

INCOME TAX ORDINANCE 2001

TABLE OF CONTENTS

CHAPTER I PRELIMINARY

1. Short title, extent and commencement
2. Definitions
3. Ordinance to override other laws

CHAPTER II CHARGE TO TAX

4. Tax on taxable income
5. Tax on dividends
6. Tax on certain payments to non-residents
7. Tax on shipping and air transport income of a non-resident person
8. General provisions relating to taxes imposed under sections 5, 6 and 7

CHAPTER III TAX ON TAXABLE INCOME PART I COMPUTATION OF TAXABLE INCOME

9. Taxable income
10. Total income
11. Heads of income

PART II HEAD OF INCOME SALARY

12. Salary
13. Value of perquisites
14. Employee share schemes

PART III HEAD OF INCOME INCOME FROM PROPERTY

15. Income from property
16. Non-adjustable amounts received in relation to buildings
17. Deductions in computing income chargeable under the head "Income from property"

PART IV
HEAD OF INCOME
INCOME FROM BUSINESS
Division I
Income from Business

- 18. Income from business
- 19. Speculation business

Division II
Deductions
General Principles

- 20. Deductions in computing income chargeable under the head "Income from Business"
- 21. Deductions not allowed

Division III
Deductions
Special Provisions

- 22. Depreciation
- 23. Initial allowance
- 24. Intangibles
- 25. Pre-commencement expenditure
- 26. Scientific research expenditure
- 27. Employee training and facilities
- 28. Profit on debt, financial costs and lease payments
- 29. Bad debts
- 30. Profit on non-performing debts of a banking company or development finance institution
- 31. Transfer to participatory reserve

Division IV
Tax Accounting

- 32. Method of accounting
- 33. Cash-basis accounting
- 34. Accrual-basis accounting
- 35. Stock-in-trade
- 36. Long-term contracts

PART V
HEAD OF INCOME
CAPITAL GAINS

- 37. Capital gains
- 38. Deduction of losses in computing the amount chargeable under the head "Capital Gains"

PART VI
HEAD OF INCOME
INCOME FROM OTHER SOURCES

- 39. Income from other sources
- 40. Deductions in computing income chargeable under the head "Income from Other Sources"

PART VII
EXEMPTIONS AND TAX CONCESSIONS

- 41. Agricultural income
- 42. Diplomatic and United Nations exemptions
- 43. Foreign government officials
- 44. Exemptions under international agreements
- 45. President's honours
- 46. Profit on debt
- 47. Scholarships
- 48. Support payments under an agreement to live apart
- 49. Federal and Provincial Government, and local authority income
- 50. Foreign-source income of short-term resident individuals
- 51. Foreign-source income of returning expatriates
- 52. Omitted by Finance Ordinance, 2002
- 53. Exemptions and tax concessions in the Second Schedule
- 54. Exemptions and tax provisions in other laws
- 55. Limitation of exemption

PART VIII
LOSSES

- 56. Set off of losses
- 57. Carry forward of business losses
- 58. Carry forward of speculation business losses
- 59. Carry forward of capital losses

PART IX
DEDUCTIBLE ALLOWANCES

60. Zakat

PART X
TAX CREDITS

61. Charitable donations
62. Investment in shares
63. Retirement annuity scheme
64. Profit on debt
65. Miscellaneous provisions relating to tax credits

CHAPTER IV
COMMON RULES
PART I
GENERAL

66. Income of joint owners
67. Apportionment of deductions
68. Fair market value
69. Receipt of income
70. Recouped expenditure
71. Currency conversion
72. Cessation of source of income
73. Rules to prevent double derivation and double deductions

PART II
TAX YEAR

74. Tax year

PART III
ASSETS

75. Disposal and acquisition of assets
76. Cost
77. Consideration received
78. Non-arm's length transactions
79. Non-recognition rules

CHAPTER V
PROVISIONS GOVERNING PERSONS
PART I
CENTRAL CONCEPTS
Division I
Persons

80. Person

Division II
Resident and Non-resident Persons

81. Resident and non-resident persons
82. Resident individual
83. Resident company
84. Resident association of persons

Division III
Associates

85. Associates

PART II
INDIVIDUALS
Division I
Taxation of Individuals

86. Principle of taxation of individuals
87. Deceased individuals

Division II
Provisions Relating to Averaging

88. An individual as a member of an association of persons
89. Authors

Division III
Income Splitting

90. Transfers of assets
91. Income of a minor child

PART III
ASSOCIATIONS OF PERSONS

92. Principles of taxation of associations of persons
93. Taxation of members of an association of persons

**PART IV
COMPANIES**

- 94. Principles of taxation of companies
- 95. Disposal of business by individual to wholly-owned company
- 96. Disposal of business by association of persons to wholly-owned company
- 97. Disposal of asset between wholly-owned companies

**PART V
COMMON PROVISIONS APPLICABLE TO ASSOCIATIONS OF PERSONS
AND COMPANIES**

- 98. Change in control of an entity

**CHAPTER VI
SPECIAL INDUSTRIES
PART I
INSURANCE BUSINESS**

- 99. Special provisions relating to insurance business

**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

**CHAPTER VII
INTERNATIONAL
PART I
GEOGRAPHICAL SOURCE OF INCOME**

- 101. Geographical source of income

**PART II
TAXATION OF FOREIGN-SOURCE INCOME OF RESIDENTS**

- 102. Foreign source salary of resident individuals
- 103. Foreign tax credit
- 104. Foreign losses

**PART III
TAXATION OF NON-RESIDENTS**

- 105. Taxation of a permanent establishment in Pakistan of a non-resident person
- 106. Thin capitalization

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

CHAPTER VIII
ANTI-AVOIDANCE

108. Transactions between associates
109. Re-characterization of income and deductions
110. Salary paid by private companies
111. Unexplained income or assets
112. Liability in respect of certain security transactions

CHAPTER IX
MINIMUM TAX

113. Minimum tax on the income of certain persons

CHAPTER X
PROCEDURE
PART I
RETURNS

114. Return of income
115. Persons not required to furnish a return of income
116. Wealth statement
117. Notice of discontinued business
118. Method of furnishing returns and other documents
119. Extension of time for furnishing returns and other documents

PART II
ASSESSMENTS

120. Assessments
121. Assessment of persons who have not furnished a return
122. Amendment of assessments
123. Provisional assessment in certain cases
124. Assessment giving effect to an order
124A. Powers to tax authorities to modify orders, etc.
125. Assessment in relation to disputed property
126. Evidence of assessment

PART III
APPEALS

- 127. Appeal to the Commissioner (Appeals)
- 128. Procedure in appeal
- 129. Decision in appeal
- 130. Appointment of the Appellate Tribunal
- 131. Appeal to the Appellate Tribunal
- 132. Disposal of appeals by the Appellate Tribunal
- 133. Reference to High Court
- 134. Appeal to Supreme Court
- 135. Omitted by Finance Ordinance, 2002
- 136. Burden of proof

PART IV
COLLECTION AND RECOVERY OF TAX

- 137. Due date for payment of tax
- 138. Omitted by Finance Ordinance, 2002
- 138. Recovery of tax out of property and through arrest of taxpayer
- 138A. Recovery of tax by District Officer (Revenue)
- 139. Collection of tax in the case of private companies and associations of persons
- 140. Recovery of tax from persons holding money on behalf of a taxpayer
- 141. Liquidators
- 142. Recovery of tax due by non-resident member of an association of persons
- 143. Non-resident ship owner or charterer
- 144. Non-resident aircraft owner or charterer
- 145. Collection of tax from persons leaving Pakistan permanently
- 146. Recovery of tax from persons assessed in Azad Jammu and Kashmir
- 146A. Initiation, validity, etc., of recovery proceedings.

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

Division II

Advance Tax Paid to a Collection Agent

- 148. Imports

Division III
Deduction of Tax at Source

- 149. Salary
- 150. Dividends
- 151. Profit on debt
- 152. Payments to non-residents
- 153. Payments for goods and services
- 154. Exports
- 155. Income from property
- 156. Prizes and winnings
- 157. Omitted by Finance Ordinance, 2002
- 158. Time of deduction of tax

Division IV
General Provisions Relating to the Advance Payment of Tax
Or
the Deduction of Tax at Source

- 159. Exemption or lower rate certificate
- 160. Payment of tax collected or deducted
- 161. Failure to pay tax collected or deducted
- 162. Recovery of tax from the person from whom tax was not collected or deducted
- 163. Recovery of amounts payable under this Division
- 164. Certificate of collection or deduction of tax
- 165. Statements
- 166. Priority of tax collected or deducted
- 167. Indemnity
- 168. Credit for tax collected or deducted
- 169. Tax collected or deducted as a final tax

PART VI
REFUNDS

- 170. Refunds
- 171. Additional payment for delayed refunds

PART VII
REPRESENTATIVES

- 172. Representatives
- 173. Liability and obligations of representatives

PART VIII
RECORDS, INFORMATION COLLECTION AND AUDIT

- 174. Records
- 175. Power to enter and search premises
- 176. Notice to obtain information or evidence
- 177. Audit
- 178. Assistance to Commissioner
- 179. Accounts, documents, records and computer-stored information not in Urdu or English language
- 180. Power to collect information regarding exempt income

PART IX
NATIONAL TAX NUMBER CARD

- 181. National Tax Number Card

PART X
PENALTY

- 182. Penalty for failure to furnish a return or statement
- 183. Penalty for non-payment of tax
- 184. Penalty for concealment of income
- 185. Penalty for failure to maintain records
- 186. Penalty for non-compliance with notice
- 187. Penalty for making false or misleading statements
- 188. Penalty for failure to give notice
- 189. Penalty for obstruction
- 190. Imposition of penalty

PART XI
OFFENCES AND PROSECUTIONS

- 191. Prosecution for non-compliance with certain statutory obligations
- 192. Prosecution for false statement in verification
- 193. Prosecution for failure to maintain records
- 194. Prosecution for improper use of National Tax Number Card
- 195. Prosecution for making false or misleading statements
- 196. Prosecution for obstructing a taxation officer
- 197. Prosecution for disposal of property to prevent attachment
- 198. Prosecution for unauthorized disclosure of information by a public servant
- 199. Prosecution for abetment
- 200. Offences by companies and associations of persons
- 201. Institution of prosecution proceedings without prejudice to other action

- 202. Power to compound offences
- 203. Trial by Special Judge
- 204. Power to tender immunity from prosecution

PART XII
ADDITIONAL TAX

- 205. Additional tax

PART XIII
CIRCULARS

- 206. Circulars

CHAPTER XI
ADMINISTRATION

PART I
GENERAL

- 207. Income Tax Authorities
- 208. Appointment of income tax authorities
- 209. Jurisdiction of income tax authorities
- 210. Delegation
- 211. Power or function exercised
- 212. Authority of approval
- 213. Guidance to income tax authorities
- 214. Income tax authorities to follow orders of the Central Board of Revenue
- 215. Furnishing of returns, documents etc.
- 216. Disclosure of information by a public servant
- 217. Forms and notices; authentication of documents
- 218. Service of notices and other documents
- 219. Tax or refund to be computed to the nearest Rupee
- 220. Receipts for amounts paid
- 221. Rectification of mistakes
- 222. Appointment of expert
- 223. Appearance by authorized representative
- 224. Proceedings under the Ordinance to be judicial proceedings
- 225. Proceedings against companies under liquidation
- 226. Computation of limitation period
- 227. Bar of suits in Civil Courts

PART II
DIRECTORATE-GENERAL OF INSPECTION

- 228. Appointment of Directorate-General of Inspection
- 229. Inspection Authorities

- 230. Jurisdiction of Inspection Authorities
- 231. Functions and Powers of Directorate

CHAPTER XII
TRANSITIONAL ADVANCE TAX PROVISIONS

- 232. Omitted by Finance Ordinance, 2002
- 233. Brokerage and Commission
- 234. Transport Business
- 235. Electricity Consumption
- 236. Telephone users.

