section (2) was as under:--
- “(2) The tax collected under clause (a) and clause (b) of the sub-section (1) shall be a final tax.”
- ii. Substituted for the brackets and letter “(c)” vide the Finance Act, 2012. Earlier same amendment” was made vide the Finance (Amendment) Ordinance, 2012 (III of 2012 promulgated on 24th April, 2012)
- iii. Substituted for the words “minimum tax” vide the Finance Act, 2010 (XVI of 20.10)
- ¹⁵⁸³ Substituted for the word “final tax” vide the Finance Act, 2018 assented on 22nd May, 2018
- ¹⁵⁸⁴ Section (233AA) inserted vide Finance Act, 2012
- ¹⁵⁸⁵ Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013
- ¹⁵⁸⁶ Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013
- ¹⁵⁸⁷ Substituted for the letters “IIA” the letters “IIB” vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013
- ¹⁵⁸⁸ For the full stop at the end a colon was substituted and thereafter the proviso was added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

234. ¹⁵⁸⁹[**Tax on motor vehicles**].-(1) Any person ¹⁵⁹⁰[at the time of] collecting motor vehicle tax shall also collect advance tax at the rates specified in ¹⁵⁹¹[Division III of] Part IV of the First Schedule.

(2) If the motor vehicle tax is collected in installments ¹⁵⁹²[or lump sum] the advance tax may also be collected in installments ¹⁵⁹³[or lump sum] in like manner.

¹⁵⁹⁴[(2A) In respect of motor cars used for more than ten years in Pakistan, no advance tax shall be collected after a period of ten years.]

(3) In respect of a passenger transport vehicle with registered seating capacity of ten or more persons, advance tax shall not be collected after a period of ten years from the first day of July of the year of make of the vehicle.

(4) In respect of a goods transport vehicle with registered laden weight of ¹⁵⁹⁵[***] less than 8120 kilograms, advance tax shall not be collected after a period of ten years from the date of first registration of vehicle in Pakistan.

¹⁵⁹⁶[(5) Advance tax collected under this section shall be adjustable.]

¹⁵⁹⁷[(6) For the purpose of sub-sections (1) and (2) "motor vehicle" shall include the vehicles specified in sub-section (7) of section 231B.]

¹⁵⁹⁸[**234A CNG Stations**].-(1) There shall be collected advance tax at the rate specified in Division VIB of Part III of the First Schedule on the amount of gas bill of a Compressed Natural Gas station.

(2) The person preparing gas consumption bill shall charge advance tax under sub-section (1) in the manner gas consumption charges are charged.

(3) The tax collected under this section ¹⁵⁹⁹[and under section 235] shall be a final tax on the income of a CNG station arising from the consumption of the gas referred to in sub-section (1).

¹⁶⁰⁰[*Explanation*.-For removal of doubt, it is clarified that for the purposes of this section tax on income arising from consumption of gas referred to in sub-section (3) means the tax collected under sub-section (1) which is inclusive of sales tax and all incidental charges.]

¹⁶⁰¹[***]

235. Electricity consumption.- (1) There shall be collected advance tax at the rates specified in Part-IV of the First Schedule on the amount of electricity bill of a commercial or industrial consumer.

¹⁵⁸⁹ Substituted for the marginal note "Transport business" vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹⁵⁹⁰ The words inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁵⁹¹ Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁵⁹² For the comma, the words "or lump sum" was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁵⁹³ Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁵⁹⁴ Sub-section (2A) inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁵⁹⁵ The words "2030 kilogram or more but" were omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁵⁹⁶ Substituted for sub-section (5) vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of substitution sub-section (5) was as under:

"(5) Where tax is collected from any person being the owner of goods transport vehicle, the tax so collected shall be the final tax on the income of such person [from plying, or hiring out, of such vehicle."

¹⁵⁹⁷ Added vide Finance Act, 2015

¹⁵⁹⁸ Section 234A inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁵⁹⁹ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁶⁰⁰ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁶⁰¹ Substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of substitution sub-section (4) was as under:--

(4) The taxpayers shall not be entitled to claim any adjustment of withholding tax collected or deducted under any other head, during the tax year.

(2) The person preparing electricity consumption bill shall charge advance tax under sub-section (1) in the manner electricity consumption charges are charged.

¹⁶⁰²[*Explanation*.-For removal of doubt, it is clarified that for the purposes of this section electricity consumption bill referred to in sub-section (2) means electricity bill inclusive of sales tax and all incidental charges.]

(3) Advance tax under this section shall not be collected from a person who produces a certificate from the Commissioner that his income during tax year is exempt from tax.

¹⁶⁰³[(4) Under this section, -

(a) in the case of a taxpayer other than a company, tax collected up to bill amount of ¹⁶⁰⁴[three hundred and sixty thousand Rupees per annum] shall be treated as minimum tax on the income of such persons and no refund shall be allowed;

(b) in the case of a taxpayer other than a company, tax collected on monthly bill over and above thirty thousand rupees per month shall be adjustable; and

¹⁶⁰⁵[(c)] in the case of a company, tax collected shall be adjustable against tax liability.]

¹⁶⁰⁶[**235A. Domestic electricity consumption.**-(1) There shall be collected advance tax at the rates specified in Division XIX of Part IV of the First Schedule on the amount of electricity bill of a domestic consumer.

¹⁶⁰⁷[*Explanation*.-For removal of doubt, it is clarified that for the purposes of this section, electricity consumption bill referred to in sub-section (2) means electricity bill inclusive of sales tax and all incidental charges.]

(2) The person preparing electricity consumption bill shall charge advance tax under sub-section (1) in the manner electricity consumption charges are charged.

(3) Tax collected under this section shall be adjustable against tax liability.

235B. Tax on steel melters ¹⁶⁰⁸[**and composite units**].-(1) There shall be collected tax from every steel melter, ¹⁶⁰⁹[and] composite steel units, registered for the purpose of Chapter XI of Sales Tax Special Procedure Rules, 2007 at the rate of one rupee per unit of electricity consumed for the production of steel billets, ingots and mild steel (MS products) excluding stainless steel.

(2) The person preparing electricity consumption bill shall charge and collect the tax under sub-section (1) in the manner electricity consumption charges are charged and collected.

(3) The tax collected under sub- section (1) shall be deemed to be the tax required to be deducted under sub-section (1) of section 153, on the payment for local purchase of scrap.

¹⁶⁰² Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁶⁰³ Sub-section (4) substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). At the time of substitution sub-section (4) was as under:-

i[(4) The tax collected under this section ii[up to bill amount of twenty thousand rupees per month] shall be minimum tax on the income of a person (other than a company). There shall be no refund of the tax collected under this section, unless the tax so collected is in excess of the amount for which the taxpayer is chargeable under this Ordinance in the case of a company.

i Sub-section (4) added by the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

ii The words inserted by the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹⁶⁰⁴ Substituted for the expression "thirty thousand rupees per month" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁶⁰⁵ Clause (d) was re-numbered as clause (c) vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017 but as a matter of fact said clause already appears as (c) since the substitution of sub-section (4) vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

¹⁶⁰⁶ Inserted vide the Finance Act, 2014

¹⁶⁰⁷ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁶⁰⁸ Substituted for "re-rollers etc" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁶⁰⁹ Substituted for "steel re-roller," vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

(4) Tax collected under sub-section (1) shall be non-adjustable and credit of the same shall not be allowed to any person.]

236. Telephone¹⁶¹⁰[and internet] users.-(1) Advance tax at the rates specified in Part IV of the First Schedule] shall be collected on the amount of –

(a) telephone bill of a subscriber; ¹⁶¹¹[***]

(b) prepaid cards for ¹⁶¹²[***] telephones ¹⁶¹³[***]

¹⁶¹⁴[(c) Sale of units through any electronic medium or whatever form¹⁶¹⁵[; and]]

¹⁶¹⁶[(d) internet bill of a subscriber; and

(e) prepaid cards for internet ¹⁶¹⁷[;]]

¹⁶¹⁸[Provided that this sub-section shall not apply to a seller, being the dependant of a Shaheed belonging to Pakistan Armed Forces or a person who dies while in the service of the Pakistan Armed Forces or the service of Federal or Provincial Government, in respect of first sale of immovable property acquired from or allotted by the Federal Government or Provincial Government or any authority duly certified by the official allotment authority, and the property acquired or allotted is in recognition of or for services rendered by the Shaheed or the person who dies in service.]

(2) The person preparing the telephone ¹⁶¹⁹[or internet] bill shall charge advance tax under sub-section (1) in the manner telephone ¹⁶²⁰[or internet] charges is charged.

(3) The person issuing or selling prepaid cards for ¹⁶²¹[***] telephones ¹⁶²²[or internet] shall ¹⁶²³[collect] advance tax under sub-section (1) from the purchasers at the time of issuance or sale of cards.

¹⁶²⁴[(3A) The person issuing or selling units through any electronic medium or whatever form shall collect advance tax under sub-section (1) from the purchaser at the time of issuance or sale of units]

¹⁶²⁵[***]

¹⁶²⁶[**236A Advance tax at the time of sale by auction.**-(1) Any person making sale by public auction, ¹⁶²⁷[or auction by a tender] of any property or goods ¹⁶²⁸[(Including property or goods confiscated or attached)] either belonging to or not belonging to the Government, local Government, any authority, a company, a foreign association declared to be a company under sub-clause (vi) of clause (b) of sub-section (2) of section 80, or a foreign contractor or a consultant or a consortium or Collector of Customs or Commissioner of ¹⁶²⁹[Inland Revenue] or any other

¹⁶¹⁰ Inserted vide Finance Act, 2015

¹⁶¹¹ The word “and” was omitted vide the Finance Act, 2010 (XVI of 2010)

¹⁶¹² The word “mobile” was omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁶¹³ The word “and” was omitted vide Finance Act, 2015

¹⁶¹⁴ Clause (c) was inserted vide the Finance Act, 2010 (XVI of 2010)

¹⁶¹⁵ Substituted for “full stop” vide Finance Act, 2015

¹⁶¹⁶ Added vide Finance Act, 2015

¹⁶¹⁷ Substituted for “full stop” vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 1016 (Ordinance No. V of 2016)

¹⁶¹⁸ Inserted vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 1016 (Ordinance No. V of 2016)

¹⁶¹⁹ Inserted vide Finance Act, 2015

¹⁶²⁰ Inserted vide Finance Act, 2015

¹⁶²¹ The word “mobile” was omitted vide the Finance Ordinance, 2002 (XXVII of 2002) promulgated on 15th June, 2002)

¹⁶²² Inserted vide Finance Act, 2015

¹⁶²³ Substituted for the word “called” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁶²⁴ Sub-section (3A) was inserted vide the Finance Act, 2010 (XVI of 2010)

¹⁶²⁵ Omitted vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 1016 (Ordinance No. V of 2016)

¹⁶²⁶ Section 236A was inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

¹⁶²⁷ The. words ‘inserted by the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

¹⁶²⁸ Substituted for the words “confiscated or attached” vide the Finance Act, 2010 (XVI of 2010)

¹⁶²⁹ Substituted for the words “of income tax” vide the Finance Act, 2011 (XVI. of 2011 assented on 29th June,

authority, shall collect advance tax, computed on the basis of sale price of such property and at the rate specified in Division VIII of Part IV of the First Schedule, from the person to whom such property or goods are being sold.

(2) The credit for the tax collected under sub-section (1) in that tax year shall, subject to the provisions of section 147, be given in computing the tax payable by the person purchasing such property in the relevant tax year or in the case of a taxpayer to whom section 98B or section 145 applies, the tax year, in which the “said date” as referred to in that section, falls or whichever is later.

Explanation.—For the purposes of this section, sale of any property includes the awarding of any lease to any person, including a lease of the right to collect tolls, fees or other levies, by whatever name called.]

¹⁶³⁰[(3) Notwithstanding the provisions of sub-section (2), tax collected on a lease of the right to collect tolls shall be final tax.]

¹⁶³¹**[236B. Advance tax on purchase of air ticket.**—(1) There shall be collected advance tax at the rate specified in Division IX of Part IV of the First Schedule, on the purchase of gross amount of domestic air ticket ¹⁶³²[:

Provided that this section shall not apply to routes of Baluchistan coastal belt, Azad Jammu and Kashmir, FATA, Gilgit-Baltistan and Chitral.]

(2) The ¹⁶³³[airline issuing] air ticket shall charge advance tax under sub-section (1) in the manner air ticket charges are charged.]

¹⁶³⁴[(2A) The mode, manner and time of collection shall be as may be prescribed.]

¹⁶³⁵ [(3) The advance tax collected under sub-section (1) shall be adjustable.

¹⁶³⁶[***]

¹⁶³⁷**[236C. Advance Tax on sale or transfer of immoveable property.**—(1) Any person responsible for registering ¹⁶³⁸[, recording] or attesting transfer of any immoveable shall at the time of registering ¹⁶³⁹[, recording] or attesting the transfer shall collect from the seller or transfer advance tax at rate specified in Division X of part IV of the First Schedule.

¹⁶⁴⁰[Explanation,—For removal of doubt, it is clarified that the person responsible for registering, recording or attesting transfer includes person responsible for registering, recording or attesting transfer for local authority, housing authority, housing society, co-operative society and registrar of properties.]

(2) The Advance tax collected under sub-section (1) shall be adjustable ¹⁶⁴¹[:

[Provided that where immovable property referred to in sub-section (1) is acquired and disposed of within the same tax year, the tax collected under this section shall be minimum tax.]

2011)

1630 Added vide the Finance Act, 2016 (XXIX of 2016)

1631 Section 236B was inserted vide the Finance Act, 2010 (XVI of 2010)

1632 Colon was Substituted for full stop and thereafter new proviso was added vide Finance Act, 2015

1633 Substituted for the words “person preparing” vide the Finance Act, 2014

1634 Inserted vide the Finance Act, 2014

1635 Sub-sections (3) & (4) were inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

1636 Sub-section (4) was omitted vide Finance Act, 2015. At the time of omission sub-section (4) was as under:-

(3) The advance tax under this section shall not be collected in the case of

(a) the Federal Government, provincial Government or a provincial Government.

(b) a person who produces a certificate from the Commissioner Inland Revenue that income of such person during the tax year is exempt.

1637 Section 236 (c) inserted vide Finance Act, 2012

1638 Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1639 Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1640 Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1641 For the full stop, a colon was substituted and thereafter the proviso was inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁶⁴²[***]

¹⁶⁴³[(3) Advance tax under sub-section (1) shall not be collected if the immovable property is held for a period exceeding ¹⁶⁴⁴[three years.]

¹⁶⁴⁵[(4) Sub-section (1) shall not apply to:-

- (a) a seller, if the seller is dependent of:
 - (i) a seller, if the seller is dependent of: a Shaheed belonging to Pakistan Armed Forces' or
 - (ii) a person who dies while in the service of the Pakistan Armed Forces or the Federal and Provincial Governments; and
- (b) to the first sale of immovable property which has been acquired or allotted as an original allottee, duly certified by the official allotment authority.]

¹⁶⁴⁶[**236D. Advance tax on functions and gatherings.**-(1) Every prescribed person shall collect advance tax at the rate specified in Division XI of Part IV of the First Schedule on the total amount of the bill from a person arranging or holding a function in a montage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used, for such purpose.

(2) Where the food, service or any other facility is provided by any other person, the prescribed person shall also collect advance tax on the payment for such food, service or facility at the rate specified in Division XI of Part IV of the First Schedule from the person arranging or holding the function.

(3) The advance tax collected under sub-section (1) and sub-section (2) shall be adjustable.

(4) In this section,

- (a) "function" includes any wedding related event, a seminar, a workshop, a session, an exhibition, a concert, a show, a party or any other gathering held for such purpose; and
- (h) "prescribed person" includes the owner, a lease-holder, an operator or a manager of a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose.

¹⁶⁴⁷[***]

236F. Advance tax on cable operators and other electronic media.-(1) Pakistan Electronic Media Regulatory Authority, at the time of issuance of licence for distribution services or renewal of the licence to a licensee, shall collect advance tax at the rates specified in Division XIII of Part IV of the First Schedule.

(2) The tax collected under sub-section (1) shall be adjustable.

¹⁶⁴² Sub-section (3) was omitted vide Finance Act, 2015. At the time of omission sub-section (3) was as under:-

(3) The advance tax under this section shall not be collected in the case of Federal Government, provincial Government or a Local Government.

¹⁶⁴³ Added vide the Finance Act, 2016 (XXIX of 2016)

¹⁶⁴⁴ Substituted for the words "five years" vide Income Tax (Amendment) Act, 2016 passed by NA on 30th November, 2016

¹⁶⁴⁵ Added vide Income Tax (Amendment) Act, 2016 passed by NA on 30th November, 2016

¹⁶⁴⁶ New sections 236D to 236J were inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁶⁴⁷ Section 236E was omitted vide the Finance Act, 2016 (XXIX of 2016). At the time of omission section 236E was as under:-

236E. Advance tax on foreign-produced TV plays and serials.-(1) Any licensing authority certifying any foreign TV drama serial or a play dubbed in Urdu or any other regional language, for screening and viewing on any landing rights channel, shall collect advance tax at the rates specified in Division XII of Part IV of the First Schedule.

(2) The advance tax collected under sub-section (1) shall be adjustable.

(3) For the purpose of this section, "cable television operator", "DTH", "Distribution Service", "electronic media", "IPTV" "loop holder", "MMDS", "mobile TV", shall have the same meanings as defined in Pakistan Electronic Media Regulatory Authority Ordinance, 2002 (XIII of 2002) and rules made thereunder.

236G. Advance tax on sales to distributors, dealers and wholesalers.-(1) Every manufacturer or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to distributors, dealers and wholesalers, shall collect advance tax at the rate specified in Division XIV of Part IV of the First Schedule, from the aforesaid person to whom such sales have been made.

(2) Credit for the tax collected under sub-section (1) shall be allowed in computing the tax due by the distributor, dealer or wholesaler on the taxable income for the tax year in which the tax was collected.

236H. Advance tax on sales to retailers.-(1) Every manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, ¹⁶⁴⁸***] motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to retailers ¹⁶⁴⁹[, and every distributor or dealer to another wholesaler in respect of the said sectors], shall collect advance tax at the rate specified in Division XV of Part IV of the First Schedule, from the aforesaid person to whom such sales have been made.

(2) Credit for the tax collected under sub-section (1) shall be allowed in computing the tax due by the retailer on the taxable income for the tax year in which the tax was collected.

¹⁶⁵⁰**236HA. Tax on sale of certain petroleum products.**-(1) Every person selling petroleum products to a petrol pump operator or distributor, where such operator or distributor is not allowed a commission or discount, shall collect advance tax on ex-depot sale price of such products at the rate specified in Division XVA of Part IV of the First schedule.

(2) The tax deductible under sub-section (1) shall be a final tax on the income arising from the sale of petroleum products to which sub-section (1) applies.]

236I. Collection of advance tax by educational institutions.-(1) There shall be collected advance tax at the rate specified in Division XVI of Part-IV of the First Schedule on the amount of fee paid to an educational institution.

(2) The person preparing fee voucher or charge an shall charge advance tax under sub-section (1) in the manner the fee is charge.

(3) Advance tax under this section shall not be collected from a person ¹⁶⁵¹[on an amount which is paid by way of scholarship or] where annual fee does not exceed two hundred thousand rupees.

(4) The term "fee" includes, tuition fee and all charges received by the educational institution, by whatever name called, excluding the amount which is refundable.

(5) Tax collected under this section shall be adjustable against the tax liability of either of the parents or guardian making payment of the fee.

¹⁶⁵²[(6) Advance tax under this section shall not be collected from a person who is a non-resident and-

- (i) furnishes copy of passport as an evidence to the educational institution that during previous tax year his stay in Pakistan was less than one hundred eighty-three days;
- (ii) furnishes a certificate that he has no Pakistan-source income; and

¹⁶⁴⁸ The words and comma "Fertilizer" were Omitted vide Finance Act, 2015

¹⁶⁴⁹ Inserted vide Finance Act, 2015

¹⁶⁵⁰ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

¹⁶⁵¹ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

¹⁶⁵² Inserted vide Finance Act, 2015

- (iii) the fee is remitted directly from abroad through normal banking channels to the bank account of the educational institution.]

236J. Advance tax on dealers, commission agents and arhatis etc.-(1) Every market committee shall collect advance tax from dealers, commission agents or arhatis, etc, at the rates specified in Division XVII of Part-IV of the First Schedule at the time of issuance or renewal of licences.

- (2) The advance tax collected under sub-section (1) shall be adjustable,

(3) in this section "market committee" includes any committee or body formed under any provincial or local law made for the purposes of establishing, regulating or organizing agricultural, livestock and other commodity markets.]

¹⁶⁵³[**236K. Advance tax on purchase or transfer of immovable property.**-(1) Any person responsible for registering ¹⁶⁵⁴[, recording] or attesting transfer of any immovable property shall at the time of registering ¹⁶⁵⁵[, recording] or attesting the transfer shall collect from the purchaser or transferee advance tax at the rate specified in Division XVIII of Part IV of the First Schedule.

¹⁶⁵⁶[*Explanation*,—For removal of doubt, it is clarified that the person responsible for registering, recording or attesting transfer includes person responsible for registering, recording or attesting transfer for local authority, housing authority, housing society, co-operative society and registrar of properties.]

- (2) The advance tax collected under sub-section (1) shall be adjustable.

¹⁶⁵⁷[***]

¹⁶⁵⁸[(3) Any person responsible for collecting payments in installments for purchase or allotment of any immovable property where the transfer is to be effected after making payment of all installments, shall at the time of collecting installments collect from the allottee or transferee advance tax at the rate specified in Division XVIII of Part IV of the First Schedule.]

- (4) Nothing contained in this section shall apply to a scheme introduced by the Federal Government, or Provincial Government or an Authority established under a Federal or Provincial law for expatriate Pakistanis ¹⁶⁵⁹[:

Provided that the mode of payment by the expatriate Pakistanis in the said scheme or schemes shall be in the foreign exchange remitted from outside Pakistan through normal banking channels.]

236L. Advance tax on purchase of international air ticket.-(1) Every airline, operating in Pakistan, shall collect advance tax at the rates specified in Division XX of Part IV of the First Schedule, on the gross amount of international air tickets issued to passengers booking one-way or return, from Pakistan.

- (2) The airline issuing air ticket shall collect or charge advance tax under sub-section (1) in the manner air ticket charges are collected or charged, either manually or electronically.
- (3) The mode, manner and time of collection under sub-section (1) and time of collection shall be as may be prescribed.
- (4) The advance tax collected under sub-section (1) shall be adjustable.

¹⁶⁵³ Inserted vide the Finance Act, 2014

¹⁶⁵⁴ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁶⁵⁵ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁶⁵⁶ Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁶⁵⁷ Sub-section (3) was omitted vide Finance Act, 2015. At the time of omission Sub-section (3) was as under:-

“(3) The advance tax under this section shall not be collected in the case of the Federal Government, a Provincial Government, a Local Government or a foreign diplomatic mission in Pakistan.”

¹⁶⁵⁸ Inserted vide the Finance Act, 2018 assented on 22nd May, 2018

¹⁶⁵⁹ Colon was Substituted for full stop and thereafter new proviso was added vide Finance Act, 2015

¹⁶⁶⁰[***]

¹⁶⁶¹[***]

¹⁶⁶²**236O. Advance tax under this chapter.**—The advance tax under this chapter shall not be collected¹⁶⁶³[or deducted from],—

- (a) the Federal Government or a Provincial Government;
- (b) a foreign diplomat or a diplomatic mission in Pakistan; or
- (c) a person who produces a certificate from the Commissioner that his income during the tax year is exempt.

236P. Advance tax on banking transactions otherwise than through cash.—(1) Every banking company shall collect advance adjustable tax from a non-filer at the time of sale of any instrument, including demand draft, pay order, special deposit receipt, cash deposit receipt, short term deposit receipt, call deposit receipt, rupee traveller's cheque or any other instrument of such nature.

(2) Every banking company shall collect advance adjustable tax from a non-filer at the time of transfer of any sum through cheque or clearing, interbank or intra bank transfers through cheques, online transfer, telegraphic transfer, mail transfer, direct debit, payments through internet, payments through mobile phones, account to account funds transfer, third party account to account funds transfers, real time account to account funds transfer, real time third party account to account

¹⁶⁶⁰ *Omitted vide the Finance Act, 2018 assented on 22nd May, 2018. At the time of omission section 236M was as under:—*

236M. Bonus shares issued by companies quoted on stock exchange.—(1) Notwithstanding anything contained in any law for the time being in force, every company, quoted on stock exchange, issuing bonus shares to the shareholders of the company, shall withhold five per cent of the bonus shares to be issued.

(2) Bonus shares withheld under sub-section (1) shall only be issued to a shareholder, if the company collects from the shareholder, tax equal to five per cent of the value of the bonus shares issued to the shareholder including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books.

(3) Tax under sub-section (2), shall be collected by the company, within fifteen days of the first day of closure of books.

(4) If the shareholder fails to make the payment of tax under sub-section (2) within fifteen days or the company fails to collect the said tax within fifteen days, the company shall deposit the bonus share withheld under sub-section (1) in the Central Depository Company of Pakistan Limited or any other entity as may be prescribed.

(5) Bonus shares deposited in the Central Depository Company of Pakistan Limited or the entity prescribed under sub-section (4) shall be disposed of in the mode and manner as may be prescribed and the proceeds thereof shall be paid to the Commissioner, by way of credit to the Federal Government.

(6) Issuance of bonus shares shall be deemed to be the income of the shareholder and the tax collected by the company under sub-section (2) or proceeds of the bonus shares disposed of and paid under sub-section (5) shall be treated to have been paid on behalf of the shareholder.

(7) Tax paid under this section shall be a final tax on the income of the shareholder of the company arising from issuance of bonus shares.

¹⁶⁶¹ *Omitted vide the Finance Act, 2018 assented on 22nd May, 2018. At the time of omission section 236N was as under:—*

236N. Bonus shares issued by companies not quoted on stock exchange.—(1) Notwithstanding anything contained in any law for the time being in force, every company, not quoted on stock exchange, issuing bonus shares to the shareholders of the company, shall deposit tax, within fifteen days of the closure of books, at the rate of five per cent of the value of the bonus shares on the first day of closure of books, whether or not tax has been collected by the company under sub-section (3).

(2) Issuance of bonus shares shall be deemed to be the income of the shareholder and tax deposited under sub-section (1) shall be treated to have been deposited on behalf of the shareholder.

(3) A company liable to deposit tax under sub-section (1), shall be entitled to collect and recover the tax deposited under sub-section (1), from the shareholder, on whose behalf the tax has been deposited, before the issuance of bonus shares.

(4) If a shareholder neither makes payment of tax to the company nor collects its bonus shares, within three months of the date of issuance of bonus shares, the company may proceed to dispose of its bonus shares to the extent it has paid tax on its behalf under sub-section (1).

(5) Tax paid under this section shall be a final tax on the income of the shareholder of the company arising from issuance of bonus shares.

(6) The Board may prescribe rules for determination of value of shares under sub-section (1).]

¹⁶⁶² *Section '236O' was inserted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015)*

¹⁶⁶³ *Substituted for the words "in the case of withdrawals made by" vide the Finance Act, 2016 (XXIX of 2016)*

fund transfer, automated teller machine (ATM) transfers, or any other mode of electronic or paper based funds transfer.

(3) The advance tax under this section shall be collected at the rate specified in Division XXI of Part IV of the First Schedule, where the sum total of payments for all transactions mentioned in sub-section (1) or sub-section (2), as the case may be, exceed fifty thousand rupees in a day.

¹⁶⁶⁴[**Explanation.**-For removal of doubt, it is clarified that the said fifty thousand rupees shall be aggregate transfers from all the bank accounts in a single day.]

(4) Advance tax under this section shall not be collected in the case of ¹⁶⁶⁵[***] payments made for Federal, Provincial or local Government taxes.

236Q. Payment to residents for use of machinery and equipment.-(1) Every prescribed person making a payment in full or in part including a payment by way of advance to a resident person for use or right to use industrial, commercial and scientific equipment shall deduct tax from the gross amount at the rate specified in Division XXIII of Part IV of the First Schedule.

(2) Every prescribed person making a payment in full or in part including a payment by way of advance to a resident person on account of rent of machinery shall deduct tax from the gross amount at the rate specified in Division XXIII of Part IV of the First Schedule.

(3) The tax deductible under sub-sections (1) and (2) shall be final tax on the income of such resident person.

(4) In this section "prescribed person" means a prescribed person as defined in sub-section (7) of section 153.

(5) The provisions of sub-section (1) and (2) shall not apply to-

- (a) agricultural machinery; and
- (b) machinery leased by a leasing company, an investment bank or a modaraba or a scheduled bank or a development finance institution in respect of assets owned by the leasing.

236R. Collection of advance tax on education related expenses remitted abroad.-(1) There shall be collected advance tax at the rate specified in Division XXIV of Part-IV of the First Schedule on the amount of education related expenses remitted abroad.

(2) Banks, financial institutions, foreign exchange companies or any other person responsible for remitting foreign currency abroad shall collect advance tax from the payer of education related expenses.

(3) Tax collected under this section shall be adjustable against the income of the person remitting payment of education related expenses.

(4) For the purpose of this section, "education related expenses" includes tuition fee, boarding and lodging expenses, any payment for distant learning to any institution or university in a foreign country and any other expense related or attributable to foreign education.

236S. Dividend in specie.-Every person making payment of dividend-in specie shall collect tax from the gross amount of the dividend in specie paid at the rate specified in Division I of Part III of the First Schedule.

¹⁶⁶⁶[***]

¹⁶⁶⁴ Added vide the Finance Act, 2016 (XXIX of 2016)

¹⁶⁶⁵ The words 'Pakistan Real time Interbank Settlement Mechanism (PRISM) transactions or' were omitted vide the Finance (Second Amendment) Act, 2016 (II of 2016 assented on 29th January, 2016

¹⁶⁶⁶ Section 236T was omitted vide the Finance Act, 2016 (XXIX of 2016). At the time of omission section 236T was as under:--

236T. Collection of tax by Pakistan Mercantile Exchange Limited (PMEX).-(1) Pakistan Mercantile Exchange Limited (PMEX) shall collect advance tax,—

(a) at the rates specified in Division XXII of Part IV of First Schedule from its members on

¹⁶⁶⁷[**236U. Advance tax on insurance premium.**-(1) Every insurance company shall collect advance tax at the time of collection of insurance premium from non-filers in respect of general insurance premium and life insurance premium, at the rates specified in Division XXV of Part IV of the First Schedule.

(2) Insurance premium collected through agents of the insurance company shall be treated to have been collected by the insurance company.

(3) Advance tax collected under this section shall be adjustable.

236V. Advance tax on extraction of minerals.-(1) There shall be collected advance tax at the rate specified in Division XXVI of Part-IV of the First Schedule on the value of minerals extracted, produced, despatched and carried away from the licensed or leased areas of the mines.

(2) Advance tax under sub-section (1) shall be collected by the provincial authority collecting royalty per metric ton from the lease-holder of mines or any person extracting minerals.

(3) Advance tax collected under this section shall be adjustable.

(4) The value of the minerals for the purpose of this section shall be as specified by the Board.]

¹⁶⁶⁸[**236W. Tax on purchase or transfer of immovable property.**-(1) Every person responsible for registering ¹⁶⁶⁹[, recording] or attesting transfer of any immovable property shall at the time of registering ¹⁶⁷⁰[, recording] or attesting the transfer shall collect from the purchaser or transferee advance tax at the rate of three per cent of the amount computed under clause (c) of sub-section (4) of section 111.

¹⁶⁷¹[*Explanation*,—For removal of doubt, it is clarified that the person responsible for registering, recording or attesting transfer includes person responsible for registering, recording or attesting transfer for local authority, housing authority, housing society, co-operative society and registrar of properties.]

(2) Tax collected under sub-section (5) shall not be adjustable.]

¹⁶⁷²[**236X. Advance tax on tobacco.**-(1) Pakistan Tobacco Board or its contractors, at the time of collecting cess on tobacco, directly or indirectly, shall collect advance tax at the rate of five percent of the purchase value of tobacco from every person purchasing tobacco including manufacturers of cigarettes.

(2) Tax collected under this section shall be adjustable.]

¹⁶⁷³[**236Y. Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards.**-(1) Every banking company shall collect advance tax, at the time of transfer of any sum remitted outside Pakistan, on behalf of any person who has completed a credit card transaction, a debit card transaction, or a prepaid card transaction with a person outside Pakistan at the rate specified in Division XXVII of Part IV of the First Schedule.

(2) The advance tax collected under this section shall be adjustable.]

CHAPTER XIII MISCELLANEOUS

	<i>purchase of futures commodity contracts;</i>
	(b) <i>at the rates specified in Division XXII of Part IV of First Schedule from its members on sale of futures commodity contracts; and</i>
	(2) <i>The tax collected under clauses (a) to (b) of sub-section (1) shall be an adjustable tax.</i>
¹⁶⁶⁷	<i>Inserted vide the Finance Act, 2016 (XXIX of 2016)</i>
¹⁶⁶⁸	<i>Inserted vide Income Tax (Amendment) Act, 2016 passed by NA on 30th November, 2016</i>
¹⁶⁶⁹	<i>Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017</i>
¹⁶⁷⁰	<i>Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017</i>
¹⁶⁷¹	<i>Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017</i>
¹⁶⁷²	<i>Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017</i>
¹⁶⁷³	<i>Inserted vide the Finance Act, 2018 assented on 22nd May, 2018</i>

237. Power to make rules.-(1) The ¹⁶⁷⁴[Board] may, by notification in the official Gazette, make rules for carrying out ¹⁶⁷⁵[***] the purposes of this Ordinance.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:-

- (a) the manner in, and procedure by, which the income, profits and gains chargeable to tax and the tax payable thereon under this Ordinance shall be determined in the case of –
 - (i) income derived partly from agriculture and partly from other business; or
 - (ii) non-resident persons;
- ¹⁶⁷⁶[(ab) ascertainment or determination of any income or class of income to be included in the total income of a taxpayer and any deduction from such income;]
- (b) fees and other charges to be paid in respect of any matter referred to in this Ordinance;
- (c) anything which is to be or may be prescribed under this Ordinance;
- (d) the procedure for furnishing returns and other documents as required under this Ordinance, including on computer media or through electronic medium or for issuance of orders or notices, or levy of ¹⁶⁷⁷[default surcharge] or penalty through electronic medium;
- ¹⁶⁷⁸[(da) the procedure for approval of a non-profit organization;]
- (e) contain provisions of a saving or transitional nature consequent upon the making of this Ordinance; and
- (f) penalties for the contravention of the rules made under this Ordinance.

(3) The power to make rules conferred by this section shall be, except on the first occasion of the exercise thereof, subject to the condition of previous publication.

(4) Where rules made under this section –

- (a) affect a person;
- (b) are of a transitional nature; and
- (c) are made within twelve months after commencement of this Ordinance, these may provide that they shall take effect from the date on which this Ordinance comes into force or a later date.

¹⁶⁷⁹**[237A. Electronic record.**-(1) The Board may require any person to use its information system and electronic resource, in order to replace or supplement, its manual business processes by automated business processes and substitute its paper based records by electronic record.

(2) Electronic record generated, maintained, issued, served, received, filed or requisitioned through the electronic resource of the Board shall by itself sufficiently and

¹⁶⁷⁴ The words “Central Board of Revenue” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁶⁷⁵ The word “of” omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹⁶⁷⁶ Clause “(ab)” inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁶⁷⁷ Substituted for the words “additional tax” vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 vide the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009),

¹⁶⁷⁸ Clause “(da)” was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁶⁷⁹ Section 237A was inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008),

conclusively prove its validity, authenticity and integrity and shall be treated to have been done so according to the provisions of this Ordinance.]

238. Repeal.-The Income Tax Ordinance, 1979 (XXXI of 1979), shall stand repealed on the date this Ordinance comes into force in pursuance of sub-section (3) of section 1.

239. Savings.¹⁶⁸⁰[(1) Subject to sub-section (2), in making any assessment in respect of any income year ending on or before the 30th day of June, 2002, the provisions of the repealed Ordinance in so far as these relate to computation of total income and tax payable thereon shall apply as if this Ordinance had not come into force.]

¹⁶⁸¹[(2) The assessment, referred to in sub-section (1), shall be made by an income tax authority which is competent under this Ordinance to make an assessment in respect of a tax year ending on any date after the 30th day of June, 2002, and in accordance with the procedure specified in section 59 or 59A ¹⁶⁸²[or 61] or 62 or 63, as the case may be, of the repealed Ordinance.]

¹⁶⁸³[(3) The provisions of ¹⁶⁸⁴[sub-sections] (1) and (2) shall apply, in like manner, to the imposition or charge of any penalty, ¹⁶⁸⁵[default surcharge] or any other amount, under the repealed Ordinance, as these apply to the assessment, so however that procedure for such imposition or charge shall be in accordance with the corresponding provisions of this Ordinance.]

(4) Any proceeding under the repealed Ordinance pending on the commencement of this Ordinance before any income tax authority, the Appellate Tribunal or any Court by way of appeal, reference, revision or prosecution shall be continued and disposed of as if this Ordinance has not come into force.

(5) Where the period prescribed for any application, appeal, reference or revision under the repealed Ordinance had expired on or before the commencement of this Ordinance, nothing in this Ordinance shall be construed as enabling such application, appeal, reference or revision to be made under this Ordinance by reason only of the fact that a longer period is specified or provision for an extension of time in suitable cases by the appropriate authority.

(6) Any proceeding for ¹⁶⁸⁶[***] prosecution in respect of an assessment for an income year ending on or before the 30th day of June 2002 shall be taken and continued as if this Ordinance has not come into force.

¹⁶⁸⁰ Sub-section (1) was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-sections(1) was as under:-

“(1) The repealed Ordinance shall continue to apply to the assessment year ending on the 30th day of June 2003.”

¹⁶⁸¹ Sub-section (2) was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-section (2) was as under:-

“(2) In making any assessment in respect of any income year ending on or before the 30th day of June 2002, the provisions of the repealed Ordinance relating to the computation of total income and the tax payable thereon shall apply as if this Ordinance has not come into force.”

¹⁶⁸² The word and figure was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier this amendment was made vide SRO 633(1)/2002, dated 14th September, 2002 and which was SRO 633(1)2002, dated 14th September, 2002 rescinded vide SRO 608(1)/2003, dated 24th June, 2003 with effect from 1st July, 2003.

¹⁶⁸³ Sub-section (3) was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-section (3) was as under:-

“(3) Where any return of income has been furnished by a person for any assessment year ending on or before the 30th day of June 2003, proceedings for the assessment of the person for that year shall be taken and continued as if this Ordinance has not come into force.”

¹⁶⁸⁴ Substituted for the word “sub-section” vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹⁶⁸⁵ Substituted for the words “additional tax” vide the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made by the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) & the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

¹⁶⁸⁶ The words “the imposition of penalty or” were omitted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

(7) Any income tax, super tax, surcharge, penalty, ¹⁶⁸⁷[default surcharge], or other amount payable under the repealed Ordinance may be recovered under this Ordinance, but without prejudice to any action already taken for the recovery of the amount under the repealed Ordinance.

(8) Any election or declaration made or option exercised by any person under any provision of the repealed Ordinance and in force immediately before the commencement of this Ordinance shall be treated as an election or declaration made, or option exercised under the corresponding provisions, if any, of this Ordinance.

(9) Anything done or action taken under the repealed Ordinance in so far as it is not inconsistent with the ¹⁶⁸⁸[provisions] of this Ordinance shall, without prejudice to anything already done or any action already taken, be treated as having been done or taken under this Ordinance.

(10) Any agreement entered into, appointment made, approval given, recognition granted, direction, instruction, notification, notice, order or rule issued or made under any provision of the repealed Ordinance and in force or valid at the commencement of this Ordinance shall, so far as it is not inconsistent with the corresponding provision of this Ordinance or any agreement, appointment entered into, approval given, recognition granted, direction, instruction, notification, notice, order or rule issued or made under this Ordinance, be treated as entered into, made, given, granted or issued, as the case may be, under that corresponding provision and shall unless revoked, cancelled or repealed by, or under, this Ordinance, continue in force accordingly.

(11) Any appointment, act of authority or other thing made or done by any authority or person and subsisting or in force at the commencement of this Ordinance which would have been made or done under any substantially corresponding provision of this Ordinance by any authority or person other than the one specified in the repealed Ordinance, or in any manner other than as specified in the repealed Ordinance shall continue in force and have effect as if it has been made or done under the corresponding provision of this Ordinance by the authority or person, or in the manner specified in the corresponding provision as if such provision had been in force when it was made or done.

¹⁶⁸⁹[(12) Any notification issued under section 50 of the repealed Ordinance and in force on the commencement of this Ordinance shall continue to remain in force, unless ¹⁶⁹⁰[amended, modified], cancelled or repealed by, or under, this Ordinance.]

¹⁶⁹¹[(13) The authority which issued any notification, notice, direction or instruction, or made any rule, agreement or appointment, or granted any approval or recognition, referred to in sub-sections (10) and (12), shall have the power to ¹⁶⁹²[amend, modify], cancel or repeal any such notification, notice, direction, instruction, rule, agreement, appointment, approval or recognition.]

¹⁶⁹³[(14) Any yield from National Saving Schemes of Directorate of National Savings where investment was made on or before 30th June, 2001 and any income derived from Mahana

1687 The words "additional tax" substituted vide Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931). Earlier this amendment was made vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010) & the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 28th October, 2009)

1688 The word "provision" substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

1689 Sub-section (12) was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-sections (12) was as under:--

"(12) Clause 77C of Part I. of the First Schedule of the repealed Ordinance shall continue to apply to the yield on National Savings Deposit Certificates issued before 1st July, 2001 and a person paying yield on such a Certificate shall not deduct tax under section 151 from the payment."

1690 Substituted for the word "revoked" vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

1691 Sub-section (13) was substituted by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-section (13) was as under:--

"(13) There is no requirement for the holder of Certificate to which sub-section."

1692 Substituted for the words and comma, "amended, modified" vide the Finance Act, 2014

1693 Sub-section (14) was substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution sub-section (14) was as under:-

"(14) Clause (77C) of Part I of the First Schedule of the repealed Ordinance shall continue to apply to the yield on National Savings Deposit Certificates issued before 1st July, 2001, and a person paying yield on such a Certificate shall not deduct tax under section 151 from the payment, and the holder of such

Amdani Account where monthly installment does not ¹⁶⁹⁴[exceed] one thousand rupees shall continue to remain exempt and any person paying such yield or income shall not deduct tax under section 151 there from and the recipient of such yield or income shall not be required to produce an exemption certificate under section 159 in support of the said exemption.]]

(15) Section 107AA of the repealed Ordinance shall continue to apply until the 30th day of June, 2002.

(16) The Income Tax Rules made under the repealed Ordinance, on the valuation of perquisites shall continue to apply ¹⁶⁹⁵[in respect of any income year ending on or before] the 30th day of June 2002.

(17) Item 8(5)(h) of the Third Schedule to the repealed Ordinance shall continue to apply to assets covered by the item.

¹⁶⁹⁶[***]

¹⁶⁹⁷[**239A. Transition to Federal Board of Revenue.**-Any reference to the Central Board of Revenue, wherever occurring, in this Ordinance and the rules made there under and Notifications, Orders, or any other instrument issued there under shall be construed as a reference to the Federal Board of Revenue on the commencement of the Federal Board of Revenue Act, 2007.]

¹⁶⁹⁸[**239B. Reference to authorities.**-Any reference to the Regional Commissioner of Income Tax, Commissioner of Income Tax, Commissioner of Income Tax (Appeals) and Taxation Officer, wherever occurring, in this Ordinance and the rules made there under ¹⁶⁹⁹[and in any other law in force at the time of promulgation of this Ordinance] and notifications, orders, circulars or clarifications or any instrument issued there under shall be construed as reference to the Chief Commissioner Inland Revenue, Commissioner Inland Revenue, Commissioner Inland Revenue (Appeals) and officer of Inland Revenue, respectively.]

240. Removal of difficulties.-(1) Subject to sub-section (2), if any difficulty arises in giving effect to any of the provisions of this Ordinance, the Federal Government may, by notification in the official Gazette, make such order, ¹⁷⁰⁰[not] inconsistent with the provisions of this Ordinance, as may appear to it to be necessary for the purpose of removing the difficulty.

Certificate shall not be required to acquire an exemption certificate under section 159 to give effect to the said exemption."

Earlier, Sub-section (14) was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-section (14) was as under:-

"(14) applies to acquire an exemption certificate under section 159 to give effect to the exemption."

¹⁶⁹⁴ *The word "exceeds" was substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)*

¹⁶⁹⁵ *Substituted for the word "until" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*

¹⁶⁹⁶ *Sub-section (18) omitted by the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier sub-section (18) was omitted vide SRO 633(I)/2002, dated 14th September, 2002 and which was rescinded vide SRO 608(I)/2003, dated 24th June, 2003 with effect from 1st July, 2003. At the time of omission sub-section (18) was as under:-*

i(18) In this section, "income tax authority" means an income tax authority as specified in section 3 of the repealed Ordinance.

i. Sub-section (18) substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution sub-section (18) was as under:-

"(18) In this section,--

"assessment year" means assessment year as defined in the repealed Ordinance;

"income tax authority" means income tax authority as defined in section 3 of the repealed Ordinance;

"income year" means income year as defined in the repealed Ordinance; and

"repealed Ordinance" means the Income Tax Ordinance, 1979 (XXXI of 1979)"

¹⁶⁹⁷ *Section 239A was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007),*

¹⁶⁹⁸ *Section 239B inserted by the Finance Act, 2010 (XVI of 2010). This amendment was effective from 5th June, 2010 by the declaration made under the Provisional Collection of Taxes Act, 1931 (XVI of 1931) Earlier this Section 239B was inserted vide the Finance (Amendment) Ordinance, 2010 (III of 2010 promulgated on 6th February, 2010 and the Finance (Amendment) Ordinance, 2009 (XXII of 2009 promulgated on 25th October, 2009)*

¹⁶⁹⁹ *Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013*

¹⁷⁰⁰ *Substituted for the word "no" vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*

¹⁷⁰¹[***]

¹⁷⁰²[**241. Validation.-** ¹⁷⁰³[(1)]All notifications and orders issued and notified, in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017 shall be deemed to have been validly issued and notified in exercise of those powers.]

¹⁷⁰⁴[(2) Notwithstanding any omission, irregularity or deficiency in the establishment, or conferment of powers and functions, of the Directorate-General (Intelligence and Investigation), Inland Revenue and authorities specified in section 230, all orders passed, notices issued and actions taken in exercise or purported exercise of the powers and functions of the Commissioner under this Ordinance by the Directorate-General (Intelligence and Investigation), Inland Revenue or the authorities specified in section 230 shall be deemed to have been validly passed, issued and taken under this Ordinance.]

THE FIRST SCHEDULE

PART I RATES OF TAX (See Chapter II)

¹⁷⁰⁵[Division I

- ¹⁷⁰¹ Sub-section (2) was omitted vide the Finance Act, 2010 (XVI of 2010) effective from 5th June, 2010. At the time of omission sub-section (2) was as under:--
“(2) No such power shall be exercised under sub-section (I) after the 30th day of June, 2004.”
- ¹⁷⁰² Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017
- ¹⁷⁰³ Re-numbered as (i) vide the Finance Act, 2018 assented on 22nd May, 2018
- ¹⁷⁰⁴ Added vide the Finance Act, 2018 assented on 22nd May, 2018
- ¹⁷⁰⁵ Division I was substituted vide Finance Act, 2018 (XXX of 2018). Before substitution Division I was appeared as under:-

Division I RATES OF TAX FOR INDIVIDUALS ⁱ[AND ASSOCIATION OF PERSONS]

1. Subject to ⁱⁱ ⁱⁱⁱ[clause] (1A) ^{iv}[***], the rates of tax imposed on the taxable income of every individual ^v[and Association of Persons] ^{vi}[except a salaried taxpayer] ^{vii}[***] ^{viii}[***] shall be as set out in the following table, namely:-
- i The words added vide the Finance Act, 2012. Earlier the same words was omitted vide the Finance Act, 2010 (XVI of 2010)
- ii The word, brackets and figure “clause (2)” were substituted vide the Finance Act, 2005 VII of 2005 assented on 29th June, 2005)
- iii Substituted for the word “clauses” vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
- iv The word, brackets and figure “and (2)” omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
- v The words were inserted vide Finance Act, 2012
- vi The words inserted by the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
- vii The words “or Association of persons” were omitted vide the Finance Act, 2010 (XVI of 2010)
- viii The words, brackets and figures “to which sub-section (I) of section 92 applies” omitted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

^{ix}[TABLE

S. No	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs 400,000	0%
2.	Where the taxable income exceeds Rs 400,000 but does not exceed Rs 500,000	7% of the amount exceeding Rs 400,000
3	Where the taxable income exceeds Rs 500,000 but does not exceed Rs 750,000	Rs 7,000 + 10% of the amount exceeding Rs 500,000
4	Where the taxable income exceeds Rs 750,000 but does not exceed Rs 1,500,000	Rs 32,000 + 15% of the amount exceeding Rs 750,000

5	Where the taxable income exceeds Rs 1,500,000 but does not exceed Rs 2,500,000	Rs 144,500 + 20% of the amount Exceeding Rs 1,500,000
6	Where the taxable income exceeds Rs 2,500,000 but does not exceed Rs 4,000,000	Rs 344,500 + 25% of the amount exceeding Rs 2,500,000
7	Where the taxable income exceeds Rs 4,000,000 but does not exceed Rs 6,000,000	Rs 719,500 + 30% of the amount exceeding Rs 4,000,000
8	Where the taxable income exceeds Rs 6,000,000	Rs 1,319,500 + 35% of the amount exceeding Rs 6,000,000"

ix Table was substituted vide Finance Act, 2015. At the time of substitution Table was as under:-

^x[TABLE

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.750,000	10% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,500,000	Rs.35,000 + 15% of the amount exceeding Rs.750,000
4.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.2,500,000	Rs.147,500 + 20% of the amount exceeding Rs.1,500,000
5.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.4,000,000	Rs.347,500 + 25% of the amount exceeding Rs.2,500,000
6.	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.6,000,000	Rs. 722,500 + 30% of the amount exceeding Rs.4,000,000
7.	Where the taxable income exceeds Rs.6,000,000	Rs. 1,322,500 + 35% of the amount exceeding Rs. 6,000,000"; and

x. Table was substituted vide the Finance ACT, 2013 (XXII of 2013 assented on 29th June, 2013). At the time of substitution the table was as under:-

^{xi}[TABLE

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.750,000	10% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,500,000	Rs.35,000 + 15% of the amount exceeding Rs.750,000
4.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.2,500,000	Rs.147,500 + 20% of the amount exceeding Rs.1,500,000
5.	Where the taxable income exceeds Rs.2,500,000	Rs.347,500 + 25% of the amount exceeding Rs.2,500,000

xi. Table was substituted vide the Finance ACT, 2012 (XVII of 2012 assented on 26th June, 2012). At the time of substitution the table was as under:-

^{xii}[TABLE

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.350,000	0%
2.	Where the taxable income exceeds Rs. 350,000 but does not exceed Rs.500,000	7.5%
3.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.750,000	10%
4.	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs.1,000,000	15%
5.	Where the taxable income exceeds Rs. 1,000,000 but does not exceed Rs. 1,500,000	20%
6.	Where the taxable income exceeds Rs. 1,500,000	25%

xii. Table was substituted vide the Finance ACT, 2011. At the time of substitution the table was as under:-

^{xiii}[TABLE

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.300,000	0%
2.	Where the taxable income exceeds Rs. 300,000 but does not exceed Rs.500,000	7.5%
3.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.750,000	10%
4.	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs.1,000,000	15%
5.	Where the taxable income exceeds Rs. 1,000,000 but does not exceed Rs. 1,500,000	20%
6.	Where the taxable income exceeds Rs. 1,500,000	25%

xiii. Table was substituted vide the Finance ACT, 2010 (XVI of 2010). At the time of substitution the table was as under:-

xiv /TABLE

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.100,000	0%
2.	Where the taxable income exceeds Rs. 100,000 but does not exceed Rs.110,000	0.50%
3.	Where the taxable income exceeds Rs. 110,000 but does not exceed Rs.125,000	1.00%
4.	Where the taxable income exceeds Rs. 125,000 but does not exceed Rs.150,000	2.00%
5.	Where the taxable income exceeds Rs. 150,000 but does not exceed Rs.175,000	3.00%
6.	Where the taxable income exceeds Rs. 175,000 but does not exceed Rs.200,000	4.00%
7.	Where the taxable income exceeds Rs. 200,000 but does not exceed Rs.300,000	5.00%
8.	Where the taxable income exceeds Rs. 300,000 but does not exceed Rs.400,000	7.50%
9.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs.500,000	10.00%
10.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.600,000	12.50%
11.	Where the taxable income exceeds Rs. 600,000 but does not exceed Rs.800,000	15.00%
12.	Where the taxable income exceeds Rs. 800,000 but does not exceed Rs.1,000,000	17.50%
13.	Where the taxable income exceeds Rs. 1,000,000 but does not exceed Rs. 1,300,000	21.00%
14.	Where the taxable income exceeds Rs. 1,300,000	25.00%

xiv. Table was substituted vide the Finance ACT, 2006 (III of 2006). At the time of substitution the table was as under:-

xv /TABLE

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.100,000	0%
2.	Where taxable income exceeds Rs. 100,000 but does not exceed Rs.150,000	7.5% of the amount exceeding Rs. 100,000
3.	Where taxable income exceeds Rs. 150,000 but does not exceed Rs. 300,000	3750 plus 12.5% of the amount exceeding Rs. 150,000
4.	Where taxable income exceeds Rs. 300,000 but does not exceed Rs.400,000	22500 plus 20% of the amount exceeding Rs. 300,000
5.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs.700,000	42500 plus 25% of the amount exceeding Rs. 400,000
6.	Where taxable income exceeds Rs.700,000	117500 plus 35% of the amount exceeding Rs. 700,000

xv. Table was substituted vide the Finance ACT, 2004 (II of 2004). At the time of substitution the table was as under:-

xvi /TABLE

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.80,000	0%
2.	Where taxable income exceeds Rs. 80,000 but does not exceed Rs.150,000	7.5% of the amount exceeding Rs. 80,000
3.	Where taxable income exceeds Rs. 150,000 but does not exceed Rs. 300,000	5250 plus 12.5% of the amount exceeding Rs. 150,000
4.	Where taxable income exceeds Rs. 300,000 but does not exceed Rs.400,000	24000 plus 20% of the amount exceeding Rs. 300,000
5.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs.700,000	44000 plus 25% of the amount exceeding Rs. 400,000
6.	Where taxable income exceeds Rs.700,000	119000 plus 35% of the amount exceeding Rs. 700,000

xvi. Table was substituted vide the Finance ACT, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution the table was as under:-

/TABLE

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.60,000	0%
2.	Where taxable income exceeds Rs. 60,000 but does not exceed Rs.150,000	7.5% of the amount exceeding Rs. 60,000
3.	Where taxable income exceeds Rs. 150,000 but does not exceed Rs. 300,000	6750 plus 12.5% of the amount exceeding Rs. 150,000
4.	Where taxable income exceeds Rs. 300,000 but does not exceed Rs.400,000	25500 plus 20% of the amount exceeding Rs. 300,000
5.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs.700,000	45500 plus 25% of the amount exceeding Rs. 400,000

6.	Where taxable income exceeds Rs.700,000	120500 plus 35% of the amount exceeding Rs. 700,000
----	---	---

xvii Proviso omitted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011). At the time of omission Proviso was as under:-

‘Provided that where income of a woman taxpayer is covered by this clause, no tax shall be charged if the taxable income does not exceed Rs. 125,000^{xviii} [:]’

xviii Substituted for the full stop vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

^{xix}[Provided that in the case of an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating their profession, the 35% rate of tax mentioned against serial no. 8 of the table shall be 32% for tax year 2016 and onwards]

xix Proviso substituted by the Finance Act, 2015 (V of 2015). Before substitution the proviso appeared as under:-

^{xx}[Provided further that Internally Displaced Persons Tax (IDPT), treated as income tax, on the tax payable on the taxable income of one million rupees or more, shall be levied at the rate of 5% of such tax, for tax year 2009]

xx Proviso was Inserted vide Finance Act, 2009

^{xxi}[(1A) Where the income of an individual chargeable under the head “salary” exceeds fifty percent of his taxable income, the rates of tax to be applied shall be as set out in the following table namely:-

xxi Clause (1A) was inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

^{xxii}TABLE

S. No	Taxable Income	Rate of tax
1	Where the taxable income does not exceed Rs 400,000	0%
2	Where the taxable income exceeds Rs 400,000 but does not exceed Rs 500,000	2% of the amount Exceeding Rs 400,000
3	Where the taxable income exceeds Rs 500,000 but does not exceed Rs 750,000	Rs 2,000 + 5% of the amount exceeding Rs 500,000
4	Where the taxable income exceeds Rs 750,000 but does not exceed Rs 1,400,000	Rs 14,500 + 10% of the amount exceeding Rs 750,000
5	Where the taxable income exceeds Rs 1,400,000 but does not exceed Rs 1,500,000	Rs 79,500 + 12.5% of the amount exceeding Rs 1,400,000
6	Where the taxable income exceeds Rs 1,500,000 but does not exceed Rs 1,800,000	Rs 92,000 + 15% of the amount exceeding Rs 1,500,000
7	Where the taxable income exceeds Rs 1,800,000 but does not exceed Rs 2,500,000	Rs 137,000 + 17.5% of the amount exceeding Rs 1,800,000
8	Where the taxable income exceeds Rs 2,500,000 but does not exceed Rs 3,000,000	Rs 259,500 + 20% of the amount exceeding Rs. 2,500,000
9	Where the taxable income exceeds Rs 3,000,000 but does not exceed Rs 3,500,000	Rs. 359,500 + 22.5% of the amount exceeding Rs. 3,000,000
10	Where the taxable income exceeds Rs 3,500,000 but does not exceed Rs 4,000,000	Rs 472,000 + 25% of the amount exceeding Rs 3,500,000
11	Where the taxable income exceeds Rs 4,000,000 but does not exceed Rs 7,000,000	Rs 597,000 + 27.5% of the amount exceeding Rs 4,000,000
12	Where the taxable income exceeds Rs 7,000,000	Rs 1,422,000 + 30% of the amount exceeding Rs 7,000,000

xxii Substituted for the TABLE vide the Finance Act, 2015 (V of 2015 assented on 29th June, 2015). At the time of substitution Table was as under:

^{xxiii}TABLE

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.750,000	5% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,400,000	Rs. 17,500 + 10% of the amount exceeding Rs.750,000
4.	Where the taxable income exceeds Rs.1,400,000 but does not exceed Rs.1,500,000	Rs.82,500 + 20.5% of the amount exceeding Rs.1,400,000
5.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.1,800,000	Rs. 95,000 + 15% of the amount exceeding Rs. 1,400,000
6.	Where the taxable income exceeds Rs.1,800,000 but does not exceed Rs. 2,500,000	Rs. 140,000 + 17.5% of the amount exceeding Rs.1,800,000

7.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs. 3,000,000	Rs. 262,500 + 20% of the amount exceeding Rs. 2,500,000"; and
8.	Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs.3,500,000	Rs. 362,500 + 22.5% of the amount exceeding Rs. 3,000,000
9.	Where the taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 4,000,000	Rs. 475,000 + 25% of the amount exceeding Rs. 3,500,000
10.	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 7,000,000	Rs. 600,000 + 27.5% of the amount exceeding Rs. 4,000,000
11.	Where the taxable income exceeds Rs. 7,000,000	Rs. 1,425,000 + 30% of the amount exceeding Rs. 7,000,000";

xxiii. Earlier, the TABLE was substituted in 2013 vide the Finance Act, 2013 (XXII of 2013) assented on 29th June, 2013. At the time of substitution Table was as under:

xxiv
(TABLE

S. No.	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	0 to Rs. 400,000	0%
2.	Rs.400,000 to Rs.750,000	5% of the amount exceeding Rs. 400,000
3.	Rs.750,000 to Rs. 1,500,000	Rs.17,500+ 10% of the amount exceeding Rs.750,000
4.	Rs.1,500,000 to Rs.2,000,000	Rs.95,000+15% of the amount exceeding Rs.1,500,000
5.	Rs.2,000,000 to 2,500,000	Rs.175,000+17.5% of the amount exceeding Rs.2,000,000
6.	Rs.2,500,000 and above	Rs.420,000+20% of the amount exceeding Rs.2,500,000/-]

xxiv. Earlier, the TABLE was substituted in 2012 vide the Finance Act, 2012. At the time of substitution Table was as under:

xxv
(TABLE

S. No.	Taxable Income	Rate of tax.
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 350,000	0%
2.	Where the taxable income exceeds Rs. 350,000 but does not exceed Rs.40,0000	1.50%
3.	Where the taxable income exceeds Rs. 40,000 but does not exceed Rs.450,000	2.50%
4.	Where the taxable income exceeds Rs. 450,000 but does not exceed Rs. 550,000	3.50%
5.	Where the taxable income exceeds Rs. 55,000 but does not exceed Rs.650,000	4.50%
6.	Where the taxable income exceeds Rs. 650,000 but does not exceed Rs.650,000	6.00%
7.	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs.650,000	7.50%
8.	Where the taxable income exceeds Rs. 900,000 but does not exceed Rs.650,000	9.00%
9.	Where the taxable income exceeds Rs. 1050,000 but does not exceed Rs.1200,000	10.00%
10.	Where the taxable income exceeds Rs. 1200,000 but does not exceed Rs.1,450,0000	11.00%
11.	Where the taxable income exceeds Rs.1,450,0000but does not exceed Rs.1,700,000	12.50%
12.	Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs.1, 950,000	14.00%
13.	Where the taxable income exceeds Rs.1, 950,000 but does not exceed Rs.2, 250,000	15.00%
14.	Where the taxable income exceeds Rs.2, 250,000 but does not exceed Rs.2,850,000	16.00%
15.	Where the taxable income exceeds Rs.2,850,000 but does not exceed Rs.3,550,000	17.50%
16.	Where the taxable income exceeds Rs.3,550,000but does not exceed Rs.4,550,000	18.50%
17.	Where the taxable income exceeds Rs. 4,550,000	20.00%

xxv. Earlier, the TABLE was substituted in 2011 vide the Finance Act, 2011. At the time of substitution Table was as under:-

xxvi
(TABLE

S. No.	Taxable Income.	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs. 300,000,	0%
2.	Where the taxable income exceeds Rs. 300,000 but does not exceed Rs. 350,000,	0.75%
3.	Where the taxable income exceeds Rs. 350,000 but does not exceed Rs. 400,000,	1.50%
4.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 450,000,	2.50%
5.	Where the taxable income exceeds Rs. 450,000 but does not exceed Rs. 550,000,	3.50%
6.	Where the taxable income exceeds Rs. 550,000 but does not exceed Rs. 650,000,	4.50%
7.	Where the taxable income exceeds Rs. 650,000 but does not exceed Rs. 750,000,	6.00%
8.	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs. 900,000,	7.50%
9.	Where the taxable income exceeds Rs. 900,000 but does not exceed Rs. 1,050,000,	9.00%
10.	Where the taxable income exceeds Rs. 1,050,000 but does not exceed Rs. 1, 200,000,	10.00%
11.	Where the taxable income exceeds Rs. 1, 200,000 but does not exceed Rs. 1,450,000,	11.00%
12.	Where the taxable income exceeds Rs. 1,450,000 but does not exceed Rs. 1,700,000,	12.50%
13.	Where the taxable income exceeds Rs. 1,700,000 but does not exceed Rs. 1,950,000,	14.00%
14.	Where the taxable income exceeds Rs. 1,950,000 but does not exceed Rs. 2, 250,000,	15.00%

15.	Where the taxable income exceeds Rs. 2, 250,000 but does not exceed Rs. 2,850,000,	16.00%
16.	Where the taxable income exceeds Rs. 2,850,000 but does not exceed Rs. 3,550,000,	17.50%
17.	Where the taxable income exceeds Rs. 3,550,000 but does not exceed Rs. 4,550,000,	18.50%
18.	Where the taxable income exceeds Rs.4,550,000	20.00%]

xxvi. Earlier, the TABLE was substituted in 2010 vide the Finance Act, 2010 (XVI of 2010) . At the time of substitution Table was as under:-

xxvii [TABLE

S. No.	Taxable Income.	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs. 200,000,	0%
2.	Where the taxable income exceeds Rs. Rs. 200,000 but does not exceed Rs. 250,000,	0.50%
3.	Where the taxable income exceeds Rs. 250,000, but does not exceed Rs. 3500,000,	0.75%
4.	Where the taxable income exceeds Rs. 3500,000, but does not exceed 40,0000,	1.50%
5.	Where the taxable income exceeds Rs. 40,0000, but does not exceed Rs. 450,000,	2.50%
6.	Where the taxable income exceeds Rs. 450,000, but does not exceed Rs. 550,000,	3.50%
7.	Where the taxable income exceeds Rs. 550,000, but does not exceed Rs. 650,000,	4.50%
8.	Where the taxable income exceeds Rs. 650,000, but does not exceed Rs. 750,000,	6.00%
9.	Where the taxable income exceeds Rs. 750,000, but does not exceed Rs. 900,000,	7.50. %
10.	Where the taxable income exceeds Rs. 900,000, but does not exceed Rs. 1,050,000,	9.00%
11.	Where the taxable income exceeds Rs. 1,050,000, but does not exceed Rs. 1, 200,000,	10.00%
12.	Where the taxable income exceeds Rs. 1, 200,000, but does not exceed Rs. 1,450,000,	11.50%
13.	Where the taxable income exceeds Rs. 1,450,000, but does not exceed Rs. 1,700,000,	13.00%
14.	Where the taxable income exceeds Rs. 1,700,000, but does not exceed Rs. 1,950,000,	14.00%
15.	Where the taxable income exceeds Rs. 1,950,000, but does not exceed Rs. 2, 250,000,	15.00%
16.	Where the taxable income exceeds Rs. 2, 250,000, but does not exceed Rs. 2,850,000,	16.00%
17.	Where the taxable income exceeds Rs. 2,850,000, but does not exceed Rs. 3,550,000,	17.50%
18.	Where the taxable income exceeds Rs. 3,550,000, but does not exceed Rs. 4,550,000,	18.50%]
19.	Where the taxable income exceeds Rs. 4,550,000, but does not exceed Rs. 8,650,000	19.00%
20.	Where the taxable income exceeds Rs. 8,650,000,	20.00%

xxvii. Earlier, the TABLE was substituted in 2009 vide the Finance Act, 2009 (I of 2009). At the time of substitution Table was as under:-

xxviii [TABLE

S. No.	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs. 180,000	0%
2.	Where the taxable income exceeds Rs.180,000 but does not exceed Rs.250,000,	0.50%
3.	Where the taxable income exceeds Rs.250,000 but does not exceed Rs.350,000,	0.75%
4.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.400,000	1.50%
5.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.450,000	2.50%
6.	Where the taxable income exceeds Rs. 450,000 but does not exceed Rs.550,000	3.50%
7.	Where the taxable income exceeds Rs. 550,000 but does not exceed Rs.650,000,	4.50%
8..	Where the taxable income exceeds Rs. 650,000 but does not exceed Rs.750,000,	6.00%
9.	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs.900,000,	7.50%
10	Where the taxable income exceeds Rs. 900,000 but does not exceed Rs.1 ,050,000,	9.00%
11	Where the taxable income exceeds Rs. 1,050,000 but does not exceed Rs. 1, 200,000,	10.00%
12	Where the taxable income exceeds Rs. 1, 200,000 but does not exceed Rs. 1,450,000,	11.00%
13	Where the taxable income exceeds Rs. 1,450,000 but does not exceed Rs.1,700,000,	12.50%
14	Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs. 1,950,000,	14.00%
15	Where the taxable income exceeds Rs. 1,950,000 but does not exceed Rs. 2, 250,000,	15.00%
16	Where the taxable income exceeds Rs. 2, 250,000 but does not exceed Rs. 2,850,000,	16.00%
17	Where the taxable income exceeds Rs. 2,850,000 but does not exceed Rs. 3,550,000,	17.50%
18	Where the taxable income exceeds Rs. 3,550,000 but does not exceed Rs. 4,550,000,	18.50%
19	Where the taxable income exceeds Rs. 4,550,000 but does not exceed Rs.8,650,000,	19.00%
20	Where the taxable income exceeds Rs. 8,650,000.	20.00%

Provided that where income of a woman tax payer is covered by this clause, no tax shall be charged if the taxable income does not exceed Rs.240,000:

Provided further that where the total income of a taxpayer marginally exceeds the maximum limit of a slab in the table, the income tax payable shall be the tax payable on the maximum of that slab plus an amount equal to-

- 20% of the amount by which the total income exceeds the said limit where the total income does not exceed Rs. 500,000.
- 30% of the amount by which the total income exceeds in each slab but total income does not exceed

Rates of Tax for Individuals

(1) The rates of tax imposed on the taxable income of every individual shall be as set out in the following table, namely:-

TABLE

S. No.	Taxable income	Rate of tax
	Rs. 1, 050, 000	
(iii)	40% of the amount by which the total income exceeds in each slab but total income does not exceed Rs.2, 000,000.	
(iv)	50% of the amount by which the total income exceeds in each slab but total income does not exceed Rs.4, 450,000.	
(v)	60% of the amount by which the total income exceeds in each slab but the total income exceeds Rs.4, 450,000.]”	

xxviii Earlier, the TABLE was substituted in 2008 vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of substitution Table was as under:-

xxix /TABLE

SRO	Taxable Income	Rate of tax
1.	Where the taxable income does not exceed Rs.150,000	0%
2.	Where the taxable income exceeds Rs. 150,000 but does not exceed Rs. 200,000	0.25%
3.	Where the taxable income exceeds Rs. 200,000 but does not exceed Rs. 250,000	0.50%
4.	Where the taxable income exceeds Rs. 250,000 but does not exceed Rs. 300,000	0.75%
5.	Where the taxable income exceeds Rs. 300,000 but does not exceed Rs. 350,000	1.50%
6.	Where the taxable income exceeds Rs. 350,000 but does not exceed Rs. 400,000	2.50%
7.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 500,000	3.50%
8.	Where the taxable income exceeds Rs. 500,000 but does not exceed Rs.600,000	4.50%
9.	Where the taxable income exceeds Rs. 600,000 but does not exceed Rs. 700,000	6.00%
10.	Where the taxable income exceeds Rs. 700,000 but does not exceed Rs. 850,000	7.50%
11.	Where the taxable income exceeds Rs. 850,000 but does not exceed Rs. 950,000	9.00%
12.	Where the taxable income exceeds Rs. 950,000 but does not exceed Rs. 1,050,000	10.00%
13.	Where the taxable income exceeds Rs. 1,050,000 but does not exceed Rs.1, 200,000	11.00%
14.	Where the taxable income exceeds Rs. 1, 200,000 but does not exceed Rs. 1,500,000	12.50%
15.	Where the taxable income exceeds Rs. 1,500,000 but does not exceed Rs. 1,700,000	14.00%
16.	Where the taxable income exceeds Rs. 1,700,000 but does not exceed Rs. 2,000,000	15.00%
17.	Where the taxable income exceeds Rs. 2,000,000 but does not exceed Rs. 3,150,000	16.00%
18.	Where the taxable income exceeds Rs. 3,150,000 but does not exceed Rs. 3,700,000,	17.50%
19.	Where the taxable income exceeds Rs. 3,700,000 but does not exceed Rs. 4,450,000,	18.50%
20.	Where the taxable income exceeds Rs. 4,450,000 but does not exceed Rs. 8,400,000,	19.00%
21.	Where the taxable income exceeds Rs. 8,400,000.	20.00%

Provided that where income of a woman taxpayer is covered by this clause, no tax shall be charged if the taxable income does not exceed Rs.200,000.]

xxix. Earlier, the TABLE was substituted in 2006 the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution Table was as under:-

TABLE

S. No	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs. 100,000	Nil
2.	Where the taxable income exceeds Rs. exceeds Rs. 100,000 but does not exceed Rs.200,000	3.5% of the amount exceeding Rs. 100,000
3.	Where taxable income exceeds Rs. 200,000 but does not exceed Rs. 400,000	Rs.3,500 plus 12% of the amount exceeding Rs. 200,000
4.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 700,000	Rs. 27,500 plus 25% of the amount exceeding Rs.400,000
5.	Where taxable income exceeds Rs. 700,000	Rs.102,500 plus 30% of the amount exceeding Rs. 700,000.