CHAPTER XIII
MISCELLANEOUS

- 237. Power to make rules
- 238. Repeal
- 239. Savings
- 240. Removal of difficulties

SCHEDULES

FIRST SCHEDULE

PART I

RATES OF TAX

Division I
Rates of Tax for Individuals and Association of Persons

Division II
Rates of Tax for Companies

Division III
Rate of Dividend Tax

Division IV
Rate of Tax on Certain Payments to Non-residents

Division V
Rate of Tax on Shipping or Air Transport Income of a Non-resident Person

PART II
RATES OF ADVANCE TAX
Tax on Import of Goods

PART III
DEDUCTION OF TAX AT SOURCE

Division I
Profit on debt

Division II
Payments to non-residents

Division III
Payments for Goods or Services

Division IV
Exports

Division V
Income from Property

Division VI
Prizes and Winnings

Division VII
Omitted by Finance Ordinance, 2002

PART IV
DEDUCTION OR COLLECTION OF ADVANCE TAX

Division I
Omitted by Finance Ordinance, 2002

Division II
Brokerage Commission

Division III
Transport Business

Division IV
Electricity Consumption

Division V
Telephone users

**SECOND SCHEDULE
EXEMPTIONS AND TAX CONCESSIONS**

PART I

Exemptions from total income

PART II

Reduction in tax rates

PART III

Reduction in tax liability

PART IV

Exemption from specific provisions

THIRD SCHEDULE

PART I

Depreciation

PART II

Initial allowance

PART III

Pre-commencement expenditure

FOURTH SCHEDULE

Rules for the computation of the profits and gains of Insurance Business

FIFTH SCHEDULE

PART I

Rules for the computation of the profits and gains
from the exploration and production of petroleum

PART II

Rules for the computation of the profits and gains from the exploration and
extraction of minerals deposits (other than petroleum)

SIXTH SCHEDULE

PART I

Recognized Provident Funds

PART II

Approved Superannuation Funds

PART III
Approved Gratuity Funds

SEVENTH SCHEDULE
EXPORTED GOODS

PART I
Specified goods manufactured in Pakistan

PART II
Goods manufactured in Pakistan

PART III
Goods not covered by Part I or II

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;

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 the following Ordinance:-

**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 a dividend, includes –
 - (a) any reserve made up wholly or partly of any allowance, deduction, or exemption admissible under this Ordinance;
 - (b) for the purposes of ¹[sub-clauses (a), (d) 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 ²[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;

³[(1A) “amalgamation” means the merger of one or more banking companies or non-banking financial institutions, in either case 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 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;

(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; and

(c) the scheme of amalgamation is approved by the State bank of Pakistan or by the Securities and Exchange Commission of Pakistan;]

(2) “Appellate Tribunal” means the Appellate Tribunal 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;

(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;

- ⁴[(5) “assessment” includes re-assessment and amended assessment and the cognate expressions shall be construed accordingly;]
- ⁵[(5A) “assessment year” means assessment year as defined in the repealed Ordinance;]
- ⁶[(5B) “asset management company” means a company registered under the Assets Management Companies Rules, 1995;]
- (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 any body corporate which transacts the business of banking in Pakistan;
- (8) “bonus shares” includes bonus units in a unit trust;
- (9) “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;
- (10) “capital asset” means a capital asset as defined in section 37;
- (11) “Central Board of Revenue” means the Central Board of Revenue established under the Central Board of Revenue Act, 1924 (IV of 1924);
- ⁷(11A) “charitable purpose” includes relief of the poor, education, medical relief and the advancement of any other object of general public utility;]
- (12) “company” means a company as defined in section 80;
- ⁸[(13) “Commissioner” means a person appointed as a Commissioner of Income Tax under section 208, and includes a taxation officer vested with all or any of the powers, and functions of the Commissioner;]
- ⁹[(13A) “Commissioner (Appeals)” means a person appointed as a Commissioner of Income Tax (Appeals) under section 208;]
- (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;
- (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 capitalised 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;
 - (b) any distribution by a company, to its shareholders of debentures, debenture-stock or deposit certificate in any form, whether with or without profit ¹⁰[], to the extent to which the company possesses accumulated profits whether capitalised 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 capitalised 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 capitalised or not; or
 - (e) any payment by a private company 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;

but does not include -

- (i) a distribution made in accordance with ¹¹[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; and
- (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 ¹²[sub-clause] (c) to the extent to which it is so set off;

(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;

(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”;

- (24) “financial institution” means an institution notified under the Companies Ordinance, ¹³[1984 (XLVII of 1984)] by the Federal Government in the official Gazette as a financial institution;
- (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);
- ¹⁴[(29) “income” includes any amount chargeable to tax under this Ordinance, any amount subject to collection of tax under section 148, 153, 154 and 156, sub-section (5) of section 234, and any loss of income but does not include, in case of a shareholder of a domestic company, the amount representing the face value of any bonus share or the amount of any bonus declared, issue or paid by the company to the shareholders with a view to increasing its paid up share capital;]
- ¹⁵[(29A) “income year” means income year as defined in the repealed Ordinance;]
- (30) “intangible” means an intangible as defined in section 24;
- ¹⁶[(30A) “leasing company” means a company licensed under the Leasing Companies (Establishment and Regulation) Rules, 2000;]
- (31) “liquidation” in relation to a company, includes the termination of a trust;
- ¹⁷[(31A) “investment company” means a company registered under the Investment Companies and Investment Advisors Rules, 1971;]
- (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 Modarabas (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
- (35) “modaraba certificate” means a modaraba certificate as defined in the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
- ¹⁸[(35A) “Mutual Fund” means a mutual fund set up by the Investment Corporation of Pakistan or by an investment company;]
- ¹⁹[(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;
- (38) “non-resident taxpayer” means a taxpayer who is a non-resident person;
- (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;
- (41) “permanent establishment” in relation to a person, means a 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, 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;
 - (c) a building site, a construction, assembly or installation project or supervisory activities connected with such site or project;
 - (d) the furnishing of services, including consultancy services, by any person through employees or other personnel engaged by the person for such purpose, 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 ²⁰[days] within any twelve-month period;
 - (e) a person acting in Pakistan on behalf of the person (hereinafter referred to as the “agent” ²¹[,]) other than an agent of independent status acting in the ordinary course of business as such, if the agent –
 - (i) has and habitually exercises an authority to conclude contracts on behalf of the other person;
 - (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
 - (f) any substantial equipment installed, or other asset or property capable of activity giving rise to income;
- (42) “person” means a person as defined in section 80;
- (43) “pre-commencement expenditure” means a pre-commencement expenditure as defined in section 25;
- (44) “prescribed” means prescribed by rules made under this Ordinance;
- (45) “private company” means a company that is not a public company;
- (46) “profit on a debt” means –

- (a) any profit, yield, interest, discount, premium or other amount²²[,] 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 utilised;
- (47) “public company” means –
- (a) a company in which not less than fifty per cent of the shares are held by the Federal Government;
 - (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 exchange²³[] at the end of that year; or
 - (c) a unit trust whose units are widely available to the public and any other public trust;
- (48) “recognised provident fund” means a provident fund recognised by the Commissioner in accordance with Part I of the Sixth Schedule;
- ²⁴[(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;]
- (49) “rent” means rent as defined in sub-section (2) of section 15 and includes an amount treated as rent under section 16;
- ²⁵[(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) “²⁶[royalty]” means any amount paid or payable, however described or computed, whether periodical or a lump sum, as consideration for -
- (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 fiber 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 ²⁷[sub-clauses] (a) through (e);
 - (g) the disposal of any property or right referred to in ²⁸[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 ²⁹[, a unit holder of a unit trust] and a beneficiary of a trust;

- (60) “Special Purpose Vehicle” means a Special Purpose Vehicle as defined in the Asset Backed Securitization Rules, 1999;
- (61) “speculation business” means a speculation business as defined in section 19;
- (62) “stock-in-trade” means stock-in-trade as defined in section 35;
- (63) “tax” means any tax imposed under Chapter II, and includes any penalty, fee or other charge or any sum or amount leviable or payable under this Ordinance;
- (64) “taxable income” means taxable income as defined in section 9;
- (65) “taxation officer” means any ³⁰[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 Central Board of Revenue for the purposes of this Ordinance;
- (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 ³¹[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;
- (71) “underlying ownership” means an underlying ownership as defined in section 98;

- (72) “units” means units in a unit trust; and
- (73) “unit trust” means a unit trust as defined in section 80.
- ³²[(74) “Venture Capital Company” and “Venture Capital Fund” shall have the same meanings as are assigned to them under the Venture Capital Company and Venture Capital Funds Rules, 2001;]

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 Division I 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 140, 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 or 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.

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 resident company.
- (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.

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 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.
- (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 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.

8. General provisions relating to taxes imposed under sections 5, 6 and 7.- Subject to this Ordinance, the tax imposed under Sections 5, 6 and 7 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 sections 5, 6 or 7 shall not be reduced by any tax credits allowed under this Ordinance; and

- (e) the liability of a person under sections 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.

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 income 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 the person's income under each of the heads of income for the year.
- 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;
 - ³³[(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 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);
 - (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 –
- (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 ³⁴[or to a third party under and 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:—

$$\mathbf{A/B\%}$$

where –

- A** is the total tax paid or payable by the employee on the employee's total taxable income for 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.
- ³⁵[(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.]
- ³⁶[]
- (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 ³⁷[such housekeeper, driver, gardener or other domestic assistant] in that year for services rendered to the employee, as reduced by any payment made by the employee ³⁸[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.
- ³⁹[(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.]

- (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 ⁴⁰[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 the ⁴¹[any asset or property].
- (9) Where, in a tax year, an obligation of an employee to pay or repay an amount 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 repay an amount ⁴²[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.
- ⁴³[(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 ⁴⁴[, 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.
- ⁴⁵[(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 such rate, if any, as the Federal Government may, by notification, specify 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 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 in 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 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”.
- (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”.

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).

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 ⁴⁶[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;
 - (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 (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 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".

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 relationship; and
 - (e) any management fee derived by a management company (including a modaraba ⁴⁷[management company]).
- (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".

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 on ⁴⁸[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 (including stock 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
 - (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 jobbing arbitrate 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 year to the extent to which the expenditure is incurred in deriving income from business chargeable to tax.
- (2) Subject to this Ordinance, where the expenditure referred to in subsection (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 amortise the expenditure in accordance with sections 22, 23, 24 and 25.
- ⁴⁹[(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;
- (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, until the person has 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 as may be prescribed;

- (e) any contribution made by the person to a fund that is not a recognised provident 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 capitalised 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;
- (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);
- (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 ⁵⁰[five thousand rupees or on account of freight charges, travel fare, postage, utilities or payment of taxes, duties, fees, fines or any other statutory obligation];
- (m) any salary paid or payable exceeding five thousand rupees per month other than by a crossed cheque or direct transfer of funds to the employee's bank account; and
- (n) except as provided in Division III of this Part, any expenditure paid or payable of a capital nature.

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 sub-sections (3) and (4), 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 were wholly used to derived income from business chargeable to tax.
- (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:—

$$\mathbf{A \times B/C}$$

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.