(1)	(2)	(3)
1	Where the taxable income does not exceed Rs. 400,000	0%
2	Where the taxable income exceeds Rs.400,000 but does not exceed Rs. 800,000	Rs.1,000
3	Where the taxable income exceeds Rs.800,000 but does not exceed Rs. 1,200,000	Rs.2,000
4	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	5% of the amount exceeding Rs.1,200,000
5	Where the taxable income exceeds Rs.2,400,000 but does not exceed Rs.4,800,000	Rs. 60,000 + 10% of the amount exceeding Rs.2,400,000
6	Where the taxable income exceeds Rs.4,800,000	Rs. 300,000 + 15% of the amount exceeding Rs.4,800,000

Provided that where the taxable income exceeds eight hundred thousand rupees the minimum tax payable shall be two thousand rupees.

Rates of Tax for Association of Persons

(2) The rates of tax imposed on the taxable income of every Association of Persons shall be as set out in the following table, namely:—

TABLE

S. No.	Taxable Income	Rate of Tax
(1)	(2)	(3)
1	Where the taxable income does not exceed Rs.400,000	0%
2	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.1,200,000	5% of the amount exceeding Rs.400,000
3	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs.40,000 + 10% of the amount exceeding Rs.1,200,000
4	Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs.3,600,000	Rs.160,000 + 15% of the amount exceeding Rs.2,400,000
5	Where the taxable income exceeds Rs. 3,600,000 but does not exceed Rs.4,800,000	Rs.340,000 + 20% of the amount exceeding Rs.3,600,000
6	Where the taxable income exceeds Rs. 4,800,000 but does not exceed Rs.6,000,000	Rs.580,000 + 25% of the amount exceeding Rs.4,800,000
7	Where the taxable income exceeds Rs.6,000,000	Rs.880,000 + 30% of the amount exceeding Rs.6,000,000;]

1706[***]

1707[***]

1708[***]

1706 Division IA was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission Division IA was as under:--

i[Division IA

Rate of Tax on certain persons

The rate of tax to be paid under sub-section (1) of section 113A shall be ii[one per cent] of the turnover.]

iii[***]

i. Division IA was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

ii. Substituted for the figure and sign a[0.50%],, vide the Finance Act, 2010 (XVI of 2010)

a. The figure "0.75%" was substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007),

1707 Clause 3 was omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause 3 was as under:-

"3. The rates of tax applicable to a legal representative of a deceased individual liable for tax under clause (b) of sub-section (1) of section 87 shall be-

(a) in the tax year in which the deceased died and the following tax year, the rates applicable under clause I; or

(b) in any subsequent year, 35%."

¹⁷⁰⁹**[Division II
Rates of Tax for Companies**

¹⁷¹⁰[(i) The rate of tax imposed on the taxable income of a company for the tax year 2007 and onward shall be 35% ¹⁷¹¹[:]]

¹⁷¹²[Provided that the rate of tax imposed on the taxable income of a company other than a banking company, shall be 34% for the tax year 2014 ¹⁷¹³[:]]

¹⁷¹⁴[Provided further that the rate of tax imposed on the taxable income of a company, other than a banking company shall be 33% for the tax year 2015 ¹⁷¹⁵[:]]

Provided further that the rate of tax imposed on taxable income of a company, other than banking company shall be 32% for the tax year 2016. 31% for tax year 2017 and 30% for tax year 2018 and ¹⁷¹⁶[thereafter as set out in the following Table, namely:—

TABLE

Tax Year	Rate of Tax
2019	29%
2020	28%
2021	27%
2022	26%
2023 and onwards	25%.]

¹⁷¹⁷[***]

¹⁷⁰⁸ The Division-IB were omitted vide the Finance Act, 2012. At the time of omission Division IB was as under:--

i[(DIVISION IB

RATES OF TAX FOR ASSOCIATION OF PERSONS

The rate of tax imposed on the taxable income of Association of Persons for the tax year 2010 and onward shall be 25%.]

i. Division IB was added vide the Finance Act, 2010 (XVI of 2010)

¹⁷⁰⁹ Division II was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution Division II was as under:--

“Division II

Rates of Tax for Companies

The rates of tax imposed on the taxable income of a company shall be as set out in the following table, namely:

--

Banking company	Public company, other than a banking company	Private company, other than a banking company
(1)	(2)	(3)
50%	35%	45%”

¹⁷¹⁰. Clause (1) was substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of substitution clause (1) was as under;--

“(1) The rates of tax imposed on the taxable income of a company shall be as set out in the following table, namely:--

TABLE			
Tax Year	Banking Company	Public Company other than a Banking Company	Private Company other than a Banking Company
(1)	(2)	(3)	(4)
2003	47%	35%	43%
2004	44%	35%	41%
2005	41%	35%	39%
2006	38%	35%	37%
2007	35%	35%	35%”

¹⁷¹¹ Substituted for full stop vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁷¹² Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁷¹³ Substituted for full stop at the end a colon vide the Finance Act, 2014

¹⁷¹⁴ Added vide the Finance Act, 2014

¹⁷¹⁵ Colon was substituted for full stop and thereafter new proviso was added vide Finance Act, 2015

¹⁷¹⁶ Substituted for the word ‘onwards’ vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

¹⁷¹⁷ Paragraph (ii) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission Paragraph (ii) was as under--

¹⁷¹⁸[(iii) where the taxpayer is a small company as defined in section ¹⁷¹⁹[3], tax shall be payable at the rate of ¹⁷²⁰[25]% ¹⁷²¹[.]]

¹⁷²²[***]

¹⁷²³[Provided that for tax year 2019 and onwards tax rates shall be as set out in the following Table, namely:—

TABLE

Tax Year	Rate of Tax
2019	24%
2020	23%
2021	22%
2022	21%
2023 and onwards	20%]

¹⁷²⁴[Division IIA

Table

S. No.	Person	Rate of super tax			
		Rate (percentage of income)			
		Tax Year 2018	Tax Year 2019	Tax Year 2020	Tax Year 2021
(1)	(2)	(3)	(4)	(5)	(6)
1.	Banking company	0%	4%	3%	2%
2.	Person other than a banking company, having income equal to or exceeding Rs. 500 million	3%	2%	1%	0%

i[(ii) Where the taxpayer is a society or a cooperative society, the tax shall be payable at the rates applicable to ii[a] company or an individual, whichever is beneficial to the taxpayer.]

i. Paragraph (ii) added vide the Finance Act, 2003 (I of 2003), (Assented on 16th June, 2003),

ii. Substituted for the words “the public” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁷¹⁸ Clause (iii) was added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹⁷¹⁹ Substituted for figure “20” vide the Finance Act, 2010 (XVI of 2010)

¹⁷²⁰ Substituted for figure “20” vide Finance Act, 2010 (XVI of 2010)

¹⁷²¹ Substituted for the full stop by the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹⁷²² Proviso was omitted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). At the time of omission Proviso was as under:--

i[Provided where the turnover exceeds the prescribed limit of Rs. 250 million, tax shall be payable at the following rates, namely:--

	Turnover	Rate
1	Income attributable to turnover exceeding Rs.250 million but does not exceed Rs.350 million	25% plus
2	Income attributable to turnover exceeding Rs.350 million but does not exceed Rs.500 million	30% plus
3	On the income attributable to turnover exceeding Rs.500 million.]	35% plus

i. Proviso was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹⁷²³ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

¹⁷²⁴ Substituted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. At the time of substitution it appeared as under:-

i[Division IIA

Rates of Super Tax

Person	Rate of super tax
Banking Company	4% of the income
Person, other than a banking company, having income equal to or exceeding Rs.500 million	3% of the income]

i Inserted vide Finance Act, 2015

Provided that in case of a banking company, super tax for tax year 2019 shall be payable, on estimate basis, by thirtieth day of June, 2018.]

¹⁷²⁵[**Division III** **Rate of Dividend Tax**

The rate of tax imposed under section 5 on dividend received from a company shall be -

- (a) 7.5% in the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects; and
- ¹⁷²⁶[(b) ¹⁷²⁷[15]% in cases other than mentioned in clauses (a) and (c);
- (c) ¹⁷²⁸[12.5%], in case of dividend received by a person from a mutual fund ¹⁷²⁹[if the amount of dividend is above 2.5 million and 10% if the amount of dividend is less than or equal to 2.5 million].]

Provided that the dividend received by a person from a stock fund shall be taxed at the rate of 12.5% for tax year 2015 and onwards, if dividend receipts are less than capital gains:

Provided further that the dividend received by a company from a collective investment scheme ¹⁷³⁰[, REIT Scheme] or a mutual fund, other than a stock fund, shall be taxed at the rate of ¹⁷³¹[15]% for tax year 2015 and onwards ¹⁷³²[:

Provided also that if a Development REIT Scheme with the object of development and construction of residential buildings is set up by thirtieth day of June, ¹⁷³³[2020], tax imposed on dividend received by a person from such Developmental REIT Scheme shall be reduced by fifty percent for three years from ¹⁷³⁴[the date of setting up of the said Scheme].]

¹⁷³⁵[**Division IIIA** **Rate for Profit on Debt**

The rate of tax for profit on debt imposed under section 7B shall be-

¹⁷²⁵ Substituted for Division III, vide the Finance Act, 2014. At the time of substitution Division III was as under:--

Division III **Rate of Dividend Tax**

The rate of tax imposed under section 5 on i[dividend] received from a ii[***] company shall be [10%]

iii[***]

iv[***]

i Substituted for the word "dividends" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)]

ii The word "resident" was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)]

iii The figure, sign and full stop was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)]

iv Clause (a) was omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of omission Clauses (a) and (b) were as under:-

"(a) in the case of a[dividend] received by a public company or an insurance company b[or any other resident company], 5% of the gross amount of the dividend; or"

a. Substituted for the word "dividends" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

bi. The words were inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June 2006)

¹⁷²⁶ Clause (b) was Substituted vide Finance Act, 2015. At the time of substitution clause (b) was as under:-

"(b) 10%, in all other cases:"

¹⁷²⁷ Substituted for the figure "12.5" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁷²⁸ Substituted for the figure "10" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁷²⁹ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁷³⁰ Inserted vide Finance Act, 2015

¹⁷³¹ Substituted for '25' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

¹⁷³² Colon was Substituted for full stop and thereafter new proviso was added vide Finance Act, 2015

¹⁷³³ Substituted for '2018' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

¹⁷³⁴ Substituted for 'thirtieth day of June, 2018' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

¹⁷³⁵ Inserted vide Finance Act, 2015

¹⁷³⁶[TABLE

S. No	Profit on Debt	Rate of tax
(1)	(2)	(3)
1	Where profit on debt does not exceed Rs.5,000,000	10%
2	Where profit on debt exceeds Rs.5,000,000 but does not exceed Rs.25,000,000	12.5%
3	Where profit on debt exceeds Rs.25,000,000	15%]

¹⁷³⁷[Division IIIB

Rate or Tax on Return on investment in sukuks received from a special purpose vehicle

The rate of tax imposed under section 5AA on return on investment in sukuks received from a special purpose vehicle shall be-

- (a) 25% in the case the sukuk-holder is a company;
- (b) 12.5% in case the sukuk-holder is an individual or an association of person, if the return on investment is more than one million; and
- (c) 10% in case the sukuk-holder is an individual and an association of person, if the return on investment is less than one million.]

Division IV

Rate of Tax on Certain Payments to Non-residents

The rate of tax imposed under section 6 on payments to non-residents shall be 15% of the gross amount of the royalty or fee for technical services ¹⁷³⁸[and 5% of the gross amount of the fee for offshore digital services].

Division V

Rate of Tax on Shipping or Air Transport Income of a Non-resident Person

The rate of tax imposed under section 7 shall be –

- (a) in the case of shipping income, 8% of the gross amount received or receivable; or
- (b) in the case of air transport income, 3% of the gross amount received or receivable.

¹⁷³⁹[DIVISION VIA

INCOME FROM PROPERTY

The rate of tax to be paid under section 15, in the case of individual and association of persons, shall be as follows:-

S. No.	Gross amount of rent	Rate of tax
(1)	(2)	(3)

¹⁷³⁶ Table was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of substitution the table was as under:-

“TABLE

S. No.	Profit on Debt	Rate of tax
(1)	(2)	(3)
1	Where profit on debt does not exceed Rs 25,000,000	10%
2	Where profit on debt exceeds Rs 25,000,000 but does not exceed Rs 50,000,000	2,500,000 + 12.5% of the amount exceeding Rs 25,000,000
3	Where profit on debt exceeds Rs 50,000,000	Rs 5,625,000 + 15% of the amount exceeding Rs 50,000,000;]

¹⁷³⁷ Inserted vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 2016 (Ordinance No. V of 2016)

¹⁷³⁸ Inserted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

¹⁷³⁹ Inserted vide the Finance Act, 2016 (XXIX of 2016)

1.	Where the gross amount of rent does not exceed Rs.200,000.	Nil
2.	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.
3.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000.
4.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000.	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000.
5.	Where the gross amount of rent exceeds Rs.2,000,000.	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000]

1740 [***]

1741 [Division VII

1740 Division VI was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission Division VI was as under:-

i[Division VI

Income from Property

(a) The rate of tax to be paid under section 15, in the case of individual and association of persons, shall be-

S. No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.150,000.	Nil
(2)	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.400,000.	5 per cent of the gross amount exceeding Rs.150,000
(3)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.12,500 plus 7.5 per cent of the gross amount exceeding Rs.400,000.
(4)	Where the gross amount of rent exceeds Rs.1,000,000.	Rs.57,500 plus 10 per cent of the gross amount of rent exceeding Rs.1,000,000.

(b) The rate of tax to be paid under section 15, in the case of company, shall be-

S.NO	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.400,000.	5 per cent of the gross amount of rent.
(2)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 7.5 per cent of the gross amount of rent exceeding Rs.400,000.
(3)	Where the gross amount of rent exceeds Rs.1,000,000	Rs.65,000 plus 10 per cent of the gross amount of rent exceeding Rs.1,000,000.

i. Previously, Division VI was substituted vide the Finance Act. 2009 (I of 2009 assented on 30th June, 2009). At the time of substitution Division VI was as follows:-

ii[DIVISION VI

INCOME FROM PROPERTY

iii[(a) The rate of tax to be paid under section 15, In the case of individual and association of persons, shall be-

S. No.	Gross amount of rent	Rate of tax
1	Where the gross amount of rent does not exceed Rs. 150,000.	Nil.
2	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.400,000.	5 per cent of the gross amount exceeding Rs. 150,000
3	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000	Rs.12,500 plus 10 per cent of the Gross amount exceeding Rs.400,000.
4	Where the gross amount of rent exceeds Rs. 1,000,000.	Rs.72,500 plus 15 per cent of the Gross amount exceeding Rs.1,000,000.

(b) The rate of tax to be paid under section 15, in the case of company, shall be—

S. No.	Gross amount of rent	Rate of tax
1	Where the gross amount of rent does not exceed Rs. 400,000	5 percent of the gross amount of rent.
2	Where the gross amount of rent exceeds Rs.400, 000.but does not exceed Rs. 1,000,000.	Rs. 20,000 plus 10 per cent of the gross amount of rent exceeding Rs.400,000.
3	Where the gross amount of rent exceeds Rs. 1 000,000.	Rs.80,000 plus 15 per cent of the gross amount of rent exceeding Rs.1,000,000”

i. Division VI was added vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

ii. Paragraph (a) substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of substitution Paragraph (a) was as under:-

“(a) the rate of tax to be paid under section 15 shall be 5% of the gross amount of rent chargeable to tax under that section;”

1741 Division VII was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution Division VII

was as under:--

i[Division VII

Capital Gains on disposal of Securities

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

S. No.	Period	Tax Year 2015	Tax Year 2016
(1)	(2)	(3)	(4)
1	Where holding period of a security is less than twelve months	12.5%	15%
2	Where holding period of a security is twelve months or more but less than twenty four months	10%	12.5%
3	Where holding period of a security is twenty four months or more but less than four years	0%	7.5%
4	where holding period is more than four years	0%	0%

Provided that the rate for companies shall be as specified in Division II of Part I of First Schedule, in respective of debt securities;

Provided further that a mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax at the rates as specified below, on redemption of securities as prescribed, namely:-

Category	Rate
Individual and association of persons	10% for stock funds
company	10% for stock funds
	10% for stock funds
	25% for stock funds

Provided further that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 12.5%.

Provided further that no capital gains tax shall be deducted, if the holding period of the security is more than four years.]

i. Division VII was Substituted vide Finance Act, 2015. At the time of substitution Division VII was as under:-

i[Division VII

Capital Gains on Sale of Securities

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

ii[TABLE

S.No.	Period.	Tax Year.	Rate of tax.
(1)	(2)	(3)	(4)
1.	Where holding period of a security is less than six months.	2011 2012 2013 2014	10% 10% 10% 10%
2.	Where holding period of a security is more than six months but less than twelve months.	2011 2012 2013 2014	7.5% 8% 8% 8%
TAX YEAR 2015			
3.	Where holding period of a security is less than twelve months.	12.5%	
4.	Where holding period of a security is twelve months or more but less than twenty-four months.	10%	
5.	Where holding period of a security is twenty-four months or more.”	0%]

Provided that the rate for companies shall be as specified in Division II of Part I of First Schedule, in respect of debt securities;]

i. Division VII was Added vide Finance Act, 2010

ii. Table was substituted by the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014. At the time of substitution table was as under:-

iii[TABLE

S.No.	Period.	Tax Year.	Rate of tax.
(1)	(2)	(3)	(4)
1.	Where holding period of a security is less than six months.	2011 2012 2013 2014 2015	a[10% 10% 10% 10% 17.5%]

CAPITAL GAINS ON DISPOSAL OF SECURITIES

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

1742 [S. No.	Period	Tax Year 2015	Tax Year 2016	Tax Year 2017		1743 [Tax Years 2018 and 2019]			
						Securities acquired before 01-07-2016		Securities acquired after 01-07-2016	
				Filer	Non-Filer	Filer	Non-Filer	Filer	Non-Filer
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	Where holding period of a security is less than twelve months	12.5%	15%	15%	18%	15%	18%	15%	20%
2.	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	16%	12.5%	16%		

2.	<i>Where holding period of a security is b[more than six months] but less than twelve months.</i>	2011	c[7.5%
		2012	8%
		2013	8%
		2014	8%
		2015	9.5%
		2016	10%]
d[3	<i>Where holding period of a security is e[twelve months or more]</i>	--	0%]

- i. Table substituted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)
- ii. Substituted vide the Finance Act, 2012 (XXVII of 2012 assented on 26th June, 2012)
- iii. Substituted vide the Finance Act, 2012 (XXVII of 2012 assented on 26th June, 2012)
- iv. Substituted vide the Finance Act, 2012 (XXVII of 2012 assented on 26th June, 2012)
- v. Sr. No. 3 and the relating entries were omitted by the Finance (Amendment) Ordinance, 2012 (III of 2012 promulgated on 24th April, 2012). This omission had no effect as later that Ordinance was not presented in the Parliament.
- vi. Substituted vide the Finance Act, 2012 (XXVII of 2012 assented on 26th June, 2012). At the time of above substitution the table was as under:-

[TABLE

S.No.	Period.	Tax Year.	Rate of tax.
(1)	(2)	(3)	(4)
1.	Where holding period of a security is less than six months.	2011 2012 2013 2014 2015	10% 10% 12.5% 15% 17.5%
2.	Where holding period of a security is more than six months but less than twelve months.	2011 2012 2013 2014 2015 2016	7.5% 8% 8.5% 9% 9.5% 10%
3	Where holding period of a security is more than one year	--	0%]

1742 The table was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of substitution the table of Division VII was as under:-

“S. No.	Period	Tax Year 2015	Tax Year 2016	Tax Year 2017	
				Filer	Non- Filer
1.	Where holding period of a security is less than twelve months	12.5%	15%	15%	18%
2.	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	16%
3.	Where holding period of a security is twenty-four months or more but the security was acquired on or after 1st July, 2012	0%	7.5%	7.5%	11%
4.	Where the security was acquired before 1st July, 2012	0%	0%	0%	0%
5.	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%”

1743 Substituted for ‘Tax Year 2018’ vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

3.	Where holding period of a security is twenty - four months or more but the security was acquired on or after 1st July, 2013.	0%	7.5%	7.5%	11%	7.5%	11%		
4.	Where the security was acquired before 1st July, 2013	0%	0%	0%	0%	0%	0%	0%	0%
5.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	0%	0%	5%	5%	5%	5%	5%	5%

Provided that the rate of tax on cash settled derivatives traded on the stock exchange shall be 5% for the tax years 2018 to 2020.]

¹⁷⁴⁴[Division VIII

Capital Gains on disposal of Immovable Property

The rate of tax to be paid under sub-section (1A) of section 37 shall be as follows:—

¹⁷⁴⁵ [S. No.]	Period	Rate of tax
(1)	(2)	(3)
For immovable property allotted to persons mentioned in ¹⁷⁴⁶[the proviso to sub-section (1)] of section 236C.		
1.	Immovable property is held irrespective of the holding period.	0%
For immovable property acquired on or after July 1, 2016, other than those mentioned against S. No. 1		
2.	Where holding period of immovable property is up to one year.	10%
3.	Where holding period of immovable property is more than or equal to one year but less than two years.	7.5%
4.	Where holding period of immovable property is more than or equal to two years but less than three years.	5%
5.	Where holding period of immovable property is more than three years.	0%
For immovable property acquired before July 1, 2016 other than those mentioned against S. No. 1		
6.	Where holding period of immovable property is up to three years.	5%
7.	Where holding period of immovable property is more than three years:	0%

Provided that rate of tax to be paid under sub-section (1A) of section 37 shall be reduced by fifty per cent on the first sale of immovable property acquired or allotted to ex-servicemen and serving personnel of Armed Forces or ex-employees or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority.]

Provided that gain arising on the disposal of immovable property by a person in a tax year to a Rental REIT Scheme shall be taxed at the rate of five percent upto thirtieth day of June, 2019, irrespective of the holding period.]

¹⁷⁴⁷[DIVISION VIIIA

¹⁷⁴⁴ Division VIII was added vide the Finance Act, 2012.

¹⁷⁴⁵ Table was substituted vide the Income Tax (Amendment) Act, 2016 passed by National Assembly on 30th November, 2016. At the time of substitution Table was as under:-

i[S. No.]	Period	Rate of tax
(I)	(2)	(3)
1.	Where holding period of Immovable property is up to five years.	10%
2.	Where holding period of immovable property is more than five years.	0%

¹⁷⁴⁶ Substituted for 'sub-section (4)' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

i. Table was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution Table was as under:-

S. No	Period	Rate of Tax
1	Where holding period of Immovable property is up to one year.	10%
2	Where holding period of Immovable property is more than one year but not more than two years	5%]
ii[3.	Where holding period of immovable property is more than two years.	0%]

ii. Added vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014)

TAX ON BUILDERS

The rate of tax under section 7C shall be as follows:

(A) Karachi, Lahore and Islamabad		(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta		(C) Urban Areas not specified in A and B	
For commercial buildings					
Rs. 210/ Sq Ft		Rs. 210/ Sq Ft		Rs. 210/ Sq Ft	
For residential buildings					
Area in Sq. ft	Rate/ Sq. Ft	Area in Sq. Ft	Rate/ Sq. Ft	Area in Sq. Ft	Rate/ Sq. Ft
Up to 750	Rs. 20	Up to 750	Rs. 15	Up to 750	Rs. 10
751 to 1500	Rs. 40	751 to 1500	Rs. 35	751 to 1500	Rs. 25
1501 & more	Rs. 70	1501 and more	Rs. 55	1501 and more	Rs. 35

DIVISION VIII B

TAX ON DEVELOPERS

The rate of tax under section 7D shall be as follows:

The rate of tax under section 7D shall be as follows:					
(A) Karachi, Lahore and Islamabad		(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta		(C) Urban Areas not specified in A and B	
For commercial Plots					
Rs. 210/ Sq Yd		Rs. 210/ Sq Yd		Rs. 210/ Sq Yd	
For residential Plots					
Area in Sq. Yd	Rate/ Sq. Yd	Area in sq. Yd	Rate/ Sq. Yd	Area in Sq. Yd	Rate/Sq. Yd
Up to 120	Rs. 20	Up to 120	Rs. 15	Up to 120	Rs. 10
121 to 200	Rs. 40	121 to 200	Rs. 35	121 to 200	Rs. 25
201 and more	Rs. 70	201 and more	Rs. 55	201 and more	Rs. 35]

¹⁷⁴⁸[Division IX

Minimum tax under section 113

S. No	Person(s)	Minimum Tax as percentage of the person's turnover for the year
1	2	3
1.	(a) Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.); (b) Pakistan International Airlines Corporation; and (c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production. ¹⁷⁴⁹ [(d) Dealers or distributors of fertilizers ¹⁷⁵⁰ [and]] ¹⁷⁵¹ [(e) person running an online marketplace as defined in	0.5%

¹⁷⁴⁷ Inserted vide the Finance Act, 2016 (XXIX of 2016)

¹⁷⁴⁸ Added vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014)

¹⁷⁴⁹ Inserted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015)

¹⁷⁵⁰ For full stop “; and” was substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

	clause (38B) of section 2.]	
2.	(a) Distributors of pharmaceutical products, ¹⁷⁵² [***] fast moving consumer goods ¹⁷⁵³ [***] and cigarettes; (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; (c) Rice mills and dealers; and (d) Flour mills.	0.2%
3.	Motorcycle dealers registered under the Sales Tax Act, 1990.	0.25%
4.	In all other cases.	¹⁷⁵⁴ [1.25]%]

¹⁷⁵⁵**[PART II**

¹⁷⁵¹ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁷⁵² The words “consumer goods including” omitted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015)

¹⁷⁵³ The word “fertilizers” omitted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015)

¹⁷⁵⁴ Substituted for the figure “1” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁷⁵⁵ Part II was substituted vide the Finance Act, 2015 (V of 2015 assented on 29th June, 2015). At the time of substitution Part II was as under:-

i[PART-II

RATES OF ADVANCE TAX

[See Division II of Part V of Chapter X]

The rate of advance tax to be collected by the Collector of Customs under section 148 shall be--

ii/S. No. (1)	Persons (2)		Rate (3)	
			Filer	Non-Filer
1.	(i)	Industrial undertaking importing remeltable steel (PCT Heading 72.04) and directly reduced iron for its own use;	1% of the import value as increased by customs-duty, sales tax and federal excise duty	1.5% of the import value as increased by customs-duty, sales tax and federal excise duty
	(ii)	Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the Cabinet's decision No. ECC-155/12/2004 dated the 9th December, 2004;		
	(iii)	Persons importing Urea; and		
	(iv)	Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011		
2.	Persons importing Pulses		2% of the import value as increased by customs-duty, sales tax and federal excise duty	3% of the import value as increased by customs-duty, sales tax and federal excise duty
3.	Commercial Importers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011		3% of the import value as increased by customs-duty, sales tax and federal excise duty	4.5% of the import value as increased by customs-duty, sales tax and federal excise duty
4.	Ship breakers on import of ships		4.5%	6. 5%
5.	Industrial undertakings not covered under S. Nos. 1 to 4		5.5%	8%
6.	Companies not covered under S. Nos.1 to 5		5.5%	8%
7.	Persons not covered under S. Nos.1 to 6		6%	9%]

i. Part II was substituted vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014). At the time of substitution Part II was as under:-

“PART II

Rate of Advance Tax

(See Division II of Part V of Chapter X)

The rate of advance tax to be collected by the Collector of Customs under section 148 shall be A[:-

- (a) 5% of the value of goods in the case of industrial undertakings;
- (b) 5% in all other cases of companies;
- (c) 5.5% in case of all tax payers other than those covered at (a) and (b) above; and
- (d) Notwithstanding the provision of clause (c) above, 12% of the value of the film in the case of a foreign produced film imported for the purposes of screening and viewing.]

A Substituted for the figure, words and full stop “a[5]% of the value of the goods.” Vide the Finance Act, 2013 (XXII of 2013 assented on 29th June, 2013).

a Substituted for the figure “b[4]” vide the Finance Act, 2010 (XVI of 2010).

b Substituted for the figure “c[2]” vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009).

RATES OF ADVANCE TAX

[See Division II of Part V of Chapter X]

The rate of advance tax to be collected by the Collector of Customs under section 148 shall be--

S. No	Persons	Rate	
		Filer	Non-Filer
(1)	(2)	(3)	(4)
1.	(i) Industrial undertaking importing remelttable steel (PCT Heading 72.04) and directly reduced iron for its own use; (ii) Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the cabinet's decision No.ECC-155/12/2004 dated the 9th December, 2004; duty (iii) Persons importing urea; (iv) Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31 st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011 (v) Persons importing Gold;and (vi) Persons importing Cotton; and (vii) ¹⁷⁵⁶ [Persons importing LNG]	1% of the import value as increased by customs-duty, sales tax and federal excise	1.5% of the import value as increased by customs duty, sales tax and federal excise duty
2.	Persons importing pulses	2% of the import value as increased by customs-duty, sales tax and federal excise duty	3% of the import value as increased by customs duty, sales tax and federal excise duty

c Substituted for the figure "d[5]" vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). Earlier the same amendment was made vide SRO 566(I)/2008 dated 11th June, 2008.

d. Substituted for the figure "6" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007).

ii. Table substituted vide SRO 136(I)/2015 dated 13th February, 2015. At the time of substitution the table was as under:-

S. No.	Persons		Rate
(1)	(2)		(3)
1.	(i)	Industrial undertaking importing remelttable steel (PCT Heading 72.04) and directly reduced iron for its own use;	1% of the import value as increased by customs-duty, sales tax and federal excise duty
	(ii)	Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the Cabinet's decision No. ECC-155/12/2004 dated the 9th December, 2004;	
	(iii)	Persons importing Urea; and	
	(iv)	Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011	
2.	Persons importing Pulses		2% of the import value as increased by customs-duty, sales tax and federal excise duty
3.	Commercial Importers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011		3% of the import value as increased by customs-duty, sales tax and federal excise duty
4.	Ship breakers on import of ships		4.5%
5.	Industrial undertakings not covered under S. Nos. 1 to 4		5.5%
6.	Companies not covered under S. Nos.1 to 5		5.5%
7.	Persons not covered under S. Nos.1 to 6		6%

¹⁷⁵⁶ Substituted for 'Designated buyer of LNG on behalf of Government of Pakistan, to Import LNG' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

3.	Commercial importers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011.	3% of the import value as increased by customs-duty, sales tax and federal excise duty	4.5% of the import value as increased by customs duty, sales tax and federal excise duty
¹⁷⁵⁷ [3A]	Persons importing coal	4%	6%]
4.	Ship breakers on import of ships	4.5%	6.5%
5.	Industrial undertakings not covered under S. Nos. 1 to 4	5.5%	8%
6.	Companies not covered under S. Nos. 1 to 5	5.5%	8%
7.	Persons not covered under S. Nos. 1 to 6	6%	9%;]

¹⁷⁵⁸[Provided that the rate specified in column (3),—

(a) in the case of industrial undertaking, being a filer, importing plastic raw material falling under PCT Heading 39.01 to 39.12 for its own use shall be 1.75% of the import value as increased by customs duty, sales tax and Federal excise duty; and

(b) in the case of a commercial importer, being a filer, importing plastic raw material falling under PCT Heading 39.01 to 39.12 shall be 4.5 % of the import value as increased by customs duty, sales tax and Federal excise duty.]

¹⁷⁵⁹[***]

PART III DEDUCTION OF TAX AT SOURCE (See Division III of Part V of Chapter X)

¹⁷⁶⁰[Division I Advance Tax on Dividend

The rate of tax to be deducted under section 150 and ¹⁷⁶¹[236S] shall be-

- (a) 7.5% in the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects;

¹⁷⁵⁷ Inserted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

¹⁷⁵⁸ Inserted vide Finance Act, 2017, assented on 19th June, 2017

¹⁷⁵⁹ Omitted vide the Finance Act, 2014. At the time of omission Part IIA was as under:--

i[PART IIA

COLLECTION OF TAX FROM DISTRIBUTORS, DEALERS AND WHOLESALERS

(See section 1 53A)

The rate of tax to be collected under section 153A shall be 0.5% of the gross amount of sales.]

- i. Part 11A inserted vide the Finance Act, 2012 (XVII of 2012 assented on 26th June, 2012).

¹⁷⁶⁰ Substituted for Division I vide the Finance Act, 2014. At the time of omission Division I was as under:-

i[DIVISION-I

PROFIT ON DEBT

The rate of tax to be deducted under section 151 shall be 10% of the yield or profit paid.]

- i. Division 1 was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution Division 1 was as under:-

“Division I

Profit on Debt

The rate of tax to be deducted under section 151 shall be--

- (a) in the case of any profit on debt referred to in clause (a) or (b) ii[or (d)] of subsection (I) of section 151, 10% of the yield or profit paid; or
- (b) in the case of any profit on debt referred to in clause (c) of subsection (I) of section 151, iii[20%] of the yield or profit paid.”
- ii. The word, brackets and letter were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
- iii. Substituted for the figure “30%” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁷⁶¹ Inserted vide Finance Act, 2015

(b) ¹⁷⁶²[15]% for filers other than mentioned in (a) above;

(c) ¹⁷⁶³[¹⁷⁶⁴[20]]% for non-filers other than mentioned in (a) above:

Provided that the rate of tax required to be deducted by a collective investment scheme ¹⁷⁶⁵[, REIT Scheme] or a mutual fund shall be-

¹⁷⁶⁶ [Person]	Stock Fund	Money market fund, income fund or REIT scheme or any other fund	
		Filer	Non-Filer
(1)	(2)	(3)	(4)
Individual	¹⁷⁶⁷ [12.5]%	¹⁷⁶⁸ [12.5]%	15%
Company	¹⁷⁶⁹ [12.5]%	¹⁷⁷⁰ [15]%	25%
AOP	¹⁷⁷¹ [12.5]%	¹⁷⁷² [12.5]%	15%]

Provided further that in case of a stock fund if dividend receipts of the fund are less than capital gains the rate of tax deduction shall be 12.5% ¹⁷⁷³[:]

Provided further that if a Developmental REIT Scheme with the object of development and construction of residential buildings is set up by thirtieth day of June, ¹⁷⁷⁴[2020], rate of tax on dividend received by a person from such Developmental REIT Scheme shall be reduced by fifty percent for three years from ¹⁷⁷⁵[the date of setting up of the said Scheme] ¹⁷⁷⁶[:]]

¹⁷⁷⁷[Provided further that the rate of tax on dividend received by a person, other than a company, from a money market mutual fund shall be 10%, if the amount of dividend does not exceed two and a half million Rupees ¹⁷⁷⁸[:]]

¹⁷⁷⁹[Provided also that the rate of tax on dividend received by an individual, from a Rental REIT Scheme shall be 7.5%.]

Division IA Profit on Debt

The rate of tax to be deducted under section 151 shall be 10% of the yield or profit for filers and ¹⁷⁸⁰[17.5] of the yield or profit paid, for non-filers:

- ¹⁷⁶² Substituted for figure "12.5" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. Earlier, for the figure "10", the figure "12.5%" was substituted vide Finance Act, 2015
- ¹⁷⁶³ Substituted for the figure "15" vide Finance Act, 2015
- ¹⁷⁶⁴ Substituted for the figure "17.5" vide the Finance Act, 2016 (XXIX of 2016)
- ¹⁷⁶⁵ Inserted vide Finance Act, 2015
- ¹⁷⁶⁶ Table was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution table was as under:--

	Stock Fund	Money market Fund, Income Fund or i[REIT Scheme or] any other fund
Individual	10%	10%
Company	10%	25%
AOP	10%	10%

- i. Inserted vide Finance Act, 2015
- ¹⁷⁶⁷ Substituted for the figure "10" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017
- ¹⁷⁶⁸ Substituted for the figure "10" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017
- ¹⁷⁶⁹ Substituted for the figure "10" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017
- ¹⁷⁷⁰ Substituted for '25' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018
- ¹⁷⁷¹ Substituted for the figure "10" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017
- ¹⁷⁷² Substituted for the figure "10" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017
- ¹⁷⁷³ Colon was Substituted for full stop and thereafter new proviso was added vide Finance Act, 2015
- ¹⁷⁷⁴ Substituted for '2018' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018
- ¹⁷⁷⁵ Substituted for 'thirtieth day of June, 2018' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018
- ¹⁷⁷⁶ Substituted for full stop vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017
- ¹⁷⁷⁷ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017
- ¹⁷⁷⁸ Substituted for full stop vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018
- ¹⁷⁷⁹ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018
- ¹⁷⁸⁰ Substituted for the figure "15" vide Finance Act, 2015

Provided that for a non-filer, if the yield or profit paid is rupees five hundred thousand or less, the rate shall be ten per cent]

¹⁷⁸¹[**Division 1B**
Return on Investment in Sukuks

The rate of tax to be deducted under section 150A shall be-

- (a) 15% in case the sukuk-holder is a company;
- (b) 12.5% in case the sukuk-holder is an individual or an association of person, if the return on investment is more than one million;
- (c) 10% in case the sukuk-holder is an individual and an association of person, if the return on investment is less than one million; and
- (d) 17.5% in case the sukuk-holder is non-filer.]

¹⁷⁸²[**Division II**
Payments to non-residents

(1) The rate of tax to be deducted from a payment referred to in sub-section (1A) of section 152 shall be ¹⁷⁸³[7% of the gross amount payable in case a person is a filer and ¹⁷⁸⁴[13]% in case the person is a non-filer].

¹⁷⁸⁵[(1A) The rate of tax to be deducted from payments referred to in sub-section (1AA) of section 152, shall be 5% of the gross amount paid.]

(2) The rate of tax to be deducted under sub-section (2) of section 152 shall be ¹⁷⁸⁶["20"] % of the gross amount paid.]

¹⁷⁸⁷[(3) The rate of tax to be deducted under sub-section (1AAA) of section 152, shall be 10% of the gross amount paid.

¹⁷⁸⁸[(4) The rate of tax to be deducted from a payment referred to in clause (a) of sub-section (2A) of section 152 shall be--

- (i) in case of a company, 4% of the gross amount payable, if the company is a filer and ¹⁷⁸⁹[7]% if the company is a non-filer; and
- (ii) in any other case, 4.5% of the gross amount payable, if the person is a filer and ¹⁷⁹⁰[7.75]% if the person is a non-filer.]

(5) The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (2A) of section 152 shall be--

- (i) in the case of transport services, two per cent of the gross amount payable; or

¹⁷⁹¹[(ii) in cases other than transport,—

¹⁷⁸¹ Inserted vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 2016 (Ordinance No. V of 2016)
¹⁷⁸² Division II substituted was vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution Division II was as under:--

“Division II

Payments to non-residents

The rate of tax to be deducted under sub-section (2) of section 152 shall be 30% of the gross amount paid.”

¹⁷⁸³ Substituted for the expression “6% of the gross amount payable” vide the Finance Act, 2016 (XXIX of 2016)

¹⁷⁸⁴ Substituted for the figure “12” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁷⁸⁵ Clause (1A) was inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹⁷⁸⁶ Substituted for the figure “30” vide the Finance Act, 2010 (XVI of 2010)

¹⁷⁸⁷ Clauses (3), (4), (5) & (6) were added vide Finance Act, 2012

¹⁷⁸⁸ Paragraph (4) was substituted vide Finance Act, 2015. At the time of substitution Paragraph (4) was as under:-

(4) The rate of tax to be deducted from a payment referred to in clause (a) of sub-section (2A) of section 152 shall be 3.5% of the gross amount payable.

¹⁷⁸⁹ Substituted for the figure “6” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁷⁹⁰ Substituted for the figure “6.5” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁷⁹¹ Sub-Paragraph (ii) was substituted vide Finance Act, 2015. At the time of substitution Sub-Paragraph (ii) was

- (a) in case of a company, 8% of the gross amount payable, if the company is a filer and ¹⁷⁹²[14]% if the company is a non-filer; and
- (b) in any other case, 10% of the gross amount payable, if the person is a filer and ¹⁷⁹³[17.5]% if the person is a non-filer;]

¹⁷⁹⁴[(6) The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (2A) of section 152 shall be,—

- (i) 10% of the gross amount payable in case of sportspersons;
- ¹⁷⁹⁵[(ii) in case a person is a filer, 7% of the gross amount payable and ¹⁷⁹⁶[13]% if the person is a non-filer.; and]
- ¹⁷⁹⁷[***]

Division III Payments for Goods or Services

(1) The rate of tax to be deducted from a payment referred to in clause (a) of sub-section (1) of section 153 shall be —

- (a) in the case of the sale of rice, ¹⁷⁹⁸[***], cotton seed or edible oils, ¹⁷⁹⁹[1.5]% of the gross amount payable ¹⁸⁰⁰[:

Explanation.—For removal of doubt, it is clarified that “cotton seed and edible oils” means cotton seed oil and edible oils;]

¹⁸⁰¹[(ab) in the case of supplies made by the distributor of fast moving consumer goods,—

- (i) in case of a company, 2% of the gross amount payable; and
- (ii) in any other case, 2.5% of the gross amount payable.]

¹⁸⁰²[(b) in the case of sale of goods,

- ¹⁸⁰³[(i) in case of a company, 4% of the gross amount payable, if the company is a

as under:—

(ii) in any other case, six percent of the gross amount payable.

1792 Substituted for the figure “12” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1793 Substituted for the figure “15” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1794 Paragraph (6) was substituted vide Finance Act, 2015. At the time of substitution Paragraph (6) was as under:—

(6) The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (2A) of section 152 shall be six percent of the gross amount payable.

1795 Sub-paragraph (ii) was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution sub-paragraph (ii) was as under:—

(ii) in case of a company, 7% of the gross amount payable, if the company is a filer and 10% if the company is a non-filer; and

1796 Substituted for the figure “12” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1797 Sub-paragraph (iii) was omitted vide the Finance Act, 2016 (XXIX of 2016). At the time of omission sub-paragraph (iii) was as under:—

(iii) in any other case, 7.5% of the gross amount payable, if the person is a filer and 10% if the person is a non-filer.

1798 The word “cotton” omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

1799 Substituted for the figure “1” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier this amendment was made by SRO 586(1)/2002, dated 28th August, 2002 and which was SRO 586(1)/2002, dated 28th August, 2002 rescinded vide SRO 608(1)/2003, dated 24th June, 2003 with effect from 1st July, 2003

1800 For the full stop a colon was substituted and thereafter the explanation was added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1801 Substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of substitution clause (ab) was as under:—

i[(ab) in the case of the supplies made by the distributors of fast moving consumer goods, 3% of the gross amount payable, if the supplier is a company and 3.5% if the supplier is other than a company.]

i. Inserted vide the Finance Act, 2016 (XXIX of 2016)

1802 Substituted for sub-paragraph “(b) in the case of the sale of any other goods, 3.5% of the gross amount payable” vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.

1803 clause (i) and (ii) was Substituted vide Finance Act, 2015. At the time of substitution clause (i) and (ii) was as under:—

- filer and ¹⁸⁰⁴[8]% if the company is a non-filer; and
- (ii) in any other case, 4.5% of the gross amount payable, if the person is a filer and ¹⁸⁰⁵[9]% if the person is a non-filer]
- ¹⁸⁰⁶[(2) The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (1) of section 153 shall be—
- (i) in the case of transport services, two per cent of the gross amount payable; or
- ¹⁸⁰⁷[(ii) in the case of rendering of or providing of services,-
- ¹⁸⁰⁸[(a) in case of a company, 8% of the gross amount payable, if the company is a filer and ¹⁸⁰⁹[14.5]% if the company is a non-filer; and
- (b) in any other case, 10% of the gross amount payable, if the person is a filer and ¹⁸¹⁰[17.5]% if the person is a non-filer;
- (c) in respect of persons making payments to electronic and print media for advertising services,-
- (i) in case of a filer, ¹⁸¹¹[1.5%] of the gross amount payable; and
- (ii) in case of a non-filer, 12% of the gross amount payable, if the non-filer is a company and 15% if the non-filer is other than a company;]
- ¹⁸¹²[(3) The rate of tax to be deducted from a payment referred to in clause (c) of sub-

(i) [4]% of the gross amount payable in the case of companies; and

(ii) [4.5]% of the gross amount payable in the case of other taxpayers.

1804 Substituted for '7' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier, the figure '7' was substituted for '6' vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1805 Substituted for '7.75' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier, the figure "7.5" was substituted for '6.5' vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1806 Clause (2) substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of substitution clause (2) was as under:-

i[(2) The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (1) of section 153 shall be 6% of the gross amount payable]

i Clause (2) substituted vide the Finance Act, 2006. At the time of substitution clause (2) was as under:-

"(2) The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (1) of section 153 shall be-

- (a) in the case of transport services, 2% of the gross amount payable; or
- (b) in any other case, 5% of the gross amount payable."

1807 Substituted for sub-paragraph "(ii) in any other case, six percent of the gross amount payable" vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.

1808 Substituted for clauses (a) and (b) vide the Finance Act, 2015 (V of 2015 assented on 29th June, 2015). At the time of substitution clause (a) and (b) was as under:-

		i[Filer	Non-Filer
(a)	Company	8% of the gross amount payable	12% of the gross amount payable
(b)	Others	10% of the gross amount payable	15% of the gross amount payable]

i Clauses (a) and (b) were substituted vide SRO 136(I)/2015 dated 13th February, 2015. At the time of substitution those clauses were as under:-

- "(a) ii[8]% of the gross amount payable in the cases of companies; and
- (b) iii[10]% of the gross amount payable in the cases of other tax payers."

ii Substituted for the figure "6" vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014).

iii Substituted for the figure "a[7]" vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014).

a. In Gazette of Pakistan the figure is shown as "8" instead of "7"

1809 Substituted for the figure "12" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1810 Substituted for the figure "15" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

1811 Substituted for the figure "1%" vide the Finance Act, 2016 (XXIX of 2016)

1812 Clause (3) substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution clause (3) was as under:-

"(3) The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (1) of section

section (1) of section 153 shall be]

- ¹⁸¹³[(i) 10% of the gross amount payable in case of sportspersons;
- (ii) in case of a company, 7% of the gross amount payable, if the company is a filer and ¹⁸¹⁴[14]% if the company is a non-filer; and
- (iii) in any other case, 7.5% of the gross amount payable, if the person is a filer and ¹⁸¹⁵[15]% if the person is a non-filer.;
- ¹⁸¹⁶[***].

¹⁸¹⁷[***]

Division IV Exports

¹⁸¹⁸[(1) The rate of tax to be deducted under sub-sections (1), (3), (3A), (3B) or (3C) of

153 shall be-

- (a) in the case of a contract with a value exceeding thirty million rupees, 6% of the gross amount payable; or
- (b) in any other case, 5% of the gross amount payable.”
- 1813 Clause (i),(ii) and (iii) was substituted vide the Finance Act, 2015 (V of 2015 assented on 29th June, 2015). At the time of substitution clauses (i),(ii) and (iii) were as under:-
- (i) i[7]% of the gross amount payable in the case of companies; and
- (ii) ii[7.5]% of the gross amount payable in the case of other taxpayers.]
- iii[(iii) 10% of the gross amount payable in case of sportspersons.]
- i Substituted for the figure “6” vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014).
- ii Substituted for the figure “6.5” vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014).
- iii Added vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014).
- 1814 Substituted for the figure “12” vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018.
- 1815 Substituted for the figure “12.5” vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018
- 1816 Clause (4) was omitted vide the Finance Act, 2006. At the time of omission clause (4) was as under:-
- i[(4) The rate of tax to be deducted from a payment referred to in sub-section (3) of section 153 shall be 6% of the gross amount payable.]
- i. Clause (4) was substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution clause (4) was as under:-
- “(4) The rate of tax to be deducted from a payment referred to sub-section (3) of section 153 shall be-
- (a) in the case of a turnkey contract, 8% of the gross amount payable;
- (b) in the case of a contract or sub-contract for the design, construction, or supply of plant or equipment-
- (i) under the hydel power project or a transmission line project, 5% of the gross amount payable; or
- (ii) under any other power project, 4% of the gross amount payable; or
- (c) in the case of any other contract-
- (i) where the value of contract exceeds thirty million rupees, 6% of the gross amount payable; or
- (ii) where the value of the contract does not exceed thirty million rupees is a[5]% of the gross amount payable.
- b[(d) in the case of advertisement services, 5% of the gross amount payable.]
- a. Substituted for the figure “6” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier this amendment was made vide SRO 586(1)/2002, dated 28th August, 2002 which was rescinded vide SRO 608(1)/2003, dated 24th June, 2003 with effect from 1st July, 2003
- b. Clause (d) was added vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)
1817. Division IIIA was omitted vide the Finance Act, 2012. At the time of omission Division IIIA was as under:

i[Division IIIA

PAYMENTS TO NON-RESIDENT MEDIA PERSONS

The rate of tax to be deducted under section 153A shall be 10% of the gross amount paid.]

- i. Division IIIA was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)
1818. Clause (I) was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). At the time of substitution clause (I) was as under--
- i[(I) The rate of tax to be deducted under sub-section (1), (3), (3A) or (3B) of section 154 shall be 1 % of the proceeds of the export.]
- i. Clause (I) and the table substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of substitution clause (I) and the table was as under:-
- “(1) The rate of tax to be deducted under sub-section a[(1A) of section 153 of sub-section (1), (3), (3A) or

section 154 shall be 1% of the proceeds of the export.]

(2) The rate of tax to be deducted under sub-section (2) of section 154 shall be ¹⁸¹⁹[5%¹⁸²⁰***].

¹⁸²¹[(3) The rate of tax to be deducted under sub-section ¹⁸²²["(2)"] of section 153 shall be ¹⁸²³[1] %.]

¹⁸²⁴[Division V

(3B)] of section 154 shall be as set out in the following table, namely:-

"TABLE

S. No.	Nature of goods exported.	Rate of deduction of tax.
(1)	(2)	(3)
1	Exports listed in Part I of the Seventh Schedule	0.75% of the proceeds of the export
2	Exports listed in Part II of the Seventh Schedule	1.0% of the proceeds of the export
3	Exports listed in Part III of the Seventh Schedule	1.25% of the proceeds of the export
b/4	Exports listed in Part IV of the Seventh Schedule	1.50% of the proceeds of export)"

a. Substituted for the brackets, figures and word "(1) or (3)" vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

b. Serial number 4 was added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹⁸¹⁹ Substituted for the figure "10" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁸²⁰ The words "of the proceeds of the export" were omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁸²¹ Sub-clause (3) was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁸²² Substituted for the figure, bracket and letter "(1A)" vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

¹⁸²³ Substituted for the figure "0.5" vide the Finance Act, 2014

¹⁸²⁴ Division V was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of substitution, Division V was as under:-

i[Division V

Income from Property

(a) The rate of tax to be deducted under section 155, in the case of an individual and association of persons shall be—

S. No.	Gross amount of rent	Rate of tax
(1)	(2)	(3)
1	Where the gross amount of rent does not exceed Rs. 150,000.	Nil.
2	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.400,000	5 per cent of the gross amount exceeding Rs.150000.
3	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs. 1,000,000.	Rs.12,500 plus 7.5 percent of the gross amount exceeding Rs.400,000.
4	Where the gross amount of rent exceeds Rs. 1,000,000	Rs.57, 500 plus 10 per cent of the gross amount exceeding Rs. 1,000,000.

(b) The rate of tax to be paid under section 155, in the case of company, shall be-

S. No	Gross amount of rent	Rate of tax
(1)	(2)	(3)
(1)	Where the gross amount of rent does not exceed Rs.400,000.	5 per cent of the gross amount of rent.
(2)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 7.5 per cent of the gross amount of rent exceeding Rs.400,000.
(3)	Where the gross amount of rent exceeds Rs.1,000,000	Rs.65,000 plus 10 per cent of the gross amount of rent exceeding Rs.1,000,000.

i Earlier Division V was substituted by the Finance Act, 2009. (I of 2009 assented on 30th June, 2009). At the time of substitution Division V was as under:-

"Division V

Income from Property

ii[(a) The rate of tax to be deducted under section 155, in the case of an individual and association of persons shall be-

S. No.	Gross amount of rent	Rate of tax
(1)	(2)	(3)
1	Where the gross amount of rent does not exceed Rs. 150,000.	Nil.
2	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.400,000	5 per cent of the gross amount exceeding Rs.150000.

Income from Property

(a) The rate of tax to be deducted under section 155, in the case of individual and association of persons, shall be-

¹⁸²⁵ [S. No.]	Gross amount of rent	Rate of tax
(1)	(2)	(3)
1.	Where the gross amount of rent does not exceed Rs.200,000.	Nil
2.	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.
3.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000.
4.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000.	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000.
5.	Where the gross amount of rent exceeds Rs.2,000,000.	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000"; and]

(b) The rate of tax to be deducted under section 155, in the case of company shall be 15% of the gross amount of rent ¹⁸²⁶[for filers and 17.5% of the gross amount of rent for non-filers].

¹⁸²⁷[DIVISION VI

3	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs. 1,000,000.	Rs.12,500 plus 10 percent of the gross amount exceeding Rs.400,000.
4	Where the gross amount of rent exceeds Rs. 1,000,000	Rs.72, 500 plus 15 per cent of the gross amount exceeding Rs. 1,000,000.

(b) The rate of tax to be deducted under section 155, in the case of a company, shall be-

S. No.	Gross amount of rent	Rate of tax.
(1)	(2)	(3)
1	Where the gross amount of rent does not exceed Rs.400,000.	5 per cent of the gross amount of rent.
2	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000	Rs.20,000 plus 10 per cent of the gross amount of rent exceeding Rs.400,000.
3	Where the gross amount of rent exceeds Rs. 1,000,000	Rs.80,000 plus 15 per cent of the gross amount of rent exceeding Rs.1,000,000

ii. Existing Paragraphs (a) & (b) substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹⁸²⁵ Table was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution table was as under:--

S. No.	Gross amount of rent	Rate of tax
(1)	(2)	(3)
1.	Where the gross amount of rent does not exceed Rs. 150,000	Nil
2.	Where the gross amount of rent exceeds Rs. 150,000 but does not exceed Rs. 1,000,000	10% of the gross amount exceeding Rs.150,000
3.	Where the gross amount of rent exceeds Rs. 1,000,000	Rs. 85,000 + 15% of the gross amount exceeding Rs. 1,000,000,

¹⁸²⁶ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁸²⁷ Division VI was substituted vide the Finance Act, 2010 (XVI of 2010). At the time of substitution Division VI was as under:--

“Division VI

Prizes And Winnings

- (1) The rate of tax to be deducted under section 156 on a prize on prize bond shall be 10% of the gross amount paid.
- (2) The rate of tax to be deducted under section 156 on winnings from a raffle, lottery, prize on winning a quiz, prize offered by companies for promotion of sale, or cross-word puzzle shall be 20% of the gross amount paid.”

PRIZES AND WINNINGS

(1) The rate of tax to be deducted under section 156 on a prize on prize bond or cross-word puzzle shall be ¹⁸²⁸[15]% of the gross amount paid ¹⁸²⁹[for filers and ¹⁸³⁰[25%] of the gross amount paid for non-filers].

(2) The rate of tax to be deducted under section 156 on winnings from a raffle, lottery, prize on winning a quiz, prize offered by company for promotion of sale shall be 20% of the gross amount paid.]]

¹⁸³¹[DIVISION VIA PETROLEUM PRODUCTS

Rate of collection of tax under section 156A shall be ¹⁸³²[12] % of the amount of payment ¹⁸³³[for filers and ¹⁸³⁴[17.5]% for non-filers].]

¹⁸³⁵[DIVISION VIB CNG STATIONS

The rate of tax to be collected under section 234A in the case of a Compressed Natural Gas station shall be four per cent of the gas consumption charges ¹⁸³⁶[for filers and six per cent for non-filers].]

¹⁸³⁷[***]

PART IV (See Chapter XII) DEDUCTION OR COLLECTION OF ADVANCE TAX

¹⁸³⁸[***]

¹⁸³⁹[DIVISION II

Earlier, the Division VI was substituted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of substitution Division VI was as under:-

"Division VI Prizes and Winnings

The rate of tax to be deducted under section 156 shall be 10% of the gross amount paid."

- 1828 Substituted for the figure "10" vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013
1829 Inserted vide the Finance Act, 2016 (XXIX of 2016)
1830 Substituted for the figure "20" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017
1831 Division VIA was added vide the Finance Act, 2004 Division VIA added vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004).
1832 Substituted vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014).
1833 Inserted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015).
1834 Substituted for the figure "15" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017
1835 Division VIB was added vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
1836 Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017
1837 Division VII omitted by the Finance Ordinance, 2002 (XXVII of 2002, promulgated on: 15th' June, 2002). At the time of omission Division VII was as under--

"DIVISION VII PETROLEUM PRODUCTS

The rate of tax to be deducted under section 157 shall be 10% of the commission or discount."

- 1838 Omitted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission Division I was as under:--

"DIVISION I TRANSFER OF FUNDS

Rate of tax for the purpose of collection of tax under section 232 is 0.30 percent of the amount."

- 1839 Substituted for Division II vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution Division II was as under:--

i[Division II

Brokerage and Commission

The rate of collection under sub-section (1) of section 233 shall be,—

- (i) in case of filers, —
(a) 10% of the amount of the payment, in case of advertising agents; and
(b) 12% of the amount of payment in all other cases; and
(ii) in case of non-filers, 15% of the amount of payment.:]
i. Substituted for Division II vide the Finance Act, 2015. At the time of substitution Division II was as

BROKERAGE AND COMMISSION

S. No.	Person	Rate applicable on the amount of payment.	
		Filer	Non-Filer
(1)	(2)	(3)	(4)
1.	Advertising Agents	10%	15%
2.	Life Insurance Agents where commission received is less than Rs.0.5 million per annum	8%	16%
3.	Persons not covered in 1 and 2 above	12%	15%]

1840 [DIVISION IIA

under:--

i/[DIVISION II

BROKERAGE AND COMMISSION

The rate of collection under sub-section (1) of section 233 shall be:-

- (a) 7.5% of the amount of the payment, in case of advertising agents;
(b) 12% of the amount of payment in all other cases.]

i. Division II was substituted vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014). At the time of substitution Division II was as under:-

ii/[DIVISION-II

BROKERAGE AND COMMISSION

The rate of collection under sub-section (1) of section 233 shall be 10% of the amount of the payment]

ii. Division II was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution Division II was as under:-

iii/[DIVISION II

BROKERAGE AND COMMISSION

The rate of collection under sub-section (1) of section 233 shall be,-

a	in the case of indenting commission agents, advertising agents and yam dealers.	5% of the amount of the payment.
b	in the case of others.	10%.]

iii. Division II was substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution Division II was as under:--

iv/[DIVISION II

BROKERAGE AND COMMISSION

- (a) The rate of collection of tax under sub-section (1) of section 233 in respect of indenting commission agents, advertising agents and yam dealers shall be 5% of the amount of payment.
(b) The rate of collection of tax under sub-section (1) of section 233 in respect of other commission income other than (a) above, shall be 10% of the amount of payment.
(c) The rate of collection of tax under sub-section (3) of section 233 shall be 10% of the amount of payment.]

iv. Division II was substituted vide the Finance Act, 2004 (II of 2004 assented on 29th June, 2004).

“DIVISION II

BROKERAGE AND COMMISSION

The rate of collection of tax under section 233 is 5% of the amount of payment. ”

1840 Division IIA was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution Division IIA was as under:--

i/[Division IIA

Rates for Collection of Tax by a Stock Exchange Registered in Pakistan

(i)	in case of purchase of shares as per clause (a) of sub-section (1) of section 233A.	ii [0.01%] Purchase value
(ii)	in case of sale of shares as per clause (b) of sub-section (1) of section of 233A.	iii [0.01%] sale value
iv /	***]
v /	***]

- i. Division IIA was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004),
ii. Substituted for the figure “0.005” vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
iii. Substituted for the figure “0.005” vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
iv. Clause (iii) omitted by the Finance (Amendment) Ordinance, 2012 (III of 2012 promulgated on 24th April, 2012). Before omission earlier Clause (iii) was amended vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
v. The entries relating thereto in the second and third columns were omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission entries were as under:-

RATES FOR COLLECTION OF TAX BY A STOCK EXCHANGE REGISTERED IN PAKISTAN

S. No.	Description	Rate
(1)	(2)	(3)
1.	in case of purchase of shares as per clause (a) of sub-section (1) of section 233A.	0.02% of purchase value
2.	in case of sale of shares as per clause (b) of subsection (1) of section 233A.	0.02% of sale value]

¹⁸⁴¹[Division IIB

Rates for collection of tax by NCCPL

The rate of deduction under section 233AA shall be 10% of profit or mark-up or interest earned by the member, margin financier or securities lender.]

Division III

¹⁸⁴²[Tax on Motor Vehicles]

Rates of collection of tax under section 234,-

¹⁸⁴³[(1) In case of goods transport vehicles, tax of two rupees and fifty paise per kilogram of the laden weight shall be charged for filer and four rupees per kilogram of the laden weight for non-filer.]