- (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 person as 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.

- (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 written down value of the passenger transport vehicle for the purposes of sub-section (8) shall be computed according to the following formula –

$$\mathbf{A \times B/C}$$

where –

- A** is the consideration 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.
- ⁵¹[(12) The depreciation deductions allowed 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 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 for hire shall not exceed ⁵²[one million] rupees;
 - (b) the cost of immovable property or a structural improvement to immovable property shall not include the cost of the land;
 - ⁵³[(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, drainage, landscaping or dam.

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 is wholly and exclusively used by the person in deriving income from business chargeable to tax.
- (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.
- ⁵⁴[(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 asset that is plant or machinery, other than –
- (a) any road transport vehicle unless the vehicle is plying for hire;
 - (b) any furniture, including fittings;
 - (c) any plant or machinery that is acquired second hand; 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.

24. Intangibles.-

- (1) A person shall be allowed an amortisation 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 ⁵⁵[amortization] computed under subsection (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 amortisation 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, 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 amortised 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.

- (2) In this section –

“scientific research” means any ⁵⁶[activity] 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 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 Central Board of Revenue 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 recognised, aided, or run by the Federal Government or a local authority; or
- (c) the training of any person, being a citizen of Pakistan, in connection with a scheme approved by the Central Board of Revenue 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 in deriving income chargeable to tax under the head "Income from 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 in deriving income chargeable to tax under the head "Income from 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 in deriving income chargeable to tax under the head "Income from 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;
 - (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 Small Business Finance Corporation (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 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 securitisation, 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 Central Board of Revenue for the purposes of clause (b) of sub-section (1); and

“approved modaraba” means a modaraba approved by the Central Board of Revenue 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 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.

30. Profit on non-performing debts of a banking company or development finance institution.-

- (1) A banking company or development finance institution shall be allowed a deduction for any profit accruing on a non-performing debt of the banking company or institution where the profit is credited to a suspense account in accordance with the Prudential Regulations for Banks or Non-bank Financial Institutions, as the case may be, issued by the State Bank of Pakistan.
- (2) Any profit deducted under sub-section (1) that is subsequently recovered by the banking company or development finance institution shall be included in the income of the company or institution 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 Banking Tribunals Ordinance, 1984.
- (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.-

- (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.
- (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 Central Board of Revenue 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 notice 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.
- (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 instalments.

- (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, but not before economic performance occurs.
- (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.
- (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.
- (6) 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;

- B** is cost of stock-in-trade acquired by the person in the year;
and
- C** is 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 ⁵⁷[net realisable] value of the person's stock-in-trade on hand at the end of the year.
- (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 recognised 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”.
- (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:—

$$\mathbf{A - B}$$

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, the amount of any gain arising on disposal of the asset shall be computed in accordance with the following formula, namely:—

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

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.
- (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 –
- ⁵⁸[(a) any stock-in-trade (not being stocks and shares), 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 amortisation deduction under section 24;
 - (c) any immovable property; ⁵⁹[or]
 - (d) any movable property (including wearing apparel, jewellery, or furniture) held for personal use by the person or any member of the person’s family dependent on the person ⁶⁰[.]
- ⁶¹[]

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:–

$$\mathbf{A - B}$$

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 recognised 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, ⁶²[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:—
- (a) ⁶³[dividend];
 - (b) ⁶⁴[royalty];
 - (c) profit on debt;
 - (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;
 - (g) any annuity or pension;
 - (h) any prize bond, or winnings from a raffle, lottery 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; and
 - (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.
- (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 or gift by a person in ⁶⁵[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 Card shall be treated as income chargeable to tax under the head "Income from Other Sources" for the tax year in which it was received.
- (4) Sub-section (3) shall not apply to an advance payment for the sale of goods or supply of services.
- (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.

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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 on the profit 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 (e) or (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”.
- ⁶⁷[(6) Expenditure is of a capital nature if it has a normal useful life of more than one year.]

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 specialised 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; ⁶⁸[and]
- (c) the foreign government grants a similar exemption to employees of the Federal Government performing similar services in such foreign country; ⁶⁹[]

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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 organisation, where –

- (a) the individual is either a non-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 organisation 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 organisation, 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 Honour, 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 Central Board of Revenue 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.-⁷¹[Any income received by a spouse as support payment under an agreement to live apart] shall be exempt from tax under this Ordinance.

49. Federal and Provincial Government, and local authority 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 local authority 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 local authority from a business carried on outside its jurisdictional area.

50. Foreign-source income of short-term resident individuals.-

- (1) Subject to sub-section (2), the foreign-source income of an individual (other than a citizen of Pakistan) –
 - (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.-** 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.

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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.
- (2) The Federal Government may, from time to time, 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 made by it to the Second Schedule in a financial year.

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.

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.
- (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.

**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 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.

- (3) Where ⁷³[, 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.

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 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.
- ⁷⁴[(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.
- (4) Where the loss referred to in sub-section (1) includes deductions allowed under sections 22, 23 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.
- (5) In determining whether a person’s deductions under sections 22, 23 and 24 have been set off against income, the deductions allowed under those sections shall be taken into account last.

⁷⁵[57A. **Set off of business loss consequent to amalgamation. ---**

- (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 up to a period of six tax years immediately succeeding the tax year in which the loss was first computed in the case of amalgamating company or companies.
- (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.
- (3) Where any of the conditions as laid down by the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan, 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 shall be deemed to be the income of that amalgamated company 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.
- (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.

**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.

**PART X
TAX CREDITS**

61. Charitable donations.-

- (1) A 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 organisation.

- (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, fifteen 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** ⁷⁶[of] sub-section (2) only if it was paid by a crossed cheque drawn on a bank.

62. Investment in shares.-

- (1) A person 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 is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan.
- (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 total income for the year; or
 - (c) one hundred thousand rupees.

(3) Where –

- (a) a person has claimed 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.

63. Retirement annuity scheme. –

- (1) Subject to subsection (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 annuity scheme approved by ⁷⁷[, 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.
- (2) The amount of a resident individual's tax credit allowed under subsection (1) for a tax year shall be computed according to the following formula, namely: –

(A/B) x 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 (1) paid by the individual in the year;
 - (b) five per cent of the person's total income for the tax year; or
 - (c) ⁷⁸[one hundred] thousand rupees.

- (3) A person shall not be entitled to a tax credit under sub-section (1) 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.

64. Profit on debt.-

⁷⁹[(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 the loan for the construction of a new house or the acquisition of a 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) x 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) twenty five per cent of the person's total income for the year; or
 - (c) ⁸⁰[one hundred] thousand rupees.

- (3) A person is not entitled to ⁸¹[tax credit] under this section for any profit deductible under section 17.

65. Miscellaneous provisions relating to tax credits.-

- (1) Where the person entitled to a tax credit under ⁸²[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.
- (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 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.

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 expenditure relates to –
 - (a) the derivation of more than one head of income; or
 - ⁸³[(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 expenditure 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 Central Board of Revenue may make rules under section ⁸⁴[237] for the purposes of apportioning deductions.

68. Fair market value.-

- (1) For the purposes of this Ordinance, the fair market value of any property, asset, service, benefit or perquisite at a particular time shall be the price which the property, 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, 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.

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 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 mid-exchange 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**

⁸⁵[74. **Tax year.-**

- (1) For the purpose of this Ordinance and subject to this section, the tax year 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 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.
- (3) A person may apply, in writing, to the Commission 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.
- (11) A person dissatisfied with an order under sub-section (3), (4) or (7) may file a review application to the Central Board of Revenue, and the decision by the Central Board of Revenue 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.
- (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 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 be.
- (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.

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 asset, 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) of section 75 shall be the fair market value of the asset determined at the time it is applied to personal use.
- (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 realised during the term of the lease towards the cost of the asset is not less 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.

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;
 - (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**

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, organised or established in Pakistan or elsewhere;
 - (c) the Federal Government, a foreign government, a political subdivision of a foreign government, or public international organisation.
- (2) For the purposes of this Ordinance —
- (a) “association of persons” includes a firm, a Hindu undivided family, any artificial juridical person and any body 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;
 - (v) a trust, a co-operative society or a finance society⁸⁶[or any other society established or constituted by or under any law for the time being in force];

- (vi) a foreign association, whether incorporated or not, which the Central Board of Revenue has, by general or special order, declared to be a company for the purposes of this Ordinance;
 - (vii) a Provincial Government; or
 - (viii) a local authority in Pakistan;
- (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 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 eighty-two days or more in the tax year;

- (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
 - (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 or almost wholly in Pakistan at any time in the year; or
 - (c) it is a Provincial Government or local authority 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;
 - (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 subsection (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.
- (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 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 is sued 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

- 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:—

$$(A/B) \times C$$

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.
- 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 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) Subsection (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) Subject to sub-section (2), an association of persons shall be liable to tax separately from the members of the association and any 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.
- (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.
- (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.
- (4) An association of persons referred to in sub-section (3) shall furnish a return of total income for each tax year.

- (5) Sections 114, 118 and 119 shall apply to a return of total income required to be furnished under sub-section (4).

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 notice 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.

PART IV COMPANIES

94. Principles of taxation of companies.-

- (1) A company shall be liable to tax separately from its shareholders.
- (2) A dividend paid by a resident company shall be taxable in accordance with Section 5.
- (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.

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 amortised 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 at fair market value, 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 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 amortised 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 at fair market value, 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—
- (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 companies 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 amortised 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 at fair market value, 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 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; or
 - (b) a third company beneficially holds all the issued shares in both companies.

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 utilise 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.

**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.

**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 liquified 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, 1954.
- (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.

**CHAPTER VII
INTERNATIONAL**

**PART I
GEOGRAPHICAL SOURCE OF INCOME**

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 a local authority 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 or merchandise of the same or similar kind as those sold by the person through a permanent establishment in Pakistan; or
 - (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 Pakistan.
- (4) Where the business of a non-resident person comprises the rendering of independent services (including professional services and the services of entertainers and sportspersons), 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 non-resident person; and
 - (b) the aggregate gross amount (before deduction of expenses) of the remuneration is sixty thousand rupees or more.
- (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.
- (6) A dividend shall be Pakistan-source income if it is paid by a resident company.
- (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 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.
- (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.
- (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.

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 capitalisation.-

- (1) Where a foreign-controlled resident company (other than a financial institution ⁸⁷[or a banking company]) 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:-

- (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 ⁸⁸[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.-

- (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 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.

- (2) 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 for –
- (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 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

107. 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.

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.
- (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.

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; or
 - (c) a person has incurred any expenditure,

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 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 shall be included in the person's income chargeable to tax under head "Income from ⁸⁹[Other Sources] to the extent it is not adequately explained.

- (2) The amount referred to in sub-section (1) shall be included in the person's income chargeable to tax in the tax year in which it was discovered by the Commissioner.
- (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 ⁹⁰[Other Sources] in the tax year in which the difference is discovered.
- (4) Sub-section (1) does not apply to any amount of foreign exchange remitted by a person 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.
- (5) The Central Board of Revenue may make rules under section ⁹¹[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 stocks and shares.

CHAPTER IX MINIMUM TAX

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, the setting off of a loss of an earlier year, exemption from tax, the application of credits or rebates, or the claiming of allowances or deductions (including depreciation and amortisation deductions) 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 per cent 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's turnover for the tax year shall be treated as the income of the person for the year chargeable to tax; and
 - (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 per cent of the person's turnover for the year.
- (3) In this section, "turnover" means –
- (a) the gross receipts, exclusive of ⁹²[sales tax and central 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 ⁹³[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 which the company is a member.

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:–
- (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

- (b) any person not covered by clause (a) 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.

- (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.

- (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;
 - (d) the person is otherwise about to cease carrying on business in Pakistan; or
 - (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 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 longer period as may be specified in such notice or as the Commissioner may allow.
- (5) A notice under sub-section (4) may be issued only in respect of the last five completed tax years.
- (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.
- (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.-

- (1) 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; and

- (b) subject to sub-section (2), a wealth statement referred to ⁹⁴[in] section 116.
- (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.
 - (3) The following persons shall not be required to furnish a return of income for a tax year solely by reason of sub-clauses (iii) through (vii) 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.
 - (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 148, ⁹⁵[5, 6, 7, 148, 153, 154, 156 or sub-section (5) of section 234] 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.

116. Wealth statement.-

- (1) Subject to subsection (2), the Commissioner may, by notice in writing, require any person 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; and

- (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.
- (2) Every resident taxpayer filing a return of income for any tax year shall furnish a wealth statement for that year along with such return.

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, an employer's certificate under section 115, a statement required under sub-section (4) of section 115 or a wealth statement under section 116 shall be furnished in the prescribed manner.
- (2) A return of income 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.
- (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.
- (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 or employer's certificate, such return or certificate shall not be treated as a return or certificate 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;
 - (b) an employer's certificate under section 115;
 - (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, certificate, 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, employer's certificate, or ⁹⁶[] 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, employer's certificate, or ⁹⁷[] statement to which the application relates by the due date because of –
- (a) absence from Pakistan;
 - (b) sickness or other misadventure; or
 - (c) any other reasonable cause,

the Commissioner may, by ⁹⁸[order], in writing, grant the applicant an extension of time for furnishing the return, certificate, 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 ⁹⁹[] statement, as the case may be, unless there are exceptional circumstances justifying a longer extension of time.

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- (6) An extension of time granted under sub-section (3) shall not ¹⁰¹[, for the purpose of charge of additional tax under sub-section (1) of section 205,] change the due date for payment of income tax under section 137.

PART II ASSESSMENTS

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 ¹⁰²[ending on or after 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.

121. Assessment of persons who have not furnished a return.-

- (1) Where a person required under this Ordinance ¹⁰³[, or the repealed Ordinance] 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 judgement, make an assessment of the taxable income of the person and the tax due thereon for the year.
- (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 ¹⁰⁴[, or the income year,] to which it relates and shall be an alternative to the application of sub-section (4) of section 114.

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 121 ¹⁰⁵[, or issued under section 59, 59A, 62, 63 or 65 of the repealed Ordinance,] by making such alterations or additions as the Commissioner considers necessary to ensure that the taxpayer is liable for the correct amount of tax for the tax year to which the assessment order relates.
- (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.
- (3) Where a taxpayer furnishes a revised return under sub-section (6) 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 (hereinafter referred to as the "original assessment") has been amended under sub-section (1) or (3), the Commissioner may further amend ¹⁰⁶[, as many times as may be necessary,] the original assessment within the later of –
- (a) five years after the Commissioner has issued or is treated as having issued the original assessment order to the taxpayer; or
 - (b) one year after the Commissioner has issued or is treated as having issued the amended assessment order to the taxpayer.
- (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 has been incorrectly applied in making the assessment (including the misclassification of an amount under a head of income ¹⁰⁷[, 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
 - (b) has definite information acquired from an audit or otherwise that the assessment is incorrect.
- (6) As soon as possible after making an amended assessment under sub-section (1) or (4), the Commissioner shall issue an amended assessment order to the taxpayer stating –
- (a) the amended taxable income of the taxpayer;
 - (b) the 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.
- (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, ¹⁰⁸[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.
- ¹⁰⁹[(9) No assessment shall be amended, or further amended, under this section unless the taxpayer has been provided with an opportunity of being heard.]

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 finalise a provisional assessment order or a provisional amended assessment order as soon as practicable after making it.
- (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 Commissioner (Appeals), Appellate Tribunal, High Court, or Supreme Court, an assessment order is set aside and the Commissioner is directed to make a new assessment order, the Commissioner shall make the new order within ¹¹⁰[one year from the end of the financial year in which] the Commissioner is served with the order.
- (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.

¹¹¹[**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 an assessee, 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 assessee 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 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 notice 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).-

¹¹²[(1) Any person dissatisfied with any order passed by a Commissioner or a taxation officer under section 121, 122, 143, 144, 170, 182, 183, 184, 185, 186, 187, 188, or 189, 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 treating a person to be the representative of a non-resident person, 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, may prefer an appeal to the Commissioner (Appeals) against the order.]

¹¹³[(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

(b) an amount equal to-

(i) fifteen percent of the amount of tax assessed as is in excess of the tax due under sub-section (1) 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.]

(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 ¹¹⁴[shall be] –
- (a) in the case of an appeal against an assessment, the lesser of one thousand rupees or ten per cent of the tax assessed; 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.

¹¹⁵[(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.
- (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 wilful 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 –
 - (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
 - (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 authorise 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 ¹¹⁶[] his order on the appellant and the Commissioner.
- (5) Where the Commissioner (Appeals) has not made an order on an appeal before the expiration of three 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.
- (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 three months referred to in that sub-section.
- (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 three months.

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; or
 - (b) is or has been an advocate of a High Court and is qualified to be a Judge of the High Court.
- (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 ¹¹⁷[].

- (5) The Federal Government shall appoint a member of the Appellate Tribunal as Chairperson of the Tribunal and, except in special circumstances, the person appointed should be a judicial member.
- (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.
- (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 ¹¹⁸[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 ¹¹⁹[taxpayer] or Commissioner objects to an order passed by the Commissioner (Appeals), the ¹²⁰[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 ¹²¹[, except in case of an appeal preferred by the Commissioner,] by the prescribed fee specified in sub-section (3); and
 - ¹²²[(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.]
- (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.
- (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.

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.

- ¹²³[(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 may if it deems fit, dismiss the appeal in default, or may proceed *ex parte* to decide the appeal on the basis of the available record.]
- (3) Where the appeal relates to an assessment order, the Appellate Tribunal may ¹²⁴[, without prejudice to the powers specified in sub-section (2),] make an order to –
- (a) affirm, modify or annul the assessment order; or
- (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 ¹²⁵[; and]
- ¹²⁶[(c) remand the case to the Commissioner or the Commissioner (Appeals) for making such enquiry or taking such action as the Tribunal may direct.]
- (4) The Appellate Tribunal shall not increase the amount of any assessment 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 authorise 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.
- ¹²⁷[(7) The Appellate Tribunal shall communicate its order to the taxpayer and the Commissioner.]

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- (10) Save as provided in section 133, the decision of the Appellate Tribunal on an appeal shall be final.

133. Reference to High Court.-

- (1) Where the Appellate Tribunal has made an order on an appeal under section 132, the ¹³⁰[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.
- (2) An application under sub-section (1) shall be made within ninety days of the date on which the ¹³¹[taxpayer] or Commissioner, as the case may be, was served with notice of the Appellate Tribunal's order.
- (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 ¹³²[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.
- (5) An application under sub-section (4) shall be made within one-hundred and twenty days from the date on which the ¹³³[taxpayer] or Commissioner, as the case may be, was served with notice of the refusal.
- (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 ¹³⁴[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 (1).

- (8) An application under sub-section (7) shall be made within ¹³⁵[ninety days] from the date on which the ¹³⁶[taxpayer] or Commissioner, as the case may be, was served with notice of the rejection.
- (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.

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 reserved in appeal under this section, effect shall be given to the order of the Supreme Court in the manner provided in sub-section (10) 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.

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136. Burden of proof.- In any appeal 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 for a tax year shall be due on the due date for furnishing the taxpayer's return of income for that year.
- (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.
- (3) Nothing in sub-section (2) 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 or allow the taxpayer to pay any tax due in instalments 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 instalments and the taxpayer defaults in payment of any instalment, 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 instalments shall not preclude the liability for additional tax arising under section 205 from the due date of the tax under sub-section (1).

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¹³⁹[**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.
- (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 Central Board of Revenue 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.]

¹⁴⁰[**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 if it were an arrear of land revenue.
- (2) Without prejudice to any other power of the District Officer (Revenue) in this behalf, 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.]

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;
 - (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.

- (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.
- (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.
- (8) The tax credit allowed under this section shall be applied in accordance with sub-section (3) of section 4.
- (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.
- (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 –
 - (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 ¹⁴¹[, 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 shall be 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 ¹⁴²[, 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.

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.
- (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.

146. Recovery of tax from persons assessed in Azad Jammu and Kashmir.-

- (1) Where any person assessed to tax for any tax year under the law relating to income tax in the Azad Jammu and Kashmir has failed to pay the tax and the income tax authorities of the Azad Jammu and Kashmir 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 Kashmir,

the Deputy Commissioner in the Azad Jammu and Kashmir 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.

¹⁴³**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 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.]

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 who derives or expects to derive income chargeable to tax under this Ordinance in a tax year other than –
 - (a) income chargeable to tax under the head “Capital Gains”;
 - (b) income chargeable to tax under sections 5, 6 and 7;
 - ¹⁴⁴[(ba) income chargeable to tax under section 15;]
 - (c) income subject to deduction of tax at source under section 149; or

- (d) income from which tax has been collected under Division II or deducted under Division III 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 where the individual's latest assessed taxable income excluding income referred to in clauses (a), (b), ¹⁴⁵[(ba),] (c) and (d) of sub-section (1) is less than one hundred and fifty thousand rupees.
- (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”).
- (4) The amount of advance tax due for a quarter shall be computed according to the following formula, namely:—

$$(A \times B/C) - D$$

where –

- A** is the taxpayer's turnover for the quarter;
- B** is the tax assessed to the taxpayer for the latest tax year;
- 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 168, other than tax deducted under section 149.
- (5) Advance tax is payable by a taxpayer to the Commissioner –

- (a) in respect of the September quarter, on or by the 7th day of October;
 - (b) in respect of the December quarter, on or before the 7th day of January;
 - (c) in respect of the March quarter, on or before the 7th day of April; and
 - (d) in respect of the June quarter, on or before the 21st day of June.
- (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.
- (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 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.
- (11) In this section, "turnover" shall not include amounts referred to in clauses (a), (b), (c) and (d) of sub-section (1).

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.

- (2) This section shall not apply to –
- (a) the re-importation of re-usable containers for re-export qualifying for customs-duty and sales tax exemption on temporary import under the Customs Notification No. S.R.O. 344(1)/95, dated the 25th day of April, 1995; or
 - (b) the importation of the following petroleum products –
“Motor Spirit (MS), Furnace Oil (FO), JP-1 and MTBE”.
- (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 one hundred 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.
- (4) A certification of a reduction of tax under sub-section (3) shall not be made in the first year of a manufacturer’s business.
- (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.
- (7) Except in the case of an industrial undertaking importing goods as raw materials 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 (1).
- (8) The tax collected from a person under this section on the import of edible oils for a tax year shall be treated as the minimum amount of tax payable by the person under this Ordinance and where the person’s final tax liability exceeds the amount collected under this section the tax collected shall be credited against that final liability.
- (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; and

“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.

Division III Deduction of Tax at Source

149. Salary.-

- (1) Every employer 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 making such adjustment, as may be necessary, for any excess deduction or deficiency arising out of any previous deduction or failure to make a 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:–

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

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.

150. Dividends.- Every resident company paying a dividend shall deduct tax from the gross amount of the dividend paid ¹⁴⁶[] at the rate specified in Division III of Part I of the First Schedule.