¹⁸⁴⁴[(1A) In the case of goods transport vehicles with laden weight of 8120 kilograms or more, advance tax after a period of ten years from the date of first registration of vehicle in Pakistan shall be collected at the rate of twelve hundred rupees per annum;]

(2) In the case of passenger transport vehicles plying for hire with registered seating capacity of—

¹⁸⁴⁵ S.No	Capacity	Rs. per seat per annum	
		Filer	Non-Filer
(i)	Four or more persons but less than ten	50	100

“i. in case of financing of carry over trades as per clause (d) of sub-section (1) of section 233A. 10% of the carry over charge”

¹⁸⁴¹ Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

¹⁸⁴² Substituted for the heading “Transport Business” vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹⁸⁴³ Paragraph (1) was substituted vide Finance Act, 2015. At the time of substitution paragraph (1) was as under:-
i(1) in case of goods transport vehicles, tax of ii[Five rupees] per kilogram of the laden weight shall be charged

i Substituted vide Finance Act, 2010 (XVI of 2010).

ii. Substituted for the word “one rupee” vide the Finance Act, 2012 (XVII of 2012 assented on 26th June, 2012)

At the time of above substitution Clause (1) was as under:-

(a)	Less than 2030 kilograms	Rs. 1,200
(b)	2030 kilograms or more but less than 8120 kilograms	Rs. 7,200
(c)	8120 kilograms or more but less than 15000 kilograms.	Rs.12,000
(d)	15000 kilograms a[or more] but less than 30,000 kilograms.	Rs.18,000
(e)	30,000 kilograms b[or] more but less than 45,000 kilograms.	Rs.24,000
(f)	45,000 kilograms or more but less than 60,000 kilograms.	Rs.30,000
(g)	60,000 kilograms or more.	Rs.36,000

a. The words were inserted vide the Finance Ordinance, 2002 (XXVTI of 2002 promulgated on 15th June, 2002)

b. The words were inserted vide the Finance Ordinance, 2002 (XXVTI of 2002 promulgated on 15th June, 2002)

¹⁸⁴⁴ Paragraph (1A) was inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

¹⁸⁴⁵ Table was substituted vide Finance Act, 2015. At the time of substitution Table was as under:-

(a)	Four or more persons but less than ten persons.	Rs. 25 i[per seat per annum]
(b)	Ten or more persons but less than twenty persons.	Rs. 60 ii[per seat per annum]
(c)	Twenty persons or more.	Rs. iii[500] iv[per seat per annum]

	persons.		
(ii)	Ten or more persons but less than twenty persons.	100	200
(iii)	Twenty persons or more.	300	500; and]

¹⁸⁴⁶[(3) in case of other private motor ¹⁸⁴⁷[vehicles] shall be as following,-

¹⁸⁴⁸ [S. No	Engine capacity	for filers	for non-filer
(1)	(2)	(3)	(4)
1	up to 1000cc 1001cc to	Rs. 800	Rs. 1,200
2	1199cc 1200cc to	Rs. 1,500	Rs. 4,000
3	1299cc 1300cc to	Rs. 1,750	Rs. 5,000
4	1499cc 1500cc to	Rs. 2,500	Rs. 7,500
5	1599cc 1600cc to	Rs. 3,750	Rs. 12,000
6	1999cc 2000cc &	Rs. 4,500	Rs. 15,000
7	above	Rs.10,000	Rs. 30,000”];

¹⁸⁴⁹[(4) where the motor vehicle tax is collected in lump sum,-

- The words added by the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier this amendment was made by SRO 586(I)/2002 dated 28th August, 2002 which was rescinded vide SRO 608(I)/2003 dated 24th June, 2003 effective from 1st July, 2003.
- The words added by the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier this amendment was made by SRO 586(I)/2002 dated 28th August, 2002 which was rescinded vide SRO 608(I)/2003 dated 24th June, 2003 effective from 1st July, 2003.
- Substituted from the figure “100” vide the Finance Act, 2012 (XVII of 2012 assented on 26th June, 2012).
- The words added by the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). Earlier this amendment was made by SRO 586(I)/2002 dated 28th August, 2002 which was rescinded vide SRO 608(I)/2003 dated 24th June, 2003 effective from 1st July, 2003.

¹⁸⁴⁶ Clause (3) was substituted vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014). At the time of substitution clause (3) was as under:--

i[(3) Other private motor cars with engine capacity of--

(a)	up to 1000cc	Rs. 750
(b)	1001cc to 1199cc	Rs. 1250
(c)	1200cc to 1299cc	Rs. 1750
(d)	1300cc to 1599cc	Rs. 3000
(e)	1600cc to 1999cc	Rs. 4000
(f)	2000cc and above	Rs. 8000]

i. Clause (3) substituted by the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of substitution clause (3) was as under:--

“3. Other private motor cars with engine capacity of-

(a)	1000cc to 1199 cc.	RS.500.
(b)	1200cc to 1299cc.	RS.750.
(c)	1300cc to 1599cc.	Rs. 1,500.
if (ca)	1600cc to 1999cc.	Rs.2000.]
(d)	2000cc and above.	Rs.3,000.”

i. Sub-paragraph (ca) inserted vide the Finance Ordinance, 2002 (XXVII of 2002 Promulgated on 15th June, 2002)

¹⁸⁴⁷ Substituted for the word “cars” vide Finance Act, 2015

¹⁸⁴⁸ Table was substituted vide Finance Act, 2015. At the time of substitution Table was as under:-

S No.	Engine capacity	for filers	for non-filer
(1)	(2)	(3)	(4)
1.	upto 1000cc	Rs. 1,000	Rs.1,000
2.	1001cc to 1199cc	Rs. 1,800	Rs. 3,600
3.	1200cc to 1299cc	Rs. 2,000	Rs.4,000
4.	1300cc to 1499cc	Rs. 3,000	Rs.6000
5.	1500cc to 1599cc	Rs 4,500	Rs 9,000
6.	1500cc to 1999cc	Rs. 6000	Rs.12,000
7.	2000cc & above	Rs. 12,000	Rs.24,000

¹⁸⁴⁹ Substituted for clause (4) vide the Finance Act, 2014. At the time of substitution clause (4) was as under:--

i[(4) where the motor vehicle tax is collected in lump sum,-

(a)	Upto 1000cc	Rs. 7,500
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S. No.	Engine capacity	For filers	For non-filer
(1)	(2)	(3)	(4)
1.	Upto 1000cc	Rs. 10,000	Rs. 10,000
2.	1001cc to 1199cc	Rs. 18,000	Rs. 36,600
3.	1200cc to 1299cc	Rs. 20,000	Rs. 40,000
4.	1300cc to 1499cc	Rs. 30,000	Rs. 60,000
5.	1500cc to 1599cc	Rs. 45,000	Rs. 90,000
6.	1600cc to 1699cc	Rs. 60,000	Rs. 120,000
7.	2000cc & above	Rs. 120,000	Rs. 240,000

Division IV Electricity Consumption

Rate of collection of tax under section 235 ¹⁸⁵⁰[where the ¹⁸⁵¹[gross] amount of electricity bill,]-

¹⁸⁵² [(a)]	does not exceed Rs. 400	Rs. ¹⁸⁵³ ["0"]
(b)	exceeds Rs. 400 but does not exceed Rs. 600	Rs. 80
(c)	exceeds Rs. 600 but does not exceed Rs. 800	Rs. 100
(d)	exceeds Rs. 800 but does not exceed Rs. 1000	Rs. 160
(e)	exceeds Rs. 1000 but does not exceed Rs. 1500	Rs. 300
(f)	exceeds Rs. 1500 but does not exceed Rs. 3000	Rs. 350
(g)	exceeds Rs. 3000 but does not exceed Rs. 4500	Rs. 450
(h)	exceeds Rs. 4500 but does not exceed Rs. 6000	Rs. 500
(i)	exceeds Rs. 6000 but does not exceed Rs. 10000	Rs. 650
(j)	exceeds Rs. 10000 but does not exceed Rs. 15000	Rs. 1000
(k)	exceeds Rs. 15000 but does not exceed Rs. 20000	Rs. 1500
(l)	exceeds Rs. 20000.	¹⁸⁵⁴ [(i) at the rate of 10 per cent for commercial consumers ;] (ii) at the rate of 5 percent for industrial consumers]

DIVISION V TELEPHONE USERS

Rates of collection of tax under section 236,-

	(b)	1001cc to 1199cc	Rs. 12,500
	(c)	1200cc to 1299cc	Rs. 17,500
	(d)	1300cc to 1599cc	Rs. 30,000
	(e)	1600cc to 1999cc	Rs. 40,000
	(f)	2000cc and above	Rs. 80,000]
i.	Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013		
1850	The words were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)		
1851	Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017		
1852	Clauses (a) to (l) substituted vide the Finance Act, 2003 (I of 2003 assented June, 2003). At the time of substitution clauses (a) to (l) were as under:--		
	"(a)	does not exceed Rs. 400	Rs. 60
	(b)	exceeds Rs. 400 but does not exceed Rs. 600	Rs. 80
	(c)	exceeds Rs. 600 but does not exceed Rs. 800	Rs. 100
	(d)	exceeds Rs. 800 but does not exceed Rs. 1000	Rs. 160
	(e)	exceeds Rs. 1000 but does not exceed Rs. 1500	Rs. 300
	(f)	exceeds Rs. 1500 but does not exceed Rs. 3000	Rs. 450
	(g)	exceeds Rs. 3000 but does not exceed Rs. 4500	Rs. 600
	(h)	exceeds Rs. 4500 but does not exceed Rs. 6000	Rs. 750
	(l)	exceeds Rs. 6000	Rs. 1000"
1853	Substituted for the figure "60" vide the Finance Act, 2010 (XVI of 2010)		
1854	Substituted for the words and figure i[at the rate of 10 per cent]" vide the Finance Act, 2010 (XVI of 2010)		
i.	Substituted for the word and figure "Rs.2000" vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)		

¹⁸⁵⁵ [(a)]	in the case of a telephone subscriber (other than mobile phone subscriber) where the amount of monthly bill exceeds Rs.1000.	10 % of the exceeding amount of bill]
(b)	in the case of subscriber of mobile telephone and pre-paid telephone card	¹⁸⁵⁶ [12.5] % of the amount of bill or sales price of pre-paid telephone card or sale of units through electronic medium or whatever form
¹⁸⁵⁷ [(b)]	in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card	14% of the amount of bill or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form;]

¹⁸⁵⁸**[DIVISION-VI
CASH WITHDRAWAL FROM A BANK**

The Rate of tax to be deducted under section 231A shall be ¹⁸⁵⁹[0.3] % of the cash amount withdrawn ¹⁸⁶⁰[for filers and ¹⁸⁶¹[0.6]% of the cash amount withdrawn, for non-filers].]

¹⁸⁶²**[Division VIA
Advance tax on Transactions in Bank**

The rate of tax to be deducted under section 231AA shall be at the rate of 0.3% of

¹⁸⁵⁵ Paragraph (a) was substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of substitution Paragraph (a) was as under:--

“(a) In the case of telephone subscriber i[(other than mobile telephone subscriber)] where the monthly bill-		
(a)	exceeds Rs. 1000 but does not exceed Rs. 2000.	Rs. 50
(b)	exceeds Rs. 2000 but does not exceed Rs.3000.	Rs. 100
(c)	exceeds Rs. 3000 but does not exceed Rs 5000.	Rs.200
(d)	exceeds Rs. 5000.	Rs. 300

i. The brackets and words were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

¹⁸⁵⁶ Substituted for “14” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁸⁵⁷ Clause (b) was Substituted vide Finance Act, 2015. At the time of substitution clause (b) was as under:-

i(b)	in the case of subscriber of mobile telephone and pre-paid telephone card	ii[14 % of the amount of bill or sales price of pre-paid telephone card iii[or sale of units through iv[any electronic medium or whatever form
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i Clause (b) was substituted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution clause (b) was as under:-

“(b) In the case of mobile telephone subscribers in the monthly bill or the issue or the sale price of the prepaid telephone card.-

(a)	Does not exceed Rs. 2000	Rs. 125
(b)	Exceeds Rs. 2000 but does not exceed Rs. 5000	Rs. 250
(c)	Exceeds Rs 5000	Rs. 400”

ii. Substituted for the figure “ a[15]” vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014.

a. Substituted for the figure “10” vide the Finance Act, 2013 (XXII of 2013 assented on 29th June, 2014.

iii. The words added vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009.

iv. Substituted for the letter “CD” by the Finance Act, 2010 (XVI of 2010).

¹⁸⁵⁸ Division VI added by the Finance Act, 2005 (VB of 2005 assented on 29th June, 2005)

¹⁸⁵⁹ For the figure “0.2”, the figure “0.3” was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. Earlier, for the figure “0.3”, the figure “0.2” was substituted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011) whereas for the figure “0.2”, the figure “0.3” was substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). In initial amendment, for the figure “0.1” the figure “0.2” was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

¹⁸⁶⁰ Inserted vide the Finance Act, 2014

¹⁸⁶¹ Substituted for the figure “0.5” vide Finance Act, 2015

¹⁸⁶² Division VIA was inserted vide the Finance Act, 2010 (XVI of 2010)

the transaction ¹⁸⁶³[for filers and 0.6% for non-filers]]

¹⁸⁶⁴[**DIVISION VII**

ADVANCE TAX ON PURCHASE, REGISTRATION AND TRANSFER OF MOTOR VEHICLES

(1) The rate of tax under sub-sections (1) and (3) of section 231B shall be as follows:—

S. No.	Engine capacity	For filers	Tax for nonfiler
(1)	(2)	(3)	(4)

¹⁸⁶³ Inserted vide Finance Act, 2015

¹⁸⁶⁴ Substituted for Division VII, vide the Finance Act, 2015. At the time of substitution Division VII was as under:--

i/[DIVISION VII

ADVANCE TAX ON PURCHASE OF PRIVATE MOTOR CAR AND JEEP

The rate of tax under sub-sections (1), (2) and (3) of section 231B shall be as follows—

S. No.	Engine capacity	For filers	For non-filer
(1)	(2)	(3)	(4)
1.	Upto 850cc	Rs. 10,000	Rs. 10,000
2.	851cc to 1000cc	Rs. 20,000	Rs. 25,000
3.	1001cc to 1300cc	Rs. 30,000	Rs. 40,000
4.	1301cc to 1600cc	Rs. 50,000	Rs. 100,000
5.	1601cc to 1800cc	Rs. 75,000	Rs. 150,000
6.	1801cc to 2000cc	Rs. 100,000	Rs. 200,000
7.	2001cc to 2500cc	Rs. 150,000	Rs. 300,000
8.	2501cc to 3000cc	Rs. 200,000	Rs. 400,000
9.	Above 3000cc	Rs. 250,000	Rs. 450,000

Provided that the rate of tax to be collected under sub-section (2) of section 231B, shall be reduced by 10% each year from the date of first registration in Pakistan.]

i. Division VII was substituted vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014). At the time of substitution Division VII was as under:—

ii/[DIVISION VII

PURCHASE OF MOTOR CARS AND JEEPS

The rate of payment of tax under section 231B shall be as follows—

Engine capacity	Amount of Tax
Upto 850cc	Rs. 10,000
851cc to 1000cc	Rs. 20,000
1001cc to 1300cc	Rs. 30,000
1301cc to 1600cc	Rs. 50,000
1601cc to 1800cc	Rs. 75,000
1801cc to 2000cc	Rs. 100,000
Above 2000cc	Rs. 150,000

ii. Division VII was substituted vide the Finance Act, 2013 (XXII of 2013 assented on 29th June, 2013). At the time of substitution Division VII was as under:—

iii/[DIVISION VII

PURCHASE OF MOTOR CARS AND JEEPS

The rate of payment of tax under section 231B shall be as follows—

Engine capacity	Amount of Tax
Upto 850cc	Rs. 7,500
851cc to 1000cc	Rs. 10,500
1001cc to 1300cc	Rs. 16,875
1301cc to 1600cc	Rs. iv[25,000]
1601cc to 1800cc	Rs. 22,500
1801cc to 2000cc	Rs. 16,875
Above 2000cc	Rs. 50,000]

iii. Division VII was substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008).

iv. Substituted for the figure “16,875” vide the Finance Act, 2012 (XVII of 2012 assented on 26th June, 2912)

v/[DIVISION VIII

PURCHASE OF MOTOR CARS AND JEEPS

The rate of tax to be collected under section 231B shall be shall be 5 per cent of the gross amount payable for the purchase of motor vehicle.]

v. Division VIII vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). It seems that Division VIII would be Division VII. However, in section 231B Division VIII is referred.

1	up to 850cc	Rs. ¹⁸⁶⁵ [7,500]	Rs. 10,000
2	851cc to 1000cc	Rs. ¹⁸⁶⁶ [15,000]	Rs. 25,000
3	1001cc to 1300cc	Rs. ¹⁸⁶⁷ [25,000]	Rs. 40,000
4	1301cc to 1600cc	Rs. 50,000	Rs. 100,000
5	1601cc to 1800cc	Rs. 75,000	Rs. 150,000
6	1801cc to 2000cc	Rs. 100,000	Rs. 200,000
7	2001cc to 2500cc	Rs. 150,000	Rs. 300,000
8	2501cc to 3000cc	Rs. 200,000	Rs. 400,000
9	Above 3000cc	Rs. 250,000	Rs. 450,000”

(2) The rate of tax under sub-section (2) of section 231B shall be as follows:—

S. No.	Engine capacity	For filers	Tax for nonfiler
(1)	(2)	(3)	(4)
1	up to 850cc	--	5000
2	851cc to 1000cc	5,000	15,000
3	1001cc to 1300cc	7,500	25,000
4	1301cc to 1600cc	12,500	65,000
5	1601cc to 1800cc	18,750	100,000
6	1801cc to 2000cc	25,000	135,000
7	2001cc to 2500cc	37,500	200,000
8	2501cc to 3000cc	50,000	270,000
9	Above 3000cc	62,500	300,000

Provided that the rate of tax to be collected shall be reduced by 10% each year from the date of first registration in Pakistan.]

¹⁸⁶⁸[DIVISION VIII

ADVANCE TAX AT THE TIME OF SALE BY AUCTION

The rate of collection of tax under section 236A shall be ¹⁸⁶⁹[10] % of the gross sale price of any property or goods sold by auction ¹⁸⁷⁰[for filers and 15% of the gross sale price of any property or goods sold by auction for non-filers].]

¹⁸⁷¹[DIVISION IX

ADVANCE TAX ON PURCHASE OF AIR TICKET

The rate of tax to be deducted under section 236B shall be 5% of the gross amount of air ticket.]

¹⁸⁷²[DIVISION X

ADVANCE TAX ON SALE OR TRANSFER OF IMMOVEABLE PROPERTY

The rate of tax to be collected under section 236C shall be ¹⁸⁷³[1%] of the gross amount of the consideration received ¹⁸⁷⁴[for filers and ¹⁸⁷⁵[2%] of the gross amount of the consideration received for non-filers].]

¹⁸⁷⁶[DIVISION XI

ADVANCE TAX ON FUNCTIONS AND GATHERINGS

¹⁸⁶⁵ Substituted for “10,000” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁸⁶⁶ Substituted for “20,000” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁸⁶⁷ Substituted for “30,000” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁸⁶⁸ Division VIII was inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

¹⁸⁶⁹ For the figure “5”, the figure “10” was substituted vide the Finance Act, 2013 (Act No. XXII of 2013 assented on 29th June, 2013).

¹⁸⁷⁰ Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁸⁷¹ Division IX was added vide the Finance Act, 2010 (XVI of 2010)

¹⁸⁷² Division X was added vide the Finance Act, 2010 (XVI of 2010)

¹⁸⁷³ Substituted for the figure “0.5%” vide the Finance Act, 2016 (XXIX of 2016)

¹⁸⁷⁴ Added vide the Finance Act, 2014

¹⁸⁷⁵ Substituted for the figure “1%” vide the Finance Act, 2016 (XXIX of 2016)

¹⁸⁷⁶ Added vide the Finance Act, 2013 (Act No. XXII of 2013 assented on 29th June, 2013).

The rate of tax to be collected under each sub-sections (1) and (2) of section 236D shall be ¹⁸⁷⁷[5] % ¹⁸⁷⁸[.:]

¹⁸⁷⁹[Provided that the rate for the function of marriage in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose shall be as set out in the Table below:—

Table

S. No.	Rate of tax	
(1)	(2)	(3)
1.	5% of the bill ad valorem or Rs. 20,000 per function, whichever is higher	For Islamabad, Lahore, Multan, Faisalabad, Rawalpindi, Gujranwala, Bahawalpur, Sargodha, Sahiwal, Shekhupura, Dera Ghazi Khan, Karachi, Hyderabad, Sukkur, Thatta, Larkana, Mirpur Khas, Nawabshah, Peshawar, Mardan, Abbottabad, Kohat, Dera Ismail Khan, Quetta, Sibi, Loralai, Khuzdar, Dera Murad Jamali and Turbat.
2.	5% of the bill ad valorem or Rs. 10,000 per function, whichever is higher	For cities other than those mentioned above]

¹⁸⁸⁰[***]

¹⁸⁸¹[DIVISION XIII

- (1) The rate of tax to be collected under section 236F in the case of Cable Television Operator shall be as follows:-

<i>License Category as provided in PEMRA Rules 2009</i>	<i>Tax on License Fee</i>	<i>Tax on Renewal</i>
<i>H</i>	<i>Rs. 7,500</i>	<i>Rs. 10,000</i>
<i>H-1</i>	<i>Rs. 10,000</i>	<i>Rs. 15,000</i>
<i>H-II</i>	<i>Rs. 25,000</i>	<i>Rs. 30,000</i>
<i>R</i>	<i>Rs. 5,000</i>	<i>Rs. ¹⁸⁸²[12,000]</i>
<i>B</i>	<i>Rs. 5,000</i>	<i>Rs. 40,000</i>
<i>B-1</i>	<i>Rs. 30,000</i>	<i>Rs. ¹⁸⁸³[35,000]</i>
<i>B-2</i>	<i>Rs. 40,000</i>	<i>Rs. ¹⁸⁸⁴[45,000]</i>
<i>B-3</i>	<i>Rs. 50,000</i>	<i>Rs. 75,000</i>
<i>B-4</i>	<i>Rs. 75,000</i>	<i>Rs. 100,000</i>
<i>B-5</i>	<i>Rs. 87,500</i>	<i>Rs. 150,000</i>
<i>B-6</i>	<i>Rs. 175,000</i>	<i>Rs. 200,000</i>
<i>B-7</i>	<i>Rs. 262,500</i>	<i>Rs. 300,000</i>
<i>B-8</i>	<i>Rs. 437,500</i>	<i>Rs. 500,000</i>
<i>B-9</i>	<i>Rs. 700,000</i>	<i>Rs. 800,000</i>

¹⁸⁷⁷ Substituted for the figure "10" vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014)

¹⁸⁷⁸ Substituted for the full stop vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

¹⁸⁷⁹ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

¹⁸⁸⁰ DIVISION XII was omitted vide the Finance Act, 2016 (XXIX of 2016). At the time of omission DIVISION XII was as under:--

i [DIVISION XII

ADVANCE TAX ON FOREIGN-PRODUCED FILMS AND TV PLAYS

Rate of collection of tax under section 236E shall be as follows: -

(a)	Foreign-produced TV drama serial	Rs. 100,000/- per episode
(b)	Foreign-produced TV play (single episode)	Rs. 100,000

i. Added vide the Finance Act, 2013 (Act No. XXII of 2013 assented on 29th June, 2013).

¹⁸⁸¹ Added vide the Finance Act, 2013 (XXII of 2013 assented on 29th June, 2013).

¹⁸⁸² Substituted for the figure "30,000" vide the Finance Act, 2016 (XXIX of 2016)

¹⁸⁸³ Substituted for the figure "50,000" vide the Finance Act, 2016 (XXIX of 2016)

¹⁸⁸⁴ Substituted for the figure "60,000" vide the Finance Act, 2016 (XXIX of 2016)

<i>B-10</i>	<i>Rs.875,500</i>	<i>Rs.900,000</i>
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- (2) The rate of tax to be collected by Pakistan Electronic Media Regulatory Authority under section 236F in the case of IPTV, FM Radio, MMDS, Mobile TV, Mobile Audio, Satellite TV Channel and Landing Rights, shall be 20 percent of the permission fee or renewal fee, as the case may be.

- ¹⁸⁸⁵[(3) In addition to tax collected under paragraph (2) Pakistan Electronic Media Regulatory Authority shall collect tax at the rate of fifty per cent of the permission fee or renewal fee, as the case may be, from every TV Channel on which foreign TV drama serial or a play in any language, other than English, is screened or viewed.]

¹⁸⁸⁶**[DIVISION XIV**

ADVANCE TAX ON SALE TO DISTRIBUTORS, DEALERS OR WHOLESALERS

The rate of collection of tax under section 236G shall be as follows:-

Category of Sale	Rate of Tax	
	Filer	Non-Filer
Fertilizers	¹⁸⁸⁷ [0.7%]	¹⁸⁸⁸ [0.7%]
Other than fertilizers	0.1%	0.2%

¹⁸⁸⁹**[DIVISION XV**

ADVANCE TAX ON SALE TO RETAILERS

The rate of collection of tax under section 236H on the gross amount of sales shall be as follows:—

Category of sale	Rate of tax	
	Filer	Non-Filer
(1)	(2)	(3)
Electronics	1%	1%
Others	0.5%	

¹⁸⁹⁰**[Division XVA**

Advance tax on sale of certain petroleum products

The rate of collection of tax under section 236HA shall be 0.5% of ex-depot sale price for filers and 1% for non-filers.]

¹⁸⁹¹**[DIVISION XVI**

COLLECTION OF ADVANCE TAX BY EDUCATIONAL INSTITUTIONS

¹⁸⁸⁵ *Inserted vide the Finance Act, 2016 (XXIX of 2016)*

¹⁸⁸⁶ *Substituted for Division XIV, vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014). At the time of substitution of Division XIV was as under:--*

"DIVISION XIV

ADVANCE TAX ON SALE TO DISTRIBUTORS, DEALERS OR WHOLESALERS

The rate of collection of tax under section 236G shall be as follows:-

Category of Sale	Rate of Tax	
	Filer	Non-Filer
Fertilizers	0.2%	0.4%
Other than fertilizers	0.1%	0.2%

¹⁸⁸⁷ *Substituted for the figure "0.2" vide Finance Act, 2015*

¹⁸⁸⁸ *Substituted for the figure "0.4" vide Finance Act, 2015*

¹⁸⁸⁹ *Substituted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of substitution of Division XIV was as under:--*

"DIVISION XV

ADVANCE TAX ON SALE TO RETAILERS

The rate of collection of tax under section 236H shall be 0.5% of the gross amount of sales."

¹⁸⁹⁰ *Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018*

¹⁸⁹¹ *Added vide the Finance Act, 2013 (Act No. XXII of 2013 assented on 29th June, 2013)*

The rate of collection of tax under section 236I shall be 5% of the amount of fee.

¹⁸⁹²[**DIVISION XVII**

ADVANCE TAX ON DEALERS, COMMISSION AGENTS AND ARHATIS, ETC.

The rate of collection of tax under section 236J shall be as follows:-

Group	Amount of tax (per annum)
Group or Class A:	Rs. 10,000
Group or Class B:	Rs. 7,500
Group or Class C:	Rs. 5,000
Any other category:	Rs. 5,000.]

¹⁸⁹³[**DIVISION XVIII**

Advance tax on purchase of immovable property

The rate of tax to be collected under section 236K shall be:-

S. No	Period	Rate of Tax
(1)	(2)	(3)
1.	Where value of Immovable property is up to ¹⁸⁹⁴ [4 million].	0%
2.	Where the value of Immovable property is more than ¹⁸⁹⁵ [4 million]	Filer ¹⁸⁹⁶ [2]% Non-Filer ¹⁸⁹⁷ [4]%

Provided that the rate of tax for Non-Filer shall be 1% upto the date appointed by the Board through notification in official gazette.

¹⁸⁹⁸[**DIVISION XIX**

Advance tax on domestic electricity consumption

The rate of tax to be collected under section 235A shall be-

- (i) 7.5% if the amount of monthly bill is Rs. ¹⁸⁹⁹[75,000] or more; and
- (ii) 0% the amount of monthly bill is less than Rs. ¹⁹⁰⁰[75,000].

¹⁹⁰¹[**DIVISION XX**

ADVANCE TAX ON INTERNATIONAL AIR TICKET

The rate of tax to be collected under section 236L shall be:-

¹⁹⁰² [S. No.	Type of Ticket	Rate
(1)	(2)	(3)
1	First/Executive Class	Rs.16,000 per person
2	Others excluding Economy	Rs.12,000 per person

¹⁸⁹² Added vide the Finance Act, 2013 (Act No. XXII of 2013 assented on 29th June, 2013).

¹⁸⁹³ Added vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014)

¹⁸⁹⁴ Substituted for the figure and word "3 million" vide Income Tax (Amendment) Act, 2016 dated passed by NA on 30th November, 2016

¹⁸⁹⁵ Substituted for the figure and word "3 million" vide Income Tax (Amendment) Act, 2016 dated passed by NA on 30th November, 2016

¹⁸⁹⁶ Substituted for the figure "1" vide the Finance Act, 2016 (XXIX of 2016)

¹⁸⁹⁷ Substituted for the figure "2" vide the Finance Act, 2016 (XXIX of 2016)

¹⁸⁹⁸ Added vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014)

¹⁸⁹⁹ Substituted for the figure "100,000" vide Finance Act, 2015

¹⁹⁰⁰ Substituted for the figure "100,000" vide the Finance Act, 2016 (XXIX of 2016)

¹⁹⁰¹ Added vide the Finance Act, 2014 (IX of 2014 assented on 25th June, 2014)

¹⁹⁰² Table was Substituted vide Finance Act, 2015. At the time of substitution Table was as under:-

S. No.	Type of Ticket	Rate
(1)	(2)	(3)
1.	Economy	0%
2.	Other than economy	4%]

3	Economy	0”;
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¹⁹⁰³[**DIVISION XXI**

ADVANCE TAX ON BANKING TRANSACTIONS OTHERWISE THAN THROUGH CASH

The rate of tax to be collected under section 236P shall be ¹⁹⁰⁴[0.4%] of the transaction for non-filers [;]

¹⁹⁰⁵[***]

¹⁹⁰⁶[***]

¹⁹⁰⁷[***]

¹⁹⁰⁸[**DIVISION XXIII**

PAYMENT TO A RESIDENT PERSON FOR RIGHT TO USE MACHINERY AND EQUIPMENT

Rate of collection of tax under section 236Q shall be 10 percent of the amount of payment.

¹⁹⁰⁹[**DIVISION XXIV**

COLLECTION OF ADVANCE TAX ON EDUCATION RELATED EXPENSES REMITTED ABROAD

Rate of collection of tax under section 236R shall be 5 percent of the amount of total education related expenses.]

¹⁹¹⁰[**DIVISION XXV**

¹⁹⁰³ Added vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015)

¹⁹⁰⁴ Substituted for '0.6' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

¹⁹⁰⁵ The proviso was omitted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. At the time of omission the proviso appeared as under:-

i[Provided that the rate specified in this Division ii[for the period it deems appropriate] shall be 0.3 per cent for the period commencing from the 11th day of July, 2015 and ending on the 30th day of September, 2015 (both days inclusive) or till the date as the iii[Board with the approval of the Federal Minister-in-charge] may, by notification in the official Gazette on recommendation of the Economic Coordination Committee of the Cabinet, extend iv[:]]

i. Proviso was added vide Income Tax (Amendment) Ordinance, 2015 (X of 2015 promulgated on 11th July, 2015)

ii Inserted vide the Finance Act, 2016 (XXIX of 2016)

iii Substituted for 'Federal Government' vide Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

iv Substituted for the full stop vide Finance (Amendment) Act, 2016 (I of 2016 assented on 29th January, 2016)

¹⁹⁰⁶ The proviso was omitted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

i[Provided that the ii[Board with the approval of the Federal Minister-in-charge] may, by notification in the official Gazette and on recommendation of the Economic Coordination Committee of the Cabinet, amend the rate specified in this Division iii[for the period it deems appropriate].]

i Added vide Finance (Amendment) Act, 2016 (I of 2016 assented on 29th January, 2016)

ii Substituted for 'Federal Government' vide Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

iii Inserted vide the Finance Act, 2016 (XXIX of 2016)

¹⁹⁰⁷ DIVISION XXII was omitted vide the Finance Act, 2016 (XXIX of 2016). At the time of omission DIVISION XXII was as under:-

i[DIVISION XXII

RATE OF COLLECTION OF TAX BY PAKISTAN MERCANTILE EXCHANGE LIMITED

The rate of tax to be collected under section 236T shall be as follows:-

In case of sale or purchase of future commodity contract as per clause (a) and (b) of sub-section (1) of section 236T shall be 0.05%.

i. Added vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015)

¹⁹⁰⁸ Added vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015)

¹⁹⁰⁹ Added vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015)

¹⁹¹⁰ Added vide the Finance Act, 2016 (XXIX of 2016)

ADVANCE TAX ON INSURANCE PREMIUM

The rate of tax to be collected from non-filers under section 236U shall be as under:-

S. No.	Type of Premium	Rate
(1)	(2)	(3)
1.	General insurance premium	4%
2.	Life insurance premium if ¹⁹¹¹ [exceeding Rs. 0.3 million in aggregate] per annum	1%
3.	Others	0%]

DIVISION XXVI

ADVANCE TAX ON EXTRACTION OF MINERALS

The rate of tax to be collected under section 236V shall be 5% of the value of the minerals for non-filers and 0% for filers.]

¹⁹¹²[Division XXVII

Advance tax on amount remitted abroad through credit, debit or prepaid cards

The rate of tax to be deducted under section 236Y shall be 1% of the gross amount remitted abroad for filers and 3% for non-filers.]

THE SECOND SCHEDULE EXEMPTIONS AND TAX CONCESSIONS [See section 53]

PART I EXEMPTIONS FROM TOTAL INCOME

Incomes, or classes of income, or persons or classes of persons, enumerated below, shall be exempt from tax, subject to the conditions and to the extent specified hereunder:

¹⁹¹³[***]

¹⁹¹⁴[***]

(3) Any income chargeable under the head “Salary” received by a person who, not being a citizen of Pakistan, is engaged as an expert or technical, professional, scientific advisor or consultant or senior management staff by institutions of the Agha Khan Development Network, (Pakistan) listed in Schedule I of the Accord and Protocol dated, November 13, 1994 executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network.

¹⁹¹⁵[(4) Any income chargeable under the head “Salary” received by-

¹⁹¹¹ Substituted for “exceeding Rs.0.2 million” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

¹⁹¹² Inserted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

¹⁹¹³ Clause (1) omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (1) was as under:--

“(1) Any income chargeable under the head “Salary” received by any person being an employee of the International Irrigation Management Institute (IIMI) in Pakistan, who is neither a citizen of Pakistan nor a resident individual in any of the four years immediately preceding the year in which he arrived in Pakistan.”

¹⁹¹⁴ Clause (2) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (2) was as under:--

(2) Any income chargeable under the head “Salary” received by, or due to, any person, not being a citizen of Pakistan or a resident individual, as remuneration for services rendered by him as a health professional under the contract of service concluded with Shaikat Khanum Memorial Hospital and Research Center, Lahore, and approved by the Federal Government for the purposes of this clause.”

¹⁹¹⁵ Clause (4) substituted by SRO 1119(I)/2006, dated 1st November, 2006. At the time of substitution clause (4) was as under:--

“(4) Any income chargeable under head “Salary” received by a Pakistani seafarer working on a foreign vessel i[or on Pakistan flag vessels for 183 days or more during a tax year] provided that such

- (a) a Pakistani seafarer, working on Pakistan flag vessels for one hundred and eighty three days or more during a tax year; or
- (b) a Pakistani seafarer working on a foreign vessel provided that such income is remitted to Pakistan, not later than two months of the relevant ¹⁹¹⁶[tax year], through normal banking channels.]

(5) Any allowance or perquisite paid or allowed as such outside Pakistan by the Government to a citizen of Pakistan for rendering service outside Pakistan.

¹⁹¹⁷[***]

¹⁹¹⁸ [***]

(8) Any pension received by a citizen of Pakistan from a former employer, other than where the person continues to work for the employer (or an associate of the employer).

Provided that where the person receives more than one such pension, the exemption applies only to the higher of the pensions received.

¹⁹¹⁹[(9) Any pension—

- (i) received in respect of services rendered by a member of the Armed Forces of Pakistan or Federal Government or a Provincial Government;
- (ii) granted under the relevant rules to the families and dependents of public servants or members of the Armed Forces of Pakistan who die during die service.]

¹⁹²⁰[***]

¹⁹²¹[***]

(12) Any payment in the nature of commutation of pension received from Government or under any pension scheme approved by the Central Board of Revenue for the purpose of this clause.

(13) Any income representing any payment received by way of gratuity or commutation of pension by an employee on his retirement or, in the event of his death, by his heirs as does not exceed—

- (i) in the case of an employee of the Government, a ¹⁹²²[Local Government], a

income is remitted to Pakistan, not later than two months of the relevant income year, through normal banking channels.”

“i. The words and figure were inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

¹⁹¹⁶ *Substituted for the words “income year” vide the Finance Act, 2014*

¹⁹¹⁷ *Clause (6) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (6) was as under:—*

“(6) Any income chargeable under the head “Salary” received by a person, not being a citizen of Pakistan, by virtue of his employment with the British Council”

¹⁹¹⁸ *Clause (7) omitted by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (7) was as under:—*

“(7) Any income chargeable under the head “Salary” paid by Government 10 Khasadars, levies and Badraggas employed in the tribal territory on the North West Frontier and of all persons employed in the tribal levy services in Baluchistan.”

¹⁹¹⁹ *Clause (9) substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution clause (9) was as under:—*

“(9) Any pension received in respect of any service rendered by a member of the Armed Forces of Pakistan or as an employee of the Federal Government or a Provincial Government.”

¹⁹²⁰ *Clause (10) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (10) was as under:—*

“(10) Any pension granted to any public servant to whom clause (14) does not apply in respect of injuries received in the performance of his duties.”

¹⁹²¹ *Clause (II) omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (II) was as under:—*

“(II) Any pension granted to any public servant to whom clause (15) does not apply who has been invalidated from service on account of any bodily disability.”

¹⁹²² *The words “local authority” were substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)*

statutory body or corporation established by any law for the time being in force, the amount receivable in accordance with the rules and conditions of the employee's services;

- (ii) any amount receivable from any gratuity fund approved by the Commissioner in accordance with the rules in Part III of the Sixth Schedule;
- (iii) in the case of any other employee, the amount not exceeding ¹⁹²³[three] hundred thousand rupees receivable under any scheme applicable to all employees of the employer and approved by the ¹⁹²⁴[Board] for the purposes of this sub-clause; and
- (iv) in the case of any employee to whom sub-clause (i), (ii) and (iii) do not apply, fifty per cent of the amount receivable or seventy-five thousand rupees, whichever is the less:

Provided that nothing in this sub-clause shall apply—

- (a) to any payment which is not received in Pakistan;
- (b) to any payment received from a company by a director of such company who is not a regular employee of such company;
- (c) to any payment received by an employee who is not a resident individual; and to any gratuity received by an employee who has already received any gratuity from the same or any other employer.

¹⁹²⁵[***]

¹⁹²⁶[***]

(16) Any income derived by the families and dependents of the “Shaheeds” belonging to Pakistan Armed Forces from the special family pension, dependents pension or children's allowance granted under the provisions of the Joint Services Instruction No. 5/66.

(17) Any income derived by the families and dependents of the “Shaheeds” belonging to the Civil Armed Forces of Pakistan to whom the provisions of the Joint Services Instruction No. 5/66 would have applied had they belonged to the Pakistan Armed Forces from any like payment made to them.

¹⁹²⁷[***]

(19) Any sum representing encashment of leave preparatory to retirement of a member of the Armed Forces of Pakistan or an employee of the Federal Government or a Provincial Government.

¹⁹²⁸[***]

¹⁹²⁹[***]

¹⁹²³ Substituted for the word “two” vide the Finance Act, 2016 (XXIX of 2016)

¹⁹²⁴ Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁹²⁵ Clause (14) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (14) was as under:--

“(14) Any pension granted to the personnel of Armed Forces of Pakistan (including personnel of the Territorial Force and the National Service of Pakistan) in respect of injuries received in the performance of their duties as such.”

¹⁹²⁶ Clause (15) omitted by the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (15) was as under:--

“(15) Any pension granted to the personnel of the Armed Forces of Pakistan (including personnel of the Territorial Force and the National Service of Pakistan) invalidated from service with such Forces on account of bodily disability attributable to, or aggravated by, such service”

¹⁹²⁷ Clause (18) omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (18) was as under:--

“(18) Any pensions granted under the relevant rules to the families and dependents of public servants or members of the Armed Forces of Pakistan who die during service.”

¹⁹²⁸ Clause (20) was omitted vide Finance Act, 2015. At the time of omission Clause (20) was as under:-

“(20) Any income received by a person from an annuity issued under the Pakistan Postal Annuity Certificate Scheme on or after the 27th July, 1977, not exceeding ten thousand rupees per annum.”

(22) Any payment from a provident fund to which the Provident Funds Act, 1925(XIX of 1925) applies.

(23) The accumulated balance due and becoming payable to an employee participating in a recognized provident fund.

¹⁹³⁰[(23A) the accumulated balance up to ¹⁹³¹[50]% received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 at the time of eligible person's-

- (a) retirement; or
- (b) disability rendering him unable to work; or
- (c) death by his nominated survivors.]

¹⁹³²[(23B) The amounts received as monthly installment from an income payment plan invested out of the accumulated balance of an individual pension accounts with a pension fund manager or an approved annuity plan or another individual pension account of eligible person or the survivors pension account maintained with any other pension fund manager as specified in the Voluntary Pension System Rules 2005 shall be exempt from tax provided accumulated balance is invested for a period of ten years:

Provided that where any amount is exempted under this clause and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner that any of the conditions specified in this clause were not fulfilled, the exemption originally allowed shall be deemed to have been wrongly allowed and the Commissioner may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant years and the provisions of this Ordinance shall, so far as may be, apply accordingly.

(23C) Any withdrawal of accumulated balance from approved pension fund that represent the transfer of balance of approved provident fund to the said approved pension fund under the Voluntary Pension System Rules, 2005]

(24) Any benevolent grant paid from the Benevolent Fund to the employees or members of their families in accordance with the provisions of the Central Employee Benevolent Fund and Group Insurance Act, 1969.

(25) Any payment from an approved superannuation fund made on the death of a beneficiary or in lieu of or in commutation of any annuity, or by way of refund of contribution on the death of a beneficiary ¹⁹³³[.]

¹⁹³⁴[***]

1929 Clause (21) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2001). At the time of omission clause (21) was as under:--

“(21) Any income received by a person from an annuity or annuities issued i[up to 30th June, 2005] by the State Life Insurance Corporation of Pakistan or a life insurance company registered under section 3 of the Insurance Ordinance, 2000 (XXXIX of 2000).”

Provided that this clause shall not apply to so much of the income received by a person from an annuity or annuities which, together with the income from any annuity or annuities referred to in clause (2) exceeds ten thousand rupees per annum.”

i. The words and figure were inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

1930 Clause (23A) was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

1931 The figure “25” was substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

1932 Clause (23B) & (23C) inserted vide the Finance Act, 2012

1933 Full stop was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

1934 Sub-clauses (I) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission sub-clauses(I) was as under:--

“(I) in the case of an employee of the Government or a i[Local Government] or a statutory body or corporation established by any law for the time being in force, the amount receivable in accordance with the rules and conditions of his service;”

i. Substituted for the words “local authority” vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

1935[***]

1936[***]

1937[***]

(26) Any income of a person representing the sums received by him as a worker from out of the Workers Participation Fund established under the Companies Profits (Workers Participation) Act, 1968 (XII of 1968).

1938[***]

1939[***]

1940[***]

1941[***]

1942[***]

1943[***]

1944[***]

1935 Sub-clauses (ii) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission sub-clauses (ii) was as under:--

“(ii) any amount receivable from any gratuity fund approved by the Commissioner in accordance with the rules contained in Part III of the Sixth Schedule;”

1936 Sub-clauses (iii) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission sub-clauses (iii) was as under:--

“(iii) in the case of any other employee, the amount not exceeding two hundred thousand rupees receivable under any scheme applicable to all employees of the employer and approved by the i[Board] for the purposes of this sub- clause; and”

i. Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

1937 Sub-clauses (iv) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission sub-clauses (iv) was as under:--

1938 Clause (27) was omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (27) was as under:-

“(27) Any income of an officer representing the sum received by him as Entertainment Allowance admissible to him under the Ministry of Finance and Provincial Coordination (Finance Division) Office Memorandum No. F. 2 (2)/ Imp-/77, dated the 29th April, 1977.”

1939 Clause (28) was omitted vide the Finance Ordinance, 2002 (XXVI of 2002 promulgated on 15th June, 2002). At the time of omission clause (28) was as under:--

“(28) Any income of an officer representing the sum received by him as Entertainment Allowance admissible to him under the Ministry of Finance (Finance Division) Office Memorandum No. F. 1(I)- Imp/83, dated the 18th August, 1983.”

1940 Clause (29) omitted by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (29) was as under:-

“(29) Any income of an officer of the Pakistan Armed Forces representing the sum received as Entertainment Allowance admissible to him under the Ministry of Defence Office Memorandum No. 716 (D)/ (B)/77, dated the 29th April, 1977.”

1941 Clause (30) omitted vide the Finance Ordinance, 2002 (XXVII of 2002), (Promulgated on 15th June, 2002). At the time of omission clause (30) was as under:-

“(30) Any income of an officer representing the sum received by him as Entertainment Allowance admissible to him under the Cabinet Secretariat (Establishment Division) Office Memorandum No. 18/2178-CV, dated the 13th July, 1978.”

1942 Clause (31) omitted by the Finance Ordinance, 2002 (XXVI of 2002 promulgated on 15th June, 2002). At the time of omission clause (31) was as under:-

“(31) Any income of an officer representing the sum received by him as Senior Post Allowance admissible to him under the Ministry of Finance, Planning and Development (Finance Division) Office Memorandum No. F. 1 (36) Gaz-IMP- I/73, dated the 18th August, 1973”

1943 Clause (32) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (32) was as under:--

“(32) Any income of an officer representing the sum received by him as Senior Post Allowance admissible to him under the Ministry of Finance and Provincial Coordination (Finance Division) Office Memorandum No. F. 1(I) Imp-/77, dated the 28th April, 1977.”

1944 Clause (33) omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (33) was as under:--

“(33) Any income of any officer representing the sum received by him as Orderly Allowance admissible to

1945[***]

1946[***]

1947[***]

1948[***]

1949[***]

(39) Any special allowance or benefit (not being entertainment or conveyance allowance) or other perquisite within the meaning of section 12 specially granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit.

¹⁹⁵⁰[(39A) Any amount paid as kit allowance, ration allowance, special messing allowance, SSG allowance, Northern Areas compensatory allowance, special pay for Northern Areas and height allowance to the Armed Forces personnel.]

(40) Any income of a newspaper employee representing Local Travelling Allowance paid in accordance with the decision of the Third Wage Board for Newspaper Employees constituted under the Newspaper Employees (Conditions of Service) Act, 1973, published in Part II of the Gazette of Pakistan, Extraordinary, dated the 28th June, 1980.

1951[***]

1952[***]

1953[***]

1954[***]

-
- him under the Finance Division O.M. No. F. 1 (3)- IMP-II/85, dated the 24th October, 1985."
- 1945 Clause (34) omitted by the Finance Act, 2003 (I of 2 (03), (Assented on 16th June, 2003). At the time of omission clause (34) was as under:--
“(34) Any income of an employee of a recognized University in Pakistan representing the sums received by him as i[***] “Orderly Allowance admissible under the terms and conditions of his service.”
i. The words and comma “Senior Post Allowance, Entertainment Allowance or” omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
- 1946 Clause 35 was omitted vide the Finance Act, 2014. At the time of omission clause 35 was as under:--
(35) Any income representing compensatory allowance payable to a citizen of Pakistan locally recruited in Pakistan Mission abroad as does not exceed 75 per cent of his gross salary.
- 1947 Clause (36) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003 At the time of omission clause (36) was as under:--
“(36) Any income of an officer representing the sum received by him as Personal Staff Subsidy admissible to him under the Cabinet Secretariat (Establishment Division) Office Memorandum No. 18/2/78-CV, dated the 13th July, 1978.”
- 1948 Clause (37) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (37) was as under:-
“(37) Any income representing cost of living allowance admissible to the Government employees at the rate of 7%.”
- 1949 Clause (38) omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (38) was as under:--
“(38) Any sum paid, for purpose of meeting the charges for gas, water and electricity, or the value of gas, water and electricity provided free of charge to an employee up to ten per cent of the minimum of time scale, and where there is no time scale, up to ten per cent of the basic salary.”
- ¹⁹⁵⁰ Inserted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018
- 1951 Clause (41) omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (41) was as under:--
“(41) Such portion of the income of a member of Pakistan Armed Forces as is compulsorily payable by him under any orders issued by Government to mess, entertainment or band fund.”
- 1952 Clause (42) omitted vide the Finance Act, 2006 (III of 2006), (Assented on 30th June, 2006). At the time of omission clause (42) was as under:--
“(42) Any amount received as flying allowance by pilots, flight engineers and navigators employed by any Pakistani airline or by Civil Aviation Authority”
- 1953 Clause (43) omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (43) was as under:--
“(43) Any amount notified as flying allowance payable to pilots, flight engineers and navigators of the Pakistan Air Force.”
- 1954 Clause (44) omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of

1955[***]

1956[***]

1957[***]

1958[***]

1959[***]

1960[***]

(51) The perquisite represented by the right of the President of Pakistan, the Provincial Governors and the Chiefs of Staff, Pakistan Armed Forces to occupy free of rent as a place of residence any premises provided by the Government.

(52) The perquisite represented by free conveyance provided and the sumptuary (entertainment) allowance granted by Government to Provincial Governors, the Chiefs of Staff, Pakistan Armed Forces and the Corps Commanders.

(53) The following perquisites and allowances provided or granted by Government to the Ministers of the Federal Government, namely:-

- (a) rent-free accommodation in so far as the value thereof exceeds ten per cent of the basic salary of the Ministers concerned;
- (b) house-rent allowance paid by Government in lieu of rent-free accommodation in so far as it exceeds five hundred and fifty rupees per month;
- (c) free conveyance; and
- (d) sumptuary allowance.

¹⁹⁶¹[(53A) The following perquisites received by an employee by virtue of his employment, namely:-

¹⁹⁶²[***]

- (ii) free or subsidized food provided by hotels and restaurants to its employees during

omission clause (44) was as under:-

“(44) Any amount notified as flying allowance payable to pilots, flight engineers and navigators of the Pakistan Army and the Pakistan Navy.”

1955 *Clause (45) omitted vide the Finance Act, 2006 (III of 2 (06), (Assented on 30th June, 2006). At the time of omission “Clause (45) was as under:-*

“(45) Any amount received as flying allowance by junior commissioned officers or other ranks of Pakistan Armed Forces.”

1956 *Clause (46) omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (46) was as under:-*

“(46) Any amount notified as submarine allowance payable to officers of the Pakistan Navy.”

1957 *Clause (47) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (47) was as under:-*

“(47) The value of rations issued in kind, or cash allowance paid in lieu thereof to members of Pakistan Armed Forces or of Territorial Forces.”

1958 *Clause (48) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (48) was as under:-*

“(48) The value of rent-free quarters occupied by, or cash allowance paid in lieu thereof, to members of the Pakistan Armed Forces, including Territorial Force.”

1959 *Clause (49) omitted by the Finance Act, 2006 (III of 2006 assented on 30th June, 2006), At the time of omission clause (49) was as under:-*

“(49) The conservancy allowance granted in lieu of free conservancy to personnel below commissioned rank of Pakistan Armed Forces and Territorial Force.”

1960 *Clause (50) omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (50) was as under:-*

“(50) Deferred pay admissible to Armed Forces personnel under the new Pay Code.”

1961 *Clause (53 A) was added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005),*

1962 *In clause (53A), sub-clause “(i) free or concessional passage provided by transporters including airlines to its employees (including the members of their household and dependents) was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.*

duty hours;

- (iii) free or subsidized education provided by an educational institution to the children of its employees;
- (iv) free or subsidized medical treatment provided by a hospital or a clinic to its employees; and
- (v) any other perquisite or benefit for which the employer does not have to bear any marginal cost, as notified by the ¹⁹⁶³[Board].]

¹⁹⁶⁴[***]

(55) The perquisites represented by the right of a judge of the Supreme Court of Pakistan or of a judge of High Court to occupy free of rent as a place of residence any premises provided by Federal or Provincial Government, as the case may be, or in case a judge chooses to reside in a house not provided by Government, so much of income which represents the sum paid to him as house rent allowance.

(56) The following perquisites, benefits and allowances received by a Judge of Supreme Court of Pakistan and Judge of High Court, shall be exempt from tax.

- (1)
 - (a) Per perquisites and benefits derived ¹⁹⁶⁵[from] use of official car maintained at Government expenses.
 - (b) Superior judicial allowance payable to a Judge of Supreme Court of Pakistan and Judge of a High Court.
 - (c) Transfer allowance payable to a Judge of High Court.
- (2) The following perquisites of the Judge of Supreme Court of Pakistan and Judge of High Court shall also be exempt from tax during service, and on or after retirement.
 - (a) The services of a driver and an orderly.
 - (b) 1000 (one thousand) free local telephone calls per month.
 - (c) 1000 units of electricity as well as (25 hm³ of gas) per month and free supply of water; and
 - (d) 200 litres of petrol per month.
- (3) If during service, a judge dies, exemption from tax in respect of benefits and perquisites provided to widow as mentioned in sub-clause (2) shall also be available to the widow.

(57) (1) Any income from voluntary contributions, house property and investments in securities of the Federal Government derived by the following, namely:-

- (i) National Investment (Unit) Trust of Pakistan established by the National Investment Trust Limited, if not less than ninety per cent of its Units at the end of that year are held by the public and not less than ninety per cent of its income of the year is distributed among the Unit-holders;
- (ii) any Mutual Fund approved by the ¹⁹⁶⁶[Securities and Exchange Commission of Pakistan] and set up by the Investment Corporation of Pakistan, if not less than ninety per cent of its Certificates at the end of that year are held by the public and

¹⁹⁶³ Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁹⁶⁴ Clause (54) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (54) was as under--
"(54) Any sum paid, for purpose of meeting the charges for gas, water and electricity, or the value of gas, water and electricity provided free of charge to the Federal and Provincial Ministers."

¹⁹⁶⁵ Substituted for the word "form" vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹⁹⁶⁶ Substituted for the words "Controller of Capital Issues" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

not less than ninety per cent of its income of that year is distributed among the Certificate-holders; and

(iii) Sheikh Sultan Trust, Karachi.

(2) Any income ¹⁹⁶⁷[(other than capital gain on stock and shares of public company, PTC vouchers, modarba certificates, or any instrument of redeemable capital and derivative products held for less than 12 months)] derived by any Mutual Fund, investment company, or a collective investment scheme ¹⁹⁶⁸[or a] ¹⁹⁶⁹[REIT Scheme] ¹⁹⁷⁰[or Private Equity and Venture Capital Fund] ¹⁹⁷¹[***] or the National Investment (Unit) Trust of Pakistan established by the National Investment Trust Limited from any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984), if not less than ninety per cent of its income of that year is distributed amongst the Unit-holders.

(3) Any income of the following funds and institutions, namely:-

- (i) a provident fund to which the Provident Funds Act, 1925 (XIX of 1925), applies;
- (ii) trustees on behalf of a recognized provident fund or an approved superannuation fund or an approved gratuity fund;
- (iii) a benevolent fund or group insurance scheme approved by the ¹⁹⁷²[Board] for the purposes of this clause;
- (iv) Service Fund;
- (v) Employees Old Age Benefits Institution established under the Employees Old Age Benefit Act, 1976 (XIV of 1976);
- (vi) any Unit, Station or Regimental Institute; and
- (vii) any recognized Regimental Thrift and Savings Fund, the assets of which consist solely of deposits made by members and profits earned by investment thereof;
- ¹⁹⁷³[(viii) a Pension Fund approved by the Securities and Exchange Commission of Pakistan under the Voluntary Pension System Rules, 2005;]
- ¹⁹⁷⁴[(ix) any profit or gain or benefit derived by a pension fund manager from a pension Fund approved under the Voluntary Pension System Rules, 2005, on redemption of the seed capital invested in pension fund as specified in the Voluntary Pension System Rules, 2005 ¹⁹⁷⁵[;]]
- ¹⁹⁷⁶[***]

¹⁹⁶⁷ The brackets, words, commas and figure were inserted vide the Finance Act, 2010 (XVI of 2010)

¹⁹⁶⁸ The words were inserted vide the Finance Act, 2006 (Assented on 30th June, 2006)

¹⁹⁶⁹ Substituted for the words "real estate investment trust" vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

¹⁹⁷⁰ The words were inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

¹⁹⁷¹ The words "approved vide the securities and Exchange Commission of Pakistan" omitted vide the Finance Act, 2008

¹⁹⁷² Substituted for the words "Central Board of Revenue" vide the Finance Act, 2007

¹⁹⁷³ Paragraph was (viii) added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹⁹⁷⁴ Paragraph was (IX) added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

¹⁹⁷⁵ Substituted for the full stop vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

¹⁹⁷⁶ Paragraph (x) omitted vide the Finance Act, 2008 (I of 2008) assented on 26th June, 2008. At the time of omission Paragraph (x) was as under:--

i"(x) the accumulated balance up to 25% received from the voluntary pension system offered vide a pension fund manager under the Voluntary Pension System Rules, 2005 at the time of eligible person's:--

- (a) retirement; or
- (b) disability rendering him unable to work; or
- (c) death by his nominated survivors ii[; and]"

i. Sub-clause (x) added by the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

ii. Substituted for the full stop by SRO 1038(I)/2006, dated 9th October, 2006

- ¹⁹⁷⁷[(xi) International Irrigation Management Institute.]
- ¹⁹⁷⁸[(xii) Punjab pension Fund established under the Punjab Pension Fund Act, 2007 (1 of 2007) and the trust established there under.]
- ¹⁹⁷⁹[(xiii) Sindh Province Pension Fund established under the Sindh Province Pension Fund Ordinance, 2002.]
- ¹⁹⁸⁰[(xiv) Punjab General Provident Investment Fund established under the Punjab General Provident Investment Fund Act, 2009 (V of 2009) and the trust established thereunder.;
- ¹⁹⁸¹[(xv) Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund.
- (xvi) Khyber Pakhtunkhwa General Provident Investment Fund.
- (xvii) Khyber Pakhtunkhwa Pension Fund.]

Explanation.—For the purpose of this clause, “Service Fund” means a fund which is established under the authority, or with the approval of the Federal Government for the purpose of –

- (a) securing deferred annuities to the subscribers of payment to them in the event of their leaving the service in which they are employed; or
- (b) making provision for their wives or children after their death; or
- (c) making payment to their estate or their nominees upon their death ¹⁹⁸²[; and]

¹⁹⁸³***]

¹⁹⁸⁴***]

¹⁹⁷⁷ Paragraph (xi) was added vide SRO 1038(I)/2006, dated 09.10.2006

¹⁹⁷⁸ Paragraph (xii) was inserted vide the Finance Act, 2010

¹⁹⁷⁹ Added vide the Finance Act, 2014

¹⁹⁸⁰ Added vide Finance Act, 2015

¹⁹⁸¹ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

¹⁹⁸² Substituted for the full stop vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

¹⁹⁸³ Omitted vide the Finance Act, 2014. At the time of omission clause (58) was as under:--

(58) (1) Any income of a trust or welfare institution i[or non-profit organization] specified in sub-clauses (2) and (3) from donations, voluntary contributions, subscriptions, house property, investments in the securities of the Federal Government and so much of the income chargeable under the head “Income from business” as is expended in Pakistan for the purposes of carrying out welfare activities:
Provided that in the case of income under the head “Income from business”, the exemption in respect of income under the said head shall not exceed an amount which bears to the income under the said head the same proportion as the said amount bears to the aggregate of the incomes from the aforesaid sources of income.

(2) A trust administered under a scheme approved by the Federal Government in this behalf and established in Pakistan exclusively for the purposes of carrying out such activities as are for the benefit and welfare of

(i) ex-servicemen and serving personnel, including civilian employees of the Armed Forces, and their dependents; or

(ii) ex-employees and serving personnel of the Federal Government or a Provincial Government and their dependents, where the said trust is administered by a committee nominated by the Federal Government or, as the case may be, a Provincial Government.

(3) A trust or welfare institution ii[or non-profit organization] approved by iii[Regional Commissioner of Income Tax] for the purposes of this sub-clause.

[i. The words were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)]

[ii. The words were inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)]

[iii. Substituted for the words “the Central Board of Revenue” vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)]

¹⁹⁸⁴ Omitted vide the Finance Act, 2014. At the time of omission clause (58A) was as under:--

i[(58A) Income of university or other educational Institution being run by a non- profit organization existing solely for educational purposes and not for purposes of profit.]

[i. Clause (58A) added vide the Finance Act, 2013]

1985[***]

1986[***]

1987[(60A) The provisions of section 148 of the Income Tax Ordinance, 2001 shall not apply for import of plant, machinery and equipment including dumpers and special purposes motor vehicles imported by the following for construction of Sukkur-Multan section of Karachi-Peshawar Motorway project and Karakorum Highway (KKH) Phase-II (Thakot to Havellian Section) of CPEC project respectively:-

- (a) M/s China State Construction Engineering Corporation Ltd. (M/s) CSCEC; and
- (b) M/s China State Construction Engineering Corporation (M/s CCCC).]

1988[(60AA) The provisions of section 148 of the Income Tax Ordinance, 2001 (XLIX of 2001), shall not apply for import of construction materials or goods up to a maximum of 10,898,000 million rupees imported by China State Construction Engineering Corporation (M/s CSCEC) for construction of Sukkur-Multan section of Karachi-Peshawar Motorway project of National Highway Authority under CPEC.]

1989[(60B) The provisions of section 148 of the Income Tax Ordinance, 2001 shall not apply on import of Thirty-five (35) Armoured and Security vehicles imported by or for Ministry of Foreign Affairs, Government of Pakistan meant for security of visiting foreign dignitaries, subject to the following conditions, namely:-

- (i) that the vehicles imported under this clause shall only be used for the security purpose of foreign dignitaries and will be parked in Central Pool of Cars (CPC) in the Cabinet Division for further use as and when needed; and
- (ii) that the importing Ministry at the time of import shall furnish an undertaking to the concerned Collector of Customs to the extent of customs-dues exempted under this clause on consignment to consignment basis binding themselves that the vehicles

1985 Omitted vide the Finance Act, 2014. At the time of omission clause (59) was as under:--

(59) Any income which is derived from investments in securities of the Federal Government, if , profit on debt from ii[scheduled banks], grant received from Federal Government or Provincial Government or District Governments, foreign grants] and house property held under trust or other legal obligations wholly, or in part only, for religious or charitable purposes and is actually applied or finally set apart for application thereto:

Provided that nothing in this clause shall apply to so much of the income as is not expended within Pakistan:

Provided further that if any sum out of the amount so set apart is expended outside Pakistan, it shall be included in the total income of the tax year in which it is so expended or of the year in which it was set apart, whichever is the greater, and the provisions of section 122 shall not apply to any assessment made or to be made in pursuance of this proviso.

Explanation.- Notwithstanding anything contained in the Mussalman Wakf Validating Act, 1913 (VI of 1913), or any other law for the time being in force or in the instrument relating to the trust or the institution, if any amount is set apart, expended or disbursed for the maintenance and support wholly or partially of the family, children or descendants of the author of the trust or the donor or, the maker of the institution or for his own maintenance and support during his life time or payment to himself or his family, children, relations or descendants or for the payment of his or their debts out of the income from house property dedicated, or if any expenditure is made other than for charitable purposes, in each case such expenditure, provision, setting apart, payment or disbursement shall not be deemed, for the purposes of this clause, to be for religious or charitable purposes.

[i. The commas and words inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)]

[ii. Substituted for the words "financial institution" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)]

1986 Omitted vide the Finance Act, 2014. At the time of omission clause (60) was as under:--

(60) Any income of a religious or charitable institution derived from voluntary contributions applicable solely to religious or charitable purposes of the institution:

Provided that nothing contained in clause (61) or this clause shall apply to the income of a private religious trust which does not ensure for the benefit of the public.

1987 Inserted vide SRO 735(I)/2016 dated 9th August, 2016

1988 Inserted vide SRO 79(I)/2018 dated 29th January, 2018

1989 Inserted vide SRO 899(I)/2016 dated 26th September, 2016

imported under this clause shall not be re-exported, sold or otherwise disposed of without prior approval of the Board and in the manner prescribed thereof.]

¹⁹⁹⁰[(60C) The provision of section 148 of the Income Tax Ordinance, 2001(XLIX of 2001) shall not apply on import of equipment to be furnished or installed for Rail Based Mass Transit Projects in Lahore, Karachi, Peshawar and Quetta under CPEC.]

(61) ¹⁹⁹¹[Any] amount paid as donation to the following institution, foundations, societies, boards, trusts and funds, namely:-

(i) any Sports Board or institution recognized by the Federal Government for the purposes of promoting, controlling or regulating any sport or game;

¹⁹⁹²[(ia) The Citizens Foundation.]

¹⁹⁹³[***]

(iii) Fund for Promotion of Science and Technology in Pakistan;

(iv) Fund for Retarded and Handicapped Children;

(v) National Trust Fund for the Disabled;

¹⁹⁹⁴[***]

(vii) Fund for Development of Mazaar of Hazarat Burri Imam;

(viii) Rabita-e-Islami's Project for printing copies of the Holy Quran;

(ix) Fatimid Foundation, Karachi;

(x) Al-Shifa Trust;

¹⁹⁹⁵[***]

(xii) Society for the Promotion of Engineering Sciences and Technology in Pakistan;

¹⁹⁹⁶[(xiii) Pakistan Red Crescent Society.]

¹⁹⁹⁷[***]

¹⁹⁹⁸[***]

¹⁹⁹⁹[***]

²⁰⁰⁰[***]

1990 Inserted vide SRO 44(I)/2017 dated 27th January, 2017

1991 The words, figure and comma "Subject to the provisions of section 61, any" were substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

1992 sub-clause (ia) inserted vide the Finance Act, 2012

1993 Sub-clause (ii) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission sub-clause (ii) was as under:--

"(ii) President's Fund for Afghan Refugees;"

1994 Sub-clause (vi) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission sub-clause (vi) was as under:--

"(vi) Bangladesh Flood Relief Fund, 1988;"

1995 Sub-clause (xi) was omitted' vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011. At the time of omission sub-clause (xi) was as under:--

"(xi) Bank of Commerce and Credit International Foundation for Advancement of Science and Technology;"

1996 Inserted vide SRO 1125(I)/2005, dated 10.11.2005 (VII of 2005 assented on 29th June, 2005)

1997 Sub-clause (xiii), (was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission sub-clauses (xiii) were as under:-

"(xiii) President's Fund for Assistance to Palestine;

1998 Sub-clause (xiv) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission sub-clauses (xiv) was as under:-

"(xiv) President's Famine Relief Fund for Africa;"

1999 Sub-clause (xv) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission sub-clauses (xv) was as under:-

"(xv) Bangladesh Cyclone Relief Fund, 1985;"

2001[***]

2002[***]

2003[***]

2004[***]

2005[***]

2006[***]

(xxiii) Citizens-Police Liaison Committee, Central Reporting Cell, Sindh Governor House, Karachi;

(xxiv) ICIC Foundation;

2007[***]

(xxvi) National Management Foundation;

(xxvii) Endowment Fund of the institutions of the Agha Khan Development Network (Pakistan listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network;

(xxviii) Shaheed Zulfiqar Ali Bhutto Memorial Awards Society;

(xxix) Iqbal Memorial Fund;

(xxx) Cancer Research Foundation of Pakistan, Lahore;

(xxxi) Shaukat Khanum Memorial Trust, Lahore;

(xxxii) Christian Memorial Hospital, Sialkot;

(xxiii) National Museums, National Libraries and Monuments or institutions declared to be National Heritage by the Federal Government;

(xxxiv) Mumtaz Bakhtawar Memorial Trust Hospital, Lahore;

(xxxv) Kashmir Fund for Rehabilitation of Kashmir Refugees and Freedom Fighters;

(xxxvi) Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the

2000	<i>Sub-clause (xvi) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission sub-clauses (xvi) was as under:-</i> “(xvi) Prime Minister's Fund for the Welfare of Widows and Orphans;”
2001	<i>Sub-clause (xvii) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission sub-clauses (xvii) was as under:-</i> “(xvii) Prime Minister's Disaster Relief Fund, 1987;”
2002	<i>Sub-clause (xviii) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission sub-clauses (xviii) was as under:-</i> “(xviii) Chief Minister Punjab's Flood Relief Fund, 1988;”
2003	<i>Sub-clause (xix) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission sub-clauses (xix) was as under:-</i> “(xix) Prime Minister's Fund for Welfare and Relief for Kashmiris;”
2004	<i>Sub-clause (xx) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission sub-clause (xx) was as under:-</i> “(xx) Prime Minister's Bangladesh Cyclone Relief Fund, 1991;”
2005	<i>Sub-clause (xxi) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission sub-clauses (xxi) was as under:-</i> “(xxi) Sindh Governor's Relief Fund, 1990, for the Relief and Rehabilitation of Victims of Violence in Sindh
2006	<i>Sub-clause (xxii) was omitted by the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission sub-clause (xxii) was as under:-</i> “(xxii) Balochistan Governor's Relief Fund for the Relief and Rehabilitation of drought affected people of Balochistan;”
2007	<i>Sub-clause (xxv) was omitted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011). At the time of omission sub-clause (xxv) was as under:-</i> “(xxv) BCCI Foundation;”

Government of the Islamic Republic of Pakistan and Agha Khan Development Network;

(xxxvii) Azad Kashmir President's Mujahid Fund, 1972; National Institute of Cardiovascular Diseases, (Pakistan) Karachi; Businessmen Hospital Trust, Lahore; Premier Trust Hospital, Mardan; Faisal Shaheed Memorial Hospital Trust, Gujranwala; Khair-un-Nisa Hospital Foundation, Lahore; Sind and Balochistan Advocates' Benevolent Fund; Rashid Minhas Memorial Hospital Fund;

(xxxviii) Any relief²⁰⁰⁸[or] welfare fund established by the Federal Government;

(xxxix) Mohatta Palace Gallery Trust; ²⁰⁰⁹[***]

²⁰¹⁰[(xl)] Bagh-e-Quaid-e-Azam project, Karachi ²⁰¹¹[, ²⁰¹²[***]]

²⁰¹³[(xli)] Any amount donated for Tameer-e-Karachi Fund²⁰¹⁴[:]

²⁰¹⁵[(xlii)] Bank of Commerce and Credit International Foundation for Advancement of Science and Technology.]