151. Profit on debt.-

- (1) Where –

- (a) a person pays yield on a National Savings Deposit Certificate, including a Defence Savings Certificate, under the National Savings Scheme;
- (b) a banking company and financial institution pays any profit on a debt, being an account or deposit maintained with the company or institution; ¹⁴⁷[]
- ¹⁴⁸[(c) the Federal Government, a Provincial Government or a local authority pays to any person, other than a financial institution, profit on any security issued by such Government or authority; or]
- ¹⁴⁹[(d) a banking company, a financial institution, a company referred to in clauses (a) and (b) of sub-section (2) of section 80, or finance societies 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 I 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.

152. Payments to non-residents.-

- (1) Every person paying an amount of ¹⁵⁰[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.
- (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) applies) shall deduct tax from the gross amount paid at the rate specified in Division II of Part III of the First Schedule.
- (3) Sub-section (2) does not apply to an amount –
 - (a) that is subject to deduction of tax under section 149, 150, 153, 155 or 156;

- (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.
- (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.
- (5) Where a person intends to make a payment to a non-resident person without deduction of tax under this section, 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.
- (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 notice 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 –
- (a) ¹⁵¹[on] import of goods where title to the goods passes outside Pakistan, except an the 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
- (b) educational and medical expenses remitted in accordance with the regulations of the State Bank of Pakistan.

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 ¹⁵²[] services;
 - (c) on the execution of a contract, other than a contract for the supply of goods or the rendering of professional 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.
- (2) The gross amount payable for a sale of goods shall include the sales tax, if any, payable in respect of the sale.
- (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 turnkey contract;
 - (b) a contract or sub-contract for the design, construction or supply of plant and equipment under a power project;
 - (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,

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.

- (4) The Commissioner may, on application made by the recipient of a payment referred to in sub-section (1) or (3) 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.
- (5) Sub-section (1) 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;
- (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.
- (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 clauses (a) or (c) of sub-section (1).
- (7) The tax deducted under this section shall be a final tax on the income of a non-resident person arising from a contract¹⁵³[specified in sub-section (3)].
- (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.

(9) In this section, –

“prescribed person” means –

- (a) the Federal Government;
- (b) a company;
- (c) an association of persons ¹⁵⁴[constituted by, or under,] law;
- (d) a foreign contractor or consultant; or
- (e) a consortium or joint venture ¹⁵⁵[.]

“professional services” includes the services of accountants, architects, dentists, doctors, engineers, interior decorators and lawyers, otherwise than as an employee; and

“sale of goods” includes a sale of goods for cash or on credit, whether under written contract or not ¹⁵⁶[.]

154. Exports.-

- (1) Every authorised dealer in foreign exchange shall, at the time of realisation 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 realisation 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 realisation 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 Central Board of Revenue, deduct tax from the amount of the proceeds at the rate specified in Division IV of Part III of the First schedule.
- (4) The tax deducted under sub-section (1) or (3) shall be a final tax on the income arising from the export ¹⁵⁷[or sale to an exporter].

155. Income from property.-

- (1) Subject to sub-section (2), 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.
- (2) Sub-section (1) shall apply only where the annual rent exceeds one hundred thousand rupees.
- (3) In this section, "prescribed person" means the Federal Government, a Provincial Government, local authority, a company, a non-profit organisation or a diplomatic mission of a foreign state.

156. Prizes and winnings.-

- (1) Every person paying ¹⁵⁸[prize on] a prize bond, or winnings from a raffle, lottery, 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.
- (2) Where a payment under sub-section (1) is not in cash, the person making the payment shall collect the tax due under that sub-section from the recipient of the payment.
- ¹⁵⁹[(3) The tax deducted under sub-section (1) or collected under sub-section (2) shall be final tax on the income from prizes or winnings referred to in the said sub-sections.

¹⁶⁰[]

¹⁶¹[**158. Time of deduction of tax.-** A person required to deduct tax from an amount paid by the person shall deduct tax -

- (a) in the case of deduction under section 151, at the time the amount is credited to the account of recipient; and
- (b) in other cases, at the time the amount is actually paid.]

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 paid to a person to which Division II or III of this Part ¹⁶²[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.

(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 shall collect or deduct the full amount of tax specified in Division II or III, 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.

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 of this Part ¹⁶³[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 or deduct tax from a payment as required under Division III of this Part ¹⁶⁴[or Chapter XII]; or
- (b) having collected tax under Division II of this Part or deducted tax under Division III of this Part ¹⁶⁵[or Chapter XII] fails to pay the tax to the Commissioner as required under section 160,

the person shall be personally liable to pay the amount of tax to the Commissioner ¹⁶⁶[who may proceed to recover the same].

¹⁶⁷[(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.]

¹⁶⁸[(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 additional tax at the rate of eighteen 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 or deduct tax from a payment as required under Division III of this Part ¹⁶⁹[or Chapter XII], the Commissioner may 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 ¹⁷⁰[or Chapter XII] from any other legal action in relation to the failure, or from a charge of additional tax 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 ¹⁷¹[or

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, a certificate setting out the amount of tax collected or deducted and such other particulars as may be prescribed.

- (2) A person required to furnish a return of taxable income for a tax year shall attach to the return any certificate provided to the person under this section in respect of tax collected or deducted in that year ¹⁷²[and such certificate shall be treated as sufficient evidence of the collection or deduction for the purposes of section 168].

165. Statements.-

- (1) Every person collecting tax under Division II of this Part or deducting tax from a payment under Division III of this Part ¹⁷³[or Chapter XII] shall, within two months after the end of the financial year or within such further time as the Commissioner may allow by notice in writing, furnish to the Commissioner a statement in the prescribed form setting out—
- (a) the name and address of each person from whom tax has been collected under Division II of this Part or to whom payments have been made from which tax has been deducted under Division III of this Part ¹⁷⁴[or Chapter XII] in the year;
 - (b) the total amount of payments made to a person from which tax has been deducted under Division III of this Part ¹⁷⁵[or Chapter XII] in the year;
 - (c) the total amount of tax collected from a person under Division II of this Part or deducted from payments made to a person under Division III of this Part ¹⁷⁶[or Chapter XII] in the year; and
 - (d) such other particulars as may be prescribed.
- (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 or deducting tax under Division III of this Part ¹⁷⁷[or Chapter XII] may be required to furnish statements on a quarterly or six monthly basis as may be prescribed.

166. Priority of tax collected or deducted.-

- (1) Tax collected by a person under Division II or deducted from a payment under Division III of this Part ¹⁷⁸[or Chapter XII] shall be –
 - (a) held by the person in trust for the 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 tax under Division II of this Part or deducted tax from a payment under Division III of this Part ¹⁷⁹[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 shall be –
 - (a) a first charge on the payment; and
 - (b) deducted prior to any other amount that the person may be required to 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 ¹⁸⁰[Division II] Division III ¹⁸¹[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 ¹⁸²[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 or deducted under Division III of this Part ¹⁸³[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 (3) and (4), where an amount of tax has been collected from a person under Division II of this Part or deducted from a payment made to a person under Division III of this Part ¹⁸⁴[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.
- (3) No tax credit shall be allowed for any tax collected or deducted that is a final tax under sub-section (7) of section 148, sub-sections (6) or (7) of section 153, sub-section (4) of section 154, sub-section (3) of section 156, or ¹⁸⁵[sub-section (5) of section 234].
- (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.

169. Tax collected or deducted as a final tax.-

- (1) This section shall apply where –
 - (a) the collection of advance tax is a final tax under sub-section (7) of section 148 on the income to which it relates; or
 - (b) the deduction of tax is a final tax under sub-sections (6) or (7) of section 153, sub-section (4) of section 154, sub-section (3) of section 156 ¹⁸⁶[] on the income from which it has been deducted.
- (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; and
 - (e) there shall be no refund of the tax collected or deducted ¹⁸⁷[unless the tax so collected or deducted is in excess of the amount for which the taxpayer is chargeable under this Ordinance].
- (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 and 7, ¹⁸⁸[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.
- ¹⁸⁹[(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.]

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.
- (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 two 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 forty five 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.
- (5) A person dissatisfied with a decision referred to in sub-section (4) may challenge the decision only 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 fifteen per cent 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.
- (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, on the date of receipt of such order by the Commissioner;

- (b) in the case of a refund required to be made as a consequence of a revision order under section 135, on the date the order is made by the Commissioner; or
- (c) in any other case, on the date the refund order is made.

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 local authority 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 local authority in Pakistan, any individual responsible for accounting for the receipt and payment of moneys or funds on behalf of the Provincial Government or local authority;
 - (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 organisation, or a foreign government or political subdivision of a foreign government, any individual responsible for accounting for the receipt and payment of moneys or funds in Pakistan on

behalf of the organisation, government, or political subdivision 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 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;
 - (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 notice 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 or treated 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.
- (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 -
 - (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 disallow a taxpayer's claim for a deduction if the taxpayer is unable, without reasonable excuse, 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 for five years after the end of the tax year to which they relate.

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-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).

- (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.
- (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 –
 - (a) to furnish to the Commissioner or an authorised officer, any information relevant to any tax imposed under this Ordinance 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.

- (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) 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 rule of law relating to privilege or the public interest in relation to the production of accounts, documents, or computer-stored information or the giving of information.

177. Audit.-

- (1) The Commissioner may select any person 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 that the Commissioner considers relevant.

¹⁹⁰[(1A) After selection of a person for audit under 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.]

(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 reasonable 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 authorised by the Commissioner, in writing, to exercise the powers in sections 175 and 176 for the purposes of ¹⁹¹[conducting] an audit under that subsection.

178. Assistance to Commissioner.- Every Officer of Customs, Central Excise ¹⁹²[, Sales Tax], 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 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 Central Board of Revenue may, by notification in the official Gazette, authorise 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.

**PART IX
NATIONAL TAX NUMBER CARD**

181. National Tax Number Card.-

- (1) Every taxpayer shall apply in the prescribed form and in the prescribed manner for a National Tax Number Card.
- (2) An application under sub-section (1) shall be accompanied by the prescribed fee.
- (3) The Commissioner having jurisdiction over an applicant under sub-section (1) 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 Card for a period prescribed by Commissioner.

**PART X
PENALTY**

182. Penalty for failure to furnish a return or statement.-

- (1) Any person who, without reasonable excuse, fails to furnish, within the time allowed under this Ordinance, ¹⁹³[return of income 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 ¹⁹⁴[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).

183. Penalty for non-payment of tax.-

- (1) A taxpayer who fails to pay any tax (other than penalty) 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.

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 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.
- (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 ¹⁹⁵[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.

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;
- (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.

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.

187. Penalty for making false or misleading statements.-

- (1) Where a person –
- (a) makes a statement to ¹⁹⁶[an income tax authority] that is false or misleading in a material particular or omits from a statement made to ¹⁹⁷[an income tax authority] any matter or thing without which the statement is false or misleading in a material particular; and
 - (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 ¹⁹⁸[an income tax authority] is a reference to a statement made in writing or orally to that ¹⁹⁹[authority] acting in the performance of the ²⁰⁰[authority’s] duties under this Ordinance, and shall include a statement made -
- (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 ²⁰¹[an income tax authority] otherwise than pursuant to this Ordinance;
 - (d) in answer to a question asked of a person by ²⁰²[an income tax authority]; or

- (e) to another person with the knowledge or reasonable expectation that the statement would be conveyed to ²⁰³[an income tax authority].

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 124, 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.

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.

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.
- (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.

- (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.

**PART XI
OFFENCES AND PROSECUTIONS**

191. Prosecution for non-compliance with certain statutory obligations.-

- (1) Any person who, without reasonable excuse, fails to –
- (a) furnish a return of income as required under section 114 or a wealth statement as required under section 116;
 - (b) pay advance tax as required under section 147;
 - (c) comply with the obligation under Part V of this Chapter 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 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 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 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 or imprisonment for a term not exceeding three years, or both.

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 or imprisonment for a term not exceeding two years, or both; or
- (b) in any other case, a fine.

194. Prosecution for improper use of National Tax Number Card.- A person who knowingly or recklessly uses a false National Tax Number Card including the National Tax Number Card 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 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 ²⁰⁴[an income tax authority] that is false or misleading in a material particular; or
 - (b) omits from a statement made to ²⁰⁵[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) Sub-section (3) of section 187 shall apply in determining whether a person has made a statement to a taxation officer.

196. Prosecution for obstructing ²⁰⁶[an income tax authority].- A person who obstructs ²⁰⁷[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 preventing the Commissioner from attaching it, shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding three years, or both.

198. Prosecution for unauthorised disclosure of information by a public servant.- A person who discloses any particulars in contravention of section 216 shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding six months, or both.

199. Prosecution for abetment.- Where a person 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.

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.

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 offence and order that such person pay the amount for which the offence may be compounded.

203. Trial by Special Judge.-

(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 appointed 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.

(2) A Special Judge shall take cognisance of, and have jurisdiction to try, an offence triable under sub-section (1) only upon a complaint in writing made by the Commissioner.

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 ADDITIONAL TAX

205. Additional tax.-

- (1) A person who fails to pay –
 - (a) any tax, including any advance payment of tax under section 147;
 - (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 additional tax at a rate equal to eighteen per cent per annum on 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.

- (2) Any additional tax 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 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 additional tax at a rate equal to eighteen per cent 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 Commissioner.
- (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.
- (5) The Commissioner shall make an assessment of any additional tax imposed under this Part in accordance with the provisions of Part II of this Chapter as if the additional tax were tax.

- (6) The provisions of Parts III and IV apply to an assessment of additional tax as if it were an assessment of tax.

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 Central Board of Revenue, the Central Board of Revenue may issue Circulars setting out the Board's interpretation of this Ordinance.
- (2) A Circular shall be binding on the Central Board of Revenue, other than the Commissioner (Appeals).
- (3) A Circular shall not ²⁰⁸[be] binding on a taxpayer.

CHAPTER XI ADMINISTRATION

PART I GENERAL

²⁰⁹[**207. Income tax authorities.-**

- (1) There shall be the following income tax authorities for the purposes of this Ordinance, namely:-
- (a) Central Board of Revenue;
 - (b) Regional Commissioners of Income Tax;
 - (c) Commissioners of Income Tax;
 - (d) Commissioners of Income Tax (Appeals); and
 - (e) taxation officers.
- (2) The Central Board of Revenue shall exercise the general administration of this Ordinance.
- (3) The Regional Commissioners of Income Tax and the Commissioners of Income Tax (Appeals) shall be subordinate to

the Central Board of Revenue and the Commissioners of Income Tax shall be subordinate to the Regional Commissioners.

- (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.]

²¹⁰**[208. Appointment of income tax authorities.-**

- (1) The Central Board of Revenue 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.
- (2) Subject to such orders or directions as may be issued by the Central Board of Revenue, 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.]

²¹¹**[209. Jurisdiction of income tax authorities.-**

- (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.
- (2) The Central Board of Revenue or the Regional Commissioner may, by an order, confer upon or assign to any taxation officer all or any of the powers and functions conferred upon or assigned to the Commissioner, under this Ordinance, in respect of any person or persons or classes of persons or areas.
- (3) An order under sub-section (2) by the Regional Commissioner shall be made only with the approval of the Central Board of Revenue.

- (4) The taxation officer 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 Regional Commissioner or Regional Commissioners concerned and, if they are not in agreement, by the Central Board of Revenue.
- (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.
- (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.]

²¹²**[210. Delegation.-**

- (1) The Commissioner may, by an order in writing, delegate to any taxation officer all or any of the powers or functions conferred upon or assigned to the Commissioner under this Ordinance, other than the power of delegation.
- (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).]

²¹³**[211. Power or function exercised.-**

- (1) Where, by virtue of an order under section 210, a taxation officer 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 taxation officer shall not prevent the exercise of the power, or the performance of the function, by the Commissioner.]

²¹⁴**[212. Authority of approval.-** The Central Board of Revenue may, by a general or special order, authorise 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.]

²¹⁵**[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 authorised in this behalf by the Central Board of Revenue.]

²¹⁶**[214. Income tax authorities to follow orders of the Central Board of Revenue.-**

- (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 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 of his appellate function.]

²¹⁷**[215. Furnishing of returns, documents etc.-**

- (1) Where, by virtue of an order section 210, the Commissioner has delegated to any taxation officer 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 taxation officer 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 taxation officer 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 –
- (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-Shadat, 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 realise any tax imposed by it;
 - (g) to any authority exercising powers under ²¹⁸[the Central Excises Act, 1944 (I of 1944)], 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 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;

- (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 Commissioner from publishing, with the prior approval of the Federal Government, any such particulars as are referred to in that sub-section.
- (6) Nothing contained in sub-section (1) shall prevent the Federal Government from publishing particulars and the amount of tax paid by a holder of a public office as defined in the ²¹⁹[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 Central Board of Revenue.

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 Central Board of Revenue 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 taxation officer, is printed, stamped or written on the notice or document.

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) 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).
- (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; 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 ²²⁰[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.
- (5) 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 them to rectify any mistake apparent from the record on their own motion or any mistake brought to their notice by a taxpayer or, in the case of the Commissioner (Appeals) or the Appellate Tribunal, the Commissioner.
 - (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, Commissioner (Appeals) or the Appellate Tribunal, 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 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 Central Board of Revenue to have the order cancelled.
- (8) The Central Board of Revenue 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 Central Board of Revenue may make rules under section ²²¹[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 recognised for the purposes of this section by the Central Board of Revenue; and

“income tax practitioner” means a person who is registered as such by the Central Board of Revenue, 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 the order was served on the taxpayer, the time requisite for obtaining a copy of such order; and

- (b) in the case of an assessment or other proceeding under this Ordinance, the period, if any, for which such proceedings were stayed by ²²²[any Court, Tribunal or any other authority].

227. Bar of suits in Civil Courts.- No suit or other legal proceeding shall be brought in any Civil Court against any order made 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 thereunder.

PART II DIRECTORATE-GENERAL OF INSPECTION

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.

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.

230. Jurisdiction of Inspection Authorities.-

- (1) 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 his 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.

231. Functions and Powers of Directorate.-

- (1) 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 (1), the Directorate-General shall have the powers specified in section 176.

CHAPTER XII TRANSITIONAL ADVANCE TAX PROVISIONS

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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 (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.

234. Transport business.-

- (1) Any person ²²⁴[at the time of] collecting motor vehicle tax shall also collect advance tax at the rates specified in Part IV of the First Schedule.
- (2) If the motor vehicle tax is collected in instalments, the advance tax may also be collected in instalments in like manner.
- ²²⁵[(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 2030 kilograms or more but 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.
- (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 ²²⁶[from plying, or hiring out, of such vehicle].

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.
- (2) The person preparing electricity consumption bill shall charge advance tax under sub-section (1) in the manner electricity consumption charges are charged.
- (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.

236. Telephone 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; and
 - (b) prepaid cards for ²²⁷[] telephones.
- (2) The person preparing the telephone bill shall charge advance tax under sub-section (1) in the manner telephone charges are charged.
- (3) The person issuing or selling prepaid cards for ²²⁸[] telephones shall called advance tax under sub-section (1) from the purchasers at the time of issuance or sale of cards.
- (4) Advance tax under this section shall not be collected from Government, a foreign diplomat, a diplomatic mission in Pakistan, or a person who produces a certificate from the Commissioner that his income during the tax year is exempt from tax.

**CHAPTER XIII
MISCELLANEOUS**

237. Power to make rules.-

- (1) The Central Board of Revenue may, by notification in the official Gazette, make rules for carrying out of 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;
 - (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 additional tax or penalty through electronic medium;
 - (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) adversely 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.

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.-

²²⁹[(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.]

²³⁰[(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 or 62 or 63, as the case maybe, of the repealed Ordinance.]

²³¹[(3) The provisions of sub-section (1) and (2) shall apply, in like manner, to the imposition or charge of any penalty, additional tax 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 provision 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 ²³²[] 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.
- (7) Any income tax, super tax, surcharge, penalty, additional tax, 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 provision 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.

- ²³³[(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 revoked, cancelled or repealed by, or under, this Ordinance.]
- ²³⁴[(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 revoke, cancel or repeal any such notification, notice, direction, instruction, rule, agreement, appointment, approval or recognition.]
- ²³⁵[(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 Certificate shall not be required to acquire an exemption certificate under section 159 to give effect to 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 ²³⁶[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.
- ²³⁷[(18) In this section, “income tax authority“ means an income tax authority as specified in section 3 of the repealed Ordinance.]

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, ²³⁸[not] inconsistent with the provisions of this Ordinance, as may appear to it to be necessary for the purpose of removing the difficulty.

- (2) No such power shall be exercised under sub-section (1) after the 30th day of June 2004.

THE FIRST SCHEDULE

PART I RATES OF TAX (See Chapter II)

Division I Rates of Tax for Individuals and Association of Persons

1. Subject to ²³⁹[clause 2], the rates of tax imposed on the taxable income of every individual or association of persons to which sub-section (1) of section 92 applies shall be as set out in the following table, namely:—

²⁴⁰[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	5,250 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	24,000 plus 20% of the amount exceeding Rs.300,000
5.	Where taxable income exceeds Rs.400,000 but does not exceed Rs.700,000	44,000 plus 25% of the amount exceeding Rs.400,000
6.	Where taxable income exceeds Rs.700,000	119,000 plus 35% of the amount exceeding Rs.700,000]

2. Where, for a tax year, an individual or association of persons to which subsection (1) of section 92 applies derives income from agriculture to which section 41 applies and the gross amount of such income for the year exceeds Rs. 80,000, the rates of tax imposed on the taxable income of the individual or association of persons for the year shall be as set out in the following table, namely:—

TABLE

S. No.	Taxable income.	Rate of tax.
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 150,000	7.5%
2.	Where taxable income exceeds Rs. 150,000 but does not exceed Rs. 300,000	Rs. 11,250 plus 12.5% of the amount exceeding Rs. 150,000
3.	Where taxable income exceeds Rs. 300,000 but does not exceed Rs. 400,000	Rs. 30,000 plus 20% of the amount exceeding Rs. 300,000
4.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 700,000	Rs. 50,000 plus 25% of the amount exceeding Rs. 400,000
5.	Where taxable income exceeds Rs. 700,000	Rs 125,000 plus 35% of the amount exceeding Rs. 700,000

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²⁴²[**Division II**
Rates of Tax for Companies]

- (i) The rates of tax imposed on the taxable income of a company shall be 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%]

Division III Rate of Dividend Tax

The rate of tax imposed under section 5 on ²⁴³[dividend] received from a resident company shall be –

- (a) in the case of ²⁴⁴[dividend] received by a public company or an insurance company, 5% of the gross amount of the dividend; or
- (b) in any other case, 10% of the gross amount of the dividend.

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.

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.

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 6% of the value of the goods.

PART III
DEDUCTION OF TAX AT SOURCE
 (See Division III of Part V of Chapter X)

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) ²⁴⁵[or (d)] of subsection (1) 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 (1) of section 151, ²⁴⁶[20%] of the yield or profit paid.