²⁰¹⁶[(xlii)] Pakistan Red Crescent Society.]

²⁰¹⁷[(xliii)] Governor Punjab's Flood Relief Fund 2011 provided that the principal Accounting Officer to the Governor of Punjab is a signatory of the accounts of the Fund.]

²⁰¹⁸[(xliv)] Any amount donated to Federal Board of Revenue Foundation.]

²⁰¹⁹[(xlv)] The Indus Hospital, Karachi.]

²⁰²⁰[(xlv)] Pakistan Sweet Homes Angels and Fairies Place.

(xlvii) Al-Shifa Trust Eye Hospital.

(xlviii) Aziz Tabba Foundation.

(xlix) Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.

(i) Sharif Trust.

(ii) The Kidney Centre Post Graduate Institute.

(iii) Pakistan Disabled Foundation.;

(iii) Sardar Trust Eye Hospital, Lahore.]

²⁰²¹[Provided that the amount so donated shall not exceed-

(a) in the case of an individual or association of persons, thirty percent of the taxable income of the person for the year; and

(b) in the case of a company, ²⁰²²[twenty] percent of the taxable income of the

2008 Substituted for the word "are" vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

2009 The word "and" omitted vide SRO 701(I)/2004, dated 16.08.2004

2010 The Roman letters "(xxxxx)" substituted vide SRO 701(I)/2004, dated 16.08.2004

2011 Substituted for the full stop vide Notification No. 701(I)/2004, 16th August, 2004

2012 The full stop substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

2013 Added vide SRO 701(I)/2004, dated 16.08.2004

2014 Substituted for the full stop vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

2015 Sub-clause (xlii) was inserted vide Notification No. SRO 990(I)/2011, dated 18th October, 2011

2016 Sub-clause (xlii) was inserted vide Notification No. SRO 1125(I)/2005, dated 10th November, 2005

2017 Sub-clause (xlii) was inserted vide Notification No. SRO 106(I)/2011 dated 23rd November, 2011

2018 Sub-clause (xlii) vide Notification No. SRO 383(I)/2012

2019 Added vide Finance Act, 2015

2020 Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

2021 Proviso was added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

2022 Substituted for the word "fifteen" vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

person for the year ²⁰²³[; and]]

²⁰²⁴[***]

²⁰²⁵[***]

²⁰²⁶[***]

²⁰²⁷[***]

²⁰²⁸[***]

²⁰²⁹[(64A) Any amount donated to the Prime Minister's Special Fund for victims of terrorism.]

²⁰³⁰[(64B) Any amount donated to the Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP.]

²⁰³¹[(64 C) Prime Minister's Flood Relief Fund 2010 and Provincial Chief Ministers' Relief Funds, for victims of flood 2010.

(65) Any income derived from donations made by non-official or private sector sources in Pakistan to the Waqf for Research on Islamic History, Art and Culture, Istanbul set up by the Research Centre for Islamic History, Art and Culture (IRCICA).

²⁰³²[(65A) Income for any tax year commencing from the tax year 2003, derived from the Welfare Fund created under rule-26 of the Emigration Rules, 1979 (made under section 16 of the Emigration Ordinance, 1979 (XVIII of 1979), except the income generated by the aforesaid Fund through commercial activities.]

²⁰³³[(66) Any income derived by-

²⁰²³ Substituted for the full stop by Notification No SRO 990(I)/2011, dated 18th October, 2011

²⁰²⁴ Clause (62) omitted by the Finance Act, 2008 (I of 2008) assented on 26th June, 2008). At the time of omission clause (62) was as under:--

“(62) Such portion of the total income of a taxpayer as is paid by him during the income year as donation to the Liaquat National Hospital Association, Karachi:

Provided that the amount so donated shall be included in computing the total income of the taxpayer:

Provided further that the amount by which the taxable by a taxpayer is reduced on account of the exemption under this clause shall be equal to the sum which bears the same proportion to the sum exempted from tax under this clause as the tax payable on the total income of the taxpayer bears to the said total income.

²⁰²⁵ Clause (63) omitted by the Finance Act, 2006 (III of 2006 assented on 30th June, 2006), At the time of omission clause (63) was as under:--

i[(63) Any amount paid as donation to the President's Relief Fund for Tsunami Victims.]

i. Clause (63) inserted vide SRO 302(I)/2005, dated 7th April, 2005 Earlier Clause (63) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (63) was as under:--

“(63) Any amount paid as donation to the Prime Minister's Fund for National Debt Retirement:

Provided that the exemption under this clause shall not apply in respect of any assessment year commencing on, or after the first day of July, 2002.”

²⁰²⁶ Clause (63A) omitted by the Finance Act, 2008 (I of 2008) (Assented on 26th June, 2008). At the time of omission clause (63A) was as under:--

i[(63A) Any amount paid as donation to the President's Relief Fund for Earthquake Victims 2005.]

i. Clause (63A) was inserted vide SRO 1033(I)/2005, dated 10th October, 2005

²⁰²⁷ Clause (63B) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (63B) was as under:--

i[(63B) Any amount donated or paid, as sponsorship in connection with the holding of 2nd session of the World Islamic Economic Forum, 2006.]

i. Clause (63B) was added vide SRO 1088(I) 2006, dated 31st October, 2006,

²⁰²⁸ Clause (64) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002. At the time of omission clause (64) was as under:--

“(64) Any amount paid as donation to the National Self Reliance Fund:

Provided that the exemption under this clause shall not apply in respect of any assessment year commencing on, or after, the first day of July, 2002.”

²⁰²⁹ Clause (64A) was inserted vide SRO 389(I)/2009, dated 19th May, 2009

²⁰³⁰ Clause (64B) was inserted vide Notification No. S R O. 576(I)/2009, dated 18th June, 2009

²⁰³¹ Clause (64C) was inserted vide SRO 755(I)/2010, dated 9th August, 2010

²⁰³² Clause (65A) was inserted vide SRO 819(I)/2012 dated 4th July, 2012

²⁰³³ Clause (66) was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of

- i. Abdul Sattar Edhi Foundation, Karachi;
 - ii. Al-Shifa Trust, Rawalpindi.
 - iii. Bilquis Edhi Foundation, Karachi.
 - iv. Fatimid Foundation, Karachi.
- ²⁰³⁴***]
- vi. International Islamic Trade Finance Corporation”.
 - vii. Islamic Corporation for Development of Private Sector;
 - viii. National Memorial Bab-e-Pakistan Trust for the assessment year commencing on or after the 1st day of July, 1994.
 - ix. Pakistan Agricultural Research Council, Islamabad.
 - x. Pakistan Engineering Council;
 - xi. The corporatized entities of Pakistan Water and Power Development Authority from the date of their creation up to the date of completion of the process of corporatization i.e. till the tariff is notified.
 - xii. The Institution of Engineers, Pakistan, Lahore.
- ²⁰³⁵[(xiiia) The Prime Minister’s Special Fund for victims of terrorism]
- ²⁰³⁶[(xiiib) Chief Minister’s (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP.]
- xiii. The Institutions of the Agha Khan Development Network (Pakistan) as contained in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and the Agha Khan Development Network.
 - xvi. The Liaquat National Hospital Association, Karachi.
 - xv. The Pakistan Council of Scientific and Industrial Research.
 - xvi. The Pakistan Water and Power Development Authority established under the Pakistan Water and Power Development Authority Act, 1958 (W. P. Act XXXI of 1958).]
- ²⁰³⁷[xvii WAPDA First Sukuk Company Limited.]
- ²⁰³⁸***]
- ²⁰³⁹[(xix) Pension of a former President of Pakistan and his widow under the President Pension Act, 1974 (IX of 1975)]

substitution clause (66) was as under:--

“(66) Any income of the Institutions of the Agha Khan Development Network (Pakistan) as contained in Schedule I of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and the Agha Khan Development Network.”

2034 Omitted vide the Finance Act, 2014. At the time of omission sub-clause (5) was as under:--

v. Hamdard Laboratories (Waqf) Pakistan

2035 Sub-clause (xiiia) was inserted vide SRO 390(I)/2009, dated 19.05.2009

2036 Sub-clause (xiiib) was inserted vide SRO 576(I)/2009, dated 18.06.2009

2037 Sub-clause (xvii) was added vide Notification No. S R O. 864(I).2006, dated 24th August, 2006

2038 Sub-clause (xviii) was omitted vide the Finance Act, 2016 (XXIX of 2016). At the time of omission was sub-clause (xviii) was as under:--

i [xviii] Micro Finance Banks for a period of five years starting from first day of July 2007:

Provided such banks shall not issue dividends to their share holders and their profit and gain (if any) shall be utilized for Micro Finance Operations only.]

i. Sub-clause (xviii) was added vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

2039 Sub-clauses (xix) was inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

- ²⁰⁴⁰[(xx) State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation]
- ²⁰⁴¹[(xxi) International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVIII of 1956) and provided in section 9 of Article VI of Articles of Agreement 1955 as amended through April 1993.]
- ²⁰⁴²[(xxii) Pakistan Domestic Sukuk Company Ltd]
- ²⁰⁴³[(xxiii) The Asian Development Bank established under the Asian Development Bank Ordinance, 1971 (IX of 1971).]
- ²⁰⁴⁴[(xxiv) The ECO Trade and Development Bank]
- ²⁰⁴⁵ ²⁰⁴⁶[(xxv)] The Islamic Chamber of Commerce and Industry under the Organization of Islamic Conference (OIC)]
- ²⁰⁴⁷ ²⁰⁴⁸[(xxvi)] Commission on Science and Technology for Sustainable Development in the South (COMSATS) formed under International Agreement signed on 5th October, 1994.]
- ²⁰⁴⁹ ²⁰⁵⁰[(xxvii)] WAPDA on issuance of twenty billion rupees TFC's/SUKUK certificates for construction of Diamer Bhasha Dam Projects]
- ²⁰⁵¹ ²⁰⁵²[(xxviii)] The Citizens Foundation.]
- ²⁰⁵³ ²⁰⁵⁴[(xxix)] Wapda Second Sukuk Company Limited]
- ²⁰⁵⁵ ²⁰⁵⁶[(xxx)] Federal Board of Revenue Foundation]
- ²⁰⁵⁷ ²⁰⁵⁸[(xxxi)] Sindh Institute of Urology and Transplantation, SIUT Trust and ²⁰⁵⁹[Society for the Welfare of SIUT].]
- ²⁰⁶⁰ ²⁰⁶¹[(xxxii)] Green star Social Marketing Pakistan (Guarantee) Limited.]
- ²⁰⁶²[(xxxiii)] The Indus Hospital, Karachi.]
- ²⁰⁶³[(xxxiv)] Second Pakistan International Sukuk Company Limited.]
- ²⁰⁶⁴[(xxxv)] Third Pakistan International Sukuk Company Limited.]
- ²⁰⁶⁵[(xxxvi)] Asian Infrastructure Investment Bank and persons as provided in Article 51 of

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- ²⁰⁴⁰ Sub-clauses (xx) was inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)
- ²⁰⁴¹ Sub-clause (xxi) was added vide SRO 766(I)/2008, dated 21st July, 2008,
- ²⁰⁴² Sub-clause (xxii) was added vide SRO 772(I)/2008, dated 22nd July, 2008
- ²⁰⁴³ Sub-clause (xxiii) was added vide SRO 1012(I)/2008, dated 23rd September, 2008
- ²⁰⁴⁴ Sub-clause (xxiv) was added vide SRO 810(I)/2009 dated 19th September, 2009
- ²⁰⁴⁵ Sub-clauses (xxv) was added vide SRO 833(I)/2009, dated 29th September, 2009
- ²⁰⁴⁶ Re-numbered as clause vide the Finance Act, 2014
- ²⁰⁴⁷ Sub-clauses (xxv) was added vide SRO 833(I)/2009, dated 29th September, 2009
- ²⁰⁴⁸ Re-numbered as clause vide the Finance Act, 2014
- ²⁰⁴⁹ Sub-clause (xxvii) was added vide Notification No. SRO 119(I)/2011, dated 14th February, 2011
- ²⁰⁵⁰ Re-numbered as clause vide the Finance Act, 2014
- ²⁰⁵¹ Sub-clause (xxviii) was added vide the Finance Act, 2012
- ²⁰⁵² Re-numbered as clause vide the Finance Act, 2014
- ²⁰⁵³ Sub-Clause (xxviii) was inserted vide Notification No. SRO 463(I)/2012, dated 28th April, 2012
- ²⁰⁵⁴ Re-numbered as clause vide the Finance Act, 2014
- ²⁰⁵⁵ Sub-Clause (xxviii) was added vide Notification No. SRO 383(I)/2012, dated 18th April, 2012
- ²⁰⁵⁶ Re-numbered as clause vide the Finance Act, 2014
- ²⁰⁵⁷ Sub-Clause (xxix) was added SRO 1225(I)/2012 dated 1st October, 2012
- ²⁰⁵⁸ Re-numbered as clause vide the Finance Act, 2014
- ²⁰⁵⁹ Substituted for the words "Society for Welfare of Patients of SIUT" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017
- ²⁰⁶⁰ Added vide the Finance Act, 2014
- ²⁰⁶¹ Re-numbered as clause (xxxii) vide the Finance Act, 2014
- ²⁰⁶² Added vide Finance Act, 2015
- ²⁰⁶³ Inserted by SRO 1029(I)/2014 dated 19th November, 2014
- ²⁰⁶⁴ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. This entry was also inserted earlier vide SRO 924(I)/2016 dated 30th September, 2016

Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on the 25th December, 2015.

- (xxxvii) Gulab Devi Chest Hospital.
- (xxxviii) Pakistan Poverty Alleviation Fund.
- (xxxix) National Academy of Performing Arts.
- (xl) Pakistan Sweet Homes Angels and Fairies Place.
- (xli) National Rural Support Programme.]
- ²⁰⁶⁶[(xlii) SAARC Energy Centre.
- (xlili) Pakistan Bar Council.
- (xliv) Pakistan Centre for Philanthropy.
- (xlv) Pakistan Mortgage Refinance Company Limited.
- (xlvi) Aziz Tabba Foundation.
- (l) Al-Shifa Trust Eye Hospital.
- (li) Saylani Welfare International Trust.
- (lii) Shaukat Khanum Memorial Trust.
- (liii) Layton Rahmatullah Benevolent Trust (LRBT).
- (liv) The Kidney Centre Post Graduate Training Institute.
- (lv) Pakistan Disabled Foundation.
- (lvi) Forman Christian College.;
- (lvii) Habib University Foundation.
- (lviii) Begum Akhtar Rukhsana Memorial Trust Hospital.
- (lix) Al-Khidmat Foundation.
- (lx) Dawat-e-Islami Trust
- (Ixi) Sardar Trust Eye Hospital, Lahore.]

²⁰⁶⁷[***]

²⁰⁶⁸[***]

²⁰⁶⁹[***]

²⁰⁷⁰[***]

²⁰⁶⁵ *Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*

²⁰⁶⁶ *Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018*

²⁰⁶⁷ *Clause (67) omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (67) was as under:--*

“(67) Any income of the Liaquat National Hospital Association, Karachi”

²⁰⁶⁸ *Clause (68) omitted by the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (68) was as under:--*

“(68) Any income derived by--

(i) Abdul Sattar Edhi Foundation, Karachi; and

(ii) Bilquis Edhi Foundation, Karachi.”

²⁰⁶⁹ *Clause (69) omitted by the Finance Act, 2006 (III of 2006 assented on 30th June, 2006), At the time of omission clause (69) was as under:--*

“(69) Any income derived vide Al-Shifa Trust, Rawalpindi.”

²⁰⁷⁰ *Clause (70) omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of*

²⁰⁷¹[***]

²⁰⁷²[***]

²⁰⁷³[(72) Any profit on debt payable to a non-resident person,-

- (i) In respect of such private loan to be utilized on such project in Pakistan as may be approved by the Federal Government for the purposes of this clause, having regard to the rate of profit and the terms of repayment of the loan and the nature of project on which it is to be utilized;
- (ii) on a loan in foreign exchange against export letter of credit which is used exclusively for export of goods manufactured or processed for exports in Pakistan²⁰⁷⁴[.]

²⁰⁷⁵[(iii) being a foreign individual, company, firm or association of persons in respect of a foreign loan as is utilized for industrial investment in Pakistan provided that the agreement for such loan is concluded on or after the first day of February, 1991, and is duly registered with the State Bank of Pakistan.

Provided that this clause shall have retrospective effect of exemption to the agreements entered into in the past and shall not be applicable to new contrast after the 30th day of June, 2010, prospectively.]]

²⁰⁷⁶[(72A) Any income derived by Sukuk holder in relation to Sukuk issued by “The Second Pakistan International Sukuk Company Limited” ²⁰⁷⁷[and the Third Pakistan International Sukuk Company Limited]], including any gain on disposal of such Sukuk.]

²⁰⁷⁸[***]

(74) Any profit on debt derived by Hub Power Company Limited on or after the first day of July, 1991, on its bank deposits or accounts with²⁰⁷⁹[financial institutions] directly connected with financial transactions relating to the project operations.

omission clause (70) was as under:--

“(70) Any income derived by Fatimid Foundation, Karachi.”

²⁰⁷¹ *Clause (71) omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006) . At the time of omission clause (71) was as under:--*

“(71) Any income of Hamdard Laboratories (Waqf) Pakistan”

²⁰⁷² *Clause (71A) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (71A) was as under:--*

if (71A) Any income of National Memorial Bab-e-Pakistan Trust for the assessment year commencing on or after the 1st day of July, 1994.]”

i.. Clause (71A) was inserted vide SRO 354(I)/2004, dated 26th May, 2004,

²⁰⁷³ *Clause (72) was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006),. At the time of substitution clause (72) was as under:-*

(72) Any profit on debt payable to a non-resident person in respect of such private loan to be utilised on such project in Pakistan as may be approved by the Federal Government for the purposes of this clause, having regard to the rate of profit and the terms of re-payment. of the loan and the nature of project on which it is to be utilised.”

²⁰⁷⁴ *Substituted for the full stop vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)*

²⁰⁷⁵ *Sub-clause (iii) inserted vide the Finance Act, 2010 (XVI of 2010). Earlier a different sub-clause (iii) omitted by the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission Sub-clause (iii) was as under:-*

“(iii) being a foreign individual, company, firm or association of persons in respect of a foreign loan as is utilized for industrial investment in Pakistan provided that the agreement for such loan is concluded on or after the First day of February 1991, and is duly registered with the State Bank of Pakistan.”

²⁰⁷⁶ *Inserted by SRO 1029(I)/2014 dated 19.11.2014*

²⁰⁷⁷ *Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. This entry was also made earlier vide SRO 924(I)/2016 dated 30th September, 2016*

²⁰⁷⁸ *Clause (73) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (73) was as under:--*

“(73) Any profit on debt payable to a non-resident person on a loan in foreign exchange against export letter of credit which is used exclusively for export of goods manufactured or processed for exports in Pakistan.”

²⁰⁷⁹ *Substituted for the words i[scheduled banks) vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). This substitution shall be deemed to have been made with effect from 1st July, 2003.*

i. Substituted for the words “financial institutions” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2080[***]

(75) Any income of an agency of a foreign Government, a foreign national (company, firm or association of persons), or any other non-resident person approved by the Federal Government for the purposes of this clause, from profit on moneys borrowed under a loan agreement or in respect of foreign currency instrument approved by the Federal Government.

2081[***]

2082[***]

(78) Any profit on debt derived from foreign currency accounts held with authorised banks in Pakistan, ²⁰⁸³[or certificate of investment issued by investment banks] in accordance with Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by citizens of Pakistan and foreign nationals residing abroad, foreign association of persons, companies registered and operating abroad and foreign nationals residing in Pakistan.

(79) Any profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a citizen of Pakistan residing abroad, where the deposits in the said account are made exclusively from foreign exchange remitted into the said account.

(80) Any income derived from a private foreign currency account held with an authorised bank in Pakistan, ²⁰⁸⁴[or certificate of investment issued by investment banks] in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by a resident individual who is a citizen of Pakistan:

Provided that the exemption under this clause shall not be available in respect of any incremental deposits made in the said accounts on or after the 16th day of December, 1999, or in respect of any accounts opened under the said scheme on or after the said date

2085[***]

2086[***]

2087[***]

2080 Clause (74A) omitted by the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011). At the time of omission clause (74A) was as under:--

i[(74A) Any profit on debt, payable to National Bank of Pakistan, on foreign currency loan of US \$ 100 million given to Pakistan State Oil Company Limited (PSO) under agreement executed at Bahrain on the 29th May, 2001, approved by the Federal Government vide Finance Division's letter No.F.3 (3)EF (B-III)/2001, dated the May 29, 2001.]”

i. Clause (74A) was inserted vide SRO 754(I)/2007, dated 27th July, 2007

2081 Clause (76) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (76) was as under:--

“(76) Any profit on debt payable to a non-resident person being a foreign individual, company, firm or association of persons in respect of a foreign loan as is utilised for industrial investment in Pakistan provided that the agreement for such loan is concluded on or after the first day of February 1991, and is duly registered with the State Bank of Pakistan.”

2082 Clause (77) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (77) was as under:--

“(77) Any profit derived by a non-resident person (whether a citizen of Pakistan or otherwise) in respect of the Islamic mode of financing, including istisna, morabaha, musharika if.]”

i. Substituted for the colon vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2083 The words were inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

2084 The words were inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

2085 Clause (81) was omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of omission clause (81) was as under:--

“(81) The income of a person, other than a bank or a financial institution, by way of interest on Foreign Currency Bearer Certificates issued under the Three-Years Foreign Currency Bearer Certificate Rules, 1997.”

2086 Omitted vide the Finance Act, 2014. At the time of omission clause (81A) was as under:--

i[(81A) Notwithstanding omission of clause (81), the existing holders of Foreign Currency Bearer Certificate shall continue to have the benefit of exemption till such certificates are encashed]

[i. Clause (81A) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)]

2087. Clause (82) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (82) was as under:--

2088[***]
 2089[***]
 2090[***]
 2091[***]
 2092[***]
 2093[***]

-
- (82) Any profit on Special US Dollar Bonds issued under the Special US Dollar Bonds Rules, 1998:
 Provided that the exemption under this clause shall not apply to profits on the said bonds purchased by a resident person out of any incremental deposits made in the foreign currency accounts on or after the 16th day of December, 1999, or out of new accounts opened on or after the said date”
2088. Clause (83) omitted by the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (83) was as under:-
 (83) Any profit on debt derived from Pak rupees account or certificates of deposit which have been created by conversion of a foreign currency account or deposit held on the 28th day of May, 1998, with a bank authorised under the Foreign Currency Accounts Scheme of State Bank of Pakistan:
 Provided that nothing contained in this clause shall apply to such Pak rupee account or certificates which are created out of foreign currency deposits which are not exempt under clause (78) “[and (80)].”
 i. The words, brackets and figure inserted by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). This amendment shall be deemed to have been so inserted from 5th August 1998.
2089. Clause (84) omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of omission clause (84) was as under:-
 “(84) Any profit on debt received from a Pakistani bank by a foreign bank, approved by the Federal Government for the purposes of this clause, for such period as may be determined by the Federal Government:
 Provided that--
 (i) the profit is earned on deposits comprising of remittances from abroad held in a rupee account opened with a Pakistani bank with the prior approval of the State Bank of Pakistan;
 (ii) the Pakistani bank maintaining the said rupee account holds 20 per cent or more of the equity capital of the said foreign bank and the management of the latter vests in the Pakistani bank; and
 (iii) the rate of profit chargeable on the said deposits does not exceed the rate of interest chargeable on the deposits in the foreign currency accounts allowed to be opened with banks in Pakistan by the State Bank of Pakistan.”
2090. Clause (85) omitted by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (85) was as under:-
 “(85) Any income derived by any person, not being a bank, a banking company, financial institution, a development financing institution or a company engaged in the business of insurance, by way of return on bearer bonds issued by the Pakistan Water and Power Development Authority, established under the Pakistan Water and Power Development Authority Act, 1958 (West Pakistan Act. No. XXXI of 1958)
 Provided that nothing contained in this clause shall apply in respect of return on bonds issued on or after the first day of July, 1991”
2091. Clause (86) omitted by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (86) was as under:-
 “(86) Any income derived by any person, being an individual, by way of return on bearer or registered bonds (Second issue, 1989), issued by the Pakistan Water and Power Development Authority, established under the Pakistan Water and Power Authority Act, 1958 (West Pakistan Act, No. XXXI of 1958):
 Provided that nothing contained in this clause shall apply in respect of return on bonds issued on or after the first day of July, 1991”
2092. Clause (87) omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (87) was as under:-
 “(87) Any income derived by a non-resident person from foreign investment in 7th issue of Pak rupee denominated W APDA Energy Bonds issued under the WAPDA Energy Bonds (7th Issue) Regulations. 1997.”
2093. Clause (88) omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of omission clause (88) was as under:-
 “(88) Any income derived by a non-resident person (excluding local branches subsidiaries or offices of foreign banks, companies, associations of persons or any other person operating in Pakistan) from Federal Government securities and redeemable capital as i[defined] in the Companies Ordinance. 1984. (XLVII of 1984) listed on a registered stock exchange, where the investments are made

²⁰⁹⁴[***]

²⁰⁹⁵[***]

(90) Any profit on debt payable by an industrial undertaking in Pakistan-

- (i) on moneys borrowed by it under a loan agreement entered into with any such financial institution in a foreign country as may be approved in this behalf by the Federal Government by a general or special order; and
- (ii) on moneys borrowed or debts incurred by it in a foreign country in respect of the purchase outside Pakistan of capital plant and machinery in any case where the loan or debt is approved by the Federal Government, having regard to its terms generally and in particular to the terms of its payment, from so much of the tax payable in respect thereof as exceeds the tax or taxes on income paid on such interest in the foreign country from which the loan emanated or in which the debt was incurred (hereinafter referred to as the 'said country');

Provided that, where the amount of such tax or taxes paid in the said country exceeds the amount of the tax payable in Pakistan, no refund of the amount paid in excess shall be allowed:

Provided further that, where the said country exempts such interest or allows credit against its own tax for the tax which would have been payable in Pakistan if the said interest were liable to tax in Pakistan, no tax shall be payable in Pakistan in respect of such interest.

²⁰⁹⁶[(90A) Any profit on debt derived by any person on bonds issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market, for a period of five years with effect from the 1st day of July, 2018.]

(91) Any income of a text-book board of a Province established under any law for the time being in force, accruing or arising from the date of its establishment.

²⁰⁹⁷[***]

²⁰⁹⁸[***]

²⁰⁹⁹[(92A) Any income of any university or any other educational institution established in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA, for a period of two years ending on the 30th day of June, 2011]

exclusively from foreign exchange remitted into Pakistan through a Special Convertible Rupee Account maintained with a bank in Pakistan."

- i. *Substituted for the words "define" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003).*

²⁰⁹⁴ *Omitted vide the Finance Act, 2014. At the time of omission clause (88A) was as under:--*

- if (88A) Notwithstanding omission of clause (88), the existing holders of Federal Government Securities and redeemable capital shall continue to have benefit of exemption till the maturity of the securities and redeemable capital.]*

[i. Clause (88A) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)]

²⁰⁹⁵ *Clause (89) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (89) was as under:--*

- “(89) Any income derived by an individual or association of persons from rated and listed Term Finance Certificates being the instruments of redeemable capital under the Companies Ordinance 1984. issued on or after the 14th day of September 1997:*

Provided that the exemption under this clause shall not apply in respect or any assessment year commencing on or after the first day of July 2002

²⁰⁹⁶ *Inserted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018*

²⁰⁹⁷ *Clause 92 was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission Clause 92 was as under:--*

- “(92) Any income of any university or other educational institution established solely for educational purposes and not for purposes of profit.”*

²⁰⁹⁸ *Omitted vide the Finance Act, 2014. At the time of omission clause (92A) was as under:--*

- if (92A) Any income of any university or any other educational institution established in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA, for a period of two years ending on the 30th day of June, 2011]*

[i. Clause (92A) was inserted vide Finance Act, 2010 (XVI of 2010)]

²⁰⁹⁹ *Clause (92A) was inserted vide Finance Act, 2010 (XVI of 2010)*

²¹⁰⁰[***]

Provided that a computer training institution or computer training scheme approved by the Central Board of Revenue before the first day of July, 2000 shall continue to avail exemption under this clause till the expiry of the specified period.

²¹⁰¹[***]

²¹⁰²[***]

²¹⁰³[***]

²¹⁰⁴[***]

²¹⁰⁵[***]

(98) Any income derived by any Board or other organization established ²¹⁰⁶[by Government]²¹⁰⁷[***] in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognized by Government ²¹⁰⁸[:]

²¹⁰⁹[Provided that the exemption of this clause shall not be applicable to the Pakistan Cricket Board.]

²¹¹⁰[***]

²¹⁰⁰ Clause (93) was omitted vide the Finance Act, 20i I (XVI of 2011 assented on 29th June, 2011). At the time of omission clause (93) was as under:-

“(93) Profits and gains derived by a taxpayer from the running of any computer training institution or computer training scheme, recognized by a Board of Education or a University or the University Grant Commission, as the case may be, set up between the first day of July, 1997, and the thirtieth day of June, 2005, both days inclusive, for a period of five years beginning with the month in which such institution is set up:

Provided that a computer training institution or computer training scheme approved by the i[Board] before the first day of July, 2000 shall continue to avail exemption under this clause till the expiry of the specified period.”

i. Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²¹⁰¹ Omitted vide the Finance Act, 2014. At the time of omission clause (93A) was as under:-

i[(93A) Profits and gains derived by a taxpayer from the running of any vocational institute or technical institute or poly-technical institute, recognized by a Board of Technical Education or a university or any other authority appointed in this behalf by the Federal Government or a Provincial Government, as the case may be, set up between the first day of July, 2004, and the thirtieth day of June, 2008, both days inclusive, for a period of five years beginning from the tax year in which such institution is recognized.]

[i. Clause (93A) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

²¹⁰² Clause (94) omitted by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2 (02). At the time of omission clause (94) was as under:-

“(94) Any amount paid by way of Federal Educational Fee or expended on setting up and managing or running of a middle, high or technical school in accordance with the conditions laid down in the Federal Education Fee Scheme.”

²¹⁰³ Clause (95) omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (95) was as under:-

“(95) Any income derived vide the Pakistan Council of Scientific and Industrial Research.”

²¹⁰⁴ Clause (96) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (96) was as under:-

“(96) Any income derived by the Institution of Engineers, Pakistan, Lahore.”

²¹⁰⁵ Clause (97) omitted by the Finance Act, 2006 (III of 2006), (Assented on 30th June, 2006). At the time of omission clause (97) was as under:-

“(97) Income of Pakistan Agricultural Research Council, Islamabad”

²¹⁰⁶ Inserted vide the Finance Act, 2016 (XXIX of 2016)

²¹⁰⁷ The words “by Government” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²¹⁰⁸ Substituted for the full stop vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

²¹⁰⁹ Proviso was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

²¹¹⁰ Clause 98A was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission Clause 92 was as under:-

i[(98A) Any income derived by International Cricket Council Development (International) Limited (IDI), International Cricket Council (ICC), employees, Officials, agents and representatives of IDI and ICC, officials from ICC members, players, coaches, medical doctors and officials of member countries, IDI partners and media representatives, other than person who are resident of Pakistan,

²¹¹¹[(99) Any income derived by a Collective Investment Scheme or a REIT Scheme, if not less than ninety per cent of its accounting income of that year, as reduced by capital gains whether realized or unrealized, is distributed amongst the unit or certificate holders or shareholders as the case may be ²¹¹²[:]

²¹¹³[Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account.]

Explanation.-For the purpose of this clause the expression “accounting income” means income calculated under the generally accepted Accounting Principles and verified by the auditors.]

²¹¹⁴[(99A) Profits and gains accruing to a person on sale of immovable property to a ²¹¹⁵[REIT Scheme] up to thirtieth day of June, ²¹¹⁶[2015] ²¹¹⁷[:]

Provided that profit and gains on sale of immovable property to a Developmental REIT Scheme with the object of development and construction of residential buildings shall be exempt upto thirtieth day of June, 2020]

(100) Any income, not being income from ²¹¹⁸[[manufacturing or](#)] trading activity, of a modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), for any assessment year commencing on or after the first day of July, 1999 ²¹¹⁹[:]

Provided that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, as required under the provisions of the said Ordinance or the rules made ²¹²⁰[thereunder, as are distributed amongst the shareholders]:

Provided further that with effect from the first day of July, 1999 for the purpose of determining the distribution of ninety per cent profits, the profits distributed through bonus certificates or shares to the certificate holders shall not be taken into account.

-
- from ICC champions Trophy, 2008 hosted in Pakistan”*
- 2111 i.. *Clause (98A) inserted vide Notification No.SRO 490(I)/2008 dated 31st May, 2008*
Clause (99) substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June 2008). At the time of substitution clause (99) was as under:--
 ii[(99) *Any income derived by a mutual fund or an investment company registered under the ii[Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003], or a unit trust scheme constituted by an assets management company registered under the Assets Management Companies Rules, 1995 iii[, or a Real Estate Investment Trust approved and authorized under Real Estate Investment Trust Rules, 2006 established and managed by a REIT Management Company licensed under the Real Estate Investment Trust Rules. 2006]. If not less than ninety per cent of its accounting income of that year, as reduced by capital gains whether realized or un-realized, is distributed amongst-the unit or certificate holders or shareholders as the case may be:--*
Explanation.-For the purpose of this clause the expression “accounting income” means income calculated under the Generally Accepted Accounting Principles and verified by the auditors.]
 i. *Clause (99) substituted vide SRO 728(1)/2002, dated 23rd October, 2002. At the time of substitution clause (99) was as under:--*
 “(99) *Any income derived by a Mutual Fund or an investment company registered under the Investment Companies and Investment Advisors Rules, 1971 or a unit trust scheme constituted by an asset management company registered under the Assets Management Companies Rules, 1995, if not less than ninety per cent of its income of that year is distributed amongst the unit or certificate holders or shareholders, as the case may be.”*
 ii. *Substituted for the words, comma and figures “Investment Companies and Investment Advisers Rules, 1971” vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)*
 iii. *The commas, words and figures were inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)*
 2112 *Substituted for the full stop vide the Finance Act, 2014*
 2113. *Added vide the Finance Act, 2014*
 2114 *Clause (99A) was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*
 2115 *Substituted for the words “real estate investment trust” vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)*
 2116 *Substituted for the figure “2010” vide the Finance Act, 2010 (XVI of 2010)*
 2117 *Colon was Substituted for full stop and thereafter new proviso was added vide Finance Act, 2015*
 2118 *Inserted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018*
 2119 *Substituted for the semi-colon vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2 (03)*
 2120 *Substituted for the word “thereafter” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2 (03).*

(101) Profits and gains derived between the first day of July, 2000 and the thirtieth day of June,²¹²¹[2024] both days inclusive, by a venture capital company and venture capital fund registered under Venture Capital Companies and Funds Management Rules, 2000²¹²²[and a Private Equity and Venture Capital Fund].

²¹²³[***]

²¹²⁴[(102A) Income of a person as represents a subsidy granted to him by the Federal Government for the purposes of implementation of any orders of the Federal Government in this behalf.]

²¹²⁵[(103) Any distribution received by a taxpayer from a collective investment scheme registered by the Securities and Exchange Commission of Pakistan under the Non-Banking Finance Companies and Notified Entities Regulations, 2007, including National Investment (Unit) Trust or REIT Scheme or a Private Equity and Venture Capital Fund out of the capital gains of the said Schemes or Trust or Fund²¹²⁶[.]]

²¹²⁷[Provided that this exemption shall be available to only such mutual funds, collective investment schemes that are debt or money market funds and these do not invest in shares.]

²¹²⁸[(103A) Any income derived from inter-corporate dividend within the group companies entitled to group taxation under section 59AA²¹²⁹[²¹³⁰[***]]²¹³¹[subject to the condition that return of the group has been filed for the tax year]].]

²¹³²[***]

(104) Any income derived by the Libyan Arab Foreign Investment Company being dividend of the Pak-Libya Holding Company.

2121 Substituted for the figure i[2014" vide the Finance Act, 2012

i. Substituted for the figure "2007" vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

2122 The words were added vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

2123 Clause (102) was omitted vide the Finance Act, 2010 (XVI of 2010). At the time of omission clause (102) was as under:--

"(102) Any dividend received by the Investment Corporation of Pakistan from any other company which has paid or will pay tax in respect of the profits out of which such dividends are paid."

2124 Clause (102A) was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

2125 Clause (103) substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of substitution clause (103) was as under--

"(103) Any distribution received by a taxpayer from the National Investment (Unit) Trust or i[a collective Investment Scheme authorized or registered under the. Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003] ii[or a Private Equity and Venture Capital Fund] out of the capital gains of the said Trust or Fund on which tax has already been paid."

i. Substituted for the words, comma and figures a[Mutual Fund established by the Investment Corporation of Pakistan a[or an investment company registered under the Investment Companies and Investment Advisor Rules, 1971 or a unit trust scheme constituted by an assets management company registered under the Assets Management Companies Rules, 1995] by the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005),

(a) The words and commas inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

ii. The words were inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

2126 Substituted for the stop vide the Finance Act, 2010 (XVI of 2010)

2127 Proviso was added vide the Finance Act, 2010 (XVI of 2010)

2128 Clause (103A) was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

2129 The word, figure and letter were inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

2130 The expression "or section 59B" was omitted vide the Finance Act, 2016 (XXIX of 2016)

2131 Added vide Finance Act, 2015

2132 Clause 103B was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission Calause 92 was as under:--

i[103B) any individual in specie derived in the form of shares in a company, as defined in the Companies Ordinance, 1984 (XLVII of 1984)

Provided that when such shares are disposed of by recipient, the amount representing the dividend in specie shall be taxed in accordance with provisions of section 5 of this Ordinance and the amount, representing the difference between the consideration received and the amount here in above, shall be treated in accordance with provisions of section 37 or section 37A, as the case may be.]

i. Clause (103B) was inserted vide the Finance Act, 2010 (XVI of 2010)

(105) Any income derived by the Government of Kingdom of Saudi Arabia being dividend of the Saudi-Pak Industrial and Agricultural Investment Company Limited.

²¹³³[(105A) Any income derived by Kuwait Foreign Trading Contracting and Investment Company or Kuwait Investment Authority being dividend of the Pak-Kuwait Investment Company in Pakistan from the year of incorporation of Pak- Kuwait Investment Company.]

²¹³⁴[(105B) Any income received by a taxpayer from a corporate agricultural enterprise, distributed as dividend out of its income from agriculture.]

²¹³⁵[***]

²¹³⁶[***]

(107) Any income derived by any subsidiary of the Islamic Development Bank wholly owned by it and set up in Pakistan and engaged in owning and leasing of tankers.

²¹³⁷[(107A) Any income derived by the Islamic Development Bank from its operations in Pakistan in connection with its social and economic development activities.”]

²¹³⁸[***]

²¹³⁹[***]

²¹⁴⁰[***]

²¹⁴¹[***]

²¹³³ Clause (105A) was inserted vide Notification No SRO 749(I)/2004 dated 30th August, 2004

²¹³⁴ Clause (105B) was inserted vide SRO 106(I)/2008 dated 1st February 2008

²¹³⁵ Clause (106) omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (106) was as under:--

“(106) Any income derived by the Pakistan Water and Power Development Authority, established under the Pakistan Water and Power Development Authority Act, 1958 (West Pakistan Act No. XXXI of 1958)”

²¹³⁶ Clause (106A) omitted vide the Finance Act, 2006 (III of 2006) assented on 30th June, 2006). At the time of omission clause (106A) was as under:--

i”(106A) Any income derived by the corporatized entities of Pakistan Water and Power Development Authority from the date of their creation up to the date of completion of the process of corporatization i.e. till the tariff is notified]”

i. Clause (106A) was inserted by the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

²¹³⁷ Clause (107A) was inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

²¹³⁸ Clause (108) omitted by the Finance Act, 2003 (I of 2003 assented on 10th June, 2003. At the time of omission Clause (108) was asunder:--

“(108) Any income derived by the International Irrigating Management Institute (IIMI) Pakistan,”

²¹³⁹ Clause (109) omitted by the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (109) was as under:--

“(109) Any amount collected by the Civil Aviation Authority up to the thirty-first December, 1998, on account of security charges.”

²¹⁴⁰ Clause (110) omitted by the Finance Act, 2010 (XVI of 2010). At the time of omission clause (110) was as under:--

“(110) Any income chargeable under the head “capital gains” being income from the sale of modaraba certificates or any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XL VII of 1984), listed on any stock exchange in Pakistan or shares of a public company i[as defined in sub- section (47) of section 2) and the Pakistan Telecommunications Corporation vouchers issued by the Government of Pakistan, derived by a taxpayer ii[up to tax year ending on the thirtieth day of June, iii[2010)]

i. Substituted for the words “as defined in the First Schedule” vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

ii. Substituted for the words, comma and figure “Ill respect of any a[tax year 2005]” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

(a) Substituted for the words, comma and figure “assessment year ending on or before the thirtieth day of June, 2005” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

iii. Substituted for the figure a[(2008) vide SRO 567(I)/2008, dated 11th June 2008

(a) Substituted for the figures “2001” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²¹⁴¹ Clause (110A) was omitted vide Finance Act, 2010 (XVI of 2010). At the time of omission clause (110A) was as under:--

i”(110A) Any gain on transfer of a capital asset of the existing stock exchanges to new corporatized stock exchange, in the course of corporatized stock exchange in the course of corporatization of an existing

²¹⁴²[(110B) Any gain on transfer of a capital asset, being a membership right held by a member of an existing stock exchange, for acquisition of shares and trading or clearing rights acquired by such member in new corporatized stock exchange in the course of corporatization of an existing stock exchange.]

²¹⁴³[(110C) Any gain by a person on transfer of a capital asset, being a bond issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market, during the period from the 1st day of July, 2018 till the 30th day of June, 2023]

²¹⁴⁴[***]

²¹⁴⁵[***]

²¹⁴⁶[***]

(114) Any income chargeable under the head “capital gains” derived by a person from an industrial undertaking set up in an area declared by the Federal Government to be a “Zone” within the meaning of the Export Processing Zones Authority Ordinance, 1980 (IV of 1980).

²¹⁴⁷[***]

²¹⁴⁸[***]

²¹⁴⁹[***]

-
- stock exchange.”*
- ²¹⁴² i. Clause (110A) was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- ²¹⁴³ Clause (110B) inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- ²¹⁴⁴ *Inserted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018*
- ²¹⁴⁴ Clause (III) was omitted vide the Finance Act, 2010 (XVI of 2010). At the time of omission clause (III) was as under:--
- “(111) Any income chargeable under the head “capital gains” being income from the sale of shares of a public company derived by any foreign institutional investor as is approved by the Federal Government for the purpose of this clause.”
- ²¹⁴⁵ Clause (112) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002) At the time of omission clause (112) was as under:-
- “(112) Any income chargeable under the head “capital gains” derived by a person from the sale of shares of industrial units of public sector corporations by the Privatization Commission”.
- ²¹⁴⁶ Clause (113) was omitted vide Finance Act, 2015. At the time of omission Clause (113) was as under:-
- (113) Any income chargeable under the head “capital gains”, being income from the sale of shares of a public company set up in any Special Industrial Zone referred to in clause 2146[(126)]of this Schedule, derived by a person for a period of five years from the date of commencement of its commercial production:
- Provided that the exemption under this clause shall not be available to a person from the sale of shares of such companies which are not eligible for exemption from tax under clause (126)
- ²¹⁴⁷ Clause (114A) omitted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011). At the time of omission clause (114A) was as under:--
- i” (114A) Any income chargeable under the head “capital gains” derived by a person from sale of ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft up to tax year ending on the thirtieth day of June 2011. “
- ²¹⁴⁸ i. Clause (114A) was added vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
- Clause (115) omitted by the Finance Act, 2003 (I of 2003), (Assented on 16th June, 2003),. At the time of omission clause (115) was as under:--
- “(115) Any share of income received by a taxpayer out of capital gains on which tax has been paid by the firm of which he is a partner i[:]
- ii[Provided that exemption under this clause shall not apply in respect of any tax year commencing on or after the 1st day of July, 2002.]”
- i. Substituted for the full stop vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
- ii. Proviso added by the Finance Ordinance, 2002 (XXVII of 2002), (Promulgated on 15th June, 2002)
- ²¹⁴⁹ Clause (116) omitted by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (116) was as under:--
- (116) Any income derived by a taxpayer from the business of fish catching or fish processing, where the fish catching business or fish processing unit is established by the taxpayer for the first time between first day of July, 1993, and 30th day of June, 1997, for a period of five years from the date of such establishment, subject to the condition that the said date shall be determined by the Commissioner on an application made by the taxpayer.”

(117) Any income derived by a person from plying of any vehicle registered in the territories of Azad Jammu and Kashmir, excluding income arising from the operation of such vehicle in Pakistan to a person who is resident in Pakistan and non-resident in those territories.

2150[***]

2151[***]

2152[***]

2153[***]

2150 Clause (118) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (118) was as under:-

“(118) Profits and gains derived by a taxpayer from a pioneer Industrial undertaking which is set up by 30th day of June, 1997 for a period of five years from the date of commencement of commercial production The exemption under this clause shall apply to a pioneer industrial undertaking which--

- (a) is owned and managed by a company formed and registered under the Companies Act, 1913. (VII of 1913) having its registered office in Pakistan;
- (b) is an undertaking the income, profits and gains of which are not liable to be computed in accordance with the rules contained in the Fifth Schedule;
- (c) fulfils the following conditions, namely:--
 - (i) that the undertaking is based on highly sophisticated technology;
 - (ii) that the technology employed has fast obsolescence;
 - (iii) that investment in the undertaking involves high risk; and that the goods produced or to be produced are such that neither these goods, nor identical or close substitutes thereof, are being produced in Pakistan; and
- (d) is approved, on an application made by the taxpayer in such form and manner and accompanied by such statements, certificates, documents and undertakings, and in accordance with such procedure, as may be prescribed by the Central Board of Revenue.”

2151 Clause (119) was omitted vide the Finance Ordinance 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (119) was as under:-

Profits and gains derived by a taxpayer, being a resident company, from an industrial undertaking engaged in the manufacture of electronic equipment or components thereof which is set up in the North West Frontier Province or in the Islamabad Capital Territory by 30th day of June, 1997, and is approved by the Central Board of Revenue for purposes of this clause, for a period of five years from the date of commencement of commercial production.”

2152 Clause (120) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (120) was as under:--

“(120) Profits and gains derived by a taxpayer from an industrial undertaking for a period of five years from the date of commencement of commercial production

2. The exemption under this clause shall apply to an undertaking which is—
 - (a) set up between the first day of July, 1994, and the thirtieth day of June, 2000: both days inclusive;
 - (b) owned and managed by a company formed exclusively for operating the said industrial undertaking engaged in fruit processing and registered under the Companies Ordinance, 1984 (XL VII of 1984), and having its registered office in Pakistan; and
 - (c) is not formed by splitting up or the reconstruction or reconstitution of business already in existence or by transfer to a new business of any machinery or plant in Pakistan at any time before the commencement of the new business.”

2153 Clause (121) omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (121) was as under:--

i.”(121) Profits and gains derived by an assessee from an Industrial undertaking set up in an area declared by the Federal Government to be a “Zone” within the meaning of the Export Processing Zones Authority Ordinance, 1980 (IV of 1980) for the assessment years 1998-1999, 1999-2000 and 2000-2001. However, exemption under this clause shall be restricted to the remaining period of exemption to which a company was entitled before the relevant amendments made by the Finance Act, 1996 (IX of 1996)]”

i. Clause (121) was inserted vide SRO 596(I)/2002, dated 5th September, 2002. Earlier Clause (121) was omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (121) was as under:-

- “(121) (1) Profits and gains derived by a taxpayer from an industrial undertaking or a period of five years from the date of commencement of commercial production.”
- (2) The exemption under this clause shall apply to an Industrial undertaking which is-
 - (a) set up between the first day of July, 1994, and the thirtieth day of June, 2000, both days inclusive;
 - (b) owned and managed by a company formed exclusively for operating the said industrial undertaking engaged in the manufacture of soft and stuffed toys; and

2154[***]

2155[***]

2156[***]

2157[***]

2158[(126) Any income of a public sector university established solely for educational purposes and

-
- (c) not formed by splitting up, reconstruction or reconstitution of business already in existence or by transfer to a new business of any machinery or plant in Pakistan at any time before the commencement of the new business.”
- 2154 Clause (122) was omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (122) was as under:-
- “(122) (1) Profits and gains derived by a taxpayer from an industrial undertaking for a period of five years from the date of commencement of commercial production.
- (2) The exemption under this clause shall apply to an industrial undertaking which is--
- (a) engaged in the manufacture of solar thermal, photovoltaic equipment for production of solar energy and solar appliances;
- (b) set up between the first day of July, 1997 and the thirtieth day of June, 2000; and
- (c) is not formed by splitting up or the reconstruction or reconstitution of business already in existence or by transfer to a new business of any machinery or plant in Pakistan at any time before the commencement of the new business.”
- 2155 Clause (123) was omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (123) was as under:-
- “(123) Profits and gains derived by a taxpayer from an industrial undertaking set up in an area declared by the Federal Government to be a “Zone” within the meaning of the Export Processing Zones Authority Ordinance, 1980 (IV of 1980), for a period of five years from the date of commencement of production, and for such further period as may be allowed by the Federal Government: Provided that nothing contained in this clause shall apply to an industrial undertaking set up after the 30th June, 1997.”
- 2156 Clause (124) was omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (124) was as under:-
- “(124) Profits and gains derived by a taxpayer up to the thirtieth day of June, 1997 from an industrial undertaking set up in the Karachi Export Processing Zone, declared by the Federal Government as a Zone' within the meaning of the Export Processing Zones Authority Ordinance, 1980 (IV of 1980)”
- 2157 Clause (125) was omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (125) was as under:-
- (125) (1) Profits and gains derived by a company' for a period of five years from an industrial undertaking set up in such area and within such period and on such conditions as the Federal Government may, by notification in the Official Gazette, specify: Provided that the exemption under this sub-clause shall not be available after the 31st January, 1996, except to such companies otherwise qualifying under this clause, which have established letters of credit for the import of plant and machinery for such industrial undertaking by the 31st January, 1996.
- (2) Income chargeable under the head “Capital gains” derived by a taxpayer from the sale of shares representing foreign equity in such company and on such conditions as the Federal Government may by notification in the official Gazette, specify: Provided that the exemption under this sub-clause shall not be available to a taxpayer from the sale of shares representing foreign equity in such companies which do not qualify for exemption under sub-clause (1) ”
- 2158 Substituted for clause (126) vide the Finance Act, 2014. At the time of omission clause (126) was as under:-
- (126) (1) Profits and gains derived by a taxpayer from an industrial undertaking set up between the first day of July, 1995, and the i[31st day of December, 2002], both days inclusive, for a period of ten years beginning with the month in which the undertaking is set up or commercial production is commenced, whichever is the later: Provided that the exemption under this clause shall not be available after the 31st January, 1996, except to such taxpayers, otherwise qualifying under this clause, who have established letters of credit for the import of plant and machinery for such industrial undertaking by the 31st January, 1996 ii[:] iii[Provided further that the extension in deadline from the 30th June, 1999, to the 31st December, 2002, shall not apply to those projects whose cases are subjudice and that the Federal Government shall decide such cases in accordance with the verdict of the apex Court.]
- (a) that it is set up in such area as may be notified by the Federal Government to be a Special Industrial Zone ;
- (b) that it is not formed by the splitting up, or the reconstruction or reconstitution of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business;
- (c) that it is owned and managed by a company formed exclusively for operating such industrial

not for the purposes of profit, with effect from the 1st day of July, 2013.]

²¹⁵⁹[(126A) Income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, ²¹⁶⁰[Gwadar] International Terminal Limited, ²¹⁶¹[Gwadar] Marine Services Limited and ²¹⁶²[Gwadar] Free Zone Company Limited from ²¹⁶³[Gwadar] Port operations for a period of twenty-three years, with effect from the sixth day of February, 2007.

(126AA) Profit and gains derived by a taxpayer from businesses set up in the ²¹⁶⁴[Gwadar] Free Zone Area for a period of twenty three years with effect from the first day of July, 2016.

(126AB) Profit on debt derived by-

- (a) any foreign lender; or
- (b) any local bank having more than 75 per cent shareholding of the Government or the State Bank of Pakistan, under a Financing Agreement with the China Overseas Ports Holding Company Limited, for a period of twenty three years with effect from the first day of July, 2016;

(126AC) Income derived by contractors and sub-contractors of China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited,

-
- undertaking and registered under the Companies Ordinance, 1984 (XLVII of 1984), having its registered office in Pakistan ; and*
- (d) *that it is not engaged in the manufacture of arms and ammunition, security printing, currency and mint, high explosives, radioactive substances, alcohol (except industrial alcohol), cotton ginning, spinning (except as part of integrated textile [unit]), sugar manufacturing (white), flour milling, steel re-rolling and furnace, Tobacco industry, ghee or vegetable oil industry, plastic bags (including Polypropylene, and Polyethylene), beverages (excluding fruit juices), polyester industry, automobile assembly and cement industry.*
 - [i *Substituted for the figures, words and comma "30th day of June, 1999" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)]*
 - [ii. *Substituted for the full stop vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)]*
 - [iii. *Proviso was added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*
- 2159 *Substituted for clause "126A" vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution clause "126A" was as under:--*
- i [(126A) *income derived by China Overseas Ports Holding Company Limited from Gwadar Port operations for a period of ii [twenty three] years, with effect from the sixth day of February, 2007.*]
 - i. *Substituted for clause (126A) vide the Finance Act, 2014. At the time of substitution clause (126A) was as under:--*
 - i[(126A) *income derived by –*
 - (a) *Gawadar Free Zone Company Limited;*
 - ii[(b) *PSA Gawadar International Terminal Limited;]*
 - iii[(c) *Gawadar Marine Services Limited; and]*
 - iv[(d) *P.S.A. Gawadar (PTE) Ltd.] from Gwadar Port operations for a period of twenty years beginning from the year in which the company is set up or commercial operation is commenced, whichever is the later.]*
 - [i. *Clause (126A) was inserted vide SRO 755(I)2007, dated 27th July, 2007*
 - [ii. *Substituted for sub-clause (c) vide SRO 41(I)/2008, dated 11th January, 2008. At the time of substitution sub-clauses (b) and (c) was as under:--*
 - (b) *PSA Gawadar International Terminal Limited; and"*
 - [iii. *Substituted for sub-clause (c) vide SRO 41(I)/2008, dated 11th January, 2008. At the time of substitution sub-clause (c) was as under:--*
 - (c) *Gwadar Marine Services Limited"*
 - [iv. *Sub-clause (d) was substituted vide SRO 152(I)/2008, dated 16th February, 2008. At the time of substitution sub-clause (d) was as under:--*
 - "(d) *Port of Singapore Authority International (PTE) Ltd. (PSAI),"*
 - ii. *Substituted for the figure "Twenty" vide Finance Act, 2015*
- 2160 *Substituted for "Gawadar" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*
- 2161 *Substituted for "Gawadar" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*
- 2162 *Substituted for "Gawadar" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*
- 2163 *Substituted for "Gawadar" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*
- 2164 *Substituted for "Gawadar" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*

²¹⁶⁵[Gwadar] International Terminal Limited, ²¹⁶⁶[Gwadar] Marine Services Limited and ²¹⁶⁷[Gwadar] Free Zone Company Limited from ²¹⁶⁸[Gwadar] Port operations for a period of twenty years, with effect from the first day of July, 2016.

(126AD) (1) Any income derived by China Overseas Ports Holding Company Limited being dividend received from China Overseas Ports Holding Company Pakistan (Private) Limited, ²¹⁶⁹[Gwadar] International Terminal Limited ²¹⁷⁰[Gwadar] Marine Services Limited and ²¹⁷¹[Gwadar] Free Zone Company Limited for a period of twenty-three years with effect from the first day of July, 2016.

(2) Any income derived by China Overseas Ports Holding Company Pakistan (Private) Limited being dividend received from, Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty-three years with effect from the first day of July, 2016.]

²¹⁷²[(**126B**) Profit and gains derived by ²¹⁷³[Khalifa Coastal Refinery] for a period of twenty years beginning in the month in which the refinery is setup or commercial production is commenced, whichever is the later.]

²¹⁷⁴[(126BA) Profits and gains derived by a refinery set up between the 1st day of July, 2018 and the 30th day of June, 2023 with minimum 100,000 barrels per day production capacity for a period of twenty years beginning in the month in which the refinery is set up or commercial production is commenced, whichever is later. Exemption under this clause shall also be available to existing refineries, if—

- (a) existing production capacity is enhanced by at least 100,000 barrels per day;
- (b) the refinery maintains separate accounts for income arising from aforesaid additional production capacity; and
- (c) the refinery is a deep conversion refinery.]

²¹⁷⁵[(**126C**) (1) Profits and gains derived by a taxpayer from an industrial undertaking set up in Larkano Industrial Estate between the 1st day of July, 2008 and the thirtieth day of June, 2013, both days inclusive, for a period of ten years beginning with the month in which the industrial undertaking is set up or commercial production commenced, whichever is the later.

(2) Exemption under this clause shall apply to an industrial undertaking which is owned and managed by a company registered under the Companies Ordinance 1984 (XLVII of 1984) and formed exclusively for operating the said undertaking.]

²¹⁷⁶[(**126D**) Profit and gains derived by a taxpayer from an industrial undertaking set up in the Gawadar declared by the Federal Government to be a Zone within the meaning of Export Processing Zone Authority Ordinance, 1980 (IV of 1980) as Export Processing Zone, Gawadar, for a period of ten years beginning with the month and year in which the industrial undertaking is set up or commercial operation commenced, whichever is later.]

²¹⁷⁷[(**126E**) income derived by a zone enterprise as defined in Special Economic Zones Act, 2012

²¹⁶⁵ Substituted for "Gawadar" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²¹⁶⁶ Substituted for "Gawadar" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²¹⁶⁷ Substituted for "Gawadar" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²¹⁶⁸ Substituted for "Gawadar" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²¹⁶⁹ Substituted for "Gawadar" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²¹⁷⁰ Substituted for "Gawadar" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²¹⁷¹ Substituted for "Gawadar" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²¹⁷² Inserted vide SRO 1100(I)/2007 dated 10.11.2007

²¹⁷³ The words "Coastal Oil Refinery at Khalifa Point by IPIC of Abu Dhabi] were substituted vide SRO 1145(I)/2007 dated 23.11.2007

²¹⁷⁴ Inserted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

²¹⁷⁵ Clause (126C) was inserted vide SRO 741(I)/2008, dated 10 July 2008

²¹⁷⁶ Clause (126D) was inserted vide SRO 606(I)/2009, dated 29th June, 2009

²¹⁷⁷ Substituted for clause (126E) vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013.. At the time of substitution clause (126E) was as under:--
i/(126E) Corporate income tax holiday for a period of five years for projects from the date of commercial

(XX of 2012) for a period of ten years starting from the date the developer certifies that the zone enterprise has commenced commercial operation and for a period of ten years to a developer of zone starting from the date of signing of the development agreement in the special economic zone as announced by the Federal Government.]

²¹⁷⁸[***]

²¹⁷⁹[(126G) Profit and gains derived for a period of five years from the date of start of commercial production by the following companies from the projects mentioned against each that have been declared 'Pioneer Industry' by Economic Coordination Committee of the Cabinet--

- (i) M/s. Astro Plastics (Pvt.) Ltd. from their Biaxially Oriented Polyethylene, Terephthalate (BOPET) Project; and
- (ii) M/s. Novatex Ltd. from their Biaxially Oriented Polyethylene Terephthalate (BOPET) Project.]

²¹⁸⁰[(126H) Profits and gains derived by a taxpayer, from a fruit processing or preservation unit set up in Balochistan Province, Malakand Division, Gilgit-Baltistan and FATA between the first day of July, 2014 to the thirtieth day of June, 2017, both days inclusive, engaged in' processing of locally grown fruits, for a period of five years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later.]

²¹⁸¹[(126I) Profits and gains derived by a taxpayer, from an industrial undertaking set up by 31st day of December, 2016 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, for a period of five years beginning from first day of July, 2015.

(126J) Profits and gains derived by a taxpayer, from an industrial undertaking set up between 1st day of July, 2015 and 30th day of June, 2016 engaged in operating warehousing or cold chain facilities for storage of agriculture produce for a period of three years beginning with the month in which the industrial undertaking is set up or commercial operations are commenced, whichever is later.

(126K) Profits and gains derived by a taxpayer, from an industrial undertaking set up between the first day of July, 2015 and the 30th day of June, 2017 for establishing and operating a halal meat production unit, for a period of four years beginning with the month in which the industrial undertaking commences commercial production. The exemption under this clause shall apply if the industrial undertaking is –

- (a) owned and managed by a company formed for operating the said halal meat production unit and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan;
- (b) not formed by the splitting up, or the re construction or re constitution, of a business already in existence or by transfer to a new business of any machinery or

operations, and for developers of the zone, for a period of ten years from the date of start of development activity in the Special Economic Zones as announced by the Federal Government]

- i. *Clause (126E) was substituted vide SRO 123(I)/2010, dated 26th February, 2010). At the time of substitution clause (126E) was as under--*

“(126E) Income derived by Corporate zone developers for projects in the Special Economic Zones as announced by the Federal Government for a period of ten years from the date of start of developmental activity.

Initially:.. Clause (126E) was inserted SRO 660(I)/2009, dated 15th July, 2009

²¹⁷⁸ *Clause (126F) was omitted vide Finance Act, 2015. At the time of omission Clause (126F) was as under:- if(126F) Profits and gains derived by a taxpayer located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for a period of three years starting from the tax year 2010:*

Provided that this concession shall not be available to the manufacturers and suppliers of cement, sugar, beverages and cigarettes

- i *Clause (126F) was inserted vide the Finance Act, 2010 (XVI of 2010)*

²¹⁷⁹ *Added vide SRO 281(I)/2014, dated 8th April, 2014*

²¹⁸⁰ *Added vide the Finance Act, 2014*

²¹⁸¹ *Added vide Finance Act, 2015*

plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and

- (c) halal meat production unit is established and obtains a halal certification within the period between the first day of July, 2015 and the 30th day of June, 2017.

(126L) Profits and gains derived by a taxpayer, from an industrial undertaking set up in the Provinces of Khyber Pukhtunkhwa and Baluchistan between 1st day of July, 2015 and 30th day of June, 2018 for a period of five years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later:

Provided that exemption under this clause shall be admissible where—

- (a) the industrial undertaking is setup between the first day of July, 2015 and 30th day of June, 2018, both days inclusive; and
- (b) the industrial undertaking is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan at any time before 1st July 2015.

(126M) Profits and gains derived by a taxpayer from a transmission line project set up in Pakistan on or after the 1st day of July, 2015 for a period of ten years. The exemption under this clause shall apply to such project which is—

- (a) owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan;
- (b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and
- (c) owned by a company fifty per cent of whose shares are not held by the Federal Government or Provincial Government or a Local Government or which is not controlled by the Federal Government or a Provincial Government or a Local Government:

Provided that the exemption under this clause shall not apply to projects set up on or after the thirtieth day of June, 2018.

(126N) Profits and gains derived by a taxpayer from an industrial undertaking, duly certified by the Pakistan Telecommunication Authority, engaged in the manufacturing of cellular mobile phones, for a period of five years, from the month of commencement of commercial production:

Provided that the industrial undertaking has been set up and commercial production has commenced between the first day of July, 2015 and the thirtieth day of June, 2017 and the industrial undertaking is not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan.]

²¹⁸²[***]

²¹⁸² Clause (127) was omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (127) was as under:--

“(127) (1) Profit and gains derived by a taxpayer from an industrial undertaking set up between the first day of July, 1995, and the thirtieth day of June, 1997, both days inclusive, for a period of eight years beginning with the month in which commercial production is commenced

(2) The exemption under this clause shall apply to an industrial undertaking which fulfils the following conditions, namely:--

- (i) It is set up in a rural area i.e., outside the limits of any municipal corporation, municipal committee, cantonment board or Islamabad Capital Territory and in no case within the following areas namely:--
 - (a) up to ten kilometers from the municipal or cantonment limits of Karachi or Lahore; and

2183[***]

2184[***]

2185[***]

(131) Any income-

- (a) of company registered under the Companies Ordinance 1984 (XLVII of 1984), and having its registered office in Pakistan, as is derived by it by way of royalty, commission or fees 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 by the company or in the consideration of technical services rendered

- (b) up to ten kilometers from the existing limits of municipal corporations or cantonments boards;

Explanation.-The distance between an industrial undertaking and the outer boundary of a municipal or cantonment limit shall be measured in a straight line on horizontal plane as provided in section II of the General Clauses Act, (X of 1897), and the said distance, wherever required, will be-defined and determined by the concerned officer of the District Administration.

- (ii) It is not formed by the splitting up, or the reconstruction or reconstitution of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business.

- (iii) It is owned and managed by a company formed for operating such industrial undertaking and registered under the Companies Ordinance, 1984 (XL VII of 1984), having its registered office in Pakistan.

- (iv) It is an undertaking engaged in any of the following agro-based industries:--

- (a) cultivation, production, processing and preservation of flowers and ornamental plants;
- (b) cattle, sheep and goat forming for the production and processing of meat. It will cover rearing, sale and slaughtering of animals and processing and packing of meat and meat products;
- (c) dairy farming for the production of milk;
- (d) processing, packing, preservation and canning of milk and milk products with or without addition of other things;
- (e) processing, packing, preservation and canning of meat and meat products;
- (f) processing, packing, preservation and canning of fruits and vegetable;
- (g) inland farming and preservation packing and canning of fish and seafood with or other things;
- (h) cultivation production and multiplication of high yielding seeds of cereals, pulses, vegetables fruits Oil seeds and cash crops like sugarcane Conon coca. coffee, tea, herbs and spices;
- (i) cultivation. production and extraction of edible oils;
- (j) poultry farming and processing, packing, preservation and canning of poultry meat with or without addition of other things; and
- (k) manufacture of cattle and poultry feeds."

2183 Clause (128) omitted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of omission clause (128) was as under:-

"(128) Any income accruing or arising outside Pakistan to an industrial undertaking set up in an area declared by the Federal Government to be a 'Zone' within the meaning of the Export Processing Zones Authority Ordinance, 1980 (IV of 1980)

Provided-the said income accrues or arises from such activities of the said undertaking as are approved by the Federal Government:

Provided that nothing contained in this clause shall apply to an industrial undertaking set up after the 30th June, 1997."

2184 Clause (129) omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (129) was as under:--

"(129) Any income of Saudi-Pak Industrial and Agricultural Investment Company Limited in Pakistan for a period of twenty years commencing with the thirty first day of December 1982."

2185 Clause (130) omitted vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002) At the time of omission clause (130) was as under:--

"(130) Any income of Pakistan-Kuwait Investment Company in Pakistan for a period of twenty years from the date of its incorporation."

outside Pakistan to such enterprise by the company under an agreement in this behalf, or

- (b) of any other taxpayer as is derived by him, in the income year relevant to assessment year beginning with the first day of July, 1982 and any assessment year thereafter, by way of fees for technical services rendered outside Pakistan to a foreign enterprise under an agreement entered into in this behalf :-

Provided that-

- (i) such income is received in Pakistan by or on behalf of the said company or other taxpayer, as the case may be, in accordance with the law for the time being in force for regulating payments and dealings in foreign exchange ; and
- (ii) where any income as aforesaid is not brought into Pakistan in the year in which it is earned and tax is paid thereon, an amount equal to the tax so paid shall be deducted from the tax payable for the year in which it is brought into Pakistan and, where no tax is payable for that year or the tax payable is less than the amount to be deducted, the whole or such part of the said amount as is not deducted shall be carried forward and deducted from the tax payable for the year next following and so on.

(132) Profits and gains derived by a taxpayer from an electric power generation project set up in Pakistan on or after the 1st day of July, 1988. The exemption under this clause shall apply to such project which is-

- (a) owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan:
- (b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and
- (c) owned by a company fifty per cent of whose shares are not held by the Federal Government or a ²¹⁸⁶[Local Government] or which is not controlled by the Federal Government or a Provincial Government or a ²¹⁸⁷[Local Government]:

Provided that the condition laid down in sub-clause (a) shall not apply to the Hub Power Company Limited ²¹⁸⁸[:]

²¹⁸⁹[Provided further the exemption under this clause shall not apply to oil fired power plants setup ²¹⁹⁰[between 22nd October, 2002 and 30th June, 2006] ²¹⁹¹[but shall apply to Dual Fuel (Oil/Gas) power projects set up on or after the first September, 2005] ²¹⁹²[:]]

²¹⁹³[Provided further that the exemption under this clause shall be available to companies registered in Pakistan or Azad Jammu and Kashmir owning and managing Hydel Power Projects, set up in Azad Jammu and Kashmir or Pakistan ²¹⁹⁴[:]]

2186 Substituted for the words "local authority" vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008
2187 Substituted for the words "local authority" vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008
2188 Substituted for full stop vide SRO 940(I)/2002, dated 19.12.2002 dated 19th December, 2002
2189 Substituted vide SRO 44(I)/2003, dated 11.01.2003. The substituted proviso inserted vide SRO 940(I)/2002, dated 19.12.2002. read as under: -
i[Provided further that with effect from the 22nd October, 2002, exemption under this clause shall not be available to any oil fired power plant".
i. Proviso was added vide SRO 940(I)/2002, dated 19th December, 2002
2190 Substituted for the words, figures and comma "on or after 22nd October, 2002" vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
2191 The words, brackets, comma and figure was added vide SRO 1009(I)/2005 dated 26th September, 2005
2192 Substituted for the full stop vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
2193 Proviso was added vide the Finance Act, 2007 (IV of 2 (07 assented on 30th June, 2007)
2194 Full stop was substituted vide SRO 405(I)/2008, dated 26.04.2008

²¹⁹⁵[Provided further that exemption under this clause shall also be available to the expansion projects of the existing Independent Power Projects already in operation ²¹⁹⁶[.]]

²¹⁹⁷[Provided also that conditions laid down in sub-clause (b) shall not apply to electric power generation project formed by the splitting up, or the reconstruction or the reconstitution of an electric power generation business already in existence and availing exemption under this clause.]

²¹⁹⁸[(132A) Profit and gains derived by Bosicor Oil Pakistan Limited for a period of seven and half years beginning from the day on which the refinery is set up or commercial production is commenced whichever is later.]

²¹⁹⁹[(132B) Profits and gains derived by a taxpayer from a coal mining project in Sindh, supplying coal exclusively to power generation projects.]

²²⁰⁰[(133) Income from exports of computer software or IT services or IT enabled services up to the period ending on 30th day of June, ²²⁰¹[2025] ²²⁰²[.]]

Provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels.]

Explanation.—For the purpose of this clause —

- (a) “IT Services” include software development, software maintenance, system integration, web design, web development, web hosting, and network design, and
- (b) “IT enabled services” include inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, HR services, telemedicine centers, data entry operations ²²⁰³[, locally produced television programs] and insurance claims processing.]

²²⁰⁴[***]

²²⁰⁵[***]

²¹⁹⁵ Proviso was added vide SRO 405(I)/2008, dated 26.04.2008

²¹⁹⁶ Full stop was substituted vide SRO 248(I)/2015, dated 27th March, 2015.

²¹⁹⁷ Proviso was added SRO 248(I)/2015, dated 27th March, 2015.

²¹⁹⁸ Clause (132A) inserted by SRO 650(I)/2009, dated 9th July, 2009. Before insertion earlier a difference Clause (132A) was omitted vide the Finance Act, 2008. At the time of omission clause (132A) was as under:--
i” (132A) Payments made on or after the first day of July, 1991 for the supply of plant, equipment and machinery to Hub Power Company Limited by a non-resident being a foreign individual, company, firm or association of persons.”

i. Clause (132A) was inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

²¹⁹⁹ Inserted vide the Finance Act, 2014

²²⁰⁰ Clause (133) substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution clause (133) was as under:--

(133) Income from export of computer software and Its related services developed in Pakistan:

Provided that the exemption under this clause shall not be available after the 30th day of June, 2016.

²²⁰¹ Substituted for ‘2019’ vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier, 2019 was substituted for “2016” vide the Finance Act, 2016 (XXIX of 2016)

²²⁰² Full stop was substituted with a “colon” and thereafter new proviso was added vide the Finance Act, 2016 (XXIX of 2016)

²²⁰³ The comma and words inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006

²²⁰⁴ Clause (133A) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (133A) was as under:--

if (133A) Any income derived vide an individual from transfer of his membership rights or shares of a stock exchange in Pakistan ii[along with a room in the Stock Exchange] to a company at any time between the first day of July, 2005, and the thirtieth day of June, iii[2008].”

i. Clause (133A) inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

ii. The words inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June 2006)

iii. Substituted for the figure a[2007]” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

(a) Substituted for the figure 2006” vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

²²⁰⁵ Clause (134) omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June 2003). At the time of omission clause (134) was as under:--

“(134) Any amount received on encashment of any certificate issued in pursuance of the US Dollar Bearer Certificate Rules. 1991:

2206[***]

(136) Any income of a special purpose vehicle as defined in the Asset Backed Securitization Rules, 1999 made under the Companies Ordinance, 1984 (XLVII of 1984):

Provided that, if there is any income which accrues or arises in the accounts of the special purpose vehicle, after completion of the process of the securitization²²⁰⁷[or redemption of sukuk], it shall be returned to the Originator as defined by the said rules within the income year next following the year in which the income has been determined and such income shall be taxable in the hands of the Originator.

2208[***]

2209[***]

²²¹⁰**(139)** (a) The benefit represented by free provision to the employee of medical treatment or hospitalization or both by an employer or the reimbursement received by the employee of the medical charges or hospital charges or both paid by him, where such provision or reimbursement is in accordance with the terms of employment:

-
- Provided that exemption under this clause shall not be available in respect of certificates purchased on or after the 15 June, 1995"*
- 2206 *Omitted vide the Finance Act, 2014. At the time of omission clause 135 was as under:--*
(135) Any amount received on encashment of Special US Dollar Bond issued under the Special US Dollar Bonds Rules, 1998.
- 2207 *Inserted vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 2016 (Ordinance No. V of 2016)*
- 2208 *Clause (137) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (137) was as under:--*
if(137) Income of Fugro Geodetic Limited from execution of contract with the Government of Pakistan for survey for the establishment of the Continental Shelf of Pakistan]
i. Clause (137) was added vide the Finance Act, 2005 (VII of 2005 assented on . 29th June, 2005. Earlier different Clause (137) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003), At the time of omission clause (137) was as under:--
"(137) Payments made on or after the first day of July, 1991, for the supply of plant, equipment and machinery to Hub Power Company Limited by a non-resident person"
- 2209 *Clause (138) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (138) was as under:--*
"(138) Any income referred to in Section 3.4 (a) of the Facilitation Agreement between the President of the Islamic Republic of Pakistan and the taxpayer purchasing the Kot Addu Power Station from Pakistan Water and Power Development Authority for a period of ten years from 28th June, 1996; provided, however, that the exemption under this clause shall only be available subject to the business of the said taxpayer being restricted to owing and operating the Kot Addu Power Station."
- 2210 *Clause (139) was substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution clause (139) was as under:--*
"(139) i[(a) Any benefit, reimbursement received by an employee on account of medical charges or hospital charges, or both, incurred by an employee, as provided for under the terms of the employee's employment agreement; or where such benefit for reimbursement, medical charges or hospital charges, or both are not provided for under the terms of employment's agreement, medical allowance up to maximum of 10% of the basic pay for the year:
Provided that National Tax Number of the hospital or clinic, as the case may be, is given and the employer also certifies and attests the medical or hospital bills to which this clause applies; or]
(b) Any amount paid by a taxpayer, being an individual and resident in Pakistan, by way of personal expenditure on medical service, to the extent of 10% of taxable income returned in return of income or Rs. 30,000 whichever is lower:
Provided that the receipts in respect of such expenditure being name, National Tax Number and complete address of the medical practitioners are furnished along with his return of income."
i. Clause (a) substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution clause (a) was as under:--
"(a) Any benefit, allowance or reimbursement received by an employee on account of medical expenses or hospital charges, or both, incurred by the employee, as provided for under the terms of the employee's employment agreement, to a maximum of 10% of the employee's basic pay for the tax year, provided, however, that where reimbursement exceeds 10% of the basic pay, the unabsorbed allowance shall be carried forward only to the next year to be allowed along with expense for the year.
Provided that the amount so carried forward and amount. for the year may not exceed 10% of basic salary.
Provided further that National Tax Number of the hospital or clinic, as 'the case may be, is given and the employer also certified and attests the medical or hospital bills to which this clause applies; or"

Provided that National Tax Number of the hospital or clinic, as the case may be, is given and the employer also certifies and attests the medical or hospital bills to which this clause applies;

(b) any medical allowance received by an employee not exceeding ten per cent of the basic salary of the employee if free medical treatment or hospitalization or reimbursement of medical or hospitalization charges is not provided for in the terms of employment; or ²²¹¹***]

²²¹²[(140) All payments on account of principal, interest, or fees received by the Overseas Private Investment Corporation (ODIC), from development project undertaken in pursuance to the Investment Incentive Agreement signed between the Government of Pakistan and the Government of the United States of America, dated 18th November, 1997.]

²²¹³[(140A) Any profit on debt received by Japan International Cooperation Agency (JICA), from Islamabad-Burhan Transmission Reinforcement Project (Phase-I) undertaken in pursuance to the loan agreement for Islamabad-Burhan Transmission Reinforcement Project (Phase-I).]

²²¹⁴[(141) Profit and gains derived by LNG Terminal Operators and Terminal Owners for a period of five years beginning from the date when commercial operations are commenced.

(142) Income from social security contributions derived by Balochistan Employees' Social Security Institution, Employees' Social Security Institution Khyber Pakhtunkhwa, Punjab Employees' Social Security Institution and Sindh Employees' Social Security Institution.

Explanation.-For the removal of doubt, it is clarified that all incomes other than social security contributions shall not be exempt;]

²²¹⁵[(143) Profit and gains derived by a start-up as defined in clause (62A) of section 2 for the tax year in which the start-up is certified by the Pakistan Software Export Board and the following two tax years.]

PART II REDUCTION IN TAX RATES

Incomes or classes of income, or persons or classes of persons, enumerated below, shall be liable to tax at such rates which are less than the rates specified in the First Schedule, as are specified hereunder:

²²¹⁶***]

(2) Any income of persons whose profits or gains from business are computed under the Fifth Schedule to this Ordinance as is derived from letting out to other similar persons any pipeline for the purpose of carriage of petroleum shall be charged to tax at the same rate as is applicable to such

²²¹¹ Sub-clause (c) omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission sub-clause (c) was as under:--

“(c) any amount paid during a year by a taxpayer being a resident individual by way of personal expenditure on medical service to the extent of ten per cent of taxable income declared in his return of income for the said tax year or thirty thousand rupees - whichever is the less:

Provided that the receipts of such expenditure bearing name National Tax Number and complete address of the medical practitioners are furnished along with his return of income.”

²²¹² New clause (140) was added vide SRO 1353(I)/2012 dated 31st October, 2012

²²¹³ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²²¹⁴ Added vide Finance Act, 2015

²²¹⁵ Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²²¹⁶ Clause (I) omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (I) was as under:-

“(i) The rates of income tax i[***] as specified in the First Schedule and as applicable to the profits and gains derived by a resident company from an undertaking set up between the first day of July, 1981 and the thirtieth day of June, 1998, both days inclusive, and engaged in the exploration and extraction of such mineral deposits, other than petroleum, as ii[is] specified by the Federal Government by a notification in the Official Gazette, shall be reduced by 50% for a period of five years immediately next following the period of five years from the date of commercial production.”

i. The words “and super tax” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

ii. Substituted for the words “may be” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

persons in accordance with the provisions of the said Schedule.

²²¹⁷[(3) (a) The tax in respect of income from services rendered outside Pakistan and construction contracts executed outside Pakistan shall be charged at the rates as specified in sub-clause (b), provided that receipts from services and income from contracts are brought into Pakistan in foreign exchange through normal banking channel.

(b) The rates in respect of income from services rendered outside Pakistan shall be 50- of the rates as specified in clause (2) of Division III of Part III of the First Schedule and the rates in respect of contracts executed outside Pakistan shall be 50- of the rates as specified in clause (3) of Division III of Part III of the First Schedule.]

²²¹⁸[(3B) The income of Pakistan Cricket Board derived from sources outside Pakistan including media rights, gate money, sponsorship fee, in-stadium rights, out-stadium rights, payments made by International Cricket Council, Asian Cricket Council or any other Cricket Board shall be taxed at a rate of four per cent of the gross receipts from such sources:

Provided that Pakistan Cricket Board may opt to pay tax at the rate of four per cent of the gross receipts from tax year 2010 and onwards:

Provided further that this option shall be available subject to withdrawal of appeals, references and petitions on the issue of tax rate pending before any appellate forum or tax authority:

Provided further that the outstanding tax liability payable under this clause up to tax year 2015 is paid by 30th June, 2016.]

²²¹⁹[***]

²²²⁰[***]

²²²¹[***]

²²¹⁷ Clause (3) was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution Clause (3) was as under:--

(3) The tax in respect of income from i [***] services rendered ii [and construction contracts] iii [***] outside Pakistan shall be charged at the rate of one per cent of the gross receipts, provided that iv [receipts from services and income from contracts] are brought into Pakistan in foreign exchange through normal banking channel.

i. The words were "engineering contracting" omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

ii. Inserted vide the Finance Act, 2014

iii. The words a["or construction contracts"] were omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

a. The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2005).

iv. Substituted for the words, "such receipts" vide the Finance Act, 2014

²²¹⁸ Inserted vide the Finance Act, 2016 (XXIX of 2016)

²²¹⁹ Omitted vide the Finance Act, 2014. At the time of Clause (3A) was as under:--

if(3A) The tax in respect of income from construction contracts outside Pakistan shall be charged at the rate of one per cent of the gross receipts provided that such income is brought into Pakistan in foreign exchange through normal banking channel.]

[i. Clause (3A) was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²²²⁰ Clause (4) omitted by the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (4) was as under:--

"(4) In the case of an industrial undertaking set up in an area declared by the Federal Government to be a "Zone" within the meaning of the Export Processing Zones Authority Ordinance, 1980 (IV of 1980), the income, profits and gains of such undertaking accruing or arising after the expiry of the period of exemption under clause (132) of Part I shall be charged to tax for a period of five years thereafter at the rate equal to twenty-five per cent of the rates specified in the First Schedule:

Provided that nothing contained in this clause shall apply in respect of undertakings whose period of exemption under clause (124) of Part I will expire after the 30th June, 1997."

²²²¹ Clause (5) was omitted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). At the time of omission clause (5) was as under:--

"(5) The tax chargeable in respect of commission received by an export indenting agent or an export buying house shall be at the rate equal to the rate of tax applicable to the exporter on export of goods to which

²²²²[(5A) The rate of tax to be deducted under sub-section (2) of section 152, in respect of payments ²²²³[from] profit on debt payable to a non-resident person having no permanent establishment in Pakistan, shall be 10% of the gross amount paid ²²²⁴[:]

²²²⁵[Provided that tax deducted on profit on debt from debt instruments, Government securities including treasury bills and Pakistan Investment Bonds shall be final tax on profit on debt payable to a non-resident person having no permanent establishment in Pakistan and the investments are exclusively made through a Special Rupee Convertible Account maintained with a Bank in Pakistan.]

²²²⁶[(5B) The tax in respect of capital gains derived by a person from the sale of shares or assets by a private limited company to Private Equity and Venture Capital Fund shall be charged at the rate of ten per cent of such gains.]

²²²⁷[***]

²²²⁸[***]

²²²⁹[***]

²²³⁰[***]

-
- such commission relates.”*
- 2222 *Clause (5A) substituted by SRO 218(I)/2008, dated 6th March, 2008. At the time of substitution clause (5A) was as under:--*
- i” (5A) The rate of withholding tax in respect of payments for profit on debt payable to a non-resident person, having no permanent establishment In Pakistan, shall be the rate as provided In Avoidance of Double Taxation Treaty of the respective country of the non-resident.”*
- i. Clause (5A) was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*
- 2223 *Substituted for the word “for” vide the Finance Act, 2009, (I of 2009 assented on 30th June, 2009)*
- 2224 *Substituted for the full stop vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)*
- 2225 *Proviso added was vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)*
- 2226 *Clause (5B) was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*
- 2227 *Clause (6) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (6) was as under:--*
- “(6) In the case of resident person the profit on Special US Dollar Bonds purchased out of any incremental deposits made in the existing foreign currency accounts on or after the 16th day of December, 1999, or out of new accounts opened on or after the said date, shall be liable to deduction of income tax under clause (C) of sub-section (I) of section I 51 at the rate of 10 per cent of the amount of the said profit.”*
- 2228 *Clause (7) omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (7) under—*
- “(7) In case of any resident individual. the tax from profit or interest of any National i[Savings] Schemes of Directorate of National Savings or Post Office ii[Savings] Account m which investment is made on, or after, the first day of July, 2001, shall be deducted at the rate often per cent of such profit or interest:*
- Provided that no tax shall be deducted from income or profits paid on—*
- (a) Defence Savings Certificates. Special Savings Certificate Savings accounts or Post Office Savings Account made on or after, the first day of July, 2001 where such deposit does not exceed iii[one hundred and fifty] thousand rupees. And*
- (b) Investment in Monthly Income iv[Savings] Accounts Scheme of Directorate of National Savings on, or alter, the first day of July, 2001 where monthly installment in an account does not exceed one thousand rupees”*
- i. Substituted for the word “Saving” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*
- ii. Substituted for the word “Saving” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003*
- iii. Substituted for the words “three hundred” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*
- iv. Substituted for the word “Saving” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*
- 2229 *Clause (8) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (XI) was as under:---*
- “(8) In the case of Daewoo Corporation, Seoul, Korea (hereinafter referred to as the Contractor), payments received in full or III part (including a payment by way of an advance) In pursuance of the contract agreements made with the National Highway Authority on the thirtieth day of December, 1991. For design and construction of Lahore-Islamabad Motorway shall be deemed to be the income of the Contractor and charged to tax at the rate of three per cent of such payments which shall constitute final discharge of his tax liability under this Ordinance and the Contractor shall not be required to file the return of income under section 114.”*
- 2230 *Clauses (9) was omitted vide SRO 140(I)/2013 date 26th February, 2013. At the time of omission clause (9) was as under:-*
- *[(9) Tax under section 148 shall be collected at rate of the 1% on import of all fibres, yarns and fabrics i[***] and goods covered by the Zero Rating Regime of the Sales Tax notified by ii[Board] iii[:.]”*

2231 [***]
 2232 [***]
 2233 [***]
 2234 [***]
 2235 [***]
 2236 [***]
 2237 [***]

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- i. The brackets, words and comma “(excluding pure cotton or its yarns or its fabrics),” were omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)
 - ii. Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 assented on 30th June, 2007)
 - iii. Substituted for the full stop vide the Finance Act, 2012
 - a. Earlier, Clause (9) was substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution clause (9) was as under:-
 “(9) Tax shall be collected at 3/4th of the rate applicable under section 148 on the goods imported under the Afghan Transit Trade Agreement. 1965 and subject to Notification SRO 368(I)/95 dated the 2nd May, 1995”
 2231 Clauses (9A) was omitted vide SRO 140(I)/2013 date 26th February, 2013. At the time of omission clause (9A) was as under:-
 *[(9A) Tax under section 148 shall be collected at the rate of 3% on the import value of raw material imported by an industrial undertaking for its own use.]
 i[Provided that the rate of 3% shall be applicable on production of an exemption certificate issued by the Commissioner.]
 - i. Proviso added vide the Finance Act, 2012
 - *. Clause (9A) inserted by the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). Earlier a different Clause (9A) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (9A) was as under:-
 i[(9A) Tax under section 231 B shall be collected at the rate of two and a half per cent at the time of sale of motor car and the withholding tax agents (manufacture or advance payment made by the purchaser, shall collect advance tax where sale invoice is issued and delivery of motor car is made after 31st August 2007.]
 - i. Clause (9A) inserted vide SRO 661(I)/2007, dated 2nd July, 2007
 - 2232 Omitted vide the Finance Act, 2014. At the time of Clause (9B) was as under:--
 i[(9B) Tax under section 148 shall be collected at the rate of 1% on import value of remelted steel (PCT Heading 72.04) ii[and directly reduced iron] imported by an industrial undertaking for its own use.]
 - i. Clause (9B) inserted vide SRO 772(I)/2012, dated 26th June, 2012
 - 2233 ii. Inserted vide SRO 451(I)/2013 dated 27th May, 2013
 Omitted vide the Finance Act, 2014. At the time of omission clause (9C) was as under:--
 i[(9C) Tax under section 148 shall be collected at the rate of 1% in case of manufacturers and 3% in case of commercial importers covered under Notification No. S.R.O. 1125 (I)/2011 dated the 31st December, 2011.]
 [i. Inserted vide SRO 212(I)/2013 dated 14th March, 2013
 - 2234 Clause (10) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (10) was as under:--
 “(10) In the case of M/s. Fauji Foundation and Army Welfare Trust, so much of the income chargeable under the head “Income from business” as is not exempt under clause (58) of Part I shall be charged to tax at the rate of 20% of such income.”
 - 2235 Clause (II) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June 2006). At the time of omission clause (II) was as under:--
 “(II) In the case of a non-resident O & M Contractor payments received in full or In part including a payment by way of an advance, for the operation and maintenance of a private sector power project and transmission line projects approved by the Federal Government shall be deemed to be the Income of the said O & M Contractor and charged to tax at the rate of five per cent of such payments for a period of three years beginning with the date of commencement of company's operations which shall constitute the final discharge or tax liability by the O&M Contractor under this Ordinance In respect of the said project.”
 - 2236 Clause (12) omitted by the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (12) was as under:--
 “(12) In the case of consortium of M/s. STFA Construction Company of Turkey and M/s. JDN of Belgium (hereinafter referred to as the contractor) all payments received in pursuance of the contract agreement No. CEN-126/93 made with the Ormara Naval Harbour Project Board, on the fourteenth day of June, 1993, for the construction of a Naval Harbour at Ormara (including off-shore and land development works), chargeable to tax in any assessment year, shall be deemed to be the income of the contractor and charged to tax at the rate of three per cent which shall constitute final discharge of contractor's tax liability under this Ordinance.”
 - 2237 Clause (13) was omitted vide the Finance Act, 2008 (I of 2008) assented on 26th June, 2008). Earlier this amendment made vide SRO 567(I)/2008, dated 11th June, 2008 At the time of omission clause (13) was as

2238[***]

2239[***]

2240[***]

under:--

i[(13) Tax under section 148 shall be collected at the rate of 1 % on imports of capital goods and raw material imported exclusively for its own use by a manufacturer registered with Sales Tax Department.]

i. Clause (13) substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007. At the time of substitution clause (13) was as under:--

ii[(13) Tax under section 148 shall be collected In the case of edible oils at the rate of 3% and in the case of condemned ships imported for the purpose of breaking at the rate of 1 % of the import value as increase by customs-duty and sales tax, if any, levied thereon.]]

ii. Clause (13) was substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution clause (13) was as under:--

iii[(13) In respect of any edible oils and condemned ship imported for the purpose of breaking, the tax under section 148 shall be collected at the rate of three per cent of the value of such edible oils or ships as increased by customs duty and sales tax, if any, levied thereon.]]

iii. Clause (13) was substituted vide SRO 908(I)/2003, dated 15th September, 2003. At the time of substitution clause (13) was as under:--

“(13) In respect of any edible oils imported, the tax under section 148 shall be collected at the rate of three per cent of the value of such edible oils as increased by customs-duty and sales tax, if any, levied thereon.”

2238 Clause (13A) omitted by the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). Earlier this amendment made vide SRO567(I)/2008, dated 11th June, 2008 At the time of omission clause (13A) was as under:--

i[(13A) In respect of phosphate fertilizers imported and specified in SRO 609(I)/2004, dated 16th July, 2004 the tax under section 148 of the Income Tax Ordinance, 2001 shall be collected at the rate of 1 % of its import value as increased by customs-duty, sales tax and federal excise duty, if any, levied thereon.]

i.. Clause (13A) was substituted vide SRO 619(I)/2004 dated 17th July, 2004).At the time of substitution clause (13A) was as under:-

ii[(13A) In respect of diammonium (DAP) fertilizer imported. the tax under section 148 shall be collected at the rate of 1 % of its import value as increased by customs-duty and sales tax. If any levied thereon Clause (13A) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2 (04). Earlier this amendment made vide SRO 441(I) 2004 dated 12th June, 2004.”

ii. Clause (13A) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). Earlier this amendment made vide SRO 441(I) 2004 dated 12th June, 2004

2239 Clause (13B) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). Earlier this amendment made vide SRO567 (I)/2008, dated 11th June, 2008. At the time of omission clause (13B) was as under:-

i[(13B) In respect of goods falling under HS Code 801.1100, 801.3200, 802.1200, 802.9010, 902.4010, 902.4090, ii[2101.1110, 2101.1120, 0902.2000, 904.1110, 907.0000, 908.1000, 3702.3100, 3705.2000, 3707.9000, 4011.2090, iii[***]. 6301.1000, 8204.0000, 8301.1000, 8511.1000, 8525.4000, 8529.9010, iv[.] 9004.1000, v[09041120 (White Pepper), 0904.1190 (Long Pepper), 0906.1000 (Cassia), 0813.4010 (Tamarind), 0908.3020 (Small Cardamom), 0908.3010 (Big Cardamom), 0909.1000 (Star Aniseeds), 0802.5000 (Pistachio), 1211.9000 (Medical Herbs), 1301.1010 (Seed Lac), 1903.0010 (Sago Seeds), 1301.9090 (Gum Gopal), 3706.9000 Other (cinematographic film), 9613.1000 (Pocket lighters. gas fuelled, non- refillable) and 9613.2000 (Pocket lighters, gas fuelled, refillable) and such other goods as notified by a vi[Board)] of the First Schedule to the Customs Act. 1 %9 (IV of 1969), imported, the tax under section 148 shall be collected at the rate of 2% of its import value as increased by vii[customs-duty, sales tax and federal excise duty], if any levied thereon.]

i. Clause (13B) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004),

ii The commas and figures was inserted vide SRO 1004(I)/2004, dated 20th December, 2004.

iii Numbers and commas “50.04, 50.05. 50.06.” were omitted vide the Finance Act, 2005 (VII of 2005), assented on 29th June, 2005)

iv Substituted for the word “and” vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

v. The figures, brackets, words and commas was inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

vi Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

vii. Substituted for the words “customs-duty and sales tax” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

2240 Clause (13C) was omitted vide Finance Act, 2015(V of 2015 assented on 29th June, 2015). At the time of omission clause (13C) was as under:--

*[(13C) In respect of manufacturers of cooking oil or vegetable ghee or both, the rate of income tax on purchase of locally produced edible oil shall be i[2%] of the purchase price.]

i. Substituted for the figure “1” vide the Finance Act, (I of 2008 assented on 26th June, 2008)

* The clause (13C) was substituted vide SRO 36(I)/2005 dated 7th January 2005

ii[(13C) In respect of edible oil purchased locally vide manufacturers of cooking oil or vegetable ghee or both,

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 2243 [***]
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- the rate of income tax shall be 1 % of the purchase price.]*
- 2241 ii. Clause (13C) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June 2004), Clause (130) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (130) was as under:--
 i[(13D) In respect of Import of polyester yarn/fibre of all types. the tax under section 148 shall be collected at the rate of two per cent of the value of such items as increased by customs-duty and sales tax. If any levied there on.]
- 2242 i. Clause (13D) was inserted vide S.R.O 769(I)/2004 dated 6th September 2004 Omitted vide the Finance Act, 2014. At the time of Clause (13E) was as under:--
 i[(13E) In respect of potassic fertilizers imported in pursuance of Economic Coordination Committee of the cabinet's decision No. ECC-155/12/2004 dated the 9th December, 2004, the tax under section 148 of the Income Tax Ordinance, 2001 shall be collected at the rate of one percent of its import value as increased by customs-duty and sales tax, if any, levied thereon.]
- 2243 i. Clause (13E) was added vide SRO 37(I)/2005, dated 7th January, 2005 Clause (13F) was omitted vide SRO 1037(I)/2005, dated 14th October, 2005). At the time of omission clause (13F) was as under:--
 i[(13F) In respect of import of blankets (acrylic) ii[***] the tax under section 148 of the Income Tax Ordinance, 2001 shall be collected at the rate of two per cent of the value of such items as increased b/customs-duty and sales tax, if any levied thereon.]
- i. Clause (13F) was added vide Notification No. S.R.O 38(I)/2005 dated 7th January, 2005.
 ii. The words and figures "and acrylic yam of 32 to 40 metric count if imported for self consumption by blanket manufacturers" were omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
- 2244 Clause (13G) was omitted vide SRO 140(I)/2013 dated 26th February, 2013. At the time of omission clause (13G) was as under:-
 *[(13G) Tax under section 148 on the following item shall be collected @ 1% of their import value as increased by i/customs-duty, sales tax and federal excise duty], if any levied thereon:
- i. Substituted for the words "customs-duty and sales tax" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
 ii[***]
 ii. Sub-clause (i) was omitted vide the Finance Act. 2008 (I of 2008 assented on 26th June, 2008). Earlier this amendment made vide SRO 567(I)/2008, dated 11th June, 2008. At the time of omission sub-clause (I) was as under:-
 "i. Capital goods;"
 iii[***]
 iii. Sub-clause (ii) was omitted vide the Finance Act. 2008 (I of 2008) assented on 26th June, 2008). Earlier this amendment made vide SRO 567(I)/2008, dated 11th June, 2008. At the time of omission sub-clause (ii) was as under:--
 "ii Cement;"
 iv[***]
 iv. Sub-clause (iii) was omitted vide the Finance Act. 2008 (I of 2008 assented on 26th June, 2008). Earlier this amendment made vide SRO 567(I)/2008 dated 11th June, 2008. At the time of omission sub-clause was as under:-
 iii. Coal;
 iv. Gold;
 v. Mobile telephone sets;
 vi. Silver;
 v[***]
 v. Sub-clauses vii to xxiv omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). Earlier this amendment made vide SRO 567(I)/2008 dated 11th June, 2008. At the time of omission sub- clauses were as under:-
 "vii. Sugar;
 viii. Wheat;
 ix. Raw wood;
 x. Trucks in CBU condition having Gross Vehicle Weight exceeding 5 tons classified under PCT headings 87.01,8704.3290 and 8704.9090;
 xi. Dump trucks classified under PCT heading 8704;
 a[xii Fully dedicated CNG buses (CBU) classified under PCT heading 8702.1090 and 8702.9090 and agricultural tractors classified under PCT heading 8701.9020;]
 a. Sub-clause (xii) was substituted vide SRO 1118(I)/2006 dated 6th November, 2006. At the time of substitution sub-clause (xii) was as under:-

-
- “Buses classified under PCT heading 8702.1090”
- (xiii) Computer hardware, parts and accessories of items classified under PCT heading 8471
b/(xiv) Condemned ships for the purpose of breaking.]
- b. Sub-clause (xiv) was added by the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- xiii. medical, surgical, dental or veterinary machinery equipment, fixtures, fittings, furniture and diagnostic kits not manufactured locally covered by SRO 575(I)/2006 dated 05.06.2006 under the Customs Act, 1969;
- xiv. equipments relating to call centers not 'manufactured locally covered by SRO575(I)/2006 dated 05.06.2006 under the Customs Act, 1969;]
- xv. Disinfectants used in poultry business covered by SRO 567(I)/2006 dated 05.06.2006 under the Customs Act, 1969;
- xvi. pre-fabricated structures for poultry farms covered by SRO 567(I)/2006 dated 05.06.2006 under the Customs Act, 1969;
- xvii. live stock and raw materials and intermediaries goods as used in the manufacture of packing material for the packing of dairy products covered by SRC 567(I)/2006 dated 05.06.2006 under the Customs Act, 1969;
- xviii. ripening chambers, hot water treatment plant, vapor hot treatment plant, modern cold storage, packing machinery, power generating sets of 10-25 KVA and battery operated fork lift trucks used in horticulture and floriculture business covered by SRO 575(I)/2006 dated 05.06.2006 under the Customs Act, 1969;
- xix. processing and packing machinery / equipment required for fish farming covered by SRO 575(I)/2006 dated 05.06.2006 under the Customs Act, 1969;
- xx. medicines for cancer, drugs used for kidney dialysis and kidney transplant. all type of vaccines for Hepatitis, Interferon and other medicines for Hepatitis, all vaccines/anti-sera, cardiac medicines, injection anti-D Immunoglobulin, blood bags CPDA.I, all medicines for HIV/AIDS and all medicines for Thalassemia covered by SRO 567(I)/2006 dated 05.06.2006 under the Customs Act, 1969;
- xxi. Broadcasting equipments covered by SRO 575(I)/2006 dated 05.06.2006 under the Customs Act, 1969;
- xxii. News print covered by SRO 567(I)/2006 dated 05.06.2006 under the Customs Act, 1969.
- xxiii Computer hardware, parts and accessories of items classified under PCT heading 8471;
c/(xxiv) Condemned ships for the purpose of breaking.]”
- c. Sub-clause (xxiv) was added vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007
- *. Clause (13G) substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution clause (13G) was as under:-
- **[(13G) In respect of remeltable and re-rollable scrap, the tax under section -148 shall be collected at the rate of one per cent of the value of such goods as increased by customs-duty and sales tax, if any, levied thereon.]
- **. Clause (13G) was added vide SRO 718(I)/2005, dated 16th July, 2005
- 2245 Clause (13H) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). Earlier this amendment made vide SRO 567(I)/2008, dated 11th June, 2008. At the time of omission clause (13H) was as under:--
- i[13H) Tax under section 148 on the following items shall be collected @ 2% of their import value as increased by customs duty ii[Federal Excise Duty] and sales tax, if any levied thereon--
- (i) raw material for steel industry including remeltable; and re-roll able scrap;
- (ii) raw material for manufacturer of poultry feed; iii[***]
- (iii) stationery iv[;]
- v[(iv) edible oils including crude oil imported as raw material for manufacture of ghee or cooking oil:
- (v) Energy saver lamps [PCT heading 8539.10];
- (vi) Bitumen [PCT heading 2714];
- (vii) Fixed Wireless Terminal [PCT heading 8525.2040]
- (viii) Pesticides and weedicides]
- i. Clause (13H) was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)
- ii. The comma and words were inserted vide the- Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- iii. The word “and” was omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- iv. Substituted for the full stop vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- v. Sub-clauses (iv) to (viii) added vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- 2246 Omitted vide the Finance Act, 2014. At the time of omission clause (13HH) was as under:--
- if(13HH) Tax shall be deducted under section 153 at the rate of 1% on the sale value of rice to be sold by Rice Exporters Association of Pakistan (REAP) to Utility Store Corporation, in accordance with the provisions of the agreement, signed with Ministry of Food, Agriculture and Livestock (MINFAL) on May 5, 2008.]
- [i. Clause (13HH) was inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

2247[***]
2248[***]
2249[***]
2250[***]

2251[***]

2252[***]

2253[(18) In the case of a modaraba the rate of income tax shall be 25% of total income excluding such part of total income to which Division III of Part I of the First Schedule or section 153 or section 154 applies.]

2254[(18A) The rate of tax as specified in Division II of Part I of the First Schedule shall be reduced to 20% for a company setting up an industrial undertaking between the first day of July, 2014 to the thirtieth day of June, 2017, for a period of five years beginning from the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later:

Provided that fifty percent of the cost of the project including working capital is through owner equity foreign direct investment.]

2255[(18B) The rate of tax as specified in Division II of Part I of the First Schedule shall be reduced

2247 Omitted vide the Finance Act, 2014. At the time of omission clause (13HHH) was as under:--
i[(13HHH) Tax shall be deducted under section 153 at the rate of 0.75% on the sale value of rice to be sold by Rice Exporters Association of Pakistan (REAP) to Utility Store Corporation, in accordance with the provisions of the agreement, signed by REAP with Ministry of Food, Agriculture and Livestock (MINFAL) on ii[April 30], 2008.

Provided that this clause shall be applicable up to June 30, 2008]

[i. Clause (13HHH) inserted vide SRO 645(I)/2008 dated 20th June, 2008]

[ii. Clause (13HHH) was inserted vide SRO 645(I)/2008, dated 20th June, 2008

2248 Clause (14) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (14) was as under:--

“(14) Tax shall be deducted under section 154 at the rate of 0.75% from foreign exchange proceeds on account of exports of--

(i) rice marketed under a brand name up to i[fifty) kilograms packs;

(ii) canned and bottled fish including sea-food and other food items; and

(iii) precious and semi-precious stones whether uncut, cut, or polished.”

“i. Substituted for the word “five” vide SRO 1053(I)/2003, dated 17th November, 2003

2249 Clause 14, 14A, 14B were omitted vide the Finance Act, 2015. At the time of omission clauses were as under:--

“(14) In case of owners of [goods transport vehicles], the rate of tax as specified in clause (i) of Division III of Part IV of First Schedule shall be reduced to Rs.2 per kilogram of the laden weight.

[(14A) In case of passenger transport vehicles, the rate of tax as specified in sub clause (c) of clause (2) in Division III of Part IV of the First Schedule shall be reduced to 250 rupees per seat per annum.]

(14B) In case of owners of goods transport vehicles, the rate of tax as specified in clause (i) of Division III of Part IV of First Schedule shall be reduced to two Rupees per kilogram of the laden weight for the period commencing on the 1st July, 2012 and ending on the 17th November, 2013 (both days inclusive) [:]

Provided that owners of the passenger transport vehicles may pay tax for the period 1st day of July, 2012 to 30th day of June, 2013 at the rates under this clause, if the tax is paid by the 30th day of June, 2014.”

Provided further that the tax already paid from 1st day of July, 2012, as per rates specified in Division III of Part IV of the First Schedule, shall not be refunded.]

2250 Clause (15) was omitted vide the Finance Act, 2005 (I of 2008 assented on 26th June, 2008). At the time of omission clause (15) was as under:--

“(15) Tax shall be deducted under section 154 at the rate of 0.75% from foreign exchange proceeds on account of exports of fish and fisheries products packed in retail packs of five hundred grams to two kilograms.”

2251 Clause (16) omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (16) was as under:--

“(16) In the case of a non-resident company, rate of deduction of tax under section 150 on dividends received from a company engaged exclusively In mining operations, other than petroleum shall be 7.5 per cent of the gross amount of dividend.”

2252 Omitted vide the Finance Act, 2014. At the time of omission Clause (17) was as under:--

“(17) The rates of tax as specified in Division III of Part-I of First Schedule shall be reduced to 7.5% in case of dividends declared or distributed by purchaser of a power project privatised by WAPDA.”

2253 Clause (18) was added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

2254 Inserted vide the Finance Act, 2014

2255 Inserted vide the Finance Act, 2016 (XXIX of 2016)

by 2- in case of a company whose shares are traded on stock exchange if:

- (a) it fulfils prescribed shari'ah compliant criteria approved by State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the Board;
- (b) derives income from manufacturing activities only;
- (c) has declared taxable income for the last three consecutive tax years; and
- (d) has issued dividend for the last five consecutive tax years.]

2256[***]

2257[***]

2258[(21) In the case of any resident person engaged in the business of shipping, a presumptive income tax shall be charged in the following manner, namely:-

(a) ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat chartered and flying Pakistan flag shall pay tonnage tax of an amount equivalent to one US\$ per gross registered tonnage per annum; and

(b) ships, vessels and all floating crafts including tugs, dredgers, survey vessels and other specialized craft not registered in Pakistan and hired under any charter other than bare-boat charter shall pay tonnage tax of an amount equivalent to fifteen US cents per tonne of gross registered tonnage per chartered voyage provided that such tax shall not exceed one US \$ per tonne of gross registered tonnage per annum:

Provided that the reduction under this clause shall not be available after the 30th June, 2020

Explanation.-For the purpose of this clause the expression “equivalent amount” means the rupee equivalent of a US dollar according to the exchange rate prevalent on the first day of December in the case of a company and the first day of September in other cases in the relevant assessment year.”]

2259[***]

2260[***]

2261[***]

2256 Omitted vide the Finance Act, 2014. At the time of omission clause 19 was as under:---
i[(19) In respect of tax year commencing on or after the first day of July, 2002, the rate of income tax in respect of income of amalgamated company for its different businesses shall be the same as applicable to such businesses in the relevant tax year for the tax year in which amalgamation takes place and two tax years next following.]

i. Clause (19) was added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

2257 Omitted vide the Finance Act, 2014. At the time of omission clause 19 was as under:---
i[(20) The rates of tax as specified in clause (b) of Division-III of Part-I of First Schedule shall be reduced to 7.5% in case of dividend declared or distributed on shares of a company set up for power generation.]

i. (20) was added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

2258 Clause (21) was added vide the Finance Ordinance, 2002 (XXVI of 2002 promulgated on 15th June, 2002)

2259 Clause (22) omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of omission clause (22) was as under:--

i[(22) In respect of companies getting enlisted on any stock exchange in Pakistan during the period first July, 2005 to thirtieth June, 2006; the rate of income tax shall be reduced by 1%.]"

i. Clause (22) was added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005),

2260 Omitted vide the Finance Act, 2014. At the time of omission clause 23 was as under:--

i[(23) In respect of Urea fertilizer imported, the tax under section 148 shall be collected at the rate of 1% of its import value as increased by [customs-duty, sales tax and federal excise duty], if any levied thereon.]

i. Clause (23) was added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

2261 Omitted vide the Finance Act, 2014. At the time of omission clause 24 was as under:--

i[(24) In respect of pulses imported, the tax under section 148 shall be collected at the rate of two per cent of the value of such pulses as increased by ii[customs-duty, sales tax and federal excise duty], if any, levied thereon.]

i. Clause (24) was added vide SRO 741(I)/2005, dated 22nd July, 2005

²²⁶²[(24A) The rate of tax, under clause (a) of sub-section (1) of section 153, from distributors of cigarette and pharmaceutical products ²²⁶³[and for large distribution houses who fulfill all the conditions for a large import house as laid down under clause (d) of sub-section (7) of section 148, for large import houses] shall be 1% of the gross amount of payments.]

²²⁶⁴[(24AA) The rate of tax, under section 152 in the case of M/S CR-NORINCO JV (Chinese Contractor) as recipient, on payments arising out of commercial contract agreement signed with the Government of Punjab for installation of electrical and mechanical (E&M) equipment for construction of the Lahore Orange Line Metro Train Project, shall be 6% of the gross amount of payment.]

²²⁶⁵[***]

²²⁶⁶[***]

²²⁶⁷[***]

²²⁶⁸[***]

-
- ii. The words “customs-duty and sales tax” substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- ²²⁶² Clause (24A) was inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009),
- ²²⁶³ The words were inserted vide the Finance Act, 2010 (XVI of 2010)
- ²²⁶⁴ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier, the same was inserted vide SRO 44(I)/2017 dated 27th January, 2017
- ²²⁶⁵ Omitted vide the Finance Act, 2014. At the time of omission clause 24B was as under:---
- i[(24B) (a) In case of steel Melters, who have opted under the Sales Tax Special Procedure Rules, 2007-
- (i) for the tax year 2011, the rate of minimum tax under sub-section (1) of section 113 shall be 0.5% of turnover Rs. 280 per Metric Ton, whichever is higher, provided that the consequent tax liability is deposited by 31st May, 2012;
- (ii) for the tax year 2008 to 2010, the rate of withholding tax under section 153(1)(a) on purchase of steel scrap shall be 1% of value of purchase or Rs. 300 per Metric Ton, whichever is higher, provided that the consequent tax liability is deposited by 30th June, 2012; and
- (iii) for the tax year 2011 and 2012, the rate of withholding tax under section 153(1)(a) on purchases or Rs. 400 per Metric Ton, whichever is higher, provided that the consequent tax liability for the tax year 2011 is deposited by 30th June, 2012.
- (b) In case of Steel Re-rolling Mills, who have opted under the Sales Tax Special Procedure Rules, 2007,-
- (i) for the tax year 2011, the rate of minimum tax under sub-section (1) of section 113 shall be 0.5 of turnover or Rs. 315 per Metric Ton, whichever is higher, provided that the consequent tax liability is deposited by 31st May, 2012;
- (ii) for the tax year 2008 to 2010, the rate of withholding tax under section 153(1)(a) on purchase of ingots and billets shall be 1% of the value of purchases or Rs. 400 per Metric Ton, whichever is higher, provided that the consequent tax liability for the tax year 2011 is deposited by 30th June, 2012, and
- (iii) for the tax year 2011 to 2012, the rate of withholding tax under section 153(1)(a) on purchase of ingots and billets shall be 1% of the value of purchases or Rs. 450 per Metric Ton, whichever is higher, provided that the consequent tax liability for the tax year 2011 is deposited by 30th June, 2012]
- i. Clause (24B) inserted vide SRO 550(I)/2012 dated 23rd May, 2012
- ²²⁶⁶ Clause (25) omitted vide the Finance Act 2007 (IV of 2007 assented on 30th June, 2007). At the time of omission clause (25) was as under:--
- i[(25) Services of ii[sizing, weaving,] stitching, dying, printing, embroidery and washing rendered or provided to an exporter or an export house shall be treated as export and chargeable to tax at the rate equal to the rate of tax applicable to the exporter on export of goods to which such services relate as specified in Division IV of Part III of the First Schedule.]
- i. Clause (25) was added vide SRO 946(I)/2005, dated 12th September, 2005
- ii. The words and commas were inserted vide the Finance Act, 2006 (III of 2006), assented on 30th June, 2006)
- ²²⁶⁷ Omitted vide the Finance Act, 2014. At the time of omission clause 26 was as under:---
- i[(26) the rate of tax as specified in Division II of Part IV, of the First Schedule, in the case of advertising agents, shall be 5% of the amount of the payment.]
- i. Clause (26) was added vide the Finance Act 2006 (III of 2006 assented on 30th June 2006)
- ²²⁶⁸ Clause (27) was omitted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009. At the time of omission clause (27) was as under:--

²²⁶⁹[(27) The tax on payment under the Compulsory Monetization of Transport Facility for Civil Servants, in BS-20 to BS-22 (as reduced by deduction of driver's Salary) shall be charged at the rate of 5% as a separate block of income.]

²²⁷⁰[***]

²²⁷¹[(28A) The rate of tax under section 148 on import of hybrid cars shall be reduced as below:-

Engine capacity	Rate of reduction
Up to 1200 cc	100%
1201 to 1800 cc	50%
1801 to 2500 cc	25 %]

²²⁷²[(28B) The rate of tax shall be 0.15% under section 231A on cash withdrawal by an exchange company, duly licensed and authorized by the State Bank of Pakistan, exclusively dedicated for its authorized business related transactions, subject to the condition that a certificate issued by the concerned Commissioner Inland Revenue for a financial year mentioning details and particulars of its Bank Account being used entirely for business transactions is provided.;

²²⁷³[(28C) The rates of tax as specified in Division II of Part-IV of the First Schedule shall be five percent in the case of a person running online marketplace as defined in clause (38B) of section 2.]

- i(27) The rate of tax to be paid under section 15 as specified under Division IV of Part I of First Schedule shall be as under:--*
(a) in the case of individual and association of persons at S. Nos. 3 and 4 of the Table—

S. NO.	Gross amount of rent	Rate of Tax
3	Where the gross amount of rent exceeds Rs. 400,000 but does not exceed Rs. 1,000,000	Rs. 12,500 plus 7.5 per cent of the gross amount exceeding Rs.400,000
4	Where the gross amount of rent exceeds Rs. 1,000,000	Rs. 57,500 plus 10 per cent of the gross amount exceeding Rs.1,000,000;
<i>b</i>	<i>in the case of company at S. Nos. 2 and 3 of the Table:--</i>	
2	Where the gross amount of rent exceeds Rs. 400,000 but does not exceed Rs. 1,000,000.	Rs. 20,000 plus 7.5 per cent of the gross amount exceeding Rs.400,000
3	Where the gross amount of rent exceeds Rs. 1,000,000	Rs. 65,000 plus 10 per cent of the gross amount exceeding Rs. 1,000,000;]

- i. Clause (27) added vide SRO 767(I)/2008, dated 21st July, 2008 and renumbered as clause (27A) vide SRO 973(I)/2008 dated 8th September, 2008. Earlier a different Clause (27) was omitted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of omission clause (27) was as under:--*

ii[(27) The rate of withholding tax, as specified in Division III of Part III of the first Schedule, in respect of payment on account of transportation of goods through goods transport vehicles shall be two per cent of the gross amount of the payment with effect from July 1, 2006.]”

- ii Clause (27) was added vide SRO 794(I)/2006, dated 5th August, 2006,*

²²⁶⁹ Clause (27) added vide SRO 569(I)/2012, dated 26th May, 2012

²²⁷⁰ Clause 28 was omitted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009. At the time of omission clause (28) was as under:--

- i[(28) The rate of tall to be deducted under section 155, as specified in Division V, Part III of First Schedule, shall be as under:--*
(a) in the case of individual and association of persons at S. Nos. 3 and 4 of the Table—

S.NO.	Gross amount of rent	Rate of Tax
3	Where the gross amount of rent exceeds Rs. 400,000 but does not exceed Rs. 1,000,000	Rs. 12,500 plus 7.5 per cent of the gross amount exceeding Rs.400,000
4	Where the gross amount of rent exceeds Rs. 1,000,000	Rs. 57,500 plus 10 per cent of the gross amount exceeding Rs.1,000,000;
<i>b</i>	<i>in the case of company at S. Nos. 2 and 3 of the Table:--</i>	
2	Where the gross amount of rent exceeds Rs. 400,000 but does not exceed Rs. 1,000,000.	Rs. 20,000 plus 7.5 per cent of the gross amount exceeding Rs.400,000
3	Where the gross amount of rent exceeds Rs. 1,000,000	Rs. 65,000 plus 10 per cent of the gross amount exceeding Rs. 1,000,000;]

- i. Clause (28) was added vide SRO 767(I)/2008, dated 21st July, 2008*

²²⁷¹ Inserted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

²²⁷² Added vide Finance Act, 2015

²²⁷³ Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

2274[***]

2275[***]

PART III REDUCTION IN TAX LIABILITY

Income, or classes of income, or person or classes of person, enumerated below, shall be allowed reduction in tax liability to the extent and subject to such conditions as are specified hereunder:-

2276[(1) Any amount received as

- (a) flying allowance by 2277[***], flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces; and
- (b) submarine allowance by the officers of the Pakistan Navy, shall be taxed @ 2.5% as a separate block of income 2278[

Provided that the reduction under this clause shall be available to so much of the flying allowance or the submarine allowance as does not exceed an amount equal to the basic salary-]

2279[***]

- 2274 Omitted vide the Finance Act, 2014. At the time of omission clause 29 was as under:--
i[(29) The rate of tax under section 153A as specified in Part 11A of the First Schedule shall be reduced to 0.1% in case of cigarette manufacturers who are registered under the Sales Tax Act, 1990.]
i. Clause (29) was added vide SRO 1077(I)/2012 dated 31st August 2012
- 2275 Omitted vide the Finance Act, 2014. At the time of omission clause 30 was as under:--
i[(30) The rate of tax as specified in column (3), against serial no. 2 in clause (1), in Division I of the Part I of First Schedule to the Ordinance shall be reduced to 5%, for taxable income declared in a return for tax year 2012, filed under clause (87) or (88) of the Part IV of this Schedule.]
i. New clause (30) was added vide SRO1065(I)/2013, dated 20th December, 2013
- 2276 Clause (I) was substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of substitution clause (I) was as under:--
i“(I) Any amount received as flying allowance by--
(a) pilots, flight engineers and navigators of Pakistan Armed Forces. Pakistani Airlines or Civil Aviation Authority; and
(b) Junior Commissioned officers or other ranks of Pakistan Armed Forces shall be taxed @ 2.5% as a separate block of income.”
i Sub-clause (I) was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). Earlier sub-clause (I) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission sub-clause (I) was as under:--
“(I) The Income Tax liability on income of salaried taxpayers, where any income chargeable under the head “salary” exceeds 50% of a[taxable] income as determined under clause 1 & 2 of Division-I of Part-I of the First Schedule, shall be reduced at the following rates—

S. No.	Income Slab	Reduction in Tax liability
1.	Where income exceeds Rs. 60,000 but does not exceed Rs. 80,000	70%
2.	Where income exceeds Rs 80,000 but does not exceed Rs. 100,000	60%
3.	Where income exceeds Rs. 100,000 but does not exceed Rs. 150,000	50%
4.	Where income exceeds Rs. 150,000 but does not exceed Rs. 200, 000	40%
5.	Where income exceeds Rs. 200,000 but does not exceed Rs. 300,000	30%
6.	Where income exceeds Rs. 300,000 but does not exceed Rs. 500,000	20%
7.	Where Income exceeds Rs 500.000 but does not exceed Rs. 1,000.000	10%
8.	Where income exceeds Rs. 1.000,000	5%

2277 The word and comma “pilots,” was omitted vide the Finance Act, 2014.

2278 For the full stop a colon was substituted and thereafter the proviso was added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

2279 Clause (IA) was inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002).

²²⁸⁰[(1AA) Total allowances received by pilots of any Pakistani airlines shall be taxed at a rate of 7.5%, provided that the reduction under this clause shall be available to so much of the allowances as exceeds an amount equal to the basic pay.]

²²⁸¹[(2) The tax payable by a full time teacher or a researcher, employed in a non profit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government training and research institution, shall be reduced by an amount equal to ²²⁸²[40]% of tax payable on his income from salary.

(3) The amount of tax payable, in a year in which the rupee is revalued or devalued, by a taxpayer whose profits or gains are computed in accordance with the rules contained in the Fifth Schedule to this Ordinance and who had entered with the Government into an agreement which provides for such reduction, shall be reduced to the amount that would be payable in the absence of the revaluation or devaluation of the rupee.

²²⁸³[***]

²²⁸⁴[(4) In respect of old and used automotive vehicles, tax under section 148 shall not

At the time of omission clause (IA) was as under:--

i[(IA) Where the taxable income ii[other than income on which the deduction of tax is final] in a tax year, of a taxpayer aged iii[60] years or more on the first day of that tax year does not exceed iv[one million] rupees, his tax liability on such income shall be reduced by 50%.

i. Clause (IA) was inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)]

ii. The words were inserted vide Finance Act, 2010 (XVI of 2010)]

iii. Substituted for the figure "65" vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)]

iv. Substituted for the words a[seven hundred fifty thousand] vide the Finance Act, 2010 (XVI of 2010)

a. Substituted for the figure b[500,000]" vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

b. Substituted for the figure c[400, 000] vide the Finance Act. 2008 (I of 2008 assented on 26th June, 2008)

c. Substituted for the words d[three] hundred thousand" vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

d. Substituted for the word "two" vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

²²⁸⁰Inserted vide the Finance Act, 2014

²²⁸¹Sub-clause (2) was substituted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006. At the time of substitution sub-clause (2) was as under:--

"(2) In addition to the reduction specified in sub-clause (1), the tax payable by a full time teacher or a researcher, employed In a non profit education or research institution including government training and research institution duly recognized by a Board of Education or a University or the i[Higher Education Commission] shall be further reduced by an amount equal to ii[75]% of the tax payable after the aforesaid reduction."

i. Substituted for the words "University Grants Commission" vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

ii. Substituted for the figure "50" vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005

²²⁸²For the figure "75" the figure "40" was substituted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

²²⁸³Clause (3) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (3) was as under:--

"(3) Where any company engaged in the business of distribution of cigarette manufactured in Pakistan is required to pay minimum tax on the amount representing its turnover under section I 13, the amount of tax payable under the said section shall be reduced by i[eighty per cent. "

i. Substituted for the word "eight" vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

²²⁸⁴Clause (4) was substituted vide the Finance Act, 2011 (XVI of 2011 assented on 21th June 2011). At the time of substitution clause (4) was as under:--

"(4) In respect of old and used automotive vehicles specified in SRO 932(I)/2004, dated 20th November, 2004, the tax under section 148 of the Income Tax Ordinance, 2001, shall not exceed the amount specified in column (3) of the Table below, namely:--

TABLE

S. No.	Vehicles meant for transport of persons	Income tax in Pak. Rupees
1	2	3
1	Upto 800CC	29,852
2	from 80 ICC to 1000 CC	34,497
3	from 1001 CC to 1300 CC	67, 282

exceed the amount specified in Notification No. S.R.O. 577(I)/2005, dated the 6th June, 2005.]

²²⁸⁵***]

²²⁸⁶[(²²⁸⁷[6]) The tax payable under clause (c) of sub-section (1) of section 39, in respect of any amount paid as yield or profit on investment in Bahbood Savings Certificate or Pensioners Benefit Account ²²⁸⁸[and Shuhada Family Welfare Account] shall not exceed 10% of such profit.]

²²⁸⁹[(7) The amount of tax payable by foreign film-makers from making films in Pakistan shall be reduced by fifty percent on income from film-making in Pakistan.

(8) The amount of tax payable by resident companies deriving income from film-making shall be reduced by seventy percent on income from film-making.

(9) The tax payable on profits and gains derived by a person from low cost housing projects shall be reduced by fifty percent. The reduction in tax liability under this clause shall apply to such project which is—

- (a) owned and managed by a company formed for operating the said project and registered under the Companies Act, 2017 (XIX of 2017) and having its registered office in Pakistan; and
- (b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and
- (c) a low cost housing project under which the maximum sale price of a single housing unit is two and a half million rupees.]

²²⁹⁰***]

²²⁹¹***]

²²⁹²***]

	4	from \301 CC to 1600.CC	105,061
	5	from 1601 CC to 1800 CC	120, 256"
	i.	Clause (4) was inserted vide SRO 981(I)/2004, dated 11th December, 2004, Omitted vide the Finance Act, 2014. At the time of omission clause (5) was as under:--	
2285	ii[(5)	Where the corporatized entities of Pakistan Water and Power Development Authority (DISCOs) and National Transmission and Dispatch Company (NTDC), are required to pay minimum tax under section 113, the purchase price of electricity shall be excluded from the turnover liable to minimum tax up to the tax year 2013.]	
	i.	Clause (5) was inserted vide SRO 171(I)/2008, dated 21st February, 2008.	
2286		Clause (5) was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008),	
2287		Existing Clause (5) was renumbered as Clause (6) vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)	
2288		Inserted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier, the same was inserted vide SRO 1280(I)/2017 dated 22nd December, 2017	
2289		Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018	
2290		Omitted vide the Finance Act, 2014. At the time of omission clause (7) was as under:--	
	i[(7)	Where any ii[taxpayer] engaged in the business of distribution of cigarettes manufactured in Pakistan is required to pay minimum tax on the amount representing its turnover under section 113, the amount of tax payable under the said section shall be reduced by eighty per cent.]	
	i.	Clause (7) was added vide SRO 69(I)/2010, dated 3rd February, 2010	
	ii.	Substituted for the word "company", the word "taxpayer" vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013	
2291		Omitted vide the Finance Act, 2014. At the time of omission clause (8) was as under:--	
	i [(8)	For the distributors of pharmaceutical products, fertilizers, consumer's goods including fast moving consumers goods, the rate of minimum tax on the amount representing their annual turnover under section 113 shall be reduced by eight percent.]	
	i.	Clause (8) was added vide SRO 1086(I)/2010, dated 30th November, 2010	
2292		Omitted vide the Finance Act, 2014. At the time of omission clause (9) was as under:--	
	ii[(9)	In cases of oil marketing companies, oil refineries and Sui Southern Gas Company Limited [and Sui Northern Gas Pipelines Limited] the rate of minimum tax shall be reduced to 0.5% only for the cases where annual turnover exceeds rupees one billion.]	
	i.	Clause (9) was added vide SRO 1086(I)/2010 dated 30th November, 2010	

2293[***]

2294[***]

2295[***]

2296[***]

2297[***]

PART IV EXEMPTION FROM SPECIFIC PROVISIONS

Income, or classes of income, or persons or classes of persons, enumerated below, shall be exempt from the operation of such provisions of this Ordinance, subject to such conditions and to the extent, as are specified hereunder:

2298[***]

2299[(1A) the provision of clause (d) of section 46 shall not apply to Sukuk issued by “The Second Pakistan International Sukuk Company Limited ²³⁰⁰[and the Third Pakistan International Sukuk Company, Limited.]

(2) In the case of losses referred to in section 57 in respect of an industrial undertaking set up in an area declared by the Federal Government to be a “Zone” within the meaning of Export Processing Zones Authority Ordinance, 1980 (IV of 1980), the period of six ²³⁰¹[tax years] specified

-
- i. Substituted for the comma vide Notification No. SRO 92(I)/2011 dated 7th February, 2011. This amendment shall be deemed to have been substituted on the 30th November, 2010.
- 2293 Omitted vide the Finance Act, 2014. At the time of omission clause (10) was as under:--
i[(10) For cases of flour mills the rate of minimum tax on the amount representing their annual turnover under section 113 shall be reduced by eighty percent.]
- i. Clause (10) was added vide SRO 174(I)/2011, dated 5th March, 2011
- 2294 Omitted vide the Finance Act, 2014. At the time of omission clause (11) was as under:--
i[(12) For the case of M/s Pakistan International Airlines Corporation the rate of minimum tax on the amount representing their annual turnover under section 113 shall be reduced by fifty per cent.
- i. Clause (11) was added vide SRO 977(I)/2011 19th October, 2011
- 2295 Omitted vide the Finance Act, 2014. At the time of omission clause (12) was as under:--
i[(12) For the case of M/s Pakistan International Airlines Corporation the rate of minimum tax on the amount representing their annual turnover under section 113 shall be reduced by fifty per cent.]
- (13) For the petroleum agents and distribution who are registered under the Sales Tax Act, 1990 and rice mills and dealers, the rate of minimum tax under section 113 on the representing their annual turnover under section 113 shall be reduced by eighty percent.
- (14) For the poultry industry including poultry breeding, broiler production, egg production and poultry feed production, the rate of minimum tax under section 113 on the amount representing their annual turnover under section 113 shall be reduced by fifty per cent.]
- i. Clauses (12), (13) and (14) were added vide SRO 57(I)/2012 24th January, 2012
- 2296 Omitted vide the Finance Act, 2014. At the time of omission clause (15) was as under:--
i[(15) for the motorcycle dealers registered under the Sales Tax Act, 1990, the rate of minimum tax under section 113—
(i) For the tax year 2011 shall be reduced by fifty per cent provided that they deposit their minimum tax on turnover by the 30th June, 2012; and
(ii) For the tax year 2012 on words shall be reduced by seventy-five per cent.]
- i. Clause (15) was added vide SRO 549(I)/2012]
- 2297 Clause (16) was omitted vide Finance Act, 2015. At the time of omission clause (16) was as under:--
*[(16) The minimum penalty for failure to furnish statement under section 115, 165 or 165A as mentioned in column (3) against serial No. (1A) in the Table given in sub-section (1) of section 182 shall be reduced to ten thousand rupees.]
- * Clause (16) was inserted vide SRO 978(I)/2013, 13th November, 2011
- 2298 Clause (I) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (I) was as under:--
“(I) The provisions of clause (k) of section 21 shall not apply to any expenditure incurred by a banking company or a financial institution owned and controlled by the Federal Government on the provisions of perquisites, allowances or other benefits to any employee in pursuance of any law.”
- 2299 Clause (1A) inserted vide SRO 1029(I)/2014 dated 29.11.2014
- 2300 Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier, the same was added vide SRO 924(I)/2016 dated 30th September, 2016
- 2301 Substituted for the words “assessment years” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

in the said section shall not apply.

(3) The provisions of clause (b) of ²³⁰²[component C of the formula contained in] sub-section (2) of section 61 shall not apply in case of donations made to Agha Khan Hospital and Medical College, Karachi:

²³⁰³[***]

²³⁰⁴[***]

²³⁰⁵[(5) The provisions of section 111 regarding un-explained income or assets shall not apply in respect of,-

(i) any amount of foreign exchange deposited in a private Foreign Currency account Currency Accounts Scheme introduced by the State Bank of Pakistan:

Provided that the exemption clause shall not be available in respect of any incremental deposits made on or after the 16th day of December, 1999 in such accounts held by a resident person or in respect of any amount deposited in accounts opened on or after the said date by such person.

(ii) any amount invested in the acquisition of Three Years Foreign Currency Bearer Certificates issued under the Foreign Currency Bearer Certificates Rules, 1997.

(iii) rupees withdrawn or assets created out of such withdrawal in rupees from private foreign currency accounts, or encashment of Foreign Exchange Bearer Certificates, US Dollar Bearer Certificates and Foreign Currency Bearer Certificates.]

²³⁰⁶[***]

²³⁰⁷[***]

²³⁰⁸[***]

2302 Substituted for the words "component C of" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2303 Clause (3A) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (3A) was as under:--

i[(3A) The provisions of sub-sections (S) and (SA) of section 34 and section 70 shall not apply to any benefit derived by way of waiver of profit on debt or the debt itself under the State Bank of Pakistan, Banking Policy Department's Circular No. 29 of 2002, dated the 15th October, 2002, to the extent not set off against the losses under Part VIII of Chapter III.]

"i. Clause (3A) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June 2004)

2304 Clause (4) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (4) was as under:--

"(4) The provisions of section III shall not apply in respect of any amount invested in the acquisition of Foreign Exchange Bearer Certificates issued under the Foreign Exchange Bearer Certificates Rules, 1985."