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.

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, cotton, cotton seed or edible oils, 1% of the gross amount payable; or
 - (b) in the case of the sale of any other goods, 3.5% of the gross amount payable.
- (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.
- (3) The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (1) of section 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.
- (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 the 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 6% of the gross amount payable.

**Division IV
Exports**

- (1) The rate of tax to be deducted under sub-section (1) or (3) 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

- (2) The rate of tax to be deducted under sub-section (2) of section 154 shall be 10% of the proceeds of the export.

**Division V
Income from Property**

The rate of tax to be deducted under section 155 shall be 7.5% of the gross rent paid.

**Division VI
Prizes and Winnings**

The rate of tax to be deducted under section 156 shall be 10% of the gross amount paid.

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PART IV
(See Chapter XII)
DEDUCTION OR COLLECTION OF ADVANCE TAX

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Division II

Brokerage and Commission

Rate for collection of tax under section 233 is 5% of the amount of payment.

Division III

Transport business

Rates of collection of tax under section 234,-

- (1) In the case of goods transport vehicles with registered laden weight of—
- | | |
|---|----------------|
| (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 ²⁴⁹ [or more] [but less than 30,000 kilograms. | Rs.18,000. |
| (e) 30,000 kilograms ²⁵⁰ [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. |
- (2) In the case of passenger transport vehicles plying for hire with registered seating capacity of—

- | | |
|---|---------|
| (a) Four or more persons but less than ten persons. | Rs. 25. |
| (b) Ten or more persons but less than twenty persons. | Rs.60. |
| (c) Twenty persons ore more. | Rs.100. |
- (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 |
| ²⁵¹ [(ca) 1600 cc to 1999cc | Rs.2,000] |
| (d) 2000cc and above. | Rs.3,000. |

Division IV

Electricity Consumption

Rate of collection of tax under section 235 ²⁵²[where the amount of electricity bill],-

- | | |
|--|----------|
| (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. 4,500 | Rs, 600 |
| (h) exceeds Rs. 4500 but does not exceed Rs. 6000 | Rs. 750 |
| (i) exceeds Rs. 6000 | Rs. 1000 |

Division V Telephone users

Rates of collection of tax under section 236,--

- (a) In the case of telephone subscriber ²⁵³[(other than mobile phone)] 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 |
- ²⁵⁴[(b) in the case of subscriber of mobile telephone and pre-paid telephone card 10% of the amount of bill or sales price of pre-paid telephone card

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:

- (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.
- (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 Shaukat Khanum Memorial Hospital and Research Center, Lahore, and approved by the Federal Government for the purposes of this clause.
- (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.

- (4) Any income chargeable under head "Salary" received by a Pakistani seafarer working on a foreign vessel provided that such income is remitted to Pakistan, not later than two months of the relevant income 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.
- (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.

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- (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.

- (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.
- (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.
- (11) 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.
- (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 local authority, 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 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 two hundred thousand rupees receivable under any scheme applicable to all employees of the employer and approved by the Central Board of Revenue 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.
- (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.
 - (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.
 - (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.
- (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.
- (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.
- (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.
- (21) Any income received by a person from an annuity or annuities issued 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 (20), exceeds 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.
- (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 –
- (i) in the case of an employee of the Government or a local authority 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;

- (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;
- (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 Central Board of Revenue for the purposes of this sub-clause; and
- (iv) in the case of any employee to whom sub-clauses (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 regular employee of such company;
- (c) to any payment received by an employee who is not a resident of Pakistan; and
- (d) to any gratuity received by an employee who has already received any gratuity from the same or any other employer.

(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).

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(33) Any income of any officer representing the sum received by him as Orderly Allowance admissible to him under the Finance Division O.M. No. F.1(3)-IMP-II/85, dated the 24th October, 1985.

- (34) Any income of an employee of a recognized University in Pakistan representing the sums received by him as ²⁶²[] Orderly Allowance admissible under the terms and conditions of his service.
- (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.
- (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.

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- (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.
- (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.
- (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.
- (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.
- (42) Any amount received as flying allowance by pilots, flight engineers and navigators employed by any Pakistani airline or by Civil Aviation Authority.
- (43) Any amount notified as flying allowance payable to pilots, flight engineers and navigators of the Pakistan Air Force.
- (44) Any amount notified as flying allowance payable to pilots, flight engineers and navigators of the Pakistan Army and the Pakistan Navy.

- (45)** Any amount received as flying allowance by junior commissioned officers or other ranks of Pakistan Armed Forces.
- (46)** Any amount notified as submarine allowance payable to officers of the Pakistan Navy.
- (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.
- (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.
- (49)** The conservancy allowance granted in lieu of free conservancy to personnel below commissioned rank of Pakistan Armed Forces and Territorial Force.
- (50)** Deferred pay admissible to Armed Forces personnel under the new Pay Code.
- (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.

- (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.
- (a) Perquisites and benefits derived 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 ²⁶⁵[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 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 derived by any Mutual Fund, investment company, or a collective investment scheme approved by the Securities and Exchange Commission 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 Central Board of Revenue 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;

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.
- (58)** (1) Any income of a trust or welfare institution ²⁶⁶[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 ²⁶⁷[or non-profit organization] approved by the Central Board of Revenue for the purposes of this sub-clause.
- (59)** Any income which is derived from investments in securities of the Federal Government ²⁶⁸[, profit on debt from financial institutions, 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.

- (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.

- (61)** Subject to the provisions of section 61, any amount paid as donation to the following institution, foundations, societies, boards, trusts and funds, namely:_

- (i) any Sports Board or institution recognised by the Federal Government for the purposes of promoting, controlling or regulating any sport or game;
- (ii) President's Fund for Afghan Refugees;
- (iii) Fund for Promotion of Science and Technology in Pakistan;
- (iv) Fund for Retarded and Handicapped Children;
- (v) National Trust Fund for the Disabled;

- (vi) Bangladesh Flood Relief Fund, 1988;
- (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;
- (xi) Bank of Commerce and Credit International Foundation for Advancement of Science and Technology;
- (xii) Society for the Promotion of Engineering Sciences and Technology in Pakistan;
- (xiii) President's Fund for Assistance to Palestine;
- (xiv) President's Famine Relief Fund for Africa;
- (xv) Bangladesh Cyclone Relief Fund, 1985;
- (xvi) Prime Minister's Fund for the Welfare of Widows and Orphans;
- (xvii) Prime Minister's Disaster Relief Fund, 1987;
- (xviii) Chief Minister Punjab's Flood Relief Fund, 1988;
- (xix) Prime Minister's Fund for Welfare and Relief for Kashmiris;
- (xx) Prime Minister's Bangladesh Cyclone Relief Fund, 1991;
- (xxi) Sindh Governor's Relief Fund, 1990, for the Relief and Rehabilitation of Victims of Violence in Sindh;
- (xxii) Balochistan Governor's Relief Fund for the relief and rehabilitation of drought affected people of Balochistan;.
- (xxiii) Citizens-Police Liaison Committee, Central Reporting Cell, Sindh Governor House, Karachi;
- (xxiv) ICIC Foundation;
- (xxv) BCCI Foundation;

- (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;
- (xxxiii) 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 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 relief or welfare fund established by the Federal Government;
- (xxxix) Mohatta Palace Gallery Trust; and
- (xxxxx) Bagh-e-Quaid-e-Azam project, Karachi.

- (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.

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- (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).
- (66)** Any income of 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.
- (67)** Any income of the Liaquat National Hospital Association, Karachi.
- (68)** Any income derived by-
- (i) Abdul Sattar Edhi Foundation, Karachi; and
 - (ii) Bilquis Edhi Foundation, Karachi.
- (69)** Any income derived by Al-Shifa Trust, Rawalpindi.
- (70)** Any income derived by Fatimid Foundation, Karachi.
- (71)** Any income of Hamadard Laboratories (Waqf) Pakistan.
- (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.

- (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.
- (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 with financial institutions directly connected with financial transactions relating to the project operations.
- (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.
- (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.
- (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:
- (78) Any profit on debt derived from foreign currency accounts held with authorised banks in Pakistan, 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, 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.

- (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.
- (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.

- (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)²⁷¹[and (80)].

- (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.

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- (87)** Any income derived by a non-resident person from foreign investment in 7th issue of Pak rupee denominated WAPDA Energy Bonds issued under the WAPDA Energy Bonds (7th Issue) Regulations, 1997.
- (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 define 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.

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- (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.

- (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.

- (92)** Any income of any university or other educational institution established solely for educational purposes and not for purposes of profit.
- (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 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.

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- (95)** Any income derived by the Pakistan Council of Scientific and Industrial Research.
- (96)** Any income derived by the Institution of Engineers, Pakistan, Lahore.
- (97)** Income of Pakistan Agricultural Research Council, Islamabad.
- (98)** Any income derived by any Board or other organization established by Government in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognised by Government.
- (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 percent of its income of that year is distributed amongst the unit or certificate holders or shareholders, as the case may be.
- (100)** Any income, not being income from 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;

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 thereafter:

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.

- (101)** Profits and gains derived between the first day of July, 2000 and the thirtieth day of June, 2007 both days inclusive, by a venture capital company and venture capital fund registered under Venture Capital Companies and Funds Management Rules, 2000.
- (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.
- (103)** Any distribution received by a taxpayer from the National Investment (Unit) Trust or a Mutual Fund established by the Investment Corporation of Pakistan ²⁷⁶[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] out of the capital gains of the said Trust or Fund on which tax has already been paid.
- (104)** Any income derived by the Libyan Arab Foreign Investment Company being dividend of the Pak-Libya Holding Company.
- (105)** Any income derived by the Government of Kingdom of Saudi Arabia being dividend of the Saudi-Pak Industrial and Agricultural Investment Company Limited.
- (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).
- (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.
- (108)** Any income derived by the International Irrigating Management Institute (IIMI), Pakistan.
- (109)** Any amount collected by the Civil Aviation Authority up to the thirty-first December, 1998, on account of security charges.
- (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 (XLVII of 1984), listed on

any stock exchange in Pakistan or shares of a public company (as defined in the First Schedule) and the Pakistan Telecommunications Corporation vouchers issued by the Government of Pakistan, derived by a taxpayer in respect of any assessment year ending on or before the thirtieth day of June, 2005.

- (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.

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- (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 (120) 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 (120).

- (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).

- (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 ²⁷⁸[.]

²⁷⁹[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.]

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- (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.

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- (120)** (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 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 (XLVII 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.

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- (126)** (1) Profits and gains derived by a taxpayer from an industrial undertaking set up between the first day of July, 1995, and the ²⁸⁸[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 ²⁸⁹[:]

²⁹⁰[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 *sub judice* and that the Federal

Government shall decide such cases in accordance with the verdict of the apex Court.]

- (2) The exemption under this clause shall apply to an industrial undertaking which fulfils the following conditions, namely :-
- (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 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 unite), 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.

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(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.

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(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 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 Provincial Government or a local authority or which is not controlled by the Federal Government or a Provincial Government or a local authority:

Provided that the condition laid down in sub-clause (a) shall not apply to the Hub Power Company Limited.

²⁹⁴[(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.]

- (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.

- (134) Any amount received on encashment of any certificate issued in pursuance of the US Dollar Bearer Certificate Rules, 1991:

Provided that exemption under this clause shall not be available in respect of certificates purchased on or after the 15 June, 1995.

- (135) Any amount received on encashment of Special US Dollar Bond issued under the Special US Dollar Bonds Rules, 1998.