2305 Clause (5) was substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution clause (5) was as under:--

"(5) The provisions of section III shall not apply in respect of any amount of foreign exchange deposited in a private Foreign Currency account held with an authorized bank in Pakistan in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan:

Provided that the exemption under this clause shall not be available in respect of any incremental deposits made on or after the 16th day of December, 1999 in such accounts held by a resident person or In respect of if any amount] deposited in accounts opened on or after the said date by such person"

i. Substituted for the word "accounts" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003

2306 Clause (6) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (6) was as under:--

"(6) The provisions of section III shall not apply in respect of any amount invested in the acquisition of US Dollar Bearer Certificate issued under the US Dollar Bearer Certificates Rules, 1991."

2307 Clause (7) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (7) was as under:-

"(7) The provisions of section 111 shall not apply in respect of any amount invested in the acquisition of Three-Years Foreign Currency Bearer Certificates issued under the Foreign Currency Bearer Certificates Rules, 1997"

2308 Clause (8) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (8) was as under:-

"(8) The i[provisions) of section III shall not apply in respect of rupees withdrawn or assets created out of such withdrawal in rupees from private foreign currency accounts, or encashment of Foreign

2309[***]

2310[(9A) Provisions of clause (a) of sub-section (1) of section 153, shall not apply to steel melters
2311[and] composite steel units, as a payer, in respect of purchase of scrap, provided that tax is collected in accordance with section 235B.

Provided that steel melters ²³¹²[***] and composite steel units may opt to pay tax in accordance with section 235B, for tax year 2012 and 2013, if tax liability for the said tax years is paid by the 30th day of June, 2014:

Provided further that where tax has been deducted under clause (a) of sub-section (1) of section 153 or paid under an order under section 161, it shall not be refundable.;

(9AA) Provisions of clause (a) of sub-section (1) of section 153, shall not apply to ship breakers as recipient of payment:

Provided that this clause shall only apply for ships imported after the 15t July 2014.]

2313[***]

2314[***]

Exchange Bearer Certificates, US Dollar Bearer Certificates and Foreign Currency Bearer Certificates. “

i. Substituted for the word “provision” vide the Finance Act, 2003 (I of 2003 assented on . 16th June, 2003)

2309 *Clause (9) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (9) was as under:--*

“(9) The provisions of section 111 shall not apply in respect of any amount invested by a sponsor or an original allottee in the purchase of shares of a company owning and managing an industrial undertaking specified in rule 5A of the Third Schedule of the Income Tax Ordinance, 1979.”

2310 *Inserted vide the Finance Act, 2014*

2311 *Substituted for the expression “, steel re-rollers,” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*

2312 *The expression “, steel re-rollers” was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*

2313 *Omitted vide the Finance Act, 2014. At the time of omission clause (10) was as under:--*

i[(10) The provisions of section 111, Part-X and Part-XI of Chapter X shall not apply in respect of any amount invested in the purchase of Special US Dollar Bonds issued under the Special U.S. Dollar Bond Rules, 1998:

Provided that the exemption under this clause shall not be available in respect of the amount invested in the said Bonds purchased out of incremental deposits made in the existing foreign currency accounts on or after 16th day of December, 1999, or out of foreign currency accounts opened on or after the said date, or on payment of the amount referred to in sub-rule (3) of rule 5 of Special U.S. Dollar Bond Rules, 1998 after the said date.]

i. Clause (10) substituted by the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002). At the time of substitution clause (10) was as under:--

“(10) The provisions of section III shall not apply in respect of any amount invested by a Foreign Currency Account holder in the purchase of Special US Dollar Bonds, issued under the Special US Dollar Bond Rules, 1998:

Provided that the exemption under this clause shall not be available in respect of the amounts invested in the Bonds purchased out of Incremental deposits made in the existing foreign currency accounts on or after the 16th day of December, 1999 or out of the foreign currency accounts opened on or after the said date.”

2314 *Omitted vide the Finance Act, 2014. At the time of omission clause (10A) was as under:--*

i[(10A) (i) The provisions of serial No. 5 of the Table given in sub-section (1) of section 182 and clause (a) of sub-section (1) of section 205 shall not apply to business located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA, provided that the principal amount of tax due is paid by the 30th day of June, 2010;

(ii) the provisions of section 235, regarding advance tax on electricity, shall not apply to commercial and industrial consumers of electricity located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA till the 30th day of June, 2011;

(iii) the provisions of section 154, regarding withholding tax on exports, shall not be applicable to the export of goods originating from the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA, till the 30th day of June, 2011;

Explanation.- For the purpose of this Schedule,

(a) most affected areas means district Peshawar, Malakand Agency, and districts of Swat,

- (b) Buner, Shangla, Upper Dir, Lower Dir, Hangu, Bannu, Tank, Kohat and Chitral; and moderately affected areas means districts of Charsadda, Nowshera, DI Khan Batagram, Lakki Marwat, Swabi and Mardan.”]
- i. Clause (10A) was inserted vide the Finance Act, 2010 (XVI of 2010)
- 2315 Clause (11) was omitted vide the Finance Act, 2008 (I of 2008, assented on 26th June, 2008). At the time of omission clause (II) was as under:--
- i[(II) The provisions of section 113, regarding minimum tax, shall not apply to,--
- (i) National Investment (Unit) Trust or a collective investment scheme authorized or registered under the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 ii[or a real estate investment trust approved and authorized under the Real Estate Investment Trust Rules, 2006], or any other company in respect of turnover representing transactions in shares, or securities listed on a registered stock exchange;
- (ii) petroleum dealers, in so far a; they relate to turnover on account of sale of petroleum and petroleum products, notwithstanding their status as a company a registered firm or an individual, engaged in retail sale of petroleum and petroleum products through petrol pumps for the purposes of assessment of their income and determination of tax thereon
Provided that this exemption shall not apply to the sale of petroleum and petroleum products through petrol pumps which are directly operated or managed by companies engaged in distribution of petroleum and petroleum products.
- Explanation.**-For the removal of doubt it is declared that the companies engaged in distribution of petroleum and petroleum products other than through petrol pumps shall not be entitled to the benefits of this exemption;
- (iii) Hub Power Company Limited so far as they relate to its receipts on account sale of electricity;
- (iv) Kot Addu Power Company Limited (KAPCO) for the period it continues to be entitled to exemption under clause (138) of Part-I of this Schedule;
- (v) companies, qualifying for exemption under clause (132) of Part-I of this Schedule. in respect of receipts from sale of electricity;
- (vi) Provincial Governments and local authorities, qualifying for exemption under section 49 and other Government or semi-Government bodies which are otherwise exempt from income tax:
Provided that nothing shall be construed to authorize any refund of tax already paid or the collection of any outstanding demand created under the said section;
- (vii) Pakistan Red Crescent Society;
- (viii) special purpose, non-profit companies engaged in scrutinizing the receivables of Provu.cia: Governments or the companies;
- (ix) non-profit organizations approved under clause (36) of section 2 or clause (58) or included in clause (61) of Part-I of this Schedule;
- (x) a taxpayer who qualifies for exemption under clause (133) of Part-I of this Schedule. m respect of income from export of computer soft ware or IT services or IT enabled services;
- (xi) a resident person engaged in the business of shipping who qualifies for application of reduced rate of tax on tonnage basis as final tax under clause (21) of Pan II of the Second Schedule:
- (xii) a venture capital company iii[.] venture capital fund iv[and Private Equity and Venture Capital Fund] which is exempt under clause (101) of Part-I of this Schedule;
- (xiii) a Modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
- (xiv) Corporate and Industrial Restructuring Corporation (CIRC);
- (xv) a Small Company as defined in section 2; v[***]
- (xvi) the corporatized entities of Pakistan Water and Power Development Authority, so far as they relate to their receipts on account of sale of electricity, from the date of their creation up to the date of completion of the process of corporatization i.e. till the tariff is notified vi[.]
- vii[(xvii) a morabaha bank or a financial institution approved by the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan (SECP), as the case may be, for the purpose of Islamic Banking and Finance in respect of turnover under a morabaha arrangement viii[; and]]
- ixf (xviii) WAPDA First Sukuk Company Limited.)
- i. Clause (11) was substituted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution clause (II) was as under:--
“The provisions of section 113 shall not apply to National Investment (Unit) Trust or a Mutual Fund established by the Investment Corporation of Pakistan or an investment company registered under the Investment Companies and Investment Advisors Rules, 1971 or any other company in respect of turnover representing transactions in shares, or securities listed on a registered stock exchange.”
- ii. The words and comma inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

²³¹⁶[(11A) The provisions of section 113, regarding minimum tax, shall not apply to,-

- (i) National Investment (Unit) Trust or a collective investment scheme authorised or registered under the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 or a real estate investment trust approved and authorised under the Real Estate Investment Trust ²³¹⁷[Regulations, 2015] ²³¹⁸[or a pension fund registered under the Voluntary Pension System Rules, 2005] or any other company in respect of turnover representing transactions in shares, or securities listed on a registered stock exchange;
- (ii) petroleum dealers, in so far as they relate to turnover on account of sale of petroleum and petroleum products, notwithstanding their status as a company, a registered firm or an individual, engaged in retail sale of petroleum and petroleum products through petrol pumps for the purposes of assessment of their income and determination of tax thereon:

Provided that this exemption shall not apply to the sale of petroleum and petroleum products through petrol pumps which are directly operated or managed by companies engaged in distribution of petroleum and petroleum products.

Explanation.-For the removal of doubt it is declared that the companies engaged in distribution of petroleum and petroleum products other than through petrol pumps shall not be entitled to the benefits of this exemption;

- (iii) Hub Power Company Limited so far as they relate to its receipts on account of sale of electricity;

²³¹⁹[***]

- (v) companies, qualifying for exemption under clause (132) ²³²⁰[²³²¹[***]] of Part-I of this Schedule, in respect of receipts from sale of electricity;
- (vi) Provincial Governments and Local Governments, qualifying for exemption under section 49 and other Government bodies which are otherwise exempt from income tax:

Provided that nothing shall be construed to authorize any refund of tax already paid or the collection of any outstanding demand created under the said section;

- (vii) Pakistan Red Crescent Society;
- (viii) special purpose, non-profit companies engaged in scrutinizing the receivables of Provincial Governments;
- (ix) non-profit organizations approved under clause (36) of section 2 or clause (58) or included in clause (61) of Part-I of this Schedule;
- (x) a taxpayer who qualifies for exemption under clause (133) of Part-I of this

iii. Substituted for the word "and" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

iv. The words inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

v. The word "and" omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

vi. Substituted for the semi-colon and word a[;and] " vide SRO 884(I)/2006, dated 28th August, 2006

(a) Substituted for the full stop vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

vii. Sub-clause (xvii) inserted vide the Finance Act, 2006 (III of 2006), (Assented on 30th June, 2006),

viii. Substituted for the full stop vide SRO 884(I)/2006, dated 28th August, 2006,

ix. Sub-clause (xviii) was added vide SRO 884(I)/2006, dated 28th August, 2006

²³¹⁶ Clause (IIA) was inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June,

²³¹⁷ Substituted for the word, comma and figures "Rules, 2006" vide Finance Act, 2015

²³¹⁸ The words, comma and figure were inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011)

²³¹⁹ Sub-clause (iv) was omitted vide Finance Act, 2015. At the time of omission Sub-clause (iv) was as under:-

(iv) Kot Addu Power Company Limited (KAPCO) for the period it continues to be entitled to exemption under clause (138) of Part-I of this Schedule;

²³²⁰ Inserted vide the Finance Act, 2014

²³²¹ The words "and clause (132B)" were Omitted vide Finance Act, 2015

Schedule, in respect of income from export of computer software or IT services or IT enabled services;

- (xi) a resident person engaged in the business of shipping who qualifies for application of reduced rate of tax on tonnage basis as final tax under clause (21) of Part II of the Second Schedule;
- (xii) a venture capital company, venture capital fund and Private Equity and Venture Capital Fund which is exempt under clause (101) of Part-I of this Schedule;
- (xiii) a Modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
- (xiv) Corporate and Industrial Restructuring Corporation (CIRC);
- (xv) The corporatized entities of Pakistan Water and Power Development Authority, so far as they relate to their receipts on account of sales of electricity, from the date of their creation up to the date of completion of the process of corporatization i.e. till the tariff is notified;
- (xvi) a morabaha bank or a financial institution approved by the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan (SECP), as the case may be, for the purpose of Islamic Banking and Finance in respect of turnover under a morabaha arrangement;²³²²[***]
- (xvii) WAPDA First Sukuk Company Limited²³²³[; and
- (xviii) companies, qualifying for exemption under clause (132B) of Part-I of this Schedule, in respect of receipts from a coal mining project in Sindh, supplying coal exclusively to power generation projects.
- (xix) LNG Terminal Operators and LNG Terminal Owners.
- (xx) taxpayers located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for tax year 2010, 2011 and 2012 excluding manufacturers and suppliers of cement, sugar, beverages and cigarettes.
- (xxi) Rice Mills for the Tax Year 2015.
- (xxii) taxpayers qualifying for exemption under clauses (126I) of Part-I of this Schedule in respect of income from manufacture of equipment with dedicated use for generation of renewable energy.
- (xxiii) taxpayers qualifying for exemption under clauses (126J) of Part-I of this Schedule in respect of income from operating warehousing or cold chain facilities for storage of agriculture produce.
- (xxiv) taxpayers qualifying for exemption under clauses (126K) of Part-I of this Schedule in respect of income from operating halal meat production, during the period mentioned in clause (126K).
- (xxv) taxpayers qualifying for exemption under clauses (126L) of Part-I of this Schedule in respect of income from a manufacturing unit set up in Khyber Pukhtunkhwa Province between 1st day of July, 2015 and 30th day of June, 2018²³²⁴[; and
- (xxvi) China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty three years, with effect from the sixth day of February, 2007.

²³²² The word “and” were Omitted vide Finance Act, 2015

²³²³ Semi-Colon and word “and” was Substituted for full stop and thereafter new sub-clauses were added vide Finance Act, 2015

²³²⁴ Full stop was substituted with “; and” and thereafter new clauses were added vide the Finance Act, 2016 (XXIX of 2016)

(xxvii) companies, qualifying for exemption under clause (126M) of Part-I of this Schedule, in respect of profits and gains derived from a transmission line project.]

²³²⁵[(xxviii) Third Pakistan International Sukuk Company Limited.]

²³²⁶[(xxix) start-up as defined in clause (62A) of section 2.]

²³²⁷[(xxx) taxpayers qualifying for exemption under clause (126) of Part-I of this Schedule with effect from tax year 2014.]

²³²⁸[(11B) The provisions of section 150 shall not apply in respect of inter-corporate dividend within the group companies entitled to group taxation under section 59AA ²³²⁹***] ²³³⁰[subject to the condition that the return of the group has been filed for the latest completed tax year].

(11C) The provisions of section 151 shall not apply in respect of inter-corporate profit on debt within the group companies entitled to group taxation under section 59AA ²³³¹***] ²³³²[subject to the condition that the return of the group has been filed for the latest completed tax year]]

²³³³[(11D) The provisions of section 113C shall not apply to LNG Terminal Operators and LNG Terminal Owners.]

²³³⁴[(11E) The provisions of clause (b) of sub-section (1) of section 153 shall not apply to payments received by Sui Southern Gas Company Limited and Pakistan LNG Terminal Limited from Sui-Northern Gas Pipelines Limited on account of re-gasification charges.]

²³³⁵[(12) (a) The provisions of clause (I) of section 21 and clause (a) of sub-section (1) of section 153 shall not apply where agricultural produce is purchased directly from the grower of such produce, subject to provision of a certificate by the grower to the withholding agent in the following format, namely:-

CERTIFICATE TO BE FILED BY THE GROWER OF AGRICULTURAL PRODUCE

It is certified that I holder of CNIC Number have sold following agricultural produce, namely.

i) Name of agricultural produce: (wheat, rice, cotton, sugarcane etc.)

ii) Quantity

iii) Total price.....

iv) land identification (if any)

To Mr. / M/s On (date)
and being the grower producer of the said agricultural produce, and owner of agricultural land area measuring (optional) Located in
I am not liable to any withholding income tax.

Signature of Thumb impression

Name:

CNIC:

²³²⁵ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier, the same was added vide SRO 924(I)/2016 dated 30th September, 2016

²³²⁶ Added vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²³²⁷ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier, the same was added vide SRO 29(I)/2018 dated 12th January, 2018

²³²⁸ Clause (11B) and Clause (11C) were inserted vide the Finance Act, 2012

²³²⁹ The words "or section 59B" was omitted vide the Finance Act, 2016 (XXIX of 2016)

²³³⁰ Inserted vide Finance Act, 2015

²³³¹ The words "or section 59B" was omitted vide the Finance Act, 2016 (XXIX of 2016)

²³³² Inserted vide Finance Act, 2015

²³³³ Inserted vide Finance Act, 2015

²³³⁴ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

²³³⁵ Clause (12) was inserted vide SRO 787(I)/2011 dated 22nd August 2011

Address

Date

(b) the provisions of clause (a) of sub-section (1) of section 153 shall not-apply only in case of cash payments 'made for meeting the incidental expenses of a business trip to the crew of oil tanker. This exemption shall not apply in case of any other payments made ray owners of o tankers; and

²³³⁶[***]]

²³³⁷[***]

²³³⁸[(12A) The provisions of section 150 shall not apply to dividend paid to Transmission Line Projects under Transmission Line Policy 2015.]

²³³⁹[***]

²³⁴⁰[***]

²³⁴¹[***]

²³⁴²[***]

(16) The provisions of sections ²³⁴³[113,] 148, 151, 153, 155 ²³⁴⁴[and 156] shall not apply to the

²³³⁶ Sub-clause (c) omitted by SRO 550(I)/2012 dated 23rd May, 2012. At the time of omission sub-clause (c) was as under:--

“(c) withholding tax under clause (a) of sub-section (1) of section 153 shall be deductible at one percent on local purchase of steel scrap by those steel melters who have opted under Sales Tax Special Procedures and are compliantly filing returns under the said scheme.”

²³³⁷ Clause (12) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (12) was as under:--

“(12) The provisions of section 113 in so far as they relate to turnover on account of sale of petroleum and petroleum products shall not apply to petroleum dealers. Notwithstanding i[their] status as a company a registered firm or an individual, engaged in retail sale of petroleum and petroleum products through petrol pumps for the purposes of assessment of their income and determination of tax thereon

Provided that this exemption shall not apply to the sale of petroleum and petroleum products through petrol pumps which are directly operated or managed by companies ii[***] engaged III distribution 01 petroleum and petroleum products

Explanation - For the removal of doubt It is declared that the companies engaged In distribution of petroleum and petroleum products other than through petrol pumps shall not be entitled to the benefits of this exemption.”

i. Substituted for the word “there” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

ii. The words “and registered firms” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²³³⁸ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

²³³⁹ Clause (13) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 9th June, 2005). At the time of omission clause (13) was as under:--

“(13) The provisions of section 113 shall not apply to Hub Power Company Limited so far as they relate to its receipts on account of sale of electricity.”

²³⁴⁰ Clause (13A) was omitted vide the Finance Act, 2005 (III of 2005 assented on 29th June, 2005). At the time of omission clause (13A) was as under:--

i[(13A) The provisions of section 113 shall not apply to Kot Addu Power Company limited (KAPCO) for the period it continues to be entitled to exemption under clause (138) of Part-I of this Schedule.]

i. Clause (13A) was inserted vide SRO 724 (I)/2002, dated 17“October, 2002

²³⁴¹ Clause (14) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission clause (14) was as under:--

“(14) A company registered and authorized by the Federal Government to import gold and silver shall be liable to pay tax on import of gold at the rate of two rupees per eleven grams six hundred and sixty-four milligrams and five rup.ccs per kilogram in the case of silver in accordance with the provisions of section 148 and such payment of tax shall be deemed to be full and final liability of tax in respect of income accruing from such import including liability of tax under section 113.”

²³⁴² Clause (15) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (15) was as under:--

“(15) The provisions of section 113 shall not apply to companies, qualifying for exemption under clause (132) of Part-I of this Schedule. in respect of receipts from sale of electricity.”

²³⁴³ The figure and comma inserted by the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). Earlier the figure “113” was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network:

Provided that such institutions shall continue to collect and deduct tax under section ²³⁴⁵[149, 151, 152, 153, 155, 156 or 233] from others persons, wherever required there under ²³⁴⁶[:]

²³⁴⁷[***]

²³⁴⁸[***]

²³⁴⁹[***]

²³⁵⁰[***]

(19) The provisions of ²³⁵¹[sections 113 and] 151 shall not apply to non residents, (excluding local branches or subsidiaries or offices of foreign banks, companies, associations of persons or any other person operating in Pakistan), in respect of their receipts from Pak rupees denominated Government and corporate securities and redeemable capital, as defined in the Companies Ordinance, 1984 (XLVII of 1984), listed on a registered stock exchange, where the investments are made exclusively from foreign exchange remitted into Pakistan through a Special Convertible Rupee Account maintained with a bank in Pakistan.

²³⁵²[***]

²³⁵³[***]

²³⁴⁴ Substituted for the word and figure "156 and 157" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²³⁴⁵ Substituted for the figure "113" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²³⁴⁶ Substituted for the colon vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

²³⁴⁷ Proviso was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission Proviso was as under-

"Provided further that in respect of application of section i[113] this clause shall take effect from the first day of July, 1991."

i. Substituted for the figure, comma and word a[149, 151. 152, 153. 155. 156 or 233] vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

(a) Substituted for the figure "113" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²³⁴⁸ Clause (16A) was omitted vide the Finance Act, 2015. At the time of omission clause (16A) was as under:--

*[(16A) The provisions of section 153(1) (b) shall not be applicable to the persons making payments to electronic and print media] in respect of the advertising services.

* Inserted vide Finance Act, 2009

²³⁴⁹ Clause (17) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (17) was as under:--

"(17) The provisions of section 113, shall not apply to i[Provincial -Governments and] local authorities, qualifying for exemption under section 49 and other ii[***] iii[Government or semi-Government bodies which are otherwise exempt from income tax].

Provided that nothing contained in this clause shall be construed to authorize any refund of tax already paid or the collection of any out stand demanding created under the said section."

i. The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

ii. The word "than" omitted vide the Finance Act, 2004 (II of 2004), (Assented on 30th June, 2004),

iii. Substituted for the words "corporate, Government or semi-Governmental bodies, not otherwise liable to income tax" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²³⁵⁰ Clause (18) was omitted vide the Finance Act, 2005 (VII of 2005), assented on 29th June, 2005). At the time of omission clause (18) was as under:--

"(18) The provisions of section 113 shall not apply to Pakistan Red Crescent Society."

²³⁵¹ Substituted for the word i[section] vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009),

i Substituted for the words and figure "sections 113 and" vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

²³⁵² Clause (20) omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (20) was as under:--

"(20) The provisions of section 113 shall not apply to special purpose non- profit companies engaged in securitizing the receivables of Provincial Governments or the companies."

²³⁵³ Clause (21) omitted by the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005) At the time of omission clause (21) was as under:--

"(21) The provisions of section 113 shall not apply to non-profit organization i[approved under clause (36) of section 2 or clause (58) or Included In) clause (61) of Part-I of this Schedule."

i. Substituted for the words, brackets and figures "including those approved or included 111 clause (58)

2354[***]
 2355[***]
 2356[***]
 2357[***]
 2358[***]
 2359[***]
 2360[***]
 2361[***]
 2362[***]

-
- or” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)*
- 2354 Clause (22) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (22) was as under:--
 (22) The provisions of section 113 shall not apply to a taxpayer who qualifies for exemption under clause (133) of Part-I of this Schedule.”
- 2355 Clause (22A) omitted by the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (22A) was as under:--
 i[(22A) The provisions of section 113 shall not apply to a resident person engaged in the business of shipping who qualifies for application of reduced rate of tax on tonnage basis as final tax under clause (21) of Part II of this Schedule]
“i. Clause (22A) was inserted vide SRO 248(I)/2003 dated 5th March 2003
- 2356 Clause (23) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June 2005). At the time of omission clause (23) was as under:--
 “(23) The provisions of section 113 shall not apply to a venture capital company and venture capital fund which is exempt under clause (101) of Part-I of this Schedule.”
- 2357 Clause (24) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (24) was as under:--
 “(24) The provisions of section 113 shall not apply to a modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980)”
- 2358 Clause (25) omitted by the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (25) was as under:--
 “(25) Nothing in section 113 shall apply to Corporate and Industrial Restructuring Corporation (CIRC).”
- 2359 Clause (26) omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (26) was as under:--
 “(26) The provisions of section 148 shall not apply to goods or classes of goods Imported by contractors and sub-contractors engaged in the execution of power project under the agreement between the Islamic Republic of Pakistan and Hub Power Company Limited.”
- 2360 Clause (26) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, At the time of omission clause (27) was as under:--
 “(27) The provisions of section 148 shall not apply to such specially equipped motor vehicle or support equipment Imported by a disabled person as is allowed by the Federal Government.”
- 2361 Clause (28) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (28) was as under:--
 “(28) The provision of section 148 shall not apply to in case of such goods imported Pakistan as are exempt from customs duties and sales tax under i[Headings 9913, 9914 and 9915 of Sub-Chapter III of Chapter 99 of First Schedule the Customs Act, 1969 (IV of 1969)]
 i. Substituted for the words comma Figures and brackets “SROs 360(I)/2000, 362(I)/2000 and 363(I)/2000 dated 17.06.2000” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003).
- 2362 Clause (29) was omitted vide the Finance Act 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (29) was as under:--
 i[(29) The provisions of section 148 shall not apply to goods imported by direct and indirect exporters covered under
 (a) Sub-Chapter 4 of Chapter XII of SRO 450(I)/2001 dated 18.06.2001
 (b) Sub-Chapter 6 of Chapter XII of SRO 450(I)/2001 dated 18.06.2001
 (c) Sub-Chapter 7 of Chapter XII of SRO 450(I)/2001 dated 18.06.2001]
 i. Clause (29) was substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution clause (29) was as under:--
 “(29) The provisions of section 148 shall not apply to goods Imported by direct and indirect exporters covered under:--
 (i) the Manufacturing in Bond Rules, 1997 issued under SRO 1140(I)/97, dated the 6th November, 1997;
 (ii) the Common Bonded Warehouse (Conventional) Rules, 1998 issued under SRO 843(I)/98

2363[***]
 2364[***]
 2365[***]
 2366[***]
 2367[***]
 2368[***]
 2369[***]

		<i>dated the 23rd July, 1998: and</i>
	(iii)	<i>the Duty and Tax Remission for Export Rules. 2001 issued under SRO 185(I)/2001 dated the 21st March, 2001"</i>
2363	Clause (30) omitted vide the Finance Act. 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (30) was as under:--	
	i[(30) The provisions of section 148 shall not apply in respect of goods specified under Heading 9929. Sub-Chapter VIII of Chapter 99 of the First Schedule to the Customs Act, 1969 (IV of 1969)]	
	i. Clause (30) was substituted vide the Finance Act. 2003 (I of 2003 assented on 16th June, 2003).. At the time of substitution clause (30) was as under—	
	ii[(30) The provisions of section 148 shall not apply in respect of goods temporarily imported into Pakistan for subsequent exportation and which are exempt from customs-duty under SRO 410(I)/200 I, dated the 18th June, 200 I, and tile goods specified at S. Nos. 22 and 23 in Table - II of the SRO 444(I)/2001, dated the 18th June, 2001]	
	ii. Clause (30) was substituted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002. At the time of substitution clause (30) was as under:--	
	“(30) The provisions of section 148 shall not apply in respect of goods temporarily imported into Pakistan for subsequent exportation and which are exempt from SRO 410(I)/2001 dated 18th June, 2001 and Notification No SRO 592(I)/97, dated 7th August, 1997.”	
2364	Clause 8l was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (31) was as under:--	
	“(31) The provisions of section 148 shall not apply in respect of such mobile telephone sets as are exempt from custom duty and are charged to sales tax in the manner prescribe in the SRO 390(I)/2001, dated 18th June, 2001”	
2365	Clause (31A) was omitted vide the Finance Act. 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (31 A) was as under:--	
	i[(31A) The provisions of section 148 shall not apply to plan, machinery and equipment imported which are subject to 5% rate of customs-duty under Chapter 84 of the First Schedule to the Customs Act. 1969 (IV of 1969) or are exempt from customs-duty or subject to a lower rate of customs-duty under relevant Customs notifications.]'	
	i. Clause (31A) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004 Earlier this amendment made vide SRO 441(I)/2004, dated 12'h June 2004	
2366	Clause (310) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (31 B) was as under:--	
	i[(31B) The provisions of section 148 shall not apply in respect of agricultural tractors imported in CBU conditions.]	
	i. Clause (31B) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)	
2367	Clause (32) was omitted vide the Finance Act 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (32) was as under:--	
	“(32) The provisions of sections 149 and 152 relating to fee for technical services shall not apply to M/s. Siddiq Sons Tin Plate limited In respect of salaries of expatriate employees. royalty or technological and know-how fee for technical assistance for projects located in Special Industrial Zone, Windher, Balochistan, who have established LLCs prior to the 31st January, 1996”	
2368	Clause (33) omitted by the Finance Act, 2008 (101'2008) (Assented on 26 June, 2008). At the time of omission clause (33) was as under:--	
	“(33) The provisions of sections 151 and 233 shall not apply to any person making payment to National Investment (Unit) Trust or a mutual fund established by the Investment Corporation of Pakistan or an investment company registered under the Investment Companies and Investment Advisers Rules, 1971 or a unit trust scheme constituted by an Asset Management Company registered under the Asset Management Companies Rules. 1995 i[or a real investment trust, approved and authorized under the Real Estate Investment Trust Rules, 2006, established and managed by a REIT management company licensed under the Real Estate Investment Trust Rules. 2006] ii[or a private Equity and Venture Capital Fund]”	
	i. The words, commas and figures was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)	
	ii. The words, commas and figures was inserted vide the Finance Act, 2006 (III or 2006 assented on 30th June, 2006)	

2370[***]

2371[***]

2372[(36A) The provisions of clause (a) of sub-section (1) of section 151 shall not apply in respect of any amount paid as yield or profit on investment in Bahbood Savings Certificate or Pensioner's Benefit Account²³⁷³[and Shuhada Family Welfare Account].]

2374[***]

(38) The provisions of section 151,²³⁷⁵[1 53 and 233] shall not apply to special purpose vehicle for the purpose of securitization²³⁷⁶[, 233 and 236Q.]

2377[(38A) The provisions of sections 150, 151 and 233 shall not apply to a Venture Capital Company;]

2378[(38AA) The provisions of section 150 shall not apply to China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty-three years.]

2379[***]

2380[(38C) The provisions of section²³⁸¹[150,] 151, 152, 153 and 233 shall not apply to the Islamic Development Bank.]

2382[***]

2383[***]

2369 Clause (34) was omitted vide the Finance Act 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (34) was as under:--

“(34) The provision of section 151 shall not apply 111 respect of profit or Interest paid on a Term Finance Certificate held by a company which has been issued on. Or after, the first day of July, 1999”

2370 Clause (35) was omitted vide the Finance Act 2005 (VII of 2005 assented on 29th June 2005). At the time of omission clause (35) was under:--

“(35) The provisions of section 151 shall not apply to any payment made by way profit or interest to any person on Term Finance Certificates being the instruments of redeemable capital under the Companies Ordinance. 1984 (XL VII of 1984), issued by Prime Minister's Housing Development Company (Pvt.) Limited (PHDCL).”

2371 Clause (36) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (36) was as under:--

“(36) The provisions of clause (c) of sub-section (I) of section 151 shall not apply in respect of any amount paid as interest or profit on Special US Dollar Bonds Issued under the Special US Dollar Bonds Rules. 1998”

2372 Clause (36A) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

2373 Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier, the same was inserted vide SRO 1280(I)/2017 dated 22nd December, 2017

2374 Clause (37) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (37) was as under:--

“(37) The provisions of section 151 shall not apply to Pak rupee accounts or certificate referred to in clause (83) of Part I of this Schedule.”

2375 The commas, figures and words were inserted vide the Finance Ordinance. 2002 (XXVII of 2002 promulgated on 15th June, 2002)

2376 Inserted vide the Tax Laws (Amendment) Ordinance 2016 dated 31st August, 1016 (Ordinance No. V of 2016)

2377 Clause (38A) was inserted vide the Finance Act. 2004 (II of 2004 assented on 30th June, 2004)

2378 Inserted vide the Finance Act, 2016 (XXIX of 2016)

2379 Omitted vide the Finance Bill 2014. At the time of omission clause (38B) was as under:--

if(38B) The provisions of section 150 shall not apply to the Islamic Development Bank.]

[i. Clause (38B) was inserted vide the Finance Act. 2004 (II of 2004 assented on 30th June, 2004)

2380 Clause (38C) was inserted vide the Finance; Act, 2011 (XVI of 2011 assented on 29th June, 2011)

2381 Inserted vide the Finance Act, 2014

2382 Clause (39) omitted by the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (39) was as under:--

“(39) The provisions of section 151 shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his income during the income year IS exempt from tax.”

2383 Clause (40) was omitted vide the Finance Act, 2005 (II of 2005) and notwithstanding any judgment, order or decision of any Court, Tribunal or Authority including Income Tax Authority, shall be deemed always to have

2384[***]

2385[***]

2386[***]

2387[***]

(42) The provisions of ²³⁸⁸[sub-section ²³⁸⁹[(3)] of section 153] shall not apply in respect of payments received by a resident person for providing services by way of operation of container or

been so omitted and shall have effect accordingly. At the time of omission clause (40) was as under:--

“(40) The provisions of i[sub-section (6) of section 153] in so far as they relate to payments on account of supply of goods ii[from] which tax is deductible under the said section shall not apply in respect of any person being a manufacturer of such goods, unless he opts for the presumptive tax regime:

Provided that a declaration of option is furnished in writing within three months of the commencement of the iii[tax] year and such declaration shall be irrevocable and shall remain in force for three years:

Provided further nothing contained in this clause shall apply to any manufacturer of goods for which special rates of deduction of tax are specified under the iv[repealed] Ordinance.”

i. *Substituted for the word and figure “section 153” vide the Finance Ordinance, 2002 (XXVII of 2002) promulgated on 15th June, 2002)*

ii. *The word inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003),*

iii. *Substituted for the word “income” vide the Finance Act, 2003 (I of 2003), assented on 16th June, 2003)*

iv. *Substituted for the word “replaced” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003) (XXVII of 2002 promulgated on 15th June, 2002)”*

2384 *Clause (41) was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of omission clause (41) was as under:-*

“(41) The provisions of 2384[sub-section 2384(1B) of section 152]] shall not apply in respect of a non-resident person unless he opts for the presumptive tax regime:

Provided that a declaration of option is furnished in writing within three months of the commencement of the 2384[tax] year and such declaration shall be irrevocable and shall remain in force for three years.”

2385 *Omitted vide the Finance Act, 2014. At the time of omission clause (41A) (41AA) and (41AAA) were as under:-*

i[(41A) *The provisions of sub-section (7) of section 148 and clause (a) of sub-section (1) of section 169 shall not apply in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime shall not be less than 60% of tax already collected under sub-section (7) of section 148.*

(41AA) *The provisions of sub-section (4) of section 154 and clause (b) of sub-section (1) of section 169 shall not apply in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime shall not be less than 50% of tax already deducted under sub-section (4) of section 154.*

(41AAA) *The provisions of clause (a) of sub-section (1) of section 153 and clause (b) of sub-section (1) of section 169 shall not apply in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime shall not be less than 70% of tax already deducted under clause (a) of sub-section (1) of section 153.]*

i. *Clauses (41A), (41AA) & (41AAA) vide the Finance Act, 2012*

2386 *Clause (41A) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008) . At the time of omission clause (41I) was as under:--*

i[(41A) *Notwithstanding anything contained in the Finance Act, 2005 (VII of 2005) with respect to the omission of clause (40) of Part IV of the Second Schedule to this Ordinance, nothing in sub-section (6A) of Section 153 of this Ordinance shall apply to any person being a manufacturer, where declaration of option for the presumptive tax regime has been furnished and transactions pertaining to such option have been undertaken and completed on or before the 30th June, 2005:*

Provided that all declaration of options already furnished shall cease to have effect after the 30th June, 2005.]

i. *Clause (41A) was inserted vide SRO 1130(I)/2005 dated 14th November, 2005,*

2387 *Omitted vide the Finance Act, 2014. At the time of omission clause (41B) was as under:--*

i[(41B) *The provisions of sub-section (2) of section 152 shall not apply in respect of payments to foreign news agencies, syndicate services and non-resident contributors, who have no permanent establishment in Pakistan.]*

[i. *Clause (41B) was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*

2388 *Substituted for the word and figure “section 153” vide the Finance Act, 2002 (XXVII of 2002) promulgated on 15th June, 2002)*

2389 *Substituted for the bracket and figure “(6)” vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011*

chemical or oil terminal at a sea-port in Pakistan or of an infrastructure project covered by the Government's Investment Policy, 1997.

²³⁹⁰[***]

²³⁹¹[***]

²³⁹²[(43A) The provisions of sub-section (1) of section 153 shall not apply to payments received by a person ²³⁹³[***] on account of supply of petroleum product imported by the same person under the Government of Pakistan's deregulation policy of POL products;]

²³⁹⁴[(43B) The provisions of clause (a) sub-section (1) of section 153 shall not apply to payments received on sale of air tickets by travelling agents, who have paid withholding tax on their commission income.]

²³⁹⁵[(43C) The provision of clause (a) of sub-section (1) of section 153 shall not be applicable to any payment received by a petroleum agent or distributor who is registered under Sales Tax Act, 1990 on account of supply of petroleum products.]

²³⁹⁶[***]

²³⁹⁷[***]

²³⁹⁸[***]

²³⁹⁰ Clause (42A) was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008) At the time of omission clause (42A) was as under:--

i[(42A) The provisions of sub-section (6) of section 153 shall not apply in respect of payments received by a person for supply of relief goods for earthquake victims against funds from the President Relief Fund for Earthquake Victims 2005 or any other such source of the Government or the purchases made by approved voluntary Non-Profit Organizations or welfare bodies for the aforesaid purpose.)

i. Clause (42A) was inserted vide SRO 1205(I).2005, dated 6th December 2005

²³⁹¹ Clause (43) was omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of omission clause (43) was as under:--

“(43) The provisions of i[sub-section (1) of section 153] shall not apply to payments received by Pak-Arab Refinery Limited on account of supply of ii[its] products.”

i. Substituted for the word and figure “section 153” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)

ii. Substituted for the word “it” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²³⁹² Clause (43A) was substituted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of substitution clause (43A) was as under: --

i”(43A) The provisions of section 153, shall not apply to payments received by M/s. Total PARCO Pakistan Limited for the supply of petroleum products.]”

i. Clause (43A) was inserted vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002).

²³⁹³ The words and brackets i[including Permanent Establishment of Non-resident Petroleum Exploration and Production (E&P) Companies] was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

i. The words were inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²³⁹⁴ Clause (43B) was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). Earlier a different Clause (43B) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (43B) was as under: --

if (43B) The provisions of section 153 shall not apply to the payments received by Al Rahim Trading Co. (Pvt) Limited, Karachi for the supply of petroleum products.]

i. Clause (43B) was inserted vide Notification No, SRO. 830(I)/2002 dated 22th November, 2002

²³⁹⁵ Clause (43C) inserted vide SRO 57(I)/2012 dated 24 January, 2012

²³⁹⁶ Clause (43C) was omitted vide the Finance Act, 2003 (I of 2003 assented Oil' 16th June, 2003). At the time of omission clause (43C) was as under:--

i[(43C) The provisions of section 153 shall not apply to the payments received by Hascombe Storage (Pvt.) Limited, Karachi, for the supply of petroleum products.]”

i. Clause (43C) was inserted vide Notification No S R O, 961(I)/2002, dated 23rd December, 2002

²³⁹⁷ Clause (43D) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003), At the time of omission clause (43D) under:--

i[(43D) The provisions of section I S3 shall not apply to the payments received by M/s Overseas Trading Corporation, Karachi, for the supply of petroleum products.]”

i. Clause (43D) was inserted vide Notification No S R O 253(I)/2003 dated 7th March, 2003

²³⁹⁸ Clause (43E) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (43E) was as under:--

if(43E) The Provisions of section 153 shall not apply to the payment received by M/s ICI Pakistan Limited,

²³⁹⁹[(43D) The provisions of clause (a) of sub-section (1) of section 153 shall not apply in case of oil tanker contractor with effect from 1st July 2005, provided that such contractor pays tax @ 2.5, on the payments for rendering or providing of carriage services w.e.f. tax year 2012]

²⁴⁰⁰[(43E) The provisions of clause (a) of sub section (1) of section 153 shall not apply in case of goods transport contractors, provided that such contractors pay tax at the rate of 2.5% on payments for rendering or providing of carriage services.]

²⁴⁰¹[(43F) The provisions of section 153 shall not apply in the case of a start-up, being recipient of payment, as defined in clause (62A) of section 2.]

²⁴⁰²[***]

(45) The provisions of ²⁴⁰³[sub-section ²⁴⁰⁴[(1)] of section 153] shall not apply to any manufacturer-cum-exporter as ²⁴⁰⁵[the prescribed person]:

Provided that-

- (a) the manufacturer-cum-exporter shall deduct tax from payments made in respect of goods sold in Pakistan;
- (b) if tax has not been deducted from payments on account of supply of goods in respect of goods sold in Pakistan, the tax shall be paid by the manufacture-cum-exporter, if the sales in Pakistan are in excess of five per cent of export sales; and
- (c) nothing contained in this clause shall apply to payments made on account of purchase of the goods in respect of which special rates of tax deduction have been specified ²⁴⁰⁶[under the provisions of the repealed Ordinance].

²⁴⁰⁷[(45A) (a) The rate of deduction of withholding tax under clauses (a) and (b) of sub-section (1) of section 153 shall be one percent on local sales, supplies and services provided or rendered to the ²⁴⁰⁸[tax payers falling in the] following categories ²⁴⁰⁹[of sales tax zero-rated taxpayers], namely:-

-
- for the supply of petroleum products.]”*
- ²³⁹⁹ *Clouse (43E) was inserted vide Notification No, S.R.O 408(I)/2003, doted 8th May, 2003*
- ²⁴⁰⁰ *Inserted vide SRO 126(I)/2013 dated 13Th February, 2013*
- ²⁴⁰¹ *New clause (43E) was inserted vide SRO 980(I)/2013, dated 18th November,2013*
- ²⁴⁰¹ *Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017*
- ²⁴⁰² *Clouse (44) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (44) was as under:--*
- “(44) The provision of section i[148] shall not apply to an indirect exporter as defined in the Duty and Tax mission for Export Rules, 2001 issued under Notification No. SRO 185(I)/2001, dated the 21st March, 2001”*
- ²⁴⁰³ *i. Substituted for the figure “153” vide the Finance Ordinance. 2.0.02 (XXVII of 2002 promulgated on 15th June, 2002)*
- ²⁴⁰⁴ *Substituted for the word and figure “section 153” vide the Finance Act, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*
- ²⁴⁰⁴ *Substituted for the brackets and figure “(6)” vide the Finance Act, 2003 (I of 2.0.03 assented on 16th June, 2003)*
- ²⁴⁰⁵ *Substituted for the words “a payer” vide the Finance Act, 2003 (I of 2.0.03 assented on 16th June, 2003)*
- ²⁴⁰⁶ *Substituted for the words “in exercise” vide the Finance Act, 2003 (I of 2.0.03 assented on 16th June, 2003)*
- ²⁴⁰⁷ *Clause (45A) substituted vide SRO 333(I)/2011 dated 2nd May, 2011 dated 2nd May, 2.011. At the lime of substitution clause (4SA) wall as under:--*
- i[(45A) (a) The Rate of deduction of withholding tax under clauses (a) and (b) of sub- section (I) of section 153 shall be one percent on the local sales, supplies or services made or rendered to the following categories of sales Tax zero-rated taxpayers, namely:--*
- (i) *textile and articles thereof,*
 - (ii) *carpets:*
 - (iii) *leather and articles thereof including artificial leather footwear:*
 - (iv) *surgical goods: and*
 - (v) *sports goods:*
- (b) Provisions of clause (a) of sub-section (I) or section III of the Income Tax Ordinance. 2001 (XLIX of 2001) shall not apply to the amounts credited in the books of accounts maintained for the period ending the 30th June, 2011 by the sellers suppliers, service providers to the categories of sales tax zero-rated taxpayers as mentioned at sub-clause(I) above; and*
- (c) Provisions of sub-clauses (a) and (b) above shall be applicable only to only to new cases of sellers. Suppliers, service providers of the above tax zero-rated tax payers who set*

- (i) textile and articles thereof;
- (ii) carpets;
- (iii) leather and articles thereof including artificial leather footwear;
- (iv) surgical goods; and
- (v) sports goods;

Provided that withholding tax under clauses (a) and (b) of sub-section (1) of section 153 shall not be deducted from sales, supplies and services made by traders of yarn to the above mentioned categories of taxpayers. Such traders of yarn shall pay minimum tax @ 0.1% on their annual turnover on monthly basis on 30th day of each month and monthly withholding tax statement shall be e-filed under the provisions of section 165 of this Ordinance.

(b) provisions of clause (a) of sub-section (1) of section 111 of this Ordinance shall not apply to the amounts credited in the books of accounts maintained for the period ending on the 30th June 2011, by the sellers, suppliers, service providers to the categories of sales tax zero-rated taxpayers, as mentioned in sub-clause (a); and

(c) provisions of sub-clauses (a) and (b) shall be applicable only to the cases of sellers, suppliers, service providers of the above mentioned categories of sales tax zero-rated taxpayers, who are already registered and to those taxpayers who get themselves registered by the 30th June, 2011.]

²⁴¹⁰[(46) The provisions of sub-section (1) of section 153 shall not apply to any payment received by an oil distribution company or an oil refinery ²⁴¹¹[²⁴¹²and provisions of sub-section (2A) of section 152 shall not apply to] Permanent Establishment of Non-resident Petroleum Exploration and Production (E&P) Companies] for supply of its petroleum products.]

²⁴¹³[(46A) the provisions of sub-section ²⁴¹⁴[(6)] of section 153 shall not apply to any payment received by a manufacturer of iron and steel products relating to sale of goods manufactured by him.]

²⁴¹⁵[***]

	<i>themselves registered by the 30th June, 2011)</i>
	<i>i. Clause (45A) was inserted vide SRO 288(I)/2011 dated 1st April, 2011</i>
2408	<i>Added vide SRO 669(I)/2013 dated 17th July, 2013</i>
2409	<i>The words "of sales tax zero-rated taxpayers" were deleted vide SRO 669(I)/2013 dated 17th July, 2013</i>
2410	<i>Clause (46) was substituted vide the Finance Act. 2004 (II of 2004 assented on 30th June 2004). At the time of substitution clause (46) was as under:--</i> <i>"(46) The provisions of i[sub-section (I) of section 153] shall not apply in respect or payments received on account of supply of petroleum products by Attock Petroleum Limited."</i>
	<i>i. Substituted for the word and figure "section 153" vide the Finance Ordinance. 2002 (XXVII of 2002 promulgated on 15th June, 2002)</i>
2411	<i>The words and brackets were inserted vide the Finance Act. 2008 (I of 2008 assented on 26th June, 2008).</i>
2412	<i>Substituted for the word "or" vide Finance Act, 2015</i>
2413	<i>Clause (46A) inserted by SRO 847(I)/2007 dated 22nd August, 2007. Before insertion difference Clause (46A) was omitted vide the Finance Act. 2004 (II of 2004 assented on 30th June, 2004). At the time of omission clause (46A) was as under:--</i> <i>i[(46A) The provisions of sub-section (1) of section 153 shall not apply to the payments received by M/s. TOTAL PARCO Pakistan Limited (TPPL) for the supply of petroleum products.]</i>
	<i>i. Clause (46A) was inserted vide Notification SRO No. 855(I)/2003 dated 29th August, 2003.</i>
2414	<i>The brackets and figure i[(6)] was substituted vide the Finance Act, 2008 (XVI of 2008 assented on 29th June, 2011)</i>
	<i>i. Substituted for the brackets and figure "(6B)" vide the Finance Act. 2008 (XVI of 2008 assented on 26th June, 2008)</i>
2415	<i>Clause (46B) was omitted vide the Finance Act. 2009 (I of 2009 assented on 30th June 2009). At the time of omission clause (46B) was as under:--</i> <i>i[(46B) the provisions of sub-section (6B) of section 153. In so far as they relate to payments on account of sale of goods from which tax is deductible under section 153, shall not apply in respect of an individual or association of persons being a manufacturer of such goods, for the tax year 2007.]</i>
	<i>i. Clause (46B) was inserted vide SRO 847(I)/2007 dated 22nd August, 2007. Before insertion difference Clause (46B) was omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of omission clause (46A) was as under:--</i>

2416[***]

2417[***]

2418[(47A) The provisions of section 153 shall not apply in respect of payments received by a resident person for supply of such goods as were imported by the same person and on which tax has been paid under section 148.]

2419[(47B) The provisions of sections 150, 151 2420[,], 233 2421[and Part I, Division VII of the First Schedule] shall not apply to any person making payment to National Investment Unit Trust or a collective investment scheme or a modaraba or Approved Pension Fund or an Approved Income Payment Plan or a REIT Scheme or a Private Equity and Venture Capital Fund or a recognized provident fund or an approved superannuation fund or an approved gratuity fund.]

2422[(47C) The provisions of sub-section (1) of section 154 shall not apply to an exporter in respect of cooking oil or vegetable ghee exported to Afghanistan, from whom advance tax has been collected under section 148 on import of edible oil.]

2423[(47D) The provisions of clause (a) of sub-section (3) of section 153 shall not apply to cotton ginners]

2424[***]

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- i[(46B) The provisions of sub-section (1) of section 153 shall not apply to the payments received by M/s. Enar Petrotech Services (Pvt.) Limited for the supply of its products.]*
- i. Clause (46B) was inserted vide Notification SRO No. 856(I)/2003, dated 27th August, 2003.*
- 2416 *Clause (46C) was omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of omission clause (46C) was as under:--*
- i[(46C) The provisions of sub-section (1) of section 153 shall not apply to the payments received by M/s. Bosicor Pakistan Limited for the supply of its products.]*
- i. Clause (46C) was inserted vide SRO 857(I)/2003, dated 27th August, 2003.*
- 2417 *Clause (47) was omitted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). At the time of omission clause (47) was as under:--*
- i[(47) The provisions of i[sections 151 and 155] shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his Income during the Income year is exempt from tax.]*
- i. Substituted for the word and figure "section 153" vide the Finance Ordinance, 2002 (XXVII of 2002) promulgated on 15th June, 2002)*
- 2418 *Clause (47A) was added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*
- 2419 *Clause (47B) substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the tune of substitution clause (47B) was as under:--*
- i[(47B) The provisions of sections 150, 151 and 233 shall not apply to an) person making payment to National Investment (Unit) Trust or a mutual fund established by the Investment Corporation of Pakistan or ii[a collective investment scheme authorized or registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 or a modaraba] iii[or Approved Pension Fund or an Approved Income Payment Plan constituted by a Pension Fund Manager registered under Voluntary Pension System Rules, 2005 iv[or a Real Estate Investment Trust approved and authorized under the Real Estate Investment Trust Rules, 2006 established and managed by a REIT Management Company licensed under the Real Estate Investment Trust Rules, 2006 v[or a Private Equity and Venture Capital Fund']]*
- i. Clause (47B) was added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)*
- ii. Substituted for the words "an Investment Company registered under the Investment Companies and Investment Advisors Rules, 1971 or a Unit Trust Scheme constituted by an Asset Management Companies Rule, 1995, or a modaraba management company" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003).*
- iii. The words, figures and comma were added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)*
- iv. The words, figures and commas added vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)*
- v. The words was added vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)*
- 2420 *Substituted for the word "and" vide the Finance Act, 2012*
- 2421 *Inserted vide the Finance Act, 2012*
- 2422 *Clause (47C) was inserted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)*
- 2423 *Clause (47D) was substituted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011). At the time of substitution clause (47D) was as under:--*
- i[(47D) The provisions of sub-section (6A) of section 153 shall not apply to cotton ginners.]*
- i. Clause (47D) was added vide Notification No. SRO 989(I)/2005 dated 19th September, 2005.*
- 2424 *Clause (48) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of*

2425[***]

2426[***]

2427[***]

2428[***]

2429[***]

2430[***]

2431[***]

2432[(56) The provisions of section 148, regarding withholding tax on imports shall not apply in

omission clause (48) was as under:--

“(48) The provisions of section 236 shall not apply to a person who produces a certificate from the Commissioner of income Tax concerned to the effect that his income during tile income year, is exempt from tax.”

2425 Clause (49) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (49) was as under:--

“(49) The provisions of section 236 shall not apply where the subscriber is a non-taxable non-profit organization”

2426 Clause (50) omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003. At the time of omission clause (50) was as under:--

“(50) The provisions of section 234 shall not apply to a person who produces a certificate from Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax.”

2427 Clause (51) was omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003). At the time of omission clause (51) was as under:--

“(51) The provisions of section 235 shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax.”

2428 Clause (52) was omitted vide the Finance Act, 2010 (XVI of 2010). At the time of omission clause (52) was as under:--

“(52) The provisions of clause (vi) of Notification No. SRO 593(I)/91 dated the 30th June, 1991 shall not apply to any importer being an industrial undertaking engaged in the manufacture of vanaspati ghee or oil.”

2429 Clause (53) was omitted vide the Finance Act. 2005 (VII of 2005 assented on 29th June, 2005). At the time of omission clause (53) was as under:--

i[(53) The provision of ii[sections 148 and 153) shall not apply to the wheat imported by Trading Corporation of Pakistan in pursuance of Economic Coordination Committee of the Cabinet's Decisions No. ECC-67/5/2004 dated the 2nd July, 2004]

i. Clause (53) was added vide SRO 833(I)/2004, dated 29th September, 2005.

2430 ii. Substituted for the word and figure “section 148” vide SRO 918(I)/2004 dated 11th November, 2004
Clause (54) omitted by the Finance Act. 2005 (VII of 2005 assented on 29th June, 2005. At the 'time of omission clause (54) was as under:--

i[(54) The provisions of section 148 shall not apply to sugar imported in pursuance of Economic Coordination Committee of the Cabinet's Decision No. ECC16/2/2005 dated 08.02.2005.”

i. Clause (54) was added vide SRO 174(I)/2005

2431 Clause (55) was omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th .2005). At the time of omission clause (55) was as under: --

i[(55) The provision of section 148 shall not apply to the import of the following items, namely:--

- (a) onions;
- (b) potatoes;
- (c) tomatoes;
- (d) garlic;
- (e) halal meat of—
 - (1) (i) goat; and
 - (ii) sheep; and
 - (2) beef; and
- (f) live animals (bovine animal i.e. buffalos. cows. sheep. goats and camels only).”

i.. Clause (55) was added vide SRO 423(I)/2005, dated 13th May, 2005.

2432 Clause (56) was substituted vide the Finance Act 2008 (I of 2008) assented on 26th June,2008). Before substitution vide the Finance Act 2008 (I of 2008) the clause (56) was as under:--

i[(56) The provisions of section 148, shall not be applicable to the Import of goods classified under Pakistan Customs Tariff falling under Chapters 27, 52.01, 86 and 99.]

i. Clause (56), which was added vide the Finance Act. 2005 (VII or 2005 assented on 29th June, 2005), was substituted vide SRO 567(I)/2008 dated 11th June, 2008. At the time of substitution clause (56) was as under:--

- “(56) The provisions of section 148, regarding withholding tax on imports, shall not apply in respect of:-
- (i) goods or classes of goods Imported by contractors and sub-contractors engaged in the execution of power project under the agreement between the Islamic Republic of Pakistan and Hub Power Company Limited;
 - (ii) such specially equipped motor vehicle or support equipment Imported by a disabled person. as is allowed by the Federal Government;
 - (iii) such goods imported into Pakistan as are exempt from customs duties and sales tax under Headings 9913, 9914 and 9915 of Sub Chapter III of Chapter 99 of First Schedule to the Customs Act, 1969 (IV of 1969);
 - (iv) goods imported by direct and indirect exporters covered under—
 - (a) Sub-Chapter 4 of Chapter XII of SRO 450(I)/2001 dated 18.06.2001 I;
 - (b) Sub-Chapter 6 of Chapter XII of SRO 450(I)/2001 dated 18.06.2001 I; and
 - (c) Sub-Chapter 7 of Chapter XII of SRO 450(I)/2001 dated 18.06.2001 I.
 - (v) goods specified under Heading 9929. Sub-Chapter VIII of Chapter 99 of the first Schedule to the Customs Act, 1969 (IV of 1969)
- ii[(vi) Liquefied Petroleum Gas (LPG);
- ii. Clause (vi) & (vii) was substituted vide the Finance Act. 2006 (III of 2006 assented on 30th June, 2006). At the time of substitution clauses (vi) and (vii) was as under:--
- “(vi) such mobile telephone sets as are exempt from custom duty and arc charged to sales tax in the manner prescribed III SRO 390(I)/2001 dated the 18th June, 2001:
- (vii) plant, machinery and equipment and parts thereof imported as are subject to 5% rate of customs-duty under Chapter 84 or the First Schedule to the Customs Act. 1969 (IV or 1969), or arc exempt from customs-duty or subject to a lower rate of customs-duty under relevant Customs notifications:”
- (vii) Liquefied Natural Gas (LNG);]
- (viii) agricultural tractors imported in CBU condition
- (ix) an indirect exporter as defined in the Duty and Tax Remission for Export Rules, 2001 issued under SRO 85(I)/2001, dated the 21”March, 2001.
- iii[(x) Radio Navigational Aid Apparatus Imported for an airport or on alter First January, 2006]
- iii. Clause (x) substituted vide the Finance Act. 2006 (III of 2006 assented on 30th June 2006). At the time or substitution clause (x) was a under --
- “(x) Import of wheat a[and wheat flour],”
- a. The words added vide S.R.O 772(I)/2005 dated 3rd August, 2005.
- iv[***]
- iv. Clause (XI) was omitted vide the Finance Act. 2006 (III of 2006 assented on 30th June, 2006. At the time of omission clause (xi) was as under:-
- “(xi) sugar imported in pursuance of Economic Coordination Committee of the cabinet’s decision No. ECC 16/2/200~ dated 08.02.2005. b[***]
- b. The word “and” was omitted vide SRO 1010(I)/2005, dated 26th September 2005.
- (xii) Import of the following items Namely:--
- (a) onions;
 - (b) potatoes;
 - (c) tomatoes;
 - (d) garlic;
 - (e) halal meat of—
 - (1) (I) goat; and
 - (ii) sheep; and
 - (2) beef; and
 - (f) live animals (bovine animals i.e. buffalos, cows, sheep, goats and camels only);
- v[and]
- v. The word added vide SRO 1010(I)/2005, dated 26th September 2005.
- vi[(xiii) ***]
- vi. Sub-clause (xiii), which was added vide SRO 1010(I)/2005, dated 26th September,2005,. was omitted vide the Finance Act. 2006 (III of 2006 assented on 30th June, 2006). At the time of omission sub-clause (xiii) was as under:-
- “(xiii) cement imported in pursuance of Economic Coordination Committee or the Cabinet’s Decision No. ECC-124/8/2005.dated the 1st September, 2005]”
- vii[(xiv) goods donated for the of earthquake victims as are exempt from customs duties and sales tax c[; and]
- vii.. Sub-clause (xiv) inserted vide SRO 1034(I)/2005 dated 10th October,2005.
- c. Substituted for the full stop vide SRO 1037(I)/2005. dated 14th October 2005.
- viii[(xv) tents, tarpaulin and blankets]
- viii. Sub-clause (xv) was added vide SRO 1037(I)/2005. dated 14th October 2005.
- ix[(xvi) ***]
- ix. Sub-clause (xvi) was omitted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006). At the time of omission sub-clause (xvi) was as under:-
- x[(xvi) Off-highway dump trucks and On Highway Dump Trucks of 320 HP and above and Transit Mixers imported by construction companies.]

respect of-

- (i) goods classified under Pakistan Customs Tariff falling under ²⁴³³[Chapter 86 and 99

- x. Sub-clause (xvi), which was added vide SRO 60(I)/2006 dated 25th January, 2006, was substituted vide SRO 517(I)/2006 dated 2nd June, 2000. At the time of substitution sub-clause (XVI) was as under:-
 "(xvi) off-highway dump trucks and transit mixers"
 xi[(xvii) import of ships and floating crafts including tugs, dredgers, survey vessels and other specialized crafts, registered in Pakistan]
- xi. Sub-clause (xvii) was added vide S.R.O. 93(I)/2006 dated 7th February, 2006.
- xii[(xviii) goods specified in column (2) of the Table below, falling under the PCT heading number mentioned in column (3) of the said Table, namely:--

TABLE

S. No.	Description of goods	PCT heading number
(1)	(2)	(3)
1.	Camera	9007.1100
2.	Studio lights	9405.4010
3.	Screen.	9010.6000
4.	Camera all kind lenses.	9002.1100
5.	Stand filters.	9002.2000
6.	Lenses video assist.	9002.1900
7.	Lights/studio lights	9405.4010
8.	Laboratory for processing	9010.5000
9.	Steam back.	9405.4010
10.	Mixing studio facility.	9010.5000
11.	Re-mixing and accessories.	9010.5000
12.	Jimmy gib.	9010.5000
13.	Negative.	9010.5000
14.	Positive.	90105000
15.	Sound.	9010.5000
16.	Magnetic sound/negative.	9010.5000
17.	Lighting equipment Imported by M/S Rafi Peer Theatre Workshop.	9405.4010]

- xii. Sub-clause (xviii) was added vide SRO 272(I)/2006 dated 21st March, 2006.
- xiii[(xix) one time import of d[16] buses by Daewoo Express Bus Services Ltd.]
- xiii. Sub-clause (xix) was added vide SRO 363(I)/2006. 15th April, 2006.
- d. Substituted for the figure "32" vide SRO 505(I)/2006 dated 31st May, 2006.
- xiv[(xx) goods temporarily imported into Pakistan for subsequent exportation and which are exempt from customs duty and sales tax under SRO 1065(I)/2005, dated the 20th October, 2005]
- xiv Sub-clause (xx) was added vide SRO 863(I)/ 2006 dated 23rd August, 2006.
- xv[(XXi) capital goods imported by a manufacturer whose sales arc 100% exports and produces a certificate from the Commissioner of Income Tax to the effect that the imported capital goods shall be:--
 (a) installed in his own Industrial undertaking: and
 (b) exclusively used for production of goods to be exported
- xv. Sub-clause (xxi) was added vide SRO 1268(I)/2006, dated 21st December, 2006
- xvi[(xxii) Capital goods and raw material imported by manufacturer exporter registered with Sales Tax Department as a manufacturer.
- (xxiii) Petroleum (E&P) companies covered under SRO 678(I)/2004 dated 07.08.2004 except motor vehicles imported by such companies.
- (xxiv) Companies importing high speed diesel oil light diesel oil high octane blending component or motor spirit. furnace oil JP-1.MTBE. Kerosene oil. crude oil for refining and chemical use In refining thereof in respect of such goods: e[***]
- (xxv) The re-importation of re-usable containers for re- export qualifying customs-duty and sales tax exemption on temporary import under the Customs S.R.O 344(I)/95 dated the 25th day of April, 1995 f[and]
- xvi Sub-clauses (xxii) to (xxv) was added vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)
- e. The word "and" was omitted vide SRO 759(I)/2007 dated 31st July, 2007.
- f. Substituted for the full stop vide. S.R.O, 759(I)/2007 dated 31st July, 2007.
- xvii[(xxvi) goods donated for relief of flood victims or year 2007 as exempt from customs-duty and sales tax.]
- xvii Clause (xxvi) was added vide S.R.O, 759(I)/2007, dated 31st July, 2007.
- xviii[(xxvii) Plant. machinery. equipment and specific items used in production of bio- diesel as arc exempt from customs-duty and sales tax.]"
- xviii Clouse (xxvii) was added vide S R O 274(I)/2008, dated 11th March, 2008.
- 2433 Substituted for the commas, figures and words "Chapters 27, 86 and 99" vide Finance Act, 2015

except PCT Heading 9918];

- ²⁴³⁴[(ia) Petroleum oils and oils obtained from bituminous minerals crude (PCT Code 2709.0000), Furnace-oil (PCT Code 2710.1941), High speed diesel oil (PCT) Code 2710.1931), Motor spirit (PCT Code 2710.1210), J.P.1 (PCT Code 2710.1912), base oil for lubricating oil (PCT Code 2710.1993), Light diesel oil (PCT Code 2710.1921) and Super Kerosene Oil imported by Pakistan State Oil Company Limited, Shell Pakistan Limited, Attock Petroleum Limited, Byco Petroleum Pakistan Limited, Admore Gas Private Limited, Chevron Pakistan Limited, Total-PARCO Pakistan(Private) Limited, Hascol Petroleum Limited, ²⁴³⁵[Bakri Energy (Private) Limited], Gas and Oil Pakistan (Pvt) Ltd ²⁴³⁶[or any other oil marketing company licensed by Oil and Gas Regulatory Authority (OGRA)] and oil refineries.]
- (ii) goods imported by direct and indirect exporters covered under sub-chapter 7 of Chapter XII of SRO 450(I)/2001 dated June 18, 2001;
- (iii) goods temporarily imported into Pakistan for subsequent exportation and which are exempt from customs duty and sales tax under Notification ²⁴³⁷[No.492(I)/2009, dated the 13th June, 2009]; ²⁴³⁸[***]
- (iv) Manufacturing Bond as prescribed under Chapter XV of Customs Rules, 2001 notified vide S.R.O. 450(I)/2001, dated June 18, 2001 ²⁴³⁹[; and]]
- ²⁴⁴⁰[(v) mineral oil imported by a manufacturer or formulator of pesticides which is exempt from customs-duties under the customs Notification No S.R.O. 857(I)/2008, dated the 16th August, 2008.]

²⁴⁴¹[***]

²⁴⁴²[***]

²⁴⁴³[***]

(56C) The provisions of sub-section (3) of section 153, in respect of sale of goods and clause (a) of sub-section (1) of section 169 shall not apply to a person, if the person opts to file return of total income along with accounts and documents, as may be prescribed subject to the condition that

²⁴³⁴ Inserted vide Finance Act, 2015

²⁴³⁵ Substituted for "Bakri Trading Company Pakistan (Pvt) Ltd, Overseas Oil Trading Company (Pvt) Ltd "vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

²⁴³⁶ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁴³⁷ Substituted for the words, figures, brackets, commas and symbol "No. SRO 1065(I)/2005, dated the 20th October, 2005" vide the Finance Act, 2012

²⁴³⁸ The word "and" omitted vide SRO 860(I)/2008, dated 19.08.2008

²⁴³⁹ Full stop substituted vide SRO 860(I)/2008, dated 19.08.2008

²⁴⁴⁰ Inserted vide SRO 860(I)/2008, dated 19.08.2008

²⁴⁴¹ Clause (56A) was omitted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. At the time of omission clause (56A), which was added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013, was as under:-

"(56A) The provisions of sub-section (7) of section 148 and clause (a) of sub-section (1) of section 169 shall not apply to a person who is liable to withholding tax under section 236E."

²⁴⁴² The Expression "(56B) Provisions of section 148 shall not apply in respect of import of potatoes between 5th of May, 2014 and 31st of July, 2014, provided that such imports shall not exceeds 200,000 metric tons in aggregate during the said period." was omitted vide Finance Act, 2015. The same was inserted earlier vide SRO 341(I)/2014 dated 2nd May, 2014

²⁴⁴³ Omitted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Inserted vide the Finance Act, 2014 which is as below:-

i[(56B) The provisions of sub-section (7) of section 148, and clause (a) of sub-section (1) of section 169 shall not apply to a person being a commercial importer if the person opts to file return of total income along with accounts and documents as may be prescribed, subject to the condition that minimum tax liability under normal tax regime shall not be less than 5.5%, of the imports, if the person is a company and 6% otherwise.]

i The same Clause 56B was inserted earlier vide SRO 341(I)/2014 dated 2nd May, 2014

minimum tax liability under normal tax regime shall not be less than 3.5% of the gross amount of sales, if the person is a company and 4% otherwise.

(56D) The provisions of sub-section (3) of section 153, in respect of contracts and clause (a) of sub-section (1) of section 169 shall not apply to a person if the person opts to file return of total income along with accounts and documents as may be prescribed subject to the condition that minimum tax liability under normal tax regime shall not be less than 6% of contract receipts, if the person is a company and 6.5% otherwise.

(56E) The provisions of sub-section (2) of section 153 and clause (a) of sub-section (1) of section 169 shall not apply in respect of a person if the person opts to file return of total income along with accounts and documents as may be prescribed subject to the condition that minimum tax liability under normal tax regime shall not be less than 0.5% of gross amount of services received.

(56F) The provisions of sub-section (2) of section 156A and clause (a) of sub-section (1) of section 169 shall not apply in respect of a person if the person opts to file return of total income along with accounts and documents as may be prescribed, subject to the condition that minimum tax liability under normal tax regime shall not be less than 10% of the commission or discount received.

(56G) The provisions of sub-section (3) of section 233 and clause (a) of sub-section (1) of section 169 shall not apply in respect of a person if the person opts to file return of total income along with accounts and documents as may be prescribed, subject to the condition that minimum tax liability under normal tax regime shall not be less than 10% of the commission.]

²⁴⁴⁴[***]

²⁴⁴⁵[(57)The provisions of ²⁴⁴⁶[section] ²⁴⁴⁷[***] ²⁴⁴⁸[***] 153 shall not apply to companies operating Trading Houses which-

- (i) have paid up capital of exceeding Rs.250 million;
- (ii) own fixed assets exceeding Rs.300 million at the close of the Tax Year;
- (iii) maintain computerized records of imports and sales of goods;
- (iv) maintain a system for issuance of 100% cash receipts on sales;
- (v) present accounts for tax audit every year; and
- (vi) is registered ²⁴⁴⁹[under the Sales Tax Act, 1990]:

Provided that the exemption under this clause shall not be available if any of the aforementioned conditions are not fulfilled for a tax year ²⁴⁵⁰[²⁴⁵¹[.]]

²⁴⁴⁴ Clause (56H) was omitted vide Finance Act, 2015. At the time of omission Clause (56H) was as under:-
(56H) Provisions of section 148 shall not apply in respect of import of potatoes between 5th of May, 2014 and 1st of November, 2014. provided that such import shall not exceed 300,000 metric tons in aggregate during the said period

²⁴⁴⁵ Clause (57) was added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

²⁴⁴⁶ Substituted for the expression "sections 113 and" vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution it was as under:--
"i [sections] ii [113 and]"

i. Substituted for "section" vide SRO 439(I)/2013 dated 20th May, 2013. Earlier the word "section" was replaced by "sections" vide SRO 140(I)/2013 dated 26th February, 2013
ii. Inserted vide SRO 439(I)/2013 dated 20th May, 2013.

²⁴⁴⁷ The figure i[113] omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

i. The figure and comma was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

²⁴⁴⁸ The figures "113" and "148" were omitted vide SRO 140(I)/2013 dated 26th February, 2013. Earlier figure "113" substituted figure "148" vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009) and figure "148" was inserted vide SRO 717(I)/2009, dated 12th August, 2009

²⁴⁴⁹ Substituted for the words, "with Sales Tax Department" the words, comma and figure "under the Sales Tax Act, 1990" vide the Finance Act, 2014

²⁴⁵⁰ The colon i[:] substituted vide the Finance Act, 2008 (I of 2008) assented on 26th June, 2008)

i. Substituted for the full stop vide the Finance Act, 2006 (III of 2006 assented on , 30th June, 2006)

²⁴⁵¹ Substituted for the full stop vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

²⁴⁵²[***]

²⁴⁵³[***]

²⁴⁵⁴[Provided further that minimum tax under section 113 shall be 0.5% upto the tax year
²⁴⁵⁵[2021] and one per cent thereafter.]

²⁴⁵⁶[**Explanation.**-²⁴⁵⁷[(i)] For the removal of doubt, exemption under this clause, in respect of section 153, shall only be available as a recipient and not as withholding agent.]

²⁴⁵⁸[(ii) It is further clarified that in-house preparation and processing of food and allied items for sale to customers shall not disqualify a company from being treated as a Trading House, provided that all the conditions in this clause are fulfilled and sale of such items does not exceed two per cent of the total sales.]

²⁴⁵⁹[(57A) The provisions of sections 153 and 169 shall not apply to large import houses:

Provided that the exemption under this clause shall not be available if any of the conditions provided in section 148 are not fulfilled for a tax year.]

²⁴⁶⁰[***]

²⁴⁶¹[(59) The provisions of section 151, regarding withholding tax on profit on debt, shall not apply-

²⁴⁶²[***]

(ii) to any payment made by way profit or interest to any person on Term Finance Certificates being the instruments of redeemable capital under the Companies Ordinance, 1984 (XLVII of 1984), issued by Prime Minister's Housing Development Company (Pvt) Limited (PH DCL);

²⁴⁶³[***]

²⁴⁵² Second proviso of sub-clause (vi) was omitted vide SRO 140(I)/2013 dated 26th February, 2013. The said proviso was Proviso was inserted vide the Finance Act. 2001) (I of 2009 assented on 10th June, 2009) and appeared as under:-

"Provided further that the exemption from application of section 113 shall be available for the first ten years, starting from the tax year in which the business operations commenced."

²⁴⁵³ Proviso was omitted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of omission proviso was as under:-

i[Provided further that the exemption from application of section 113 shall be available for the first ten tax years, starting from the tax year in which the business operations commenced.]

i. Proviso was inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006).

²⁴⁵⁴ Proviso was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution proviso was as under:-

i. [Provided further that the exemption from application of section 113 shall be available for the first ten years, starting from the tax year in which the business operations commenced,]

i. Inserted vide SRO 439(I)/2013 dated 20th May, 2013.

²⁴⁵⁵ Substituted for '2019' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

²⁴⁵⁶ Inserted vide the Finance Act, 2014

²⁴⁵⁷ Explanation was numbered as Paragraph (i) vide Finance Act, 2015

²⁴⁵⁸ Inserted vide Finance Act, 2015

²⁴⁵⁹ Clause (57A) was inserted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²⁴⁶⁰ Clause (58) was omitted vide the Finance Act. 2008 (I of 2008 assented on 26th June, 2008). At the time of omission clause (58) was as under:-

i[(58) The provisions of section 205 shall not apply to telecom companies for default of not collect ins withholding tax under section 236(I) (b) on sale of prepaid cards during tax year 2004. if the amount not collected is deposited within three months:

Provided that nothing contained in this clause shall apply to the amounts collected under section 236(I) (b) but not deposited in the Treasury.]

i. Clause (58) was added vide the Finance Act. 2005 (VII of 2005 assented on 29th June, 2005).

²⁴⁶¹ Clause (59) was added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

²⁴⁶² Sub- clause (i) was omitted vide the Finance Act, 2016 (XXIX of 2016). At the time of omission sub- clause (i) was as under:-

(i) in respect of profit or interest paid on a Term Finance Certificate held by a company which has been issued on, or after, the first day of July, 1999;

²⁴⁶³ Sub-Clause (iii) was omitted vide Finance Act, 2015. At the time of omission Sub-Clause (iii) was as under:-

(iii) to Pak rupee accounts or certificates referred to in clause (83) of Part-I of this Schedule; and

- (iv) in the case of any resident individual, no tax shall be deducted from income or profits paid on,-

²⁴⁶⁴***]

- (b) Investment in monthly income Savings Accounts Scheme of Directorate of National Savings, where monthly installment in an account does not exceed one thousand rupees]

²⁴⁶⁵[(60) The provisions of sections 148 and 153 shall not apply to fully as well partly designed/assembled cypher devices, for use within the country as are verified by ²⁴⁶⁶[Cabinet Division (NTISB)] with reference to design, quality and quantity.]

²⁴⁶⁷[(60A) The provisions of section 148 shall not apply for import of plant, machinery and equipment including dumpers and special purposes motor vehicles imported by the following for construction of Sukkur-Multan section of Karachi-Peshawar Motorway project and Karakorum Highway (KKH) Phase-II (Thakot to Havellian Section) of CPEC project respectively, namely:—

- (a) M/s China State Construction Engineering Corporation Ltd. (M/s CSCEC); and
(b) M/s China Communication Construction Company (M/s CCCC).

(60AA) The provisions of section 148 of the Income Tax Ordinance, 2001(XLIX of 2001), shall not apply for import of construction materials or goods up to a maximum of 10,898.000 million rupees imported by China State Construction Engineering Corporation (M/s CSCEC) for construction of Sukkur-Multan section of Karachi-Peshawar Motorway project of National Highway Authority under CPEC.]

²⁴⁶⁸[(60B) The provisions of section 148 shall not apply on import of thirty-five armoured and security vehicles imported by or for Ministry of Foreign Affairs, Government of Pakistan meant for security of visiting foreign dignitaries, subject to the following conditions, namely:—

- (a) that the vehicles imported under this clause shall only be used for the security purpose of foreign dignitaries and will be parked in Central Pool of Cars (CPC) in the Cabinet Division for further use as and when needed; and
(b) that the importing Ministry at the time of import shall furnish an undertaking to the concerned Collector of Customs to the extent of customs-dues exempted under this clause on consignment to consignment basis binding themselves that the vehicles imported under this clause shall not be re-exported, sold or otherwise disposed of without prior approval of the Board and in the manner prescribed therefor.

²⁴⁶⁹[(60C) The provision of section 148 shall not apply on import of equipment to be furnished or installed for Rail Based Mass Transit Projects in Lahore, Karachi, Peshawar and Quetta under CPEC.]

²⁴⁷⁰[(61) The provisions of section 231A shall not apply in respect of any cash withdrawal, from a bank, made by an earthquake victim against compensation received from GOP including payments through Earthquake Reconstruction and Rehabilitation Authority (ERRA) account.]

²⁴⁷¹***]

²⁴⁶⁴ Paragraph (a) was omitted vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013. At the time of omission Paragraph (a) was as under:

“(a) Defence Savings Certificates, Special Savings Certificates, Savings Accounts or Post Office Savings Accounts, or Term Finance Certificates (TFCs), where such deposit does not exceed one hundred and fifty thousand rupees;”

²⁴⁶⁵ Clause (60) was added vide SRO 85(I)/2006, dated 3rd February, 2006

²⁴⁶⁶ Substituted for the letters “NTISB” vide the Finance Act, 2006 (III of 2006) assented on 30th June, 2006)

²⁴⁶⁷ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier the same clause 60A was inserted vide SRO 735(I)/2016 dated 9th August, 2016

²⁴⁶⁸ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier the same clause 60B was inserted vide SRO 899(I)/2016 dated 26th September, 2016

²⁴⁶⁹ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018.

²⁴⁷⁰ Clause (61) was added vide SRO 273(I)/2006, dated 21st March, 2006

²⁴⁷¹ Clause (61A) was omitted vide Finance Act, 2015. At the time of omission Clause (61A) was as under:-

²⁴⁷²[(62) The following provisions of Section 97 shall not apply in case of transfer of assets on amalgamation of companies or their businesses or acquisition of shares, requiring that transferor:

- (a) be resident company; and
- (b) belong to a wholly-owned group of resident companies. Provided that:
 - (i) the transferee resident company shall own or acquire at least 75% of the share capital of the transferor company or the business in Pakistan of the transferor company;
 - (ii) the amalgamated company is a company incorporated in Pakistan;
 - (iii) the assets of the amalgamating company or companies immediately before the amalgamation become the assets of the amalgamated company by virtue of the amalgamation, otherwise than by purchase of such assets by the amalgamated company or as a result of distribution of such assets to the amalgamated company after the winding up of the amalgamating company or companies;
 - (iv) the liabilities of the amalgamating company or companies immediately before the amalgamation become the liabilities of the amalgamated company by virtue of the amalgamation; and
 - (v) the scheme of amalgamation is sanctioned by the State Bank of Pakistan, any court or authority as may be required under the law.]

²⁴⁷³[(63) The provisions of clause (c) of sub-section (36) of section 2 shall not apply in the case of M/s Dawat-ul-Hadiya, Karachi. ²⁴⁷⁴[and Lahore University of Management Sciences, Lahore]]

²⁴⁷⁵[***]

²⁴⁷⁶[(65) Any income derived by a project, approved by Designated National Authority (DNA), from the transfer or sale of Clean Development Mechanism Credits i.e. Certified Emission Reductions, verified Emission Reductions.]

i(61A) The provisions of section 231A shall not apply in respect of any cash withdrawal by exchange companies duly licensed and authorised by the State Bank of Pakistan on their bank account exclusively dedicated for their authorised business related transaction:

Provided that:-

- (a) Exemption under this clause shall be available to exchange companies who are issued exemption certificate by the concerned Commissioner Inland Revenue for a financial year.; and
- (b) The Commissioner shall issue the exemption certificate after obtaining relevant details and particulars of the Bank Accounts.]

i. Clause (61A) inserted vide SRO 383(I)/2012 dated 18th April, 2012.

²⁴⁷² Clause (62) was added vide SRO 885 (I)/2006, dated 29th August, 2006

²⁴⁷³ Clause (63) was substituted vide. SRO 65(I)/2008, dated 21st January, 2008. At the time of substitution clause (63) was as under:--

i[(63) The provisions of clause (c) of sub-section (36) of section 2 shall not apply in the case of M/s. Dawat-ul-Hadiya, Karachi.]

i. Clause (63) was added vide SRO 2(I)/2008, dated 1st January, 2008.

²⁴⁷⁴ *Inserted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018.*

²⁴⁷⁵ Clause (64), which was added vide SRO 153(I)/2008, dated 16th February, 2008, was omitted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). At the time of omission clause (64) was as under:--

i[(64) No tax shall be collected under section 231B during the period commencing from the 21st February, 2008 and ending on the ii[30th June], 2008 and shall apply to sale of a motor car and delivered during the said period.]

i. Clause (64) was substituted vide.SRO 169(I)/2008, dated 21st February, 2008.

ii. Substituted for the figure and words "20th April" vide SRO 383(I)/2008 dated 21st April, 2008.

At the time of insertion clause (64) was as under:-

[(64) No tax shall be collected under section 231 during the period commencing from the 21st February, 2008 and ending on the 20th April, 2008 and shall apply to booking of a motor and delivered during the said period.]

²⁴⁷⁶ Clause (65) was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

²⁴⁷⁷[(66) The provisions of section 235 shall not be applicable to the taxpayers who fall under the zero rated regime of sales tax and registered with sales tax as exporter or manufacturer of -

- (a) carpets;
- (b) leather and articles thereof including artificial leather footwear;
- (c) surgical goods;
- (d) sports goods; and
- (e) textile and articles thereof.]

²⁴⁷⁸[(67) The provisions of sections 150, 151, 152, 153 and 233 shall not apply in respect of payments made to the International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVII of 1956).]

²⁴⁷⁹[(67A) The provisions of section 100B and Eighth Schedule shall not apply to transactions carried on upto 30th day of June, 2015, on any Stock Exchange of Pakistan, by International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVIII of 1956).]

²⁴⁸⁰[(68) The provisions of sections 151, 153 and 155 shall not apply in respect of payments made to the Pakistan Domestic Sukuk Company Ltd.]

²⁴⁸¹[(69) The provisions of sections 150, 151, 152, 153 and 233 shall not apply in respect of payments made to the Asian Development Bank established under the Asian Development Bank Ordinance, 1971 (IX of 1971).]

²⁴⁸²[(70) The provisions of section 148, regarding withholding tax on imports, shall not apply in respect of goods or classes of goods for the execution of contract, imported by contractors and sub-contractors engaged in the execution of power project under the agreement between the Islamic Republic of Pakistan and HUB Power Company Limited.]

²⁴⁸³[(71) The provisions of this Ordinance shall not be applicable to the M/s TAISEI Corporation under the agreement between National Highway Authority, GOP, which falls under the zero rated regime of sales tax and registered with sales tax in respect of supply of products, services and equipment.]

²⁴⁸⁴[(72) The provisions of sections 150, 151, 152, 153 and 233 shall not apply in respect of payments made to The ECO Trade and Development Bank.]

²⁴⁸⁵[(72A) The provisions of clause (I) of section 21, sections 113 and 152 shall not apply in case of a Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 ²⁴⁸⁶[²⁴⁸⁷[to ²⁴⁸⁸[2017]]] in respect of income from Hajj operations.

²⁴⁷⁷ Clause (66) was substituted vide SRO 1055(I)/2008, dated 10th October, 2008. At the time of substitution clause (66) was as under:--

- i[(66) The provisions of section 235, shall not be applicable to the exporters-cum-manufacturers of--
- (a) carpets;
 - (b) leather and articles thereof including artificial leather footwear;
 - (c) surgical goods;
 - (d) port. goods: and
 - (e) textile and articles thereof;"

i. Clause (66) was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

²⁴⁷⁸ Clause (67) was added vide SRO 766(I)/2008, dated 21st July, 2008

²⁴⁷⁹ Inserted vide Finance Act, 2015

²⁴⁸⁰ Clause (68) was added vide SRO 772(I)/2008, dated 22nd July, 2008

²⁴⁸¹ Clause (69) was added vide SRO 1012(I)/2008, dated 23rd September, 2008

²⁴⁸² Clause (70) was added vide SRO 129(I)/2009, dated 7th February, 2009,

²⁴⁸³ Clause (71) was added vide SRO 712(I)/2009, dated 5th August, 2009,

²⁴⁸⁴ Added vide SRO 810(I)/2009, dated 19.09.2009

²⁴⁸⁵ Added vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013

²⁴⁸⁶ Inserted vide Finance Act, 2015

²⁴⁸⁷ Substituted for the words and figure "and 2015" vide the Finance Act, 2016 (XXIX of 2016)

²⁴⁸⁸ Substituted for "2016" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

(72B) the provisions of section 148 shall not apply to an industrial undertaking if the tax liability for the current tax year, on the basis of determined tax liability for any of the preceding two tax years, whichever is the higher, has been paid and a certificate to this effect is issued by the concerned Commissioner.]

²⁴⁸⁹[Provided that the certificate shall only be issued by the Commissioner if an application for the said certificate is filed before the Commissioner, in the manner and after fulfilling the conditions as specified by notification in the official Gazette, issued by the Board for the purpose of this clause ²⁴⁹⁰[:

Provided further that the quantity of raw material to be imported which is sought to be exempted from tax under section 148 shall not exceed ²⁴⁹¹[125] per cent of the quantity of raw material imported and consumed during the previous tax year:

Provided also that the Commissioner shall conduct audit of taxpayer's accounts during the financial year in which the certificate is issued in respect of consumption, production and sales of the latest tax year for which return has been filed and the taxpayer shall be treated to have been selected for audit under section 214C:

Provided also if the taxpayer fails to present accounts or documents to the Commissioner or the officer authorized by the Commissioner, the Commissioner shall, by an order in writing, cancel the certificate issued and shall proceed to recover the tax not collected under section 148 for the period prior to such cancellation and all the provisions of the Ordinance shall apply accordingly ²⁴⁹²[:]

²⁴⁹³[Provided also that exemption certificate shall not be issued to an industrial undertaking importing raw materials, specified in sub-section (8) of section 148.]

²⁴⁹⁴[(73) To mitigate part of the cost of obtaining foreign support to fill productivity gap, income tax payable by a foreign experts shall be exempted provided that such expert is acquired with the prior approval of the Ministry of Textile Industry.

(74) The provisions of sub-section (8) of section 22 shall not apply to Civil Aviation Authority (CAA) in respect of the asset transferred for the purpose of the ijara agreement between Pakistan Domestic Sukuk Company Limited and the Federal Government.

(75) The provisions of sub-section (8) of section 22 shall not apply to Civil Aviation Authority (CAA) in respect of the asset transferred for the purpose of the ijara agreement between Pakistan Domestic Sukuk Company Limited and the Federal Government.

Provided that depreciation shall be allowed at the written down value of the assets immediately before their transfer for the purpose of above mentioned Ijara agreement.]

²⁴⁹⁵[²⁴⁹⁶[***]]

²⁴⁹⁷[(77) Provisions of sections 148 and 153 shall not be applicable on import and subsequent supply of items with dedicated use of renewable sources of energy like solar and wind etc., even if locally manufactured, which include induction lamps, SMD, LEDs with or without ballast with fittings and fixtures, wind turbines including alternator and mast, solar torches, ²⁴⁹⁸[tubular

²⁴⁸⁹ Added vide the Finance Act, 2014

²⁴⁹⁰ Full stop was substituted with a "colon" and thereafter new provisos were added vide the Finance Act, 2016 (XXIX of 2016)

²⁴⁹¹ Substituted for "110" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁴⁹² Substituted for the full stop vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁴⁹³ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁴⁹⁴ Clauses (73), (74) & (75) were added vide the Finance Act, 2010 (XVI of 2010)

²⁴⁹⁵ Clause (76) was omitted vide the Finance Act, 2012. There are two clauses of (76) one was added by SRO 1099(I)/2010, dated 7th December, 2010 and other by SRO 120(I)/2011, dated 14th February, 2011 But Finance Act, 2012 is not clear that which one has been omitted.

²⁴⁹⁶ Clause 76 was omitted vide Finance Act, 2012

²⁴⁹⁷ Clause 77 was added vide SRO 263(I)/2011, dated 19.03.2011

²⁴⁹⁸ Inserted vide Finance Act, 2015

daylighting devices such as solatube,] lanterns and related instruments, PV modules ²⁴⁹⁹[with or without]the related components including invertors, charge controllers and batteries.]

²⁵⁰⁰[(78) ²⁵⁰¹[Coal Mining and Coal based Power Generation Projects in Sindh],-

- (i) the dividend income of the shareholders of such a project shall be exempt provisions of section 150 from the date of commencement of business till 30 years from such date; and
- (ii) the payments made on account of sale or supply of goods or providing or rendering of services during project construction and operations, shall be exempt from the provisions of section ²⁵⁰²[152(2A) and section] 153.]

²⁵⁰³[***]

²⁵⁰⁴[***]

²⁵⁰⁵[(81)The provisions of clause (a) of section 165, shall not apply in case of manufacturer, distributor, dealer and wholesaler required to collect advance tax under sub section (1) of section 236H.]

²⁵⁰⁶[***]

²⁵⁰⁷[***]

²⁵⁰⁸[***]

²⁵⁰⁹[***]

²⁵¹⁰[(86) (a) The provisions of section 111 shall not apply to—

²⁴⁹⁹ Substituted for the word “along with” vide Finance Act, 2012

²⁵⁰⁰ Clause 78 was added vide SRO 317(I)/2011, dated 19.04.2011

²⁵⁰¹ Substituted for the words “with respect to a project situated in the special Economic Zone at Thar coalfield” vide SRO 609(I)/2011, dated 13th June, 2011

²⁵⁰² Inserted vide SRO 235(I)/2015, dated 18th March 2015

²⁵⁰³ Clause (79) was omitted vide Finance Act, 2015. At the time of omission Clause (79) was as under:-
i[(79) The provisions of clause (b) of the proviso to sub-section (3) of section 153 shall not be applicable to the tax with held on payments receive by a company for providing or rendering of services.]

i Clause (79) was added vide SRO 1003(I)/2011, dated 31 October, 2011

²⁵⁰⁴ Omitted vide the Finance Act, 2014. At the time of omission clause (80) was as under:-
i[(80) The provisions of section 153A shall not apply to any manufacturer till 30th June, 2013.]

i. Inserted vide SRO 1487(I)/2012 dared 24th December, 2012.

²⁵⁰⁵ Inserted vide SRO 900(I)/2013 dated 4th October, 2013

²⁵⁰⁶ Clause (82) was omitted vide the Finance Act, 2016 (XXIX of 2016). At the time of omission was as under:-
i[(82) The provisions of sub-section (2) of section 116 shall not apply for the tax year ii[2014] to an individual or a member of an association of persons whose last declared or assessed income, or the declared income for the year is less than one million rupees.

i. [New clauses (81) (82) were added vide SRO 978(I)/2013 dated 13th November, 2013

ii. Substituted for the figure, “2013” vide the Finance Act, 2014

²⁵⁰⁷ Clause (83) was omitted vide Finance Act, 2015. At the time of omission Clause (83) was as under:-
“(83) The provisions of sub-section (4) of section 116 shall not apply for the tax year 2013 to a person other than a company or a member of an association of persons falling under final tax regime (FTR) and has paid tax less than thirty five thousand rupees.”

²⁵⁰⁸ Omitted vide the Finance Act, 2014. At the time of omission clause (84) was as under:-
i[(84) For tax year 2013, the provisions of section 177 and section 214C shall not apply to a taxpayer, if the tax paid on the basis of taxable income declared by the taxpayer for the tax year 2013 is at least twenty five percent more than the tax assessed or paid, whichever is higher, for the tax year 2012;
Provided that the taxpayer files separate proforma for the said exemption with return, in the manner specified in the circular issued by the Board.]

i. New clauses (84) was added vide SRO 1040(I)/2013 dated 5th December, 2013.

²⁵⁰⁹ Omitted vide the Finance Act, 2014. At the time of omission clause (85) was as under:-
i[(85) The provisions of section 114(6) (ba) shall not apply to persons availing the benefit as provided in clause (84) who revise their returns before the due date of filing of return, for tax year 2013.]

i. New clauses (85) was added vide SRO 1065(I)/2013 dated 20th December, 2013.

²⁵¹⁰ Substituted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. At the time of substitution it appeared as given below:-

(a) The provisions of section III shall not apply to

- (i) investment made by an individual in a greenfield industrial undertaking directly or as an original allottee in the purchase of shares of a company establishing an industrial undertaking or capital contribution in an association of persons establishing an industrial undertaking;
 - (ii) investment made by an association of persons in an industrial undertaking; and
 - (iii) investment made by a company in an industrial undertaking—
if the said investment is made on or after the 1st day of January, 2014 and commercial production commences on or before the 30th day of June, 2019;
- (b) The concessions given in this clause shall also apply to investment made in—
- (i) construction industry in corporate sector;
 - (ii) low cost housing construction in the corporate sector;
 - (iii) livestock development projects in the corporate sector;
 - (iv) new captive power plants; and

-
- (i) investment made by an individual in a Greenfield industrial undertaking directly or as an original allottee in the purchase of shares of a company establishing an industrial undertaking or capital contribution in an association of persons establishing an industrial undertaking;
 - (ii) investment made by an association of persons in an industrial undertaking; and
 - (iii) investment made by a company in an industrial undertaking; if the said investment is made on or after the 1st day of January, 2014, and commercial production commences on or before the 30th day of June, i[ii[2019]].
- (b) The concessions given in this clause shall also apply to investment made in:
- (i) Construction industry in corporate sector.
 - (ii) Low cost housing construction in the corporate sector.
 - (iii) Livestock development projects in the corporate sector.
 - (iv) New captive power plants.
 - (v) Mining and quarrying in Thar coal, Balochistan and Khyber Pakhtunkhwa.
- (c) The concessions given in sub-clause (a) shall not apply to investment made in:
- (i) Arms and ammunitions
 - (ii) Explosives
 - (iii) Fertilizers
 - (iv) Sugar
 - (v) Cigarettes
 - (vi) Aerated beverages
 - (vii) Cement
 - (viii) Textile spinning units
 - (ix) Flour mills
 - (x) Vegetable ghee and
 - (xi) Cooking oil manufacturing
- (d) The term Greenfield industrial undertaking shall include expansion projects for the purposes of this clause.
- (e) Immunity under this clause shall not be available to proceeds of crime relating to offences under the following laws:
- (i) Control of Narcotics Substances Act, 1997;
 - (ii) Anti Terrorism Act, 1997; and
 - (iii) Anti-Money Laundering Act, 2010.]

I Substituted for the figure “2016” vide Finance Act, 2015

Ii Substituted for the figure “2017” vide the Finance Act, 2016 (XXIX of 2016)

- (v) mining and quarrying in Thar coal, Balochistan and Khyber Pakhtunkhawa;
- (c) The concessions given in sub-clause (a) shall not apply to investment made in—
- (i) arms and ammunitions;
 - (ii) explosives;
 - (iii) fertilizers;
 - (iv) sugar;
 - (v) cigarettes;
 - (vi) aerated beverages;
 - (vii) cement;
 - (viii) textile spinning units;
 - (ix) flour mills;
 - (x) vegetable ghee; and
 - (xi) cooking oil manufacturing;
- (d) The term green field industrial undertaking shall include expansion projects for the purposes of this clause; and
- (e) Immunity under this clause shall not be available to proceeds of crime relating to offences under the following laws, namely:—
- (i) Control of Narcotics Substances Act, 1997;
 - (ii) Anti-Terrorism Act, 1997; and
 - (iii) Anti-Money Laundering Act, 2010.]

2511[***]

2511 Omitted vide the Finance Act, 2014. At the time of omission clause (87) was as under:--

“(87) The provisions of sections 182, 205, 177 and 214C shall not apply to an individual, holding an NTN who files a return, as specified in Form "A" below, by twenty eighth day of February, 2014, of the tax years from 2008 to 2012, for which returns have not been filed:

Provided that for each of the tax year, a minimum tax of twenty thousand rupees on the basis of taxable income is paid by the taxpayer:

Provided further that the taxpayer shall not be entitled to claim any adjustment of withholding tax collected or deducted under the Ordinance:

Provided also that the due date of filing of return for tax year 2013, in respect of individuals availing concessions under this clause shall be twenty eighth day of February, 2014.

Form "A"

RETURN OF TOTAL INCOME UNDER CLAUSE 87/88 OF PART-IV OF SECOND SCHEDULE OF THE INCOME TAX ORDINANCE, 2001 (For Individual) FOR TAX YEARS 2008 to 2012															IT-6		
REGISTRATION	1	CNIC													Tax Year		
	2	NTN										Gender		Male	Female		
													Status		Resident	Non-Res	
	3	Applicable Clause		87 (NTN holder as an 2B-11-2013)					88(NTN obtained after (28-11-2013)								
	4	Business Name															
	5	Business Address..... Province.....District.....City.....															
	6	Principal Activity.....															
	7	Phone.....Electricity.....															
	8	Mobile No.....Gas Ref. No.....															
	9	E-Mail.....Business Start Date.....															
10	Bank Account.....																
		Bank		City		Bank Account Number											
TAX		Description										Code	Amount				

2512[***]

2513[***]

	11	Business Income [12 - 13 - 14]															3999		
	12	Net Sales															3103		
	13	Cost of Sales															3116		
	14	Profit & Loss Expenses															3189		
	15	Salary Income															1999		
	16	a. Capital Gains on immovable Property															49991		
		b. Capital Gains Other than immovable Property															49992		
	17	Other Sources income (Loss)															5999		
	18	Income from property															210101		
	19	Total Income u/s 10(a) [11 + 15 + 15(b) + 17]															9099		
	20	Zakat Paid															9121		
	21	WWF Paid															9122		
	22	Taxable Income [19 - 20 - 21]															9199		
	EXEMPT INCOME	23	Tax Payable on Taxable Income															9201	
24		Salary Income															6101		
25		Properly Income															6102		
26		Business income/(Loss)															6103		
27		Capital Gains/(Loss)															6104		
28		Agriculture Income															6106		
29		Foreign Remittance															6107		
30		Other Sources Income															6105		
TAX PAYMENT	Tax paid vide CPR Number given below																		
	31	CPR No.1																Amount	
	32	CPR No.2																Amount	
	33	CPR No.3																Amount	
WS	34	Wealth Statement attached															yes		Not Applicable
VERIFICATION	I, holder of CNIC No..... in my capacity as Self/ Representative (as defined in section 172 of the Income Tax Ordinance, 2001) of Taxpayer named above, do solemnly declare that to of my knowledge and belief the Information given in this Statement is correct and complete in accordance with the provisions of the Income Tax Ordinance, 2001 and Income Tax Rules, 2002.																	ACKNOWLEDGEMENT	Signature & Stamp of Receiving Officer with Date

2512 Omitted vide the Finance Act, 2014. At the time of omission Clause (88) was as under:--

“(88) The provisions of sections 182, 205, 177 and 214C shall not apply to an individual, if the individual files a return or returns, as prescribed for this clause, by twenty eighth day of February, 2014 for any or all of the tax years from 2008 to 2012, and

- (i) has not filed any return for the last five years;
- (ii) is not an NTN holder as on 28th day of November, 2013;
- (iii) declares taxable income for the year which exceeds the amount on the basis of which, tax payable is twenty five thousand rupees or more; and
- (iv) has paid the tax on the basis of taxable income declared in the return or returns:

Provided that concession under this clause shall only apply for the tax year or years, for which the returns have been filed and for equal number of succeeding consecutive tax years, if tax paid for the succeeding tax years is at least equal to tax paid for tax year 2012: Provided further that the taxpayers shall not be entitled to claim any adjustment of withholding tax under the Ordinance, collected or deducted during a tax year, for which a return is filed:

Provided also that the due date of filing of return for tax year 2013, in respect of individuals availing concessions under this clause shall be twenty eighth day of February, 2014.”

2513 Clause (89),(90) were omitted vide Finance Act, 2015. At the time of omission Clauses were as under:-

if(89) The provisions of section 236I shall not apply to

- (a) the Federal Government or a Provincial Government;
- (b) an individual entitled to privileges under the United Nations (Privileges and Immunities) Act, 1948 (XX of 1948);

²⁵¹⁴(91) The provisions of section 148 shall not apply to-

(i) Tillage and seed bed preparation equipment as specified below

Equipment	PCT Code
(i) Rotavator	8432.8010
(ii) Cultivator	8432.2910
(iii) Ridger	8432.8090
(iv) Sub soiler	²⁵¹⁵ [8432.3900]
(v) Rotary slasher	8432.8090
(vi) Chisel plow	8432.1010
(vii) Ditcher	8432.1090
(viii) Border disc	8432.2990
(ix) Disc harrow	8432.2100
(x) Bar harrow	8432.2990
(xi) Mould board plow	8432.1090
(xii) Tractor rear or front blade	8430.6900
(xiii) Land leveller or land planer	8430.6900
(xiv) Rotary tiller	8432.8090
(xv) Disc plow	8432.1090
(xvi) Soil-scrapper	8432.8090
(xvii) K.R. Karundi	8432.8090
(xviii) Tractor mounted trancher	²⁵¹⁶ [8701.9200]
(xix) Land leveler	8430.6900

(ii) Seeding or planting equipment

Equipment	PCT Code
(i) Seed-cum-fertilizer drill (wheat, rice barley, etc.)	²⁵¹⁷ [8432.3100]
(ii) Cotton or maize planter with fertilizer attachment	²⁵¹⁸ [8432.3900]
(iii) Potato planter	²⁵¹⁹ [8432.3900]
(iv) Fertilizer or manure spreader or broadcaster	²⁵²⁰ [8432.4100]
(v) Rice transplanter	²⁵²¹ [8432.3900]
(vi) Canola or sunflower drill	²⁵²² [8432.3100]
(vii) Sugarcane planter	²⁵²³ [8432.3900]

(iii) Irrigation, drainage and agro-chemical application equipment

(c) a foreign diplomat or a diplomatic mission in Pakistan or

(d) a person who is a non-resident and

(i) furnishes copy of passport as an evidence to the educational institution that during previous tax year, his stay in Pakistan via Is than one hundred eighty-three days;

(ii) furnishes a certificate that he has no Pakistan-source income; and

(iii) fee is remitted directly from abroad through normal banking channels to the bank account of the educational institution.

(90) The provisions of section 236D shall not apply to-

(a) the Federal Government or a Provincial Government;

(b) an individual entitled to privileges under the United Nations (Privileges and Immunities) Act, 1948 (X of 1948); or

(c) a foreign diplomat or a diplomatic mission in Pakistan.]

i New clauses (89) & (90) were added vide SRO 17(I)/2014, dated 7th January, 2014.

²⁵¹⁴ Added vide Finance Act, 2015

²⁵¹⁵ Substituted for the figure "8432.3090" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁵¹⁶ Substituted for the figure "8701.9020" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁵¹⁷ Substituted for the figure "8432.3010" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁵¹⁸ Substituted for the figure "8432.3090" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁵¹⁹ Substituted for the figure "8432.3090" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁵²⁰ Substituted for the figure "8432.4000" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁵²¹ Substituted for the figure "8432.3090" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁵²² Substituted for the figure "8432.3010" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁵²³ Substituted for the figure "8432.3090" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

Equipment	PCT Code
(i) Tube wells filters or strainers	8421.2100, 8421.9990
(ii) Knapsack sprayers	8424.2010
(iii) Granular applicator	8424.2010
(iv) Boom or field sprayers	8424.2010
(v) Self propelled sprayers	8424.2010
(vi) Orchard sprayer	8424.2010

(iv) Harvesting, threshing and storage equipment

Equipment	PCT Code
(i) Wheat thresher	8433.5200
(ii) Maize or groundnut thresher or sheller	8433.5200
(iii) Groundnut digger	8433.5900
(iv) Potato digger or harvester	8433.5300
(iv) Sunflower thresher	8433.5200
(vi) Straw balers	8433.4000
(vii) Fodder rake	8433.5900
(viii) Wheat or rice reaper	8433.5900
(ix) Chaff or fodder cutter	8433.5900
(x) Cotton picker	8433.5900
(xi) Onion or garlic harvester	8433.5200
(xii) Sugar harvester	8433.5200
(xiii) Tractor trolley or forage wagon	8716.8090
(xiv) Reaping machines	8433.5900
(xv) Combined harvesters	8433.5100
(xvi) Pruner/shears	8433.5900

(v) Post-harvest handling and processing & miscellaneous machinery

Equipment	PCT Code
(i) Vegetables and fruits cleaning and sorting or grading equipment	8437.1000
(ii) Fodder and feed cube maker equipment	8433.4000

(92) The provisions of section 148 shall not apply to:-

	PCT Code
Aircraft, whether imported or acquired on wet or dry lease	8802.4000
Maintenance kits for use Respective in trainer aircrafts of headings 8802.2000 and	Respective headings
Spare parts for use in aircrafts, trainer aircrafts or simulators	Respective headings
Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized by Aviation Division	Respective headings
Operational tools, machinery, equipment and furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division setting up Greenfield airports by a company authorized by Aviation Division	Respective headings
Aviation simulators imported by airline company recognized by Aviation Division	Respective headings

(93) The provisions of sub-section (1) of section 154 shall not apply to taxpayers operating halal meat production and qualifying for exemption under clause (126K) of Part-I of this Schedule for the period specified in clause (126K).]

²⁵²⁴[(94) The provisions of clause (b) of the proviso to sub-section (3) of section 153 shall not apply for ²⁵²⁵[the period beginning on the first day of July, 2015 and ending on the thirtieth day of June, ²⁵²⁶[2019]]] to a company being a filer and engaged in providing or rendering freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, ²⁵²⁷[IT services and IT enabled services as defined in clause (133) of Part I of this Schedule] tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services ²⁵²⁸[,] car rental services ²⁵²⁹[building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited ²⁵³⁰[inspection, certification, testing and training services]:

Provided that the tax payable or paid on the income from providing or rendering aforesaid services shall not be less than two percent of the gross amount of turnover from all sources and that the company furnishes in writing an irrevocable undertaking by the fifteenth day of November, 2015 to present its accounts to the Commissioner within thirty days of filing of return, for audit of its income tax affairs for tax year ²⁵³¹[2016 to ²⁵³²[2018]] ²⁵³³[:

Provided further that for tax year ²⁵³⁴[2018]], the company shall furnish irrevocable undertaking by November, ²⁵³⁵[2017] to present its accounts to the Commissioner.]

²⁵³⁶[(95) the provisions of sections 147, 150A, 151, 152, 231A, 231AA, 236A and 236K shall not apply to “The second Pakistan international Sukuk Company Limited” and the Third Pakistan International Sukuk Company Limited, as a payer.

-
- ²⁵²⁴ Clause (94) was added vide the Finance (Second Amendment) Act, 2016 (II of 2016 assented on 29th January, 2016
- ²⁵²⁵ Substituted for the words ‘tax year 2016’ vide the Finance (Third Amendment) Act, 2016 (III of 2016 assented on 29th January, 2016
- ²⁵²⁶ Substituted for ‘2018’ vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier, ‘2018’ was substituted for for the figure “2017” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017 and before that for the figure “2016”, the figure “2017” was substituted vide the Finance Act, 2016 (XXIX of 2016)
- ²⁵²⁷ Inserted vide the Finance Act, 2016 (XXIX of 2016)
- ²⁵²⁸ Substituted for “or” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017.
- ²⁵²⁹ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017.
- ²⁵³⁰ Inserted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018
- ²⁵³¹ Substituted for “tax year 2016 i[or 2017, as the case may be]” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017.
- i. Inserted vide the Finance (Third Amendment) Act, 2016 (III of 2016) assented on 29th January, 2016
- ²⁵³² Substituted for ‘2018’ vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018
- ²⁵³³ Full stop was substituted with a “colon” and thereafter new proviso was added vide the Finance Act, 2016 (XXIX of 2016)
- ²⁵³⁴ Substituted for ‘2018’ vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier, substituted for the figure “2017” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. Before that for the figure “2016”, the figure “2017” was substituted vide the Finance Act, 2016 (XXIX of 2016)
- ²⁵³⁵ Substituted for the figure “2016” vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017. Earlier, for the figure “2016”, the figure “2017” was substituted vide the Finance Act, 2016 (XXIX of 2016)
- ²⁵³⁶ Substituted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Before substitution it appeared as given below:-
- i[(95) the provisions of sections 147 ii[, 150A], 151, 152, 231A, 231AA, 236A and 236K shall not apply to The Second Pakistan International Sukuk Company Limited iii[and the Third Pakistan International Sukuk Company Limited], as a payer.]
- iv[(96) the provisions of sections 147 v[, 150A], 151 and vi[155 and 236K] shall not apply to “The Second Pakistan International Sukuk Company Limited” vii[and the Third Pakistan International Sukuk Company Limited], as a recipient.]
- i Substituted vide the Finance Act, 2016. Earlier, it was inserted vide SRO 1029(I)/2014 dated 19th November, 2014
- ii Inserted vide SRO 933(I)/2016 dated 3rd October, 2016
- iii Inserted vide SRO 924/2016 dated 30th September, 2016
- iv Substituted vide the Finance Act, 2016. Earlier, it was inserted vide SRO 1029(I)/2014 dated 19th November, 2014
- v Inserted vide SRO 933(I)/2016 dated 3rd October, 2016
- vi Substituted for the word “and 155” vide SRO 969(I)/2016 dated 13th October, 2016
- vii Inserted vide SRO 924/2016 dated 30th September, 2016

(96) the provisions of sections 147, 150A, 151, 155 and 236K shall not apply to “The second Pakistan international Sukuk Company Limited” and the Third Pakistan International Sukuk Company Limited, as a recipient.]

²⁵³⁷[(97) the provision of section 236C shall not apply to “Pakistan International Sukuk Company Limited.”]

²⁵³⁸[(98) The provisions of section 148 shall not apply to import of ships and other floating crafts including tugs, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistani entity and flying Pakistani flag:

Provided that exemption under this clause shall be available up to the year 2020, subject to the condition that the ships and crafts are used for the purpose for which they were procured, and in case such ships and crafts are used for demolition purposes, tax collectible under section 148, applicable to ships and crafts purchased for demolition purposes, shall be chargeable.

(99) The provisions of section 148 shall not apply to import or acquisition of aircraft on wet or dry lease by M/s Pakistan International Airlines Corporation with effect from 19th March, 2015.]

²⁵³⁹[(100) The provisions of section 236U shall not apply to an insurance company collecting premium under:-

(a) Crop Loan Insurance Scheme (CLIS): and

(b) livestock Insurance Scheme (LIS).]

²⁵⁴⁰[(101) The provisions of section 231A shall not apply in respect of cash withdrawal made from a “Branchless Banking (BB) Agent Account” utilized to render branchless banking services to customers.

(102) The provisions of section 231B(1A) shall not apply to light commercial vehicles leased under the Prime Minister’s Youth Business Loan Scheme.]

²⁵⁴¹[(103) The provisions of section 7B shall not apply to yield or profit on investment in Bahbood Savings Certificate or Pensioner’s Benefit Account, provided that tax on the said yield or profit on debt is paid at the rates specified in Division I of Part I of the First Schedule subject to clause (6) of Part III.

[(104) The provisions of section 5A shall not apply to a company where a restriction has been imposed on distribution of dividend on account of an agreement with the Government of Pakistan.

(105) The provisions of section 177 and 214C shall not apply to a person whose income tax affairs have been audited in any of the preceding three tax years:

Provided that the Commissioner may select a person under section 177 for audit, with approval of the Board.]

THE THIRD SCHEDULE

²⁵⁴²[PART-I

²⁵³⁷ Clause (97) was substituted vide the Finance Act, 2016. Earlier it was inserted by SRO 1029(I)/2014 dated 19th November, 2014

²⁵³⁸ Added vide the Finance Act, 2016 (XXIX of 2016)

²⁵³⁹ Inserted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier clause (100) was added vide SRO 06(I)/2017 dated 9th January, 2017

²⁵⁴⁰ Inserted vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

²⁵⁴¹ Added vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Earlier, clause 103 was inserted vide SRO 1217(I)/2017 dated 23rd November, 2017 while clause 104 was inserted vide SRO 234(I)/2018 dated 13th February, 2018

²⁵⁴² Part I substituted by the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005). At the time of substitution part-I was as under:--

“PART I DEPRECIATION

(See Section 22)

Depreciation rates specified for the purposes of section 22 shall be--

DEPRECIATION

(See Section 22)

Depreciation rates specified for the purposes of section 22 shall be, -

I.	Building (all types).	10%
II.	Furniture (including fittings) and machinery and plant (not otherwise specified), Motor vehicles (all types), ships, technical or professional books.	15%
III.	Computer hardware including printer, monitor and allied item ²⁵⁴³ [, machinery and equipment used in manufacture of I.T. products], aircrafts and aero engines.	30%
IV.	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 (b) Offshore platform and production installations.	100% 20%]
²⁵⁴⁴ [V	A ramp built to provide access to persons with disabilities not exceeding Rs. 250,000 each.	100%]

PART II

INITIAL ALLOWANCE²⁵⁴⁵[AND FIRST YEAR ALLOWANCE]

²⁵⁴⁶[(²⁵⁴⁷[See Sections 23, 23A and 23B])]

²⁵⁴⁸[(1)] The rate of initial allowance under section 23 shall be ²⁵⁴⁹[²⁵⁵⁰[25] %] ²⁵⁵¹[for plant and

Class of asset.	Description.	Rate per cent of the written down value.
BULDINGS		
<i>I</i>	<i>Building (not otherwise specified).</i>	<i>5 (General rate)</i>
<i>II</i>	<i>Factory, workshop, cinema, hotel, hospital.</i>	<i>10</i>
<i>III</i>	<i>Residential quarters for labour.</i>	<i>10</i>
FURNITURE		
<i>IV</i>	<i>Furniture (including fittings).</i>	<i>10</i>
MACHINERY AND PLANT		
<i>V</i>	<i>Machinery and plant (not otherwise specified).</i>	<i>10 (General rate)</i>
<i>VI</i>	<i>Computer hardware, including printer, monitor and allied items.</i>	<i>30</i>
<i>VII</i>	<i>Technical or professional books.</i>	<i>20</i>
<i>VIII</i> (i) (ii)	<i>Ships. New. Second hand. Age at time of purchase: a) Not more than ten years. b) Ten or more years.</i>	<i>5 10 20</i>
<i>IX</i>	<i>Motor vehicles (all types).</i>	<i>20</i>
<i>X</i>	<i>Aircraft, aero-engines and aerial photographic apparatus.</i>	<i>30</i>
<i>XI</i>	<i>Below ground installations in mineral oil concerns the income of which is liable to be computed in accordance with the rules in Part I of the Fifth Schedule.</i>	<i>100%</i>
<i>XII</i>	<i>Below ground installations, including but not limited to the cost of drilling, casing, cementing, logging and testing of wells, in off shore mineral oil concerns the income of which is liable to be computed in accordance with the rules in Part I of the Fifth Schedule.</i>	<i>100</i>
<i>XIII</i>	<i>Off shore platforms and production installation in mineral oil concerns the income of which is liable to be computed in accordance with the rules in Part I of the Fifth Schedule.</i>	<i>20</i>

²⁵⁴³ The comma and words were inserted vide the Finance Act, 2006 (III of 2006 assented on 30th June, 2006)

²⁵⁴⁴ Sub-clause V added vide the Finance Act, 2010 (XVI of 2010)

²⁵⁴⁵ The words was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008),

²⁵⁴⁶ Substituted for the words, figures and letter "See i[Sections 23 and 23A]" vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

i. Substituted for the word and figure "section 23" vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008),

²⁵⁴⁷ The words, figures and letter "See Sections 23 and 23A" substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

²⁵⁴⁸ The existing paragraph numbered as paragraph(I) vide the Finance Act, 2008 (I of 2008 assented on 26th June,

machinery and ²⁵⁵²[15] % for buildings]

²⁵⁵³[(2) The rate of First Year Allowance under section 23A ²⁵⁵⁴[and section 23B] shall be 90%.]

PART III

PRE-COMMENCEMENT EXPENDITURE

(See Section 25)

The rate of amortization of pre-commencement expenditure under section 25 shall be 20%.

THE FOURTH SCHEDULE

(See Section 99)

RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF INSURANCE BUSINESS

Profits on Life Insurance to be computed separately

1. The profits and gains of a taxpayer carrying on life insurance business chargeable under the head “Income from Business” shall be computed separately from the taxpayer’s income from other business. ²⁵⁵⁵[Income from other business shall be profit or loss before tax as per profit and loss account prepared under the Insurance Ordinance, 2000 (XXXIX of 2000), excluding any surplus appropriation made during the year.]

Computation of Profits and Gains of Life Insurance Business

²⁵⁵⁶[2. The profits and gains of a life insurance business shall be the current year’s surplus appropriated to profit and loss account prepared under the Insurance Ordinance, 2000 (XXXIX of 2000), as per advice of the Appointed Actuary, net of adjustments under sections 22(8), 23(8) and 23(11) of the Insurance Ordinance, 2000 (XXXIX of 2000) so as to exclude from it any expenditure other than expenditure which is, under the provisions of Part IV of Chapter III, allowed as a deduction in computing profits and gains of a business to the extent of the proportion of surplus not distributed to policy holders.]

Computing the Surplus under Rule 2

3. (1) The following ²⁵⁵⁷[provisions] shall apply in computing the surplus for the purposes of rule 2, namely:—

- (a) the amounts paid to, or reserved for, or expended on behalf of policy-holders shall be allowed as a deduction;
- (b) any amount either written off or reserved in the accounts, or through the actuarial valuation balance sheet to meet depreciation, or loss on the realization of investments shall be allowed as a deduction, and any sums taken credit for in the

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- 2008),
- 2549 Substituted for the figure “40%” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002)
- 2550 Substituted for the figure “50” vide the Finance Act, 2013 (Act No. XXII of 2013) assented on 29th June, 2013
- 2551 The words and figure “for plant and machinery and 25% for buildings” added vide the Finance Act, 2012
- 2552 Substituted for the figure “25” vide the Finance Act, 2014
- 2553 Paragraph (2) was added vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)
- 2554 The words, figure and letter was inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)
- 2555 The words commas, figures and brackets was added vide the Finance Act. 2004 (II of 2004 assented on 30th June, 2004)
- 2556 Rule 2 substituted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of substitution rule 2 was as under:--
- “2. The profits and gains of a life insurance business shall be the annual average of the surplus arrived at by adjusting the surplus or deficit disclosed by actuarial valuation made for the last inter-valuation period ending before the tax year for which the assessment is to be made so as to exclude from it any surplus or deficit included therein which was made in any earlier inter-valuation period and any expenditure other than expenditure which is, under the provisions of Part IV of Chapter III, allowed as a deduction in computing the profits and gains of a business”
- 2557 Substituted for the word “rules” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

accounts or actuarial valuation balance sheet on account of appreciation, or gains on the realization of investments ²⁵⁵⁸[shall be included in the surplus]; and

- (c) profit on debt ²⁵⁵⁹[accrued] in the inter-valuation period in respect of any securities of the Federal Government which have been issued or declared to be income tax-free shall not be excluded, but shall be exempt from tax ²⁵⁶⁰[***].
- (2) For the purposes of clause (a) of sub-rule (1) –
 - (a) in the first computation of the surplus, no account shall be taken of amounts referred to in the ²⁵⁶¹[said clause] to the extent to which they are paid out, or in respect of any surplus brought forward from a previous inter-valuation period; and
 - (b) if any amount reserved for policy-holders ceases to be so reserved, and is not paid to, or expended on behalf of policy-holders, the sums previously allowed as a deduction under this Ordinance ²⁵⁶²[or the repealed Ordinance] shall be treated as part of the ²⁵⁶³[respective statutory fund] for the tax year in which the amount ceased to be so reserved.

(3) For the purposes of clause (b) of sub-rule (1), if it appears to the Commissioner, after consultation with the Securities and Exchange Commission of Pakistan, that the rate of profit on debt or other factors employed in determining the liability in respect of outstanding policies is inconsistent with the valuation of investments so as artificially to reduce the surplus, the Commissioner may make such adjustment to the allowance for depreciation, or in respect of appreciation, of such investment as the Commissioner thinks reasonable.

²⁵⁶⁴[***]

General Insurance

5. The profits and gains of any business of insurance (other than life insurance) shall be taken to be the balance of the profits disclosed by the annual accounts required under the Insurance Ordinance, 2000 (XXXIX of 2000), to be furnished to the Securities and Exchange ²⁵⁶⁵[Commission] of Pakistan subject to the following adjustments –

- (a) any expenditure or allowance, or any reserve or provision for any expenditure, or the amount of any tax deducted at source from dividends or profit on debt received which is not deductible in computing the income chargeable under the head “Income from Business” shall be excluded;
- ²⁵⁶⁶[(b) subject to the provisions of rule 6A, any amount of investment written off shall be

²⁵⁵⁸ The words were inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁵⁵⁹ Substituted for the word “received” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004)

²⁵⁶⁰ The words and figures “in accordance with Part VII of Chapter III” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁵⁶¹ Substituted for the word “sub-clause” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁵⁶² Substituted for the word “sub-clause” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁵⁶³ Substituted for the word “surplus” vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004).

²⁵⁶⁴ Rule 4 was omitted vide the Finance Act, 2004 (II of 2004 assented on 30th June, 2004). At the time of omission rule 4 was as under:--

“Adjustment of Tax Paid by Deduction at Source

4. Where, for any tax year, an assessment of the profits and gains of life insurance business is made in accordance with the annual average of a surplus disclosed by a valuation for an inter-valuation period exceeding twelvemonths then in computing the tax due for that year no credit shall be allowed for the tax paid in the tax year, but credit shall be given for the annual average of the tax paid by deduction if or otherwise on profit on debit received on any security of the Federal Government, a Provincial Government, a local authority or a company] during the period.”

i. Substituted for the words “at source from profit on securities or otherwise” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁵⁶⁵ Substituted for the word “Commissioner” vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 5th June, 2002)

²⁵⁶⁶ Sub-rule (b) was substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of substitution sub-rule (b) was as under:--

“(b) any amount either written off or taken to reserve to meet depreciation or loss on the realisation of investments shall be allowed as a deduction. and any sums taken credit for in the accounts on account

allowed as a deduction, but any amount taken to reserve to meet depreciation of investments shall not be allowed as a deduction, and any sums taken credit for in the accounts on account of appreciation of investment shall not be treated as part of the profits and gains, unless these have been crystallized as gains or losses on the realization of investments;]

- (c) no deduction shall be allowed for any expenditure, allowance, reserve, or provision in excess of the limits laid down in the Insurance Ordinance, 2000 (XXXIX of 2000), unless the excess is allowed by the ²⁵⁶⁷[Securities] and Exchange Commission and is incurred in deriving income chargeable to tax ²⁵⁶⁸]; and]

- ²⁵⁶⁹[(d) no deduction shall be allowed for any expenditure incurred on account of insurance premium or re-insurance premium paid to an overseas insurance or re-insurance company or a local agent of an overseas insurance company until tax at the rate of 5% is withheld on the gross amount of insurance or re-insurance premium.]

Mutual Insurance Association

6. These rules shall also apply to the assessment of the profits and gains of any business of insurance carried on by a mutual insurance association and such profits and gains shall be chargeable to tax under the head “Income from Business”.

²⁵⁷⁰[***]

²⁵⁷¹[6B. In computing income under this Schedule, there shall be included capital gains on disposal of shares and dividend of listed companies, vouchers of Pakistan Telecommunication corporation, modaraba certificate or instruments of redeemable capital and derivative products and shall be

of appreciation, or gains on the realisation of if investments shall be treated as pan of the profits and gains. provided the Commissioner considers the amount to be reasonable; and”

- i. Substituted for the word “investment” vide the Finance Act. 2003 (I of 2003 assented on 16th June, 2003)

²⁵⁶⁷ Substituted for the word “Security” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁵⁶⁸ Substituted for the full stop vide the Finance Act. 2008 (I of 2008 assented on ' 26th June, 2008)

²⁵⁶⁹ Sub-rule (d) was added vide the Finance Act. 2008 (I of 2008 assented on 26th June, 2008)

²⁵⁷⁰ Rule (6A) was omitted vide Finance Act, 2015. At the time of omission Rule (6A) was as under:-

- i[(6A) Exemption of Capital Gains from the sale of shares.- In computing income under this Schedule, there shall not be included “capital gains”, being income from the sale of modaraba certificates or any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984), listed on any stock exchange in Pakistan or shares of a public company (as defined in sub-section (47) of section 2) and the Pakistan Telecommunications Corporation vouchers issued by the Government of Pakistan, derived up to tax year ending on the thirtieth day of June, 2010.

- i. Clause (6A) was inserted vide the Finance Act, 2005.

²⁵⁷¹ Rule (6B) was substituted vide the Finance Act, 2016 (XXIX of 2016). At the time of substitution Rule (6B) was as under:-

i [(6B) Capital Gains on disposal of shares of listed companies, vouchers of Pakistan Telecommunication Corporation, moderate certificate or instrument of redeemable capital and derivative products shall be taxed at the following rated

ii /Table

S. No.	Period	Tax Year 2015	Tax Year 2016
(1)	(2)	(3)	(4)
1	Where holding period of a security is less than twelve months	12.5%	15%
2	Where holding period of a security is twelve months or more but less than twenty four months	10%	12.5%
3	Where holding period of a security is twenty four months or more but less than four years and	0%	7.5%]

- i. Rule (6B) was inserted vide the Finance Act, 2010 (XVI of 2010).

- ii. Substituted for the table vide Finance Act, 2015, At the time of substitution table was as under:-

a/ Table

S. No.	Tax Year	securities is less than six months	securities is more than six months but less than twelve months
1	2011	10.0%	8.0%
2	2012	10.0%	8.0%
3	2013	12.5%	8.5%
4	2014	15.0%	9.0%
5	2015	17.5%	9.0%]

- a. Substituted for the table vide Finance Act, 2012.

taxed at the rates specified in Division II of Part I of First Schedule.]

²⁵⁷²[***]

²⁵⁷³[(6C) notwithstanding anything contained in this Ordinance, where loss on disposal of securities is sustained in a tax year, the loss shall be set off only against the gain from any other securities chargeable to tax under Rule 6B and no loss shall be carried forward to the subsequent tax year.]

²⁵⁷⁴[6D. The provisions of section 4B shall apply to the taxpayers under this schedule and taxed at the rates specified in Division IIA of Part I of the First Schedule.]

Definitions

7. In this Schedule, –

“investments” includes all forms of shares, debentures, bonds, deposits and other securities, derivative instruments, and includes immovable property whether or not occupied by the insurer;

“life insurance business” means life insurance business as defined in section 4 of the Insurance Ordinance, 2000 (XXXIX of 2000);²⁵⁷⁵[and]

“Securities and Exchange Commission of Pakistan” means the Securities and Exchange Commission established under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997)²⁵⁷⁶[:]

²⁵⁷⁷[“Securities” for the purpose of Rule 6B means shares of a public company, vouchers of Pakistan Telecommunication Corporation, Modaraba Certificates or instruments of redeemable capital and derivations products]

²⁵⁷⁸[***]

THE FIFTH SCHEDULE

(See Section 100)

PART I

RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS FROM THE EXPLORATION AND PRODUCTION OF PETROLEUM

Exploration and Production of Petroleum a Separate Business

1. Where any person carries on, or is treated as carrying on, under an agreement with the Federal Government, any business which consists of, or includes, the exploration or production of petroleum in Pakistan or setting up refineries at Dhodak and Bobi fields, income of exploration and production companies from pipeline operations, and manufacture and sale of liquefied petroleum gas or compressed natural gas, such business or part thereof, as the case may be, shall be, for the purposes of this Ordinance, treated as a separate business undertaking (hereinafter referred to as “such undertaking”) and the profits and gains of such undertaking shall be computed separately from the income, profits, or gains from any other business, if any, carried on by the person.

Computation of Profits

²⁵⁷² Proviso was omitted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015. At the time of omission Proviso was as under:-

Provided that this rule shall not apply to the securities held for a period of more than twelve months.

²⁵⁷³ Rule (6C) was inserted vide Finance Act, 2010 (XVI of 2010)

²⁵⁷⁴ Inserted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015

²⁵⁷⁵ The word was added vide the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2002);

²⁵⁷⁶ Substituted for the semi-colon and word “;and” vide the Finance Act, 2002

²⁵⁷⁷ Substituted for the full stop if.] by the Finance Act, 2010 (XVI of 2010)

i. Substituted for the semicolon and word “: and the Finance Ordinance, 2002 (XXVII of 2002 promulgated on 15th June, 2004)

²⁵⁷⁸ Omitted vide the Finance Act, 2002. The omitted fourth paragraph of the Fourth Schedule read as under:

“Securities and Exchange Commissioner of Pakistan” means the Securities and Exchange Commissioner of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997)”

2 (1) Subject to the provisions of this Part, the profits and gains of such undertaking²⁵⁷⁹ [shall be] computed in the manner applicable to income, profits and gains chargeable under the head “Income from Business”.

(2) Where such person incurs any expenditure on searching for or discovering and testing a petroleum deposit or winning access thereto but the search, exploration, enquiry upon which the expenditure is incurred is given up before the commencement of commercial production, the expenditure allocable to a surrendered area or to the drilling of a dry-hole shall be treated as lost at the time of the surrender of the area or the completion of the dry-hole, as the case may be.

(3) Where the agreement provides that any portion of the expenditure is treated as lost under sub-rule (2) (hereinafter referred to as the “said loss”) and is allowed against any income of such undertaking, it shall be allowed in either of the following ways as may be provided for in the agreement, namely:—

(a) The said loss in any year shall be set off against the income of that year chargeable under the head “Income from Business” or any income (other than income from dividends) chargeable under any other head and where the loss cannot be wholly set off in this manner the portion not so set off shall be carried forward to the following year and set off in the same manner and so on, but no loss shall be carried forward for more than six years; or

(b) the said loss in any year shall be set off against the income of such undertaking of the tax year in which commercial production has commenced and where the loss cannot be wholly set off against the income of such undertaking of that year, the portion not set off against the income, if any, of such undertaking of that year, and if it cannot be wholly so set off the amount of loss not so set off shall be carried forward to the following year, and so on, but no loss shall be carried forward for more than ten years.

(4) After the commencement of commercial production, all expenditure incurred prior thereto and not²⁵⁸⁰ [treated as] lost under sub-rule (2) and not represented by physical assets in use at the time the commercial production shall be allowed as a deduction, so, however, that the portion of such deduction to be so allowed in any year shall be such amount not exceeding ten per cent of the aggregate amount deductible in respect of²⁵⁸¹ [onshore] areas, and not exceeding twenty five per cent for offshore areas, as may be selected by the taxpayer.

(5) Any expenditure, including a royalty paid to the Federal Government by an onshore petroleum exploration and production undertaking on, or after, the first day of July 2001 (not being in the nature of capital expenditure or personal expenses of the taxpayer) laid out or expended after the commencement of commercial production wholly and exclusively for the purpose of the business of production and exploration of petroleum carried on by such undertaking shall be allowed as a deduction, provided that —

(a) no deduction shall be allowed in respect of such expenditure incurred in the acquisition of depreciable assets to which section 22 applies or in the acquisition of an intangible to which section 24 applies;

(b)²⁵⁸² [deductions under sections 22, 23 and 24 shall be admissible] in respect of assets referred to in clause (a);

(c) a depreciation deduction shall also be allowed under section 22 in respect of such expenditure incurred on the acquisition of the physical assets acquired before the commencement of commercial production and were being used by such undertaking on and after that date, as if such assets had been acquired at the time of the commencement of commercial production at their original cost, as reduced by

2579 Substituted for the word “are” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2580 Substituted for the words “deemed to be” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2581 Substituted for the words “inshore” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2582 Substituted for the words, comma and figures “sections 22, 23 and 24 apply” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

the amount of depreciation deduction, if any, previously allowed to be deducted under this Ordinance.

(6) If, in any year, the deductions allowed Part IV of Chapter III and sub-rules (3) and (4) exceed the gross receipts from the sale of petroleum produced in Pakistan, such excess shall be set off against other income (not being dividends) and carried forward in the manner and subject to the limitations in section 57, so however that no portion of such excess shall be carried forward for more than six years.

(7) The limitation of six years specified in ²⁵⁸³[sub-rule] (6) shall not apply to depreciation allowed to a person carrying on the business of offshore petroleum exploration and production, in respect of any machinery, plant or other equipment used in such exploration or production.

(8) For the purposes of section 22, where any asset used by a person in the exploration and production of petroleum is exported or transferred out of Pakistan, the person shall be treated as having made a disposal of the asset for a consideration received equal to the cost of the asset as reduced by any depreciation deductions allowed under this Ordinance (other than an initial allowance under section 23).

Depletion Allowance

3. In determining the income of such undertaking for any year ending after the date on which commercial production has commenced, an allowance for depletion shall be made equal to fifteen per cent of the gross receipts representing the well-head value of the production, but not exceeding fifty per cent of the profits or gains of such undertaking before the deduction of such allowance.

Limitation on Payment to Federal Government and Taxes

4. (1) The aggregate of the taxes on income and other payments excluding a royalty as specified in the Pakistan Petroleum (Production) Rules, 1949 or the Pakistan Petroleum (Exploration and Production) Rules, 1986 and paid by an onshore petroleum ²⁵⁸⁴[exploration] and production undertaking on, or after, the first day of July 2001 to the Government in respect of the profits or gains derived from such undertaking for a tax year shall not exceed the limits provided for in the agreement, provided the ²⁵⁸⁵[said aggregate shall not be] less than fifty per cent of the profits or gains derived by an onshore petroleum exploration and production undertaking and forty per cent of the profits or gains derived by an offshore petroleum exploration and production undertaking, before deduction of the payment to the Federal Government.

(2) In respect of any tax year commencing on, or after, the first day of July, 2002, the aggregate referred to in sub-clause (1) shall not be less than forty per cent of the profit or gains derived by an onshore petroleum exploration and production undertaking before the deduction of payment excluding royalty paid by an onshore ²⁵⁸⁶[petroleum exploration and production undertaking] to the Federal Government.

(3) If, in respect of any tax year, the aggregate of the taxes on income and payments to the Federal Government is greater or less than the amount provided for in the agreement, an ²⁵⁸⁷[additional amount of tax] shall be payable by the taxpayer, or an abatement of tax shall be allowed to the taxpayer, as the case may be, so as to make the aggregate of the taxes on income and payments to the Federal Government equal to the amount provided for in the agreement.

(4) If, in respect of any year, the payments to the Federal Government exceed the amount provided for in the agreement, so much of the excess as consists of any tax or levy referred to in sub-clause (b) of clause (3) of rule 6 shall be carried forward and treated, for the purposes of this rule, as payments to the Federal Government for the succeeding year, provided that the whole of the payments to the Federal Government exceeding the amount provided for in such agreement

2583 Substituted for the word "sub-section" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2584 Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2585 Substituted for the words "aggregate is not" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2586 Substituted for the word "company" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2587 Substituted for the words "additional tax" vide the Finance Act, 2003

may be carried forward if so provided for in any agreement with a taxpayer made before the first day of 1970.

²⁵⁸⁸[(4A) Notwithstanding anything contained in this schedule, a person, for tax year 2012 and onward, may opt to pay tax at the rate of forty per cent of the profits and gains, net of royalty, derived by a petroleum exploration and production undertaking:

Provided that this option shall be available subject to withdrawal of pending appeals, references and petitions before appellate for a by the person and payment of whole of the outstanding tax liability created under this Ordinance up to tax year 2011, by the 30th June, 2012:

Provided further that this option is available only for one time and shall be irrevocable.]

²⁵⁸⁹[**4A. Decommissioning cost.**-With effect from the Tax Year 2010, ³'Decommissioning Cost' as certified by a Chartered Accountant or a Cost Accountants, in the manner prescribed, shall be allowed over a period of ten years or the life of the development and production or mining lease whichever is less, starting from the year of commencement of commercial production or commenced prior to the 1st July, 2010, deduction for decommissioning cost as referred earlier shall be allowed from the Tax Year 2010 over the period of ten years or the remaining life of the development and production or mining lease, whichever is less.]

²⁵⁹⁰[4AA. The provisions of section 4B shall apply to the taxpayers under this Part and taxed at the rates specified in Division IIA of Part I of the First Schedule.]

Provision Relating to Rules

5. The Central ²⁵⁹¹[Board] of Revenue may make rules for the purposes of any matter connected with, or incidental to the operation of this Part.

Definitions

6. In this Part,—

- (1) “agreement” means an agreement entered into between the Federal Government and a taxpayer for the exploration and production of petroleum in Pakistan;
- (2) “commercial production” means production as determined by the Federal Government;
- (3) “payments to the Federal Government” means amounts payable to the Federal Government or to any Federal Governmental authority in Pakistan —
 - (a) in respect of royalties as specified in the Pakistan Petroleum (Production) Rules, 1949, or the Pakistan Petroleum (Exploration and Production) Rules, 1986; and
 - (b) in respect of any tax or levy imposed in Pakistan peculiarly applicable to oil production or to extractive industries or any of them and not generally imposed upon all industrial and commercial activities;
- (4) “petroleum” means crude oil, natural gas, and case-head petroleum spirits as defined in the Pakistan Petroleum (Production) Rules, 1949, or the Pakistan Petroleum (Exploration and Production) Rules, 1986, but does not include refined petroleum products;
- (5) “surrender” means the termination of rights with respect to an area including the expiration of rights according to the terms of an agreement;
- (6) “surrendered area” means an area with respect to which the rights of the person have terminated by surrender or by assignment or by termination of the business;
- (7) “Taxes on income” and “tax” includes income tax, but does not include payments

2588 Sub-rule (4A) was inserted vide the Finance Act, 2012

2589 Rule 4A was inserted vide the Finance Act, 2010 (XVI of 2010)

2590 Inserted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015)

2591 Substituted for the words “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

to the Federal Government; and

(8) “well-head value” shall have the meaning assigned to it in the agreement between the Federal Government and the taxpayer, and in the absence of any such definition in the agreement, the meaning assigned to it in the Pakistan Petroleum (Production) Rules, 1949, or the Pakistan Petroleum (Exploration and Production) Rules, 1986.

PART II

RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS FROM THE EXPLORATION AND EXTRACTION OF MINERAL DEPOSITS (OTHER THAN PETROLEUM)

Exploration and Extraction of Mineral Deposits a Separate Business

1. Where any person carries on, or is treated as carrying on, any business which consists of or includes the exploration or extraction of mineral deposits of a wasting nature (other than petroleum) in Pakistan, such business or part thereof, as the case may be, shall be, for the purposes of this Ordinance ²⁵⁹²[or the repealed Ordinance], treated as a separate undertaking (hereinafter referred to as “such undertaking”) and the profits and gains of such undertaking shall be computed separately from the income, profits and gains from any other business, if any, carried on by the person.

Computation of Profits

2. (1) Subject to the provisions of this Part, the profits and gains of such undertaking shall be computed in the manner applicable to income, profits and gains chargeable under the head “Income from Business”.

(2) All expenditure on prospecting and exploration incurred by such undertaking up to the date of commercial production shall be, to the extent to which it cannot be set off against any other income of such undertaking, treated as a loss.

(3) The loss referred to in sub-rule (2) shall be carried forward and set off against the income of such undertaking after the commencement of commercial production, so, however, that if it cannot be wholly set off against the income of such undertaking of the tax year in which the commercial production had commenced, the portion not so set off shall be carried forward to the following year and so on, but no such loss shall be carried forward for more than ten years beginning with the year in which commercial production commenced.

(4) After the commencement of commercial production, depreciation in respect of machinery and plant for extracting the ore shall be allowed as a deduction from the profits and gains of the tax year in which they are used for the first time in an amount equal to the original cost of such asset and the provisions of section 22 shall apply accordingly.

²⁵⁹³[2A. The provisions of section 4B shall apply to the taxpayers under this Part and taxed at the rates specified in Division IIA of Part I of the First Schedule]

Depletion Allowance

3. (1) In determining the profits and gains of such undertaking for any year an additional allowance (hereinafter referred to as the “depletion allowance”) shall be made equal to twenty per cent of the taxable income of such undertaking (before the deduction of such allowance).

(2) No deduction under sub-rule (1) shall be made unless an amount equal to the depletion allowance is set apart and left as a reserve to be utilised for the development and expansion of such undertaking.

(3) Where a depletion allowance is made in any tax year and subsequently it is utilised for any purpose contrary to the provisions of sub-rule (2), the amount originally allowed under this Ordinance shall be treated as having been wrongly allowed and the Commissioner may, notwithstanding anything contained in the Ordinance, recompute the taxable income of the taxpayer for the relevant tax years and the provisions of section 122 shall apply, so far as may be,

²⁵⁹² Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁵⁹³ Inserted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015)

thereto, the period of five years specified in the section being reckoned from the end of the tax year²⁵⁹⁴[***] in which the amount was so utilised.

Tax Exemption of Profits from Refining or Concentrating Mineral Deposits

4. (1) Where such undertaking is also engaged in the business of refining or concentrating in Pakistan the mineral deposits extracted by it in Pakistan, so much of the profits and gains (hereinafter referred to as the “said amount”) derived from such business as does not exceed ten per cent of the capital employed in such business (such capital being computed in accordance with such rules as may be made by the²⁵⁹⁵[Board] for the purposes of this rule) shall be exempt from tax.

(2) Where the profits and gains of such business computed for any tax year cover a period which is less or more than one year, the amount of profits and gains exempt under sub-rule (1) shall be the amount which bears the same proportion to the said amount of profits as the said period bears to a period of one year.

(3) The profits and gains of the business to which this rule applies shall be computed in accordance with Part IV of Chapter III.

(4) Nothing contained in this rule shall apply to an undertaking formed by the splitting up or reconstruction or reconstitution of business already in existence or by the transfer to a new business of any building, machinery, or plant used in a business which was carried on before the 1st day of July, 1975.

(5) The provisions of this rule shall apply to the tax year²⁵⁹⁶[***] in which commercial production is commenced or the loss or allowance, if any, under sub-rules (3) or (4) of rule 2, as the case may be, has been set off or deducted in full, whichever is the latter, and for the next following four years.

Provisions Relating to Rules

5. The²⁵⁹⁷[Central Board of Revenue] may make rules providing for any matter connected with, or incidental to, the operations of this Part.

Definitions

6. In this Part,—

- (1) “commercial production” means production as determined by the Commissioner; and
- (2) “petroleum” has the same meaning as in clause (4) of rule 6 of Part I.

THE SIXTH SCHEDULE

PART I

RECOGNISED PROVIDENT FUNDS

[See sections 2(²⁵⁹⁸[48]) and 21(e)]

1. **Recognition of provident funds.**—(1) The Commissioner may accord recognition to any provident fund which, in his opinion, complies with the requirements of rule 2, and may at any time, withdraw such recognition if, in his opinion, the circumstances of the fund cease to warrant the continuance of the recognition.

2594 The words “relevant to the tax year” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2595 Substituted for the word “Central Board of Revenue” vide the Finance Act, 2007 (I of 2007 assented on 30th June, 2007). Earlier it was substituted for the word “Commissioner vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2596 The words “next following the tax year” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2597 Substituted for the word “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). Earlier it was substituted for the word “Commissioner vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2598 The figure “49” substituted vide the Finance Act, 2005 (VII of 2005 assented on June, 2005)

(2) An order according recognition shall take effect on such date as the Commissioner may fix in accordance with such rules as the Central Board of Revenue may make in this behalf, such date not being later than the last day of the financial year in which the order is made.

(3) An order according recognition to a provident fund shall not, unless the Commissioner otherwise directs, be affected by the fact that the fund is subsequently amalgamated with another provident fund on the occurrence of an amalgamation of the undertakings in connection with which the two funds are maintained or that it subsequently absorbs the whole or a part of another provident fund belonging to an undertaking which is wholly or in part transferred to, or merged in, the undertaking of the employer maintaining the first-mentioned fund.

(4) An order withdrawing recognition shall take effect from such date as the Commissioner may fix.

(5) The Commissioner shall neither refuse nor withdraw recognition of any provident fund, unless he has given to the trustees of the fund a reasonable opportunity of being heard.

2. Conditions for approval.-(1) In order that a provident fund may receive and retain recognition it shall satisfy the conditions hereinafter specified and any other conditions which the ²⁵⁹⁹[Board] may, by rules, prescribe -

- (a) all employees shall be employed in Pakistan, or shall be employed by an employer whose principal place of business is in Pakistan:

Provided that the Commissioner may, if he thinks fit, and subject to such conditions, if any, as he thinks proper to attach to the recognition, accord recognition to a fund maintained by an employer whose principal place of business is not in Pakistan, provided the proportion of employees employed outside Pakistan does not exceed ten per cent;

- (b) the contributions of an employee in any year shall be a definite proportion of his salary for that year, and shall be deducted by the employer from the employee's salary in that proportion, at each periodical payment of such salary in that year, and credited to the employee's individual account in the fund:

Provided that an employee, who retains his employment while serving in armed forces of Pakistan or when taken into, or employed in, the national service under any law for the time being in force, may, whether he receives from the employer any salary or not contribute to the fund during his service in the armed forces of Pakistan or while so taken into, or employed in, the national service a sum not exceeding the amount he would have contributed had he continued to serve the ²⁶⁰⁰[employer];

- (c) the contributions of an employer to the individual account of an employee in any year shall not exceed the amount of the contributions of the employee in that year, and shall be credited to the employee's individual account at intervals not exceeding one year:

Provided that, subject to any rules which the ²⁶⁰¹[Board] may make in this behalf, the Commissioner may, in respect of any particular fund, relax the provisions of this clause -

- (i) so as to permit the payment of larger contributions by an employer to the individual accounts of employees whose salaries do not, in each case, exceed five hundred rupees per month;
- (ii) so as to permit the crediting by employers to the individual accounts of employees of periodical bonuses or other contributions ²⁶⁰²[***] of a contingent nature, where the calculation and payment of such bonuses or

2599 Substituted for the "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

2600 Substituted for the word "employers" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

2601 Substituted for the "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

2602 The words "is provided for on definite principles by the regulations" omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

other contributions is provided for on definite principles by the regulations of the fund;

- (d) the employer shall not be entitled to recover any sum whatsoever from the fund, save in cases where the employee is dismissed for misconduct or voluntarily leaves his employment otherwise than on account of ill-health or other unavoidable cause before the expiration of the term of service specified in this behalf in the regulations of the fund:

Provided that in such cases the recoveries made by the employer shall be limited to the contributions made by him to the individual account of the employee, and to interest credited in respect of such contributions in accordance with the regulations of the fund and accumulations thereof;

- (e) the fund shall be vested in two or more trustees or in the Official Trustees under a trust which shall not be recoverable save with the consent of all the beneficiaries;
- (f) the fund shall consist of contributions as above specified, received by the trustees, or accumulations thereof, and of interest credited in respect of such contributions and accumulations, and of securities purchased therewith and of any capital gains arising from the transfer of capital assets of the fund, and of no other sums;
- (g) the accumulated balance due to an employee shall be payable on the day he ceases to be an employee of the employer maintaining the ²⁶⁰³[fund]:

Provided that notwithstanding anything contained in clause (f) or (g):-

- (i) at the request made in writing by the employee who ceases to be an employee of the employer maintaining the fund, the trustees of the fund may consent to retain the whole or any part of the accumulated balance due to the employee to be drawn by him at any time on demand;
- (ii) where the accumulated balance due to an employee who has ceased to be an employee is retained in the fund in accordance with the preceding clause, the fund may consist also of interest in respect of such accumulated balance;
- (iii) the fund may also consist of any amount transferred from the individual account of an employee in any recognized provident fund maintained by his former employer and the interest in respect thereof;
- (h) save as provided in clause (g) or in accordance with such conditions and restrictions as the ²⁶⁰⁴[Board] may, by rules, specify, no portion of the balance to the credit of an employee shall be payable to him:

Provided that in order to enable an employee to pay the amount of tax assessed on his total income as determined under sub-rule (4) of rule 7, he shall be entitled to withdraw from the balance to his credit in the recognized provident fund a sum not exceeding the difference between such amount and the amount to which he would have been assessed if the transferred balance referred to in sub-rule (2) of rule 7 had not been included in his total income.

3. Employer's annual contributions, when deemed to be income received by employee.-

That portion of the annual accretion in any year to the balance at the credit of an employee participating in a recognized provident fund as consists of -

- (a) contributions made by the employer in excess of ²⁶⁰⁵[one-tenth of] the salary ²⁶⁰⁶[or

²⁶⁰³ Substituted for the word "funds" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁶⁰⁴ Substituted for the "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²⁶⁰⁵ Substituted for the words "one-twelfth of" vide the Finance Ordinance, 2002 (XXVII of 21 Promulgated on 15th June, 2002)

²⁶⁰⁶ The words figure and comma were inserted vide the Finance Act. 2008 (I of 2008 assented on 26th June, 2008)

Rs. ²⁶⁰⁷[150,000], whichever is low] of the employee; and

- (b) interest credited on the balance to the credit of the employee in so far as it exceeds one-third of the salary of the employee or is allowed at a rate exceeding such rate as may be fixed by the Federal Government in this behalf by notification in the official Gazette, shall be ²⁶⁰⁸[treated] to have been received by the employee in that year and shall be included in his total income for that year and shall be liable to income tax.

4. Exclusion from total income of accumulated balance.-(1) Subject to such rules as may be made by the ²⁶⁰⁹[Board] in this behalf, the accumulated balance due and becoming payable to an employee participating in a recognized provident fund shall be excluded from the computation of his total income.

(2) The provisions of sub-rule (1) shall also apply where, on the cessation of his employment, the employee obtains employment with any other employer and the accumulated balance due and becoming payable to him is transferred to his individual account in any recognized provident fund maintained by such other employer.

5. Tax on accumulated balance.-Where the accumulated balance due to an employee participating in a recognized provident fund is included in his total income, the Commissioner shall calculate the total of the various sums of tax which would have been payable by the employee in respect of his total income for each of the years concerned if the fund had not been a recognized provident fund and the amount by which such total exceeds the total of all sums paid by, or on behalf of such employee by way of tax for such years shall be payable by the employee in addition to any other tax for which he may be liable for the income year in which the accumulated balance due to him becomes payable.

6. Deduction at source of tax payable on accumulated balance.-The trustees of a recognised provident fund, or any person authorised by the regulations of the fund to make payment of accumulated balance due to employees shall, in cases where rule 5 applies, at the time an accumulated balance due to an employee is paid, deduct therefrom the amount payable under that rule and the provisions of Part V of Chapter X shall, so far as may be, apply as if the accumulated balance were income chargeable under the head "Salary".

7. Treatment of balance in newly recognized provident fund.-(1) Where recognition is accorded to a provident fund with existing balance, an account shall be made of the fund up to the day immediately preceding the day on which the recognition takes effect showing the balance to the credit of each employee on such day and containing such further particulars as the ²⁶¹⁰[Board] may prescribe.

(2) The account referred to in sub-rule (1) shall also show in respect of the balance to the credit of an employee the amount thereof which is to be transferred to that employee's account in the recognized provident fund, and such amount (hereinafter called his 'transferred balance') shall be shown as the balance to his credit in the recognized provident fund on the date on which the recognition of the fund takes effect, and the provisions of sub-rule (4) and the proviso to clause (h) of rule 2 shall apply thereto.

(3) Any portion of the balance to the credit of an employee in the existing fund which is not transferred to the recognized fund shall be excluded from the accounts of the recognized fund and shall be liable to income tax in accordance with the provisions of this Ordinance, other than this Part.

²⁶⁰⁷ Substituted for the figure "100,000" vide the Finance Act, 2016 (XXIX of 2016)

²⁶⁰⁸ Substituted for the word "deemed" vide the Finance Ordinance, 2002 (XXVII of 21 Promulgated on 15th June, 2002)

²⁶⁰⁹ Substituted for the "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²⁶¹⁰ Substituted for the "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

(4) Subject to such rules as the ²⁶¹¹[Board] may make in this behalf, the Commissioner shall make a calculation of the aggregate of all sums comprised in a transferred balance which would have been liable to income-tax if this Part had been in force from the date of the institution of the fund, without regard to any tax which may have been paid on any sum, and such aggregate, if any, shall be deemed to be income received by the employee in the income year in which the recognition of the fund takes effect and shall be included in the employee's total income for that year, and, for the purposes of assessment, the remainder of the transferred balance shall be disregarded, but no other exemption or relief, by way of refund or otherwise, shall be granted in respect of any sum comprised in such transferred balance:

Provided that, in cases of serious accounting difficulty, the Commissioner may, subject to the said rules, make a summary calculation of such aggregate.

(5) Nothing in this rule shall affect the rights of the persons administering an unrecognized provident fund or dealing with it, or with the balance to the credit of any individual employees, before recognition is accorded, in any manner which may be lawful.

8. Accounts of recognized provident funds.-(1) The accounts of a recognized provident fund shall be maintained by the trustees of the fund and shall be in such form and for such periods, and shall contain such particulars, as may be prescribed.

(2) The accounts shall be open to inspection at all reasonable times by income tax authorities, and the trustees shall furnish to the Commissioner such abstracts thereof as may be prescribed.

9. Treatment of fund transferred by employer to trustee.-(1) Where an employer, who maintains a provident fund (whether recognized or not) for the benefit of his employees and has not transferred the fund or any portion of it, transfers such fund or portion to trustees in trust for the employees participating in the fund, the amount so transferred shall be deemed to be of the nature of capital expenditure.

(2) When an employee participating in such fund is paid the accumulated balance due to him there from, any portion of such balance as represents his share in the amount so transferred to the trustees (without addition of interest, and exclusive of the employee's contributions and interest thereon) shall, if the employer has made effective arrangement to secure that tax shall be deducted at source from the amount of such share when paid to the employee, be deemed to be an expenditure by the employer, within the meaning of section ²⁶¹²[20], incurred in the ²⁶¹³[tax] year in which the accumulated balance due to the employee is paid.

10. Particulars to be furnished in respect of recognized provident funds.-The trustees of a recognized provident fund and any employer who contributes to a recognized provident fund shall, when required by notice from the Commissioner, within such period (not being less than twenty one days from the date ²⁶¹⁴[of service] of the notice), as may be specified in the notice, furnish such return, statement, particulars or information, as the Commissioner may require.

11. Provisions of this Part to prevail against regulations of the fund.-Where there is a repugnance between any regulations of a recognized provident fund and any provision of this Part or of the rules made there under, the regulation shall, to the extent of the repugnance, be of no effect, and the Commissioner may, at any time, require that such repugnance shall be removed from the regulations of the fund.

12. Appeals.-(1) An employer objecting to an order of Commissioner refusing to recognize, or an order withdrawing recognition from a provident fund may appeal, within sixty days of the ²⁶¹⁵[service] of such order, to the ²⁶¹⁶[Board].

²⁶¹¹ Substituted for the "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²⁶¹² Substituted for the figure "23" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁶¹³ Substituted for the word "income" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁶¹⁴ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁶¹⁵ Substituted for the word "making" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁶¹⁶ Substituted for the "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June,

(2) The Central Board of Revenue may admit an appeal after the expiration of the period specified in sub-rule (1), if it is satisfied that the appellant was prevented by sufficient cause from presenting it within that period.

(3) The appeal shall be in such form and shall be verified in such manner and shall be accompanied by such fee as may be prescribed.

13. Provisions relating to rules.-In addition to any power conferred by this Part, the ²⁶¹⁷[Board] may make rules:-

- (a) prescribing the form of application for recognition and the statement and other particulars and documents to be submitted therewith;
- (b) limiting the contributions to a recognized provident fund by employees of a company, who are shareholders in the company;
- (c) providing for the assessment by way of penalty of any consideration received by an employee for an assignment of, or creation of a charge upon, his beneficial interest in a recognized provident fund;
- (d) determining the extent to, and the manner in, which exemption from payment of tax may be granted in respect of contributions and interest credited to the individual accounts of employees in a provident fund from which recognition has been withdrawn;
- (e) regulating the investment of the moneys of a recognized provident fund; and
- (f) generally, to carry out the purposes of this Part and to secure such further control over the recognition of provident funds and the administration of recognized provident funds as it may deem requisite.

14. Definitions.-In this Part, unless the context otherwise requires,

- (a) “accumulated balance due to an employee” means the balance to his credit, or such portion thereof as may be claimable by him under the regulations of the fund, on the day he ceases to be an employee of the employer maintaining the ²⁶¹⁸[fund];
- (b) “annual accretion” in relation to the balance to the credit of an employee, means the increase to such balance in any year, arising from contributions and interest;
- (c) “balance to the credit of an employee” means the total amount to the credit of his individual account in a provident fund at any time;
- (d) “contribution” means any sum credited by or on behalf of, any employee out of his salary or by an employer out of his own money, to the individual account of an employee, but does not include any sum credited as interest;
- (e) “employee” means an employee participating in a provident fund, but does not include a personal or domestic servant;
- (f) “employer” means any person who maintains a provident fund for the benefit of his or its employees, being an individual, a company or an association of persons engaged in any business the profits and gains whereof are chargeable to income tax under the head “Income from Business”;
- (g) “regulations of fund” means the special body of regulations governing the constitution and administration of a particular provident fund; and
- (h) “salary” includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

²⁰⁰⁷)

²⁶¹⁷ Substituted for the “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²⁶¹⁸ Substituted for the word “funds” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

23. Application of this Part.-This Part shall not apply to any provident fund to which the Provident Funds Act, 1925 (XIX of 1925) applies.

PART II

[See sections ²⁶¹⁹[12](5) and 21(e), and the Second Schedule]

APPROVED SUPERANNUATION FUNDS

1. Approval of superannuation funds.-(1) The Commissioner may accord approval to any superannuation fund or any part of a superannuation fund which, in his opinion, complies with the requirements of rule 2, and may, at any time withdraw such approval if, in his opinion, the circumstances of the fund or the part, as the case may be, cease to warrant the continuance of the approval.

(2) An order according approval or withdrawing approval shall take effect from such date as the Commissioner may fix.

(3) The Commissioner shall neither refuse nor withdraw approval to any superannuation fund or any part of a superannuation fund unless he has given the trustees of that fund a reasonable opportunity of being heard.

2. Conditions for approval.-In order that a superannuation fund may receive and retain approval, it shall satisfy the conditions hereinafter specified and any other conditions which the ²⁶²⁰[Board] may, by rules prescribe-

- (a) the fund shall be a fund established under an irrevocable trust, in connection with a trade or undertaking carried on in Pakistan, and not less than ninety per cent of the employees shall be employed in Pakistan;
- (b) the fund shall have for its sole purpose the provision of annuities for employees in the trade or undertaking on their retirement at or after a specified age or on their becoming incapacitated prior to such retirement, or for widows, children or dependants of persons who are or have been such employees on the death of these persons;
- (c) the employer in the trade or undertaking shall be a contributor to the fund; and
- (d) all annuities, pensions and other benefits granted from the fund shall be payable only in Pakistan.

3. Application for approval.-(1) An application for approval of a superannuation fund, or part of a superannuation fund, shall be made in writing by the trustees of the fund to the Commissioner by whom the employer is assessable, and shall be accompanied by a copy of the instrument under which the fund is established and by two copies of the regulations and, where the fund has been in existence during any year or years prior to the financial year in which the application for approval is made, also two copies of the accounts of the funds relating to such prior year or years (not being more than three years immediately preceding the year in which the said application is made) for which such accounts have been made up, but the Commissioner may require such further information to be supplied as he thinks proper.

(2) If any alternation in the regulations, constitutions, objects or conditions of the fund is made at any time after the date of the application for approval, the trustees of the fund shall forthwith communicate such alteration to the Commissioner mentioned in sub-rule (1), and, in default of such communication, any approval given shall, unless the Commissioner otherwise directs, be deemed to have been withdrawn from the date on which the alteration took effect.

4. Contributions by employer, when deemed to be his income.-Where any contributions by an employer (including the interest thereon, if any), are repaid to the employer, the amount so repaid shall be deemed for the purpose of tax to be the income of the employer of the income year in which it is so repaid.

²⁶¹⁹ The figure "2" substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

²⁶²⁰ Substituted for the "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

5. Deduction of tax on contributions paid to an employee.-Where any contributions made by an employer (including interest on contributions, if any), are repaid to an employee during his life-time in circumstances other than those referred to in clause (25) of Part I of the Second Schedule, tax on the amount so repaid shall be deducted by the trustees ²⁶²¹[at the rate applicable to the year of withdrawal] and shall be paid by the trustees to the credit of the Federal Government within such time and in such manner as may be prescribed.

6. Deduction from pay off and contributions on behalf of employees to be included in a statement under section 165.-Where an employer deducts from the emoluments paid to an employee or pays on his behalf any contributions of that employee to an approved superannuation fund, he shall include all such deductions or payments in a statement which he is required to furnish under section 165.

7. Liability of trustees on cessation of approval.-If a fund, or a part of a fund, for any reason ceases to be an approved superannuation fund, the trustees of the fund shall nevertheless remain liable to tax on any sum paid on account of returned contributions (including interest on contributions, if any), in so far as the sum so paid is in respect of contributions made before the fund or part of the fund, as the case may be, ceased to be an approved superannuation fund under the provisions of this Part.

8. Particulars to be furnished in respect of superannuation fund.-The trustees of an approved superannuation fund and any employer who contributes to an approved superannuation fund shall, when required by notice from the Commissioner, within such period (not being less than twenty-one days from the date ²⁶²²[of service] of the notice), as may be specified in the notice, furnish such return, statement, particulars or information, as the Commissioner may require.

9. Provisions of the Part to prevail against regulations of the fund.-Where there is a repugnance between any regulation of an approved superannuation fund and any provision of this Part or of the rules made there under the regulation shall, to the extent of the repugnance, be of no effect; and the Commissioner may, at any time, require that such repugnance shall be removed from the regulations of the fund.

10. Appeals.-(1) An employer objecting to an order of the Commissioner refusing to accord approval to a superannuation fund or an order withdrawing such approval may appeal, within sixty days of the ²⁶²³[service] of such order, to the ²⁶²⁴[Board].

(2) The ²⁶²⁵[Board] may admit an appeal after the expiration of the period specified in sub-rule (1), if it is satisfied that the appellant was prevented by sufficient cause from presenting it within that period.

(3) The appeal shall be in such form and shall be verified in such manner and shall be accompanied by such fee as may be prescribed.

11. Provisions relating to rules.-(1) In addition to any power conferred by this Part, the ²⁶²⁶[Board] may make rules -

- (a) prescribing the statements and other information to be submitted along with
- (b) prescribing the returns, statements, particulars, or information which the Commissioner may require from the trustees of an approved superannuation fund or from the employer;

²⁶²¹ The words and commas "at the average rate of tax at which the employee was liable to tax during the preceding three years or during such period, if less than three years, as he was a member of the fund," substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

²⁶²² Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁶²³ Substituted for the word "making" vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁶²⁴ Substituted for the "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²⁶²⁵ Substituted for the "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²⁶²⁶ Substituted for the "Central Board of Revenue" vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007).

- (c) limiting the ordinary annual contribution and any other contributions to an approved superannuation fund by an employer;
- (d) regulating the investment or deposit of the moneys of any approved superannuation fund;
- (e) providing for the assessment by way of penalty of any consideration received by an employee for an assignment of, or creation of a charge upon, his beneficial interest in an approved superannuation fund;
- (f) providing for the withdrawal of approval in the case of a fund which ceases to satisfy the requirements of this Part or of the rules made there under; and
- (g) generally, to carry out the purposes of this Part and to secure such further control over the approval of superannuation funds and the administration of approved superannuation funds as it may deem requisite.

12. Definitions.-In this Part, unless the context otherwise requires “contributions”, “employee”, “employer”, “regulations of a fund” and “salary” have, in relation to superannuation funds, the meanings assigned to those expressions in rule 14 of Part I in relation to provident funds.

PART III

[See sections 2(4) and 2 1(e), and the Second Schedule]

APPROVED GRATUITY FUNDS

1. Approval of Gratuity Funds.-(1) The Commissioner may accord approval to any gratuity fund which, in his opinion, complies with the requirements of rule 2 and may, at any time, withdraw such approval if, in his opinion, the circumstances of the fund cease to warrant the continuance of the approval.

(2) An order according approval or withdrawing approval shall take effect from such date as the Commissioner may fix.

(3) The Commissioner shall neither refuse nor withdraw approval to any gratuity fund unless he has given the trustees of that fund a reasonable opportunity of being heard.

2. Conditions for approval.-In order that a gratuity fund may receive and retain approval, it shall satisfy the conditions hereinafter specified and any other conditions which the ²⁶²⁷[Board] may, by rules, prescribe—

- (a) the fund shall be a fund established under an irrevocable trust in connection with trade or undertaking carried on in Pakistan, and not less than ninety per cent of the employees shall be employed in Pakistan;
- (b) the fund shall have for its sole purpose the provision of a gratuity to employees in the trade or undertaking on their retirement at or after a specified age or on their ²⁶²⁸[becoming incapacitated prior to] such retirement, or on termination of their employment after a minimum period of service specified in the regulations of the fund or to the widows, children or dependents of such employees on their death;
- (c) the employer in the trade or undertaking shall be a contributor to the fund; and
- (d) all benefits granted by the fund shall be payable only in Pakistan.

3. Application for approval.-(1) An application for approval of a gratuity fund shall be made in writing by the trustees of the fund to the Commissioner by whom the employer is assessable and shall be accompanied by copy of the instrument under which the fund is established and by two copies of the rules and, where the fund has been in existence during any year or years prior to the financial year in which the application for approval is made, also two copies of the accounts of the

²⁶²⁷ Substituted for the “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007).

²⁶²⁸ Substituted for the words “employment after” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

fund relating to such prior year or years (not being more than three years immediately preceding year in which the said application is made) for which such accounts have been made up, but the Commissioner may require such further information to be supplied as he thinks proper.

(2) If any alteration in the rules, constitution, objects or conditions of the fund is made at any time after the date of the application for approval, the trustees of the fund shall forthwith communicate such ²⁶²⁹[alteration] to the Commissioner mentioned in sub-rule (1), and in default of such communication, any approval given shall, unless the Commissioner otherwise orders, be deemed to have been withdrawn from the date on which the alteration took effect.

4. Gratuity deemed to be salary.-Where any gratuity is paid to an employee during his life-time, the gratuity shall be treated as salary paid to the employee for the purposes of this Ordinance.

5. Liability of trustees on cessation of approval.-If a gratuity fund for any reason ceases to be an approved gratuity fund, the trustees of the fund shall nevertheless remain liable to tax on any gratuity paid to any employee.

6. Contributions by employer, when deemed to be his income.-Where any contributions by an employer (including the interest thereon, if any,) are repaid to the employer, the amount so repaid shall be deemed for the purposes of tax to be the income of the employer of the income year in which they are so repaid.

7. Particulars to be furnished in respect of gratuity funds.-The trustees of an approved gratuity fund and any employer who contributes to an approved gratuity fund shall, when required by notice from the Commissioner, furnish, within such period not being less than twenty-one days from the date ²⁶³⁰[of service] of the notice as may be specified in the notice, such return, statement, particulars or information, as the Commissioner may require.

8. Provisions of the Part to prevail against regulations of the fund.-Where there is repugnance between any rule of an approved gratuity fund and any provision of this Part or of the rules made there under the said rule shall, to the extent of repugnance, be of no effect and the Commissioner may, at any time, require that such repugnance shall be removed from the rules of the fund.

9. Appeals.-(1) An employer objecting to an order of the Commissioner refusing to accord approval to a gratuity fund or an order withdrawing such approval may appeal, within sixty days of the ²⁶³¹[receipt] of such order, to the ²⁶³²[Board].

(2) The ²⁶³³[Board] may admit an appeal after the expiration of the period specified in sub-rule (1), if it is satisfied that the appellant was prevented by sufficient cause from presenting it within that period.

(3) The appeal shall be in such form and shall be verified in such manner and shall be accompanied by such fee as may be prescribed.

10. Provisions relating to rules.-(1) In addition to any power conferred in this Part, the ²⁶³⁴[Board] may make rules—

- (a) prescribing the statements and other information to be submitted along with an application for approval;
- (b) limiting the ordinary annual and other contributions of an employer to the fund;
- (c) regulating the investment or deposit of the moneys of an approved gratuity fund;

²⁶²⁹ Substituted for the word “alterations” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁶³⁰ Inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁶³¹ Substituted for the word “making” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

²⁶³² Substituted for the “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²⁶³³ Substituted for the “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

²⁶³⁴ Substituted for the “Central Board of Revenue” vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007)

- (d) providing for the assessment by way of penalty of any consideration received by an employee for an assignment of, or the creation of a charge upon, his beneficial interest in an approved gratuity fund;
- (e) providing for withdrawal of the approval in the case of a fund which ceases to satisfy the requirements of this Part or the rules made there under; and
- (f) generally, to carry out the purposes of this Part and to secure such further control over the approval of gratuity funds and the administration of gratuity funds as it may deem requisite.

11. Definitions.-In this Part, unless the context otherwise requires, “contribution”, “employee”, “employer”, “regulations of a fund” and “salary” have in relation to gratuity funds, the meaning assigned to those expressions in rule 14 of Part I in relation to provident funds.

2635 [THE SEVENTH SCHEDULE

2635 Substituted vide the Finance Act, 2007 (IV of 2007 assented on 30th June, 2007). At the time of substitution Seventh Schedule was as under:-

**“THE SEVENTH SCHEDULE
EXPORTED GOODS**

{See Division IV of Part III of First Schedule}

PART I

(SPECIFIED GOODS MANUFACTURED IN PAKISTAN)

S. No.	Description	Description
(1)	(2)	(3)
1	i[***]	
2	Engineering goods, including electrical goods	
3	ii[***]	
4	Jewellery pharmaceuticals, iii[***] durries, horticultural products	
5	Ceramic iv[tiles] and wares	
6	Cutlery	
7	Engineering goods manufactured in Pakistan as specified in the Engineering Goods (Control) Order, 1983	
8	Wooden furniture and wooden doors and windows	
9	Goods specified under Chapters, Heading and Sub-Heading Nos. of the Pakistan Custom Tariff v[***]	
10	Vegetables, fresh fruit and cut flowers	
vi/11	Processed poultry meat)	

- i. The words “Leather and textile made ups” omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
- ii. The words, figures, brackets and comma “Goods specified under Heading No. 90.18 of the Fifth Schedule to the Customs Act, 1969 (IV of 1969)” omitted by the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
- iii. The words “sports goods, toilet linen including terry towels” omitted by the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)
- iv. Substituted for the word “tiples” vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)
- v. Items (i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (x) and (xi) and the entries relating thereto in columns (2) and (3) omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005. At the time of omission items (i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (x) and (xi) were as under-
 - (i) 42.05 Other articles of leather
 - (ii) 5701 Hand-knitted carpets and rugs
 - (iii) 6101 Men and boys overcoats, jackets knitted or crocheted
 - (iv) 6102 Women and girls overcoats, jackets knitted or crocheted
 - (v) 61.03 Men and boys suits- jackets, trousers, shirts knitted or crocheted
 - (vi) 6105 Men and boys shills knitted or crocheted
 - (vii) 6106 Women and girls blouses, shirts knitted or crocheted
 - (viii) 6109 T-shirts knitted or crocheted
 - (ix) 61.L2 Tracksuits, swim-wear knitted or crocheted
 - (x) 63. 01.2000 Blankets, wool, cotton and MMF b[***]
 - a[,3000.4000]
 - (xi) 63.02 Bed linen, table linen and kitchen linen.”
- (a) The commas and figures inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)
- (b) The figures and comma “3000, 4000” omitted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)
- vi. S. No. II and the entry relating thereto added vide the Finance Ordinance, 2002 (XXVII of 2002

promulgated on 15th June, 2002)

PART II
(GOODS MANUFACTURED IN PAKISTAN)

S. No.	Description	Description
(1)	(2)	(3)
1	Export of goods manufactured in Pakistan subject to other provision of vii/(this) Schedule	
viii/1A	(1) Leather and textile made ups (2) Goods specified under heading No. 90.18 of the First Schedule to the Customs Act, 1969 (IV of 1969) (3) Sports goods, toilet linen including terry towels (4) Goods specified under Chapters, Heading and Sub-Heading Nos. of the Pakistan Custom Tariff (i) 42.05 (ii) 57.01 (iii) 61.01 (iv) 61.02 (v) 61.03 (vi) 61.05 (vii) 61.06 (viii) 61.09 (ix) 61.12 (x) 63.01, 2000, 3000, 4000 (xi) 63.02	Other articles of leather Hand-knitted carpets and rugs Men and boys overcoats, jackets knitted or crocheted Women and girls overcoats, jackets knitted or crocheted Men and boys suits, jackets, trousers, shirts knitted or crocheted Men and boys shirts knitted or crocheted Women and girls blouses, shirts knitted or crocheted T-shirts knitted or crocheted Tracksuits, swimwear knitted or crocheted Blankets, wool, cotton and MMF. Bed linen, table linen and kitchen linen)
2	(I) Refined/treated salt (ii) Ground barytes (iv) Granite blocks and slabs (v) Heat insulating bricks	
3	Sale in Pakistan of goods manufactured in Pakistan against an international tender, where the contract under which such sale is made is approved by the Commissioner	

vii. The word inserted vide the Finance Act, 2003 (I of 2003 assented on 16th June, 2003)

viii. S. No. I A added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

PART III

[GOODS NOT COVERED BY PART I ix[, 11 OR IV]

S. No.	Description
1	All other goods not covered under Part x[, Part II xi[and Part IV] of this Schedule
2	The following goods or class of goods produced or manufactured in Pakistan, namely:-- xii[***] (ii) (iii) (iv) (v) xiii[***]
xiv/2A	Following types of goods not covered by other provisions of this Schedule, namely:-- (I) leather and articles thereof (ii) textile and textile articles (iii) carpets (iv) surgical goods J
3	Such other goods as may be notified by the Central Board of Revenue

ix. Substituted for the word "or" vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

x. Substituted for the word "and" vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

xi. The words and figure inserted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

xii. The words "(I) raw cotton" omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

xiii. The words "(vi) cotton yam" omitted vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

xiv. Serial No. 2A added vide the Finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

xv/[PART IV

[GOODS NOT COVERED BY PART I. II AND III]

(See section 100A)

RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANY AND TAX PAYABLE THEREON

1. ²⁶³⁶[Subject to the provisions of Chapter VII and VIII, income], profits and gains of a banking company shall be taken to be the balance of the income, from all sources before tax, disclosed in the annual accounts required to be furnished to the State Bank of Pakistan subject to the following provisions, namely:--

(a) Deduction shall be allowed in respect of depreciation, initial allowance and amortization under sections 22, 23 and 24 provided that accounting depreciation, initial allowance or amortization deduction shall be added to the income. No allowance or deduction under this rule shall be admissible on assets given on finance lease.

(b) Section 21, sub-section (8) of section 22 and Part III of Chapter IV shall, mutatis mutandis, for computation of a banking company apply.

²⁶³⁷[(c) Provisions for advances and off balance sheet items shall be allowed up to a maximum of 1% of total advances; ²⁶³⁸[and provisions for advances and off-balance sheet items shall be allowed at 5% of total advances for consumers and small and medium enterprises (SMEs) (as defined under the State Bank Prudential Regulations] provided a certificate from the external auditor is furnished by the banking company to the effect that such provisions are based upon and are in line with the Prudential Regulations. Provisioning in excess of 1% ²⁶³⁹ [“of total advances for banking company and 5% of total advances for consumers and small and medium enterprises (SMEs) would be allowed to be carried over to succeeding years”]

²⁶⁴⁰ [Provided that if provisioning is less than 1% of advances, for a banking company then actual provisioning for the year shall be allowed;

Provided further that if provisioning is less than 5% of advances for consumers and small and medium enterprises (SMEs) then actual provisioning for the year shall be allowed and this provisioning shall be allowable from the first day of July, 2010.]

²⁶⁴¹[(d) The amount of “bad debts” classified as “sub-standard” under the Prudential

S. No.	Description
(I)	raw cotton
(ii)	cotton yarn
(iii)	such other goods as may be notified by the Central Board of Revenue]

xv. Part IV was added vide the finance Act, 2005 (VII of 2005 assented on 29th June, 2005)

²⁶³⁶ Substituted for 'Income' vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

²⁶³⁷ Sub-rule (c) substituted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009). At the time of substitution sub-rule (c) was as under:--

i[(c) Provisions for classified advances and off balance sheet items shall be allowed in accordance with the provisions of sections 29 and 29A.]

i. Sub-rule (c) substituted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008). At the time of substitution sub-rule (c) was as under:--

“(c) Provisions for classified advances and off balance sheet items shall be allowed as claimed in the accounts, provided a certificate from the external auditors is furnished by the banking company to the effect that such provisions were in line with the requirements of the Prudential Regulations.”

²⁶³⁸ The words figure, brackets and letters inserted vide the Finance Act, 2010 (XVI of 2010)

²⁶³⁹ The words, letters, figures and sign inserted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011),

²⁶⁴⁰ Proviso was substituted vide the Finance Act, 2011 (XVI of 2011 assented on 29th June, 2011). At the time of substitution the Proviso was as under:--

“Provided that if provisioning is less than 1 % of the advances, then actual provisioning for the year shall be allowed”

²⁶⁴¹ Sub-rules (d), (e) and (f) inserted vide the Finance Act, 2009 (I of 2009 assented on 30th, June, 2009), Earlier a different (d), (e) and (f) omitted vide the Finance Act, 2008 (I of 2008) (Assented on 26th June, 2008). At the time of omission sub-rules (d), (e) and (f) were as under:--

Regulations issued by the State Bank of Pakistan shall not be allowed as expense.]

- (e) Where any addition made under sub-rule (d) is reclassified by the taxpayer under the Prudential Regulations issued by the SBP, as 'doubtful' or 'loss', provision of sub-rule (c) shall mutatis mutandis apply in computing the provision for that tax year.]
- (f) Where any addition made under sub-rule (d) is reclassified by the taxpayer in a subsequent year as 'recoverable', a deduction shall be allowed in computing the income for that tax year.]
- (g) Adjustment made in the annual accounts, on account of application of international accounting standards 39 and 40 shall be excluded in arriving at taxable income.

²⁶⁴²[*Explanation.*— For removal of doubt, it is clarified that nothing in this clause shall be so construed as to allow a notional loss, or charge to tax any notional gain on any investment under any regulation or instruction unless all the events that determine such gain or loss have occurred and the gain or loss can be determined with reasonable accuracy.]

- (h) An adjustment shall be made for exclusions from income on account of paragraph (g) for determining the cost of related item in the financial statement in the year of disposal of such item or asset or the discharge of the liability, as the case may be.

2. (1) Where a deduction is allowed for any expenditure (other than on account of charge for irrecoverable debt) in the manner referred to in rule 1 and the liability or a part of the liability to which the deduction relates is not paid within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be chargeable to tax under the head "Income from Business" in the first tax year following the end of three years.

- (2) Where an unpaid liability is chargeable to tax as a result of the application of sub-rule (i) and such liability or a part thereof is subsequently paid, a deduction shall be allowed for the amount paid in the tax year in which the payment made.
- (3) Loss on sale of shares of listed companies, disposed of within one year of the date of acquisition, shall be adjustable against business income of the tax year. Where such loss is not fully set off against business income during the tax year, it shall be carried forward to the following tax year and set off against capital gain only. No loss shall be carried forward for more than six years immediately succeeding the tax year for which the loss was first computed.

3. Treatment for shariah compliant banking.-

- (1) Any special treatment for 'Shariah Compliant Banking' approved by the State Bank of Pakistan shall not be provided for any reduction or addition to income and tax liability for the said 'Shariah Compliant Banking' as computed in the manner laid down in this schedule.
- (2) A statement, certified by the auditors of the bank, shall be attached to the return of income to disclose the comparative position of transaction as per Islamic mode of financing and as per normal accounting principles. Adjustment to the income of the company on this account shall be made according to the accounting income for

"(d) The amount claimed as expense, on account of "irrecoverable debt" classified under the Prudential Regulations issued by the State Bank of Pakistan as "substandard", shall not be allowed.

(e) Where any addition made under paragraph (d) is reclassified by the tax payer as 'doubtful' or 'loss', under the Prudential Regulations issued by the State Bank of Pakistan, a deduction shall be allowed in computing the income for that tax year.

(f) Where any addition made under paragraph (d) is reclassified by the tax payer in a subsequent year as 'recoverable', a deduction shall be allowed in computing the income for that tax year."

2642 vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

purpose of this schedule.

4. Head office expenditure.-

- (1) In case of foreign banks head office expenditure shall be allowed as deduction as per the following formula, namely:—

$$\text{Head office expenditure} = (A/B) \times C$$

Where—

- A. is the gross receipts of permanent establishment in Pakistan;
B. is the world gross receipts; and
C. is the total Head Office expenditure.
- (2) The head office expenditure shall have the meaning as given in sub-sections (3) and (4) of section 105.
- (3) The head office expenditure shall only be allowed if it is charged in the books of accounts of the permanent establishment and a certificate from external auditors is provided to the effect that the claim of such expenditure:
- (i) has been made in accordance with the provision of this rule; and
(ii) is reasonable in relation to operation of the permanent establishment in Pakistan.

5. Advance tax.-

- (1) The banking company shall be required to pay advance tax for the year under section 147 ²⁶⁴³*** in twelve ²⁶⁴⁴*** installments payable by 15th of every month. Other provisions of section 147 shall apply as such.

- (2) Provisions of withholding tax under this Ordinance shall not apply to a banking company as a recipient of the amount on which tax is deductible.

6. Tax on income computed.-Income computed under this Schedule shall be chargeable to tax under the head “Income from Business” and tax payable thereon shall be computed at the rate applicable in Division II of Part I of the First Schedule. The income under the head ²⁶⁴⁵***

²⁶⁴⁶***]

²⁶⁴³ The words ‘except sub-section (4A) and (6)’ were omitted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. These words were inserted vide SRO 561(I)/2012

²⁶⁴⁴ The word ‘equal’ was omitted vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018

²⁶⁴⁵ The Expression “The net income from Dividend and net income from Capital Gains on sale of shares of listed companies shall be taxed at the rate of ten and twelve and a half, respectively” and the three provisos thereafter” were omitted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015). At the time of omission Provisos were as under:-

Provided that where the shares of listed companies are disposed of within one year of the date of acquisition, the gain shall be taxed at the rate provided in Division II of Part I of the First Schedule [:]

Provided further that the “Dividend” received by a banking company from its asset management company shall be taxed at the rate of 20% [:]

[Provided also that the dividend received from Money Market Funds and Income Funds shall be taxed at the rate of 25% for tax year 2013 [***] and onwards.]

²⁶⁴⁶ Rule 6A and 6B was omitted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015). At the time of omission rules were as under:-

i/6A. For the purpose of rule 6, net income from dividend shall be computed according to the following formula, namely:-

$$(A/C) \times B$$

where-

A is the total amount of expenditure as per this Schedule;

B is the gross amount of dividend received; and

C is the gross amount of receipts including dividend.

6B. For the purpose of rule 6, net income from capital gains shall be computed according to the following formula, namely:-

$$(A/C) \times B$$

²⁶⁴⁷[***]

²⁶⁴⁸[7A The provisions of section 113 shall apply to banking companies as they apply to any other resident company.]

²⁶⁴⁹[(7B) From tax year 2015 and onwards, income from Dividend and income from Capital Gains shall be taxed at the rate specified in Division II of Part I of First Schedule.

(7C) For tax ²⁶⁵⁰[years 2015 to 2020], the provisions of section 4B shall apply to banking companies and shall be taxed at the rate specified in Division IIA of Part I of First Schedule.]

8. Exemptions.-(1) Exemption and tax concessions under the Second Schedule to this Ordinance shall not apply to income of a banking company computed under this Schedule.

²⁶⁵¹[(1A) The accumulated loss under the head “Income from Business” (not being speculation business losses) of an amalgamating banking company or banking companies shall be set off or carried forward against the business profits and gains of the amalgamated company and vice versa, up to a period of six tax years immediately succeeding the tax year in which the loss was first computed in the case of amalgamated banking company or amalgamating banking company or companies.]

(2) The provisions relating to group relief as contained in section 59B shall be available to the banking companies provided the holding and subsidiary companies are banking companies. The accounts of the group companies shall be audited by the chartered accountants firm on the panel of auditors of the State Bank of Pakistan. The surrender and claim of loss would be subject to the approval of the State Bank of Pakistan.

(3) The holding and subsidiary companies of 100% owned group of banking companies may opt to be taxed as one fiscal unit as per the provisions of section 59AA relating to group taxation subject to the approval of the State Bank of Pakistan.

²⁶⁵²[8A. Transactional provisions.-(1) Amounts provided for in the tax year 2008 and prior to the said tax year for or against irrecoverable or doubtful advances, which were neither claimed nor allowed as a tax deductible in any tax year, shall be allowed in the tax year in which such advances are actually written off against such provisions, in accordance with the provision of sections 29 and 29A.

(2) Amounts provided for in the tax year 2008 and prior to the said tax year for or against irrecoverable or doubtful advances, which were neither claimed nor allowed as a tax deductible in any tax year, which are written back in the tax year 2009 and thereafter in any tax year and credited to the profit and loss account, shall be excluded in computing the total income of that tax year under rule 1 of this Schedule.

(3) The provisions of this Schedule shall not apply to any asset given or acquired on finance lease by a banking company up to the tax year 2008, and recognition of income and deductions in respect of such asset shall be dealt in accordance with the provisions of the Ordinance as if this Schedule has not come into force:

Provided that un-absorbed depreciation in respect of such assets shall be allowed to be set-off

where-

A is the total amount of expenditure as per this Schedule;
B is the gross amount of capital gains; and
C is the gross amount of receipts including capital gains.]

i. Inserted vide the Finance Act, 2014

²⁶⁴⁷ Rule (7) omitted vide the Finance Act, 2008 assented on 26th June, 2008). At the time of omission Rule 7 was as under:--

“7. The provisions of section 113 shall apply to banking companies as they apply to any other resident company.”

²⁶⁴⁸ Inserted vide the Finance Act, 2009 (I of 2009 assented on 30th June, 2009)

²⁶⁴⁹ Inserted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015)

²⁶⁵⁰ Substituted for “year 2015, 2016 and 2017” vide the Finance Act, 2018 (XXX of 2018) assented on 22nd May, 2018. Year 2016 was inserted vide the Finance Act, 2016 (XXIX of 2016)

²⁶⁵¹ Inserted vide the Finance Act, 2008 (I of 2008 assented on 26th June, 2008)

²⁶⁵² Added vide Finance Act, 2010 (XVI of 2010)

against the said lease rental income only.]

9. Provision of Ordinance to apply.—The provisions of the Ordinance not specifically dealt with in the aforesaid rules shall apply, mutatis mutandis, to the banking company.

10. The Federal Government may, from time to time, by notification in the official Gazette, amend the schedule so as to add any entry therein or modify or omit any entry

²⁶⁵³**[EIGHTH SCHEDULE**
[Section 100B]

**RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED
SECURITIES**

1. Manner and basis of computation of capital gains and tax thereon.—(1) Capital gains on disposal of listed securities, subject to tax under section 37A, and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited on behalf of taxpayers by NCCPL in the manner prescribed.

²⁶⁵⁴[(1A) Capital gains on disposal of units of open ended mutual funds and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited by NCCPL in the prescribed manner:

Provided that second and third proviso in Division VII of Part I of the First Schedule regarding capital gains arising on redemption of securities shall continue to apply.

(1B) Gain or loss arising to persons through trading of future commodity contracts on Pakistan Mercantile Exchange, subject to tax under section 37A and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited on behalf of taxpayers by NCCPL in the manner prescribed.]

(2) For the purpose of sub-rule (1) ²⁶⁵⁵[(1A) and (IB)], NCCPL shall develop an automated system.

(3) Central Depository Company of Pakistan Limited shall furnish information as required by NCCPL for discharging obligations under this Schedule ²⁶⁵⁶[:

Provided that if the said information is not furnished under this sub-rule or sub-rule (3A), NCCPL shall forward the details to the Commissioner who shall exercise powers under the Ordinance to enforce furnishing of the said information including all penalty provisions.]

²⁶⁵⁷[(3A) The Asset Management Companies, Pakistan Mercantile Exchange and any other person shall furnish information when required by NCCPL for discharging obligations under this Schedule.]

(4) NCCPL shall issue an annual certificate to the taxpayer on the prescribed form in respect of capital gains subject to tax under this Schedule for a financial year:

Provided that on the request of a taxpayer or if required by the Commissioner, NCCPL shall issue a certificate for a shorter period within a financial year.

(5) Every taxpayer shall file the certificate referred to in sub-rule (4) along with the return of income and such certificate shall be conclusive evidence in respect of the income under this Schedule.

(6) NCCPL shall furnish to the Board within ²⁶⁵⁸[forty-five] days of the end of each

²⁶⁵³ Eighth Schedule was added vide the Finance Act, 2012. Earlier, Eighth Schedule was added vide the Finance (Amendment) Ordinance, 2012 (III of 2012 promulgated on 24th April, 2012)

²⁶⁵⁴ Inserted vide the Finance Act, 2016 (XXIX of 2016)

²⁶⁵⁵ Inserted vide the Finance Act, 2016 (XXIX of 2016)

²⁶⁵⁶ Full stop was substituted with a "colon" and thereafter new proviso was added vide the Finance Act, 2016 (XXIX of 2016)

²⁶⁵⁷ Inserted vide the Finance Act, 2016 (XXIX of 2016)

²⁶⁵⁸ Substituted for "thirty" vide the Finance Act, 2017 (XXVII of 2017) assented on 19th June, 2017

quarter, a statement of capital gains and tax computed thereon in that quarter in the prescribed manner and format.

(7) Capital gains computed under this Schedule shall be chargeable to tax at the rate applicable in Division VII of Part I of the First Schedule.

²⁶⁵⁹[(8) The provisions of section 4B shall apply to the taxpayers under this schedule and taxed at the rates specified in Division IIA of Part I of the First Schedule.]

2. Sources of Investment.-(1) Where a person has made any investment in the listed securities, enquiries as to the nature and source of the amount invested shall not be made for any investment made prior to the introduction of this Schedule, provided that –

- (a) a statement of investments is filed with the Commissioner along with the return of income and wealth statement for tax year 2012 within the due date as provided in section 118 of this Ordinance and in the manners prescribed; and
- (b) that the amount remains invested for a period of forty- five days up to 30th of June 2012, in the manner as may be prescribed.

(2) Where a person has made any investment in the shares of a public company traded at a registered stock exchange in Pakistan from the date of coming into force of this Schedule till June 30, 2014 enquiries as to the nature and sources of amount invested shall not be made provided that –

- (a) the amount remains invested for a period of one hundred and twenty days in the manner as may be prescribed ;
- (b) tax on capital gains, if any, has duly been discharged in the manner laid down in this Schedule; and
- (c) a statement of investments is filed with the Commissioner along with the return of income and wealth statement for the relevant tax year within the due date as provided in section 118 of this Ordinance and in the manner prescribed.

(3) For the purpose of this rule, amount of investment shall be calculated in the prescribed manner, excluding market value of net open sale position in futures and derivatives, if such sale is in a security that constitutes the said investment.

3. Certain provisions of this Ordinance not to apply.-The respective provisions for collection and recovery of tax, advance tax and deduction of tax at source laid down in the Parts IV and V of Chapter X shall not apply on the income from capital gains subject to tax under this Schedule and these provisions shall apply in the manner as laid down in the rules made under this Ordinance, except where the recovery of tax is referred by NCCPL to the Board in terms of rule 6(3).

4. Payment of tax collected by NCCPL to the Board.-The amount collected by NCCPL on behalf of the Board as computed in the manner laid down under this Schedule shall be deposited in a separate bank account with National Bank of Pakistan and the said amount shall be paid to the Board along with interest accrued thereon on yearly basis by July 31st next following the financial year in which the amount was collected.

5. Persons to whom this Schedule shall not apply.-If a person intends not to opt for determination and payment of tax as laid down in this Schedule, he shall file an irrevocable option to NCCPL after obtaining prior approval of the Commissioner in the manner prescribed. In such case the provisions of rule 2 shall not apply.

6. Responsibility and obligation of NCCPL.-(1) Pakistan Revenue Automation Limited (PRAL), a company incorporated under the Companies Ordinance, 1984 (XLVII of 1984) or any other company or firm approved by the Board and any authority appointed under section 209 of this Ordinance, not below the level of an Additional Commissioner Inland Revenue, shall conduct

²⁶⁵⁹ Inserted vide Finance Act, 2015 (V of 2015 assented on 29th June, 2015).

regular system and procedural audits of NCCPL on quarterly basis to verify the implementation of this Schedule and rules made under this Ordinance.

(2) NCCPL shall implement the recommendations, if any, of the audit report under sub-rule (1), as approved by the Commissioner, and make adjustments for short or excessive deductions. However, no penal action shall be taken against NCCPL on account of any error, omission or mistake that has occurred from application of the system as audited under sub-rule (1).

(3) NCCPL shall be empowered to refer a particular case for recovery of tax to the Board in case NCCPL is unable to recover the amount of tax.

7. Transitional Provisions.-In respect of tax year 2012, for the period commencing from coming into force of this Schedule till June 30, 2012, the certificate issued by NCCPL under rule 1(4) shall be the basis of capital gains and tax thereon for that period.]

2660 [THE NINTH SCHEDULE

(See section 99A)

Notwithstanding anything contained in this Ordinance or any other law for the time being in force, a trader qualifying under this Schedule shall have the option to be assessed including for filing of return, either-

- (a) under the provisions of this Ordinance, other than this Schedule; or
- (b) under the provision of this Schedule.

PART I

RULES FOR THE COMPUTATION OF THE TAX PAYABLE ON PROFITS AND GAINS OF A TRADER FALLING UNDER SUB-SECTION (1) OF SECTION 99A

1. The tax payable on profits and gains of a trader falling under sub-section (1) of section 99A in respect of trading activities chargeable under the head “income from business” shall be computed in the manner hereinafter provided.

2. For trader qualifying under this Part, working capital for tax year 2015 shall not exceed rupees fifty million and tax at the rate of one per cent of the working capital shall be the tax payable on profits and gains from the trading activity.

3. For tax years 2016, 2017 and 2018, trader qualifying under this Part and who has paid tax for the tax year 2015 under rule 2 of this Part shall pay tax specified in rule 4 of this Part subject to the following conditions, namely:-

- (a) for tax year 2016, the trader shall declare turnover at least three times of the working capital declared during tax year 2015; and
- (b) for tax years 2017 and 2018 the trader shall declare turnover on which tax paid is at least twenty-five per cent more than the tax paid for the preceding tax year.

4. For the purpose of rule 3 of this Part, the following shall be tax rate on turnover:-

Turnover (1)	Rate (2)
Where turnover does not exceed 50 million rupees	0.2%
Where turnover exceeds 50 million rupees but does not exceeds 250 million rupees	Rs 100,000 plus 0.15% of the amount exceeding 50 million rupees
Where turnover exceeds 250 million rupees	Rs 400,000 plus 0.1% of the amount exceeding 250 million rupees

5. Trader qualifying under this Part shall be entitled to take credit of imputable income as defined in clause (28A) of section 2, for tax years 2016 to 2018, in relation to tax paid under rule 3 of this Part for the purpose of section 111.

2660 Ninth Schedule was added vide the Finance (Third Amendment) Act, 2016 (III of 2016 assented on 29th January, 2016)

PART II

RULES FOR THE COMPUTATION OF THE TAX PAYABLE ON PROFITS AND GAINS OF A TRADER FALLING UNDER SUB-SECTION (2) OF SECTION 99A

1. The tax payable on profits and gains of a trader falling under sub-section (2) of section 99A in respect of trading activities chargeable under the head "income from business" shall be computed in the manner hereinafter provided.
2. For tax year 2015, the tax payable on profits and gains of a trader qualifying under this Part shall be higher of the following:
 - (a) 25% higher tax than paid for tax year 2014 or for the latest tax year for which return has been filed on the basis of taxable income;
 - (b) tax on turnover at the rates specified in rule 4 of Part I; or
 - (c) rupees thirty thousand
3. For tax years 2016 to 2018, the tax payable on profits and gains of a trader qualifying under this Part shall be higher of the following:
 - (a) 25% higher tax on the basis of taxable income than tax paid for the preceding tax year; or
 - (b) tax on turnover at the rates specified in rule 4 of Part I.
4. Trader qualifying under this Part, who has filed return for tax year 2015 before the due date of filing of return under this Schedule, may file a revised return subject to the condition that the tax paid is higher of the following:
 - (a) tax as per rule 2 of this Part on the basis of revised return;
or
 - (b) 10% higher tax than the tax paid as per original return.
5. For tax year 2015, the provisions of clause (ba) of sub section (6) of section 114 shall not apply to a trader who has revised the return under rule 4 of this Part before the due date of filing of return under this Schedule.
6. where the imputable income as defined in clause (28A) of section 2 in relation to tax on turnover at the rates specified in rule 4 of Part I is higher than the taxable income declared, the trader qualifying under this Part may opt to take the credit for the purpose of section 111, of the difference between the said imputable income and taxable income, provided that tax at the rate of one per cent of the difference is paid along with the return.

PART III

GENERAL PROVISIONS FOR THE TRADERS UNDER

PART I AND PART II

1. Traders deriving income other than from trading activities chargeable under the head "income from business" shall not qualify under this Schedule.
2. The provisions of sections 177 and 214C shall not apply to a trader qualifying under this Schedule, for tax years 2015 to 2018.
3. Trader qualifying under Part I of this Schedule shall be a return as specified in Form 'A' to rule 17 of this Part and trader qualifying under Part II of this Schedule shall file a return as prescribed under the Income Tax Rules, 2002.
4. A trader qualifying under this Schedule shall not be entitled to claim any adjustment of withholding tax collected or deducted under this Ordinance, against tax payable in respect of profits and gains relating to trading activity.
5. A trader qualifying under this Schedule shall not be entitled to claim any adjustment of refund due against tax payable under rule 2 or 3 of Part I or rule 1, 3, or 4 of Part II.

6. A trader qualifying under this Schedule shall not be entitled for any tax credit under this Ordinance.

7. If a trader fails to furnish a return for any of the tax years 2016, 2017 or 2018 after having furnished a return for tax year 2015 shall not qualify under this Schedule for any of the far years 2015 to 2018 notwithstanding the fact that the return for tax year 2015 stood qualified under this Schedule at the time of furnishing of such return and all this provisions of this Ordinance shall apply.

8. Where it is subsequently discovered by the Commissioner that the trader was not eligible to be qualified under this Schedule or became ineligible to be qualified under this Schedule during any time between tax years 2015 to 2018 due to non-payment of tax or filing of return or otherwise, the trader shall be treated to have exercised the option to be assessed under the provisions of this Ordinance, other than this Schedule and all this provisions of this Ordinance shall apply accordingly.

9. Tax payable under rule 2 or 3 of Part I or rule 1, 3, or 4 of Part II shall be paid in the State Bank of Pakistan or authorized branches of National Bank of Pakistan and evidence in the form of a copy of computerized tax payment receipt (CPR) shall be provided along with the specified or prescribed return, as the case may be, by the due date.

10. A trader qualifying under this Schedule shall not be a prescribed person for the purpose of section 153.

11. For the income relating to trading activity and qualifying under this Schedule-

- (a) the Commissioner shall be deemed to have made an assessment of income for that tax year and the tax due thereon as equal to those respective amounts computed under rules 2 or 3 of Part I or rule 1, 3, or 4 of Part II; and
- (b) the specified or prescribed return, as the case may be, shall, for all purposes of this Ordinance, be deemed to be an assessment order including the application of section 120.

Explanation.-For removal of doubt and for the purpose of this rule, it is declared that income means taxable income or imputable income as the case may be.

12. The Federal Government may, from time to time, by notification in the official Gazette, amend the Schedule so as to add any rule therein or modify or omit any rule therefrom.

13. The provisions of sub-section (2) of section 116 shall not apply for the tax year 2015 to the trader qualifying under this Schedule if the declared income for the year is less than one million rupees.

14. Notwithstanding anything contained in aforesaid rules, a return qualifying under this Schedule may be subject to amendment under section 122 where definite information, as defined in sub section (8) of section 122, comes into the knowledge or possession of the Commissioner in which case all the provisions of the Ordinance shall apply accordingly.

15. In this Schedule,

- (a) 'due date' means the date as specified by the Federal Government for tax year 2015 and for the tax years 2016, 2017 and 2018 the date specified in clause (b) of sub section (2) of section 118.
- (b) 'turnover' means turnover as defined in clause (a) of sub-section (3) of section 113.

16. Persons convicted under Control of Narcotics Substances Act, 1997 (XXV of 1997), Anti-Terrorism Act, 1997 (XXUI of 1997) and Anti-Money Laundering Act, 2010 (VII of 2010) shall not be eligible to qualify under this Schedule.

17. Return for the trader qualifying under Part I of this Schedule shall be on Form A as specified below:-

Form A

**RETURN FOR TRADER QUALIFYING UNDER PART I OF
THE SCHEDULE FOR THE TAX YEARS 2015 TO 2018**

Name of proprietor/ Managing Member of AOP _____ CNIC:
(please attach copy of CNIC) _____ Business (es) Name
&Address(es) _____

Phone: _____ Email _____ Mobile _____

Residential Address of the proprietor:

Name(s) and Residential address(es) of Members of AOP (if applicable)

- (1) Amount of working capital _____
(2) Tax payable on (1) above (for tax year 2015 only) _____
(3) Total Turnover _____
(4) Tax payable on (3) above (for tax years 2016 2017 and 2018 only) _____
(5) Amount of Tax [(2) or (4)] _____
(6) CPR No: _____ Dated: _____

Declaration

I _____ CNIC No. _____ in
my capacity as self /representative of taxpayer named above, do hereby solemnly declare
that to the best of my knowledge and belief the information given in simplified return is
correct and complete in accordance with the provisions of Part I of the Ninth Schedule to
Income Tax Ordinance, 2001 (XLIX of 2001).

Signature: _____

Dated: _____]