- (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 securitization, 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.

- (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.

- (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.

- (139)** ²⁹⁵[(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 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.

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:

- (1) The rates of income tax and super tax, as specified in the First Schedule and as applicable to the profits and gains derived by a resident company from an undertaking setup 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 may be 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.
- (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 persons in accordance with the provisions of the said Schedule.
- (3) The tax in respect of income from engineering contracting services rendered outside Pakistan shall be charged at the rate of one per cent of the gross receipts, provided that such receipts are brought into Pakistan in foreign exchange through normal banking channel.
- (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.

- (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 such commission relates.
- (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 (1) of section 151 at the rate of 10 per cent of the amount of the said profit.

- (7) In case of any resident individual, the tax from profit or interest of any National Saving Schemes of Directorate of National Savings or Post Office Saving Account in which investment is made on, or after, the first day of July, 2001, shall be deducted at the rate of ten percent of such profit or interest:

Provided that no tax shall be deducted from income or profits paid on-

- (a) Defence Savings Certificates, Special Savings Certificates Savings Accounts or Post Office Savings Account, made on, or after, the first day of July, 2001, where such deposit does not exceed ²⁹⁶[one hundred and fifty] thousand rupees; and
- (b) Investment in Monthly income Saving Accounts Scheme of Directorate of National Savings on, or after, the first day of July, 2001, where monthly installment in an account does not exceed one thousand rupees.
- (8) In the case of Daewoo Corporation, Seoul, Korea (hereinafter referred to as the Contractor), payments received in full or in 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.
- (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.
- (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.
- (11) 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 of tax liability by the O&M Contractor under this Ordinance in respect of the said project.
- (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.
- (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.
- (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 five 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.
- (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.
- (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.
- (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 privatized by WAPDA.
- ²⁹⁷**(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.]

²⁹⁸[(19) In respect of tax year commencing on or after first 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.]

²⁹⁹[(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.]

³⁰⁰[(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.]

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:-

- (1) (1) The Income Tax liability on income of salaried taxpayers, where any income chargeable under the head "salary" exceeds 50% of total income as determined under clause 1 & 2 of Division-I of Part-I of the First Schedule, shall be reduced at the following rates:-

<u>S No.</u>	<u>Income Slab</u>	<u>Reduction in Tax liability</u>
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 but 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%

³⁰¹[(1A) Where the taxable income, in a tax year, of a taxpayer aged 65 years or more on the first day of that tax year does not exceed two hundred thousand rupees, his tax liability on such income shall be reduced by 50%.]

(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 University Grants Commission, shall be further reduced by an amount equal to 50% of the tax payable after the aforesaid reduction.

(2) 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.

(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 113, the amount of tax payable under the said section shall be reduced by ³⁰²[eighty] per cent.

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: -

- (1) 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.
- (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 assessment years specified in the said section shall not apply.
- (3) The provisions of clause (b) of component **C** of sub-section (2) of section 61 shall not apply in case of donations made to Agha Khan Hospital and Medical College, Karachi:
- (4) The provisions of section 111 shall not apply in respect of any amount invested in the acquisition of Foreign Exchange Bearer Certificates issued under the Foreign Exchange Bearer Certificates Rule, 1985.
- (5) The provisions of section 111 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 accounts deposited in accounts opened on or after the said date by such person.

- (6) The provisions of section 111 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.
- (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.

- (8)** The provision of section 111 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 Exchange Bearer Certificates, US Dollar Bearer Certificates and Foreign Currency Bearer Certificates.
- (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.

³⁰³**(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.]

- (11)** 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.
- (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 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 and registered firms 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.

- (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.
- (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 rupees 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.
- (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.
- (16) The provisions of sections 113, 148, 151, 153, 155, 156 and 157 shall not apply to 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:
- Provided that such institutions shall continue to collect and deduct tax under section 113 from others persons, wherever required thereunder:
- Provided further that in respect of application of section 113, this clause shall take effect from the first day of July, 1991.
- (17) The provisions of section 113, shall not apply to local authorities, qualifying for exemption under section 49 and other than corporate, Government or semi-Governmental bodies, not otherwise liable to 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 outstanding demand created under the said section.
- (18) The provisions of section 113 shall not apply to Pakistan Red Crescent Society.
- (19) The provisions of 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.

- (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.
- (21)** The provisions of section 113 shall not apply to non-profit organisations including those approved or included in clause (58) or clause (61) of Part-I of this Schedule.
- (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.
- (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.
- (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).
- (25)** Nothing in section 113 shall apply to Corporate and Industrial Restructuring Corporation (CIRC).
- (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.
- (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.
- (28)** The provision of section 148 shall not apply to in case of such goods imported into Pakistan as are exempt from customs duties and sales tax under SROs 360(I)/2000, 362(I)/2000 and 363(I)/2000 dated 17.06.2000.
- (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 Notification No. S.R.O. 1140(I)/97, dated the 6th November, 1997;
 - (ii) the Common Bonded Warehouse (Conventional) Rules, 1998 issued under Notification No. S.R.O. 843(I)/98, dated the 23rd July, 1998; and

- (iii) the Duty and Tax Remission for Export Rules, 2001, issued under Notification No. S.R.O. 185(I)/2001, dated the 21st March 2001.

³⁰⁴[(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 Notification No.S.R.O.410(I)/2001, dated the 18th June, 2001, and the goods specified at S.Nos.22 and and 23 in Table-II of the Notification No.S.R.O.444(I)/2001, dated the 18th June, 2001.]

- (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 Notification No. S.R.O 390(I)/2001 dated 18th June, 2001.
- (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 L/Cs prior to the 31st January, 1996.
- (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.
- (34) The provision of section 151 shall not apply 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.
- (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 (XLVII of 1984), issued by Prime Minister's Housing Development Company (Pvt) Limited (PHDCL).
- (36) The provisions of clause (c) of sub-section (1) 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.
- (37) The provisions of section 151 shall not apply to Pak rupee accounts or certificates referred to in clause (83) of Part I of this Schedule.

- (38) The provisions of section 151 ³⁰⁵[, 153 and 233] shall not apply to special purpose vehicle for the purpose of securitization.
- (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.
- (40) The provisions of ³⁰⁶[sub-section (6) of section 153] in so far as they relate to payments on account of supply of goods 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 income 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 replaced Ordinance.

- (41) The provisions of ³⁰⁷[sub-section (7) of section 153] 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 income year and such declaration shall be irrevocable and shall remain in force for three years.

- (42) The provisions of ³⁰⁸[sub-section (6) 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 chemical or oil terminal at a sea-port in Pakistan or of an infrastructure project covered by the Government's Investment Policy, 1997.
- (43) The provisions of ³⁰⁹[sub-section (1) of section 153] shall not apply to payments received by Pak-Arab Refinery Limited on account of supply of it products.

³¹⁰[(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.]

- (44) The provisions of section ³¹¹[148] shall not apply to an indirect exporter as defined in the Duty and Tax Remission for Export Rules, 2001 issued under Notification No. S.R.O. 185(I)/2001, dated the 21st March 2001.

- (45)** The provisions of ³¹²[sub-section (6) of section 153] shall not apply to any manufacturer-cum-exporter as a payer:

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 in exercise.
- (46)** The provisions of ³¹³[sub-section (1) of section 153], shall not apply in respect of payments received on account of supply of petroleum products by Attock Petroleum Limited.
- (47)** The provisions of ³¹⁴[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.
- ³¹⁵**(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.]
- ³¹⁶**[(47B)** The provisions of sections 150, 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 Advisors Rules, 1971 or a Unit Trust Scheme constituted by an Asset Management Companies Rule, 1995, or a modaraba management company.]
- (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 the income year is exempt from tax.
- (49)** The provisions of section 236 shall not apply where the subscriber is a non-taxable non-profit organisation.

- (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.
- (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.
- (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.

THE THIRD SCHEDULE

PART I DEPRECIATION (See Section 22)

Depreciation rates specified for the purposes of section 22 shall be -

Class of asset.	Description.	Rate percent of the written down value.
	BUILDINGS	
I	Building (not otherwise specified).	5 (General rate)
II	Factory, workshop, cinema, hotel, hospital.	10
III	Residential quarters for labour.	10
	FURNITURE	
IV	Furniture (including fittings).	10
	MACHINERY AND PLANT	
V	Machinery and plant (not otherwise specified).	10 (General rate)
VI	Computer hardware, including printer, monitor and allied items.	30
VII	Technical or professional books.	20
VIII (i) (ii)	Ships. New. Second hand. Age at time of purchase: (a) Not more than ten years (b) Ten or more years.	5 10 20
IX	Motor vehicles (all types)	20
X	Aircraft, aero-engines and aerial photographic apparatus.	30
XI	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.	100%

XII	Below ground installations, including but not limited to the cost of drilling, casing, cementing, logging and testing of wells, in offshore mineral oil concerns the income of which is liable to be computed in accordance with the rules in Part I of the Fifth Schedule.	100
XIII	Offshore 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.	20

PART II
INITIAL ALLOWANCE
(See Section 23)

The rate of initial allowance under section 23 shall be ³¹⁷[50%].

PART III
PRE-COMMENCEMENT EXPENDITURE
(See Section 25)

The rate of amortisation 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.

Computation of Profits and Gains of Life Insurance Business

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.

Computing the Surplus under Rule 2

3. (1) The following rules 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 realisation of investments shall be allowed as a deduction, and any sums taken credit for in the accounts or actuarial valuation balance sheet on account of appreciation, or gains on the realisation of investments; and
 - (c) profit on debt received 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 in accordance with Part VII of Chapter III.

- (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 sub-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 shall be treated as part of the surplus 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.

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 twelve months, 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 at source from profit on securities or otherwise during the period.

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 Commissioner 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;

- (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 of appreciation, or gains on the realisation of investment shall be treated as part of the profits and gains, provided the Commissioner considers the amount to be reasonable; and
- (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 Security and Exchange Commission and is incurred in deriving income chargeable to tax.

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".

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);

"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) ³¹⁸[.]

³¹⁹[]

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 liquified 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

2. (1) Subject to the provisions of this Part, the profits and gains of such undertaking are 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 not deemed to be 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 of inshore 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) sections 22, 23 and 24 apply 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 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 sub-section (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 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 aggregate is not 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 company 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 additional 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 may be carried forward if so provided for in any agreement with a taxpayer made before the first day of 1970.

Provision Relating to Rules

5. The Central 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 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, 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.

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, thereto, the period of five years specified in the section being reckoned from the end of the tax year relevant to the tax year 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 the Commissioner 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 year next following the tax year 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. The Commissioner 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(49) 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.
- (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 Central Board of Revenue 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 employers;

- (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 Central Board of Revenue 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 is provided for on definite principles by the regulations of a contingent nature, where the calculation and payment of such bonuses or 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 funds :

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 recognised 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 Central Board of Revenue 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 recognised 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 recognised provident fund as consists of -
- (a) contributions made by the employer in excess of ³²⁰[one-tenth of] the salary 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 ³²¹[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 Central Board of Revenue in this behalf, the accumulated balance due and becoming payable to an employee participating in a recognised 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 recognised provident fund maintained by such other employer.
- 5. Tax on accumulated balance.**- Where the accumulated balance due to an employee participating in a recognised 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 recognised 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 recognised 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 Central Board of Revenue 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 recognised provident fund, and such amount (hereinafter called his 'transferred balance') shall be shown as the balance to his credit in the recognised 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 recognised fund shall be excluded from the accounts of the recognised fund and shall be liable to income tax in accordance with the provisions of this Ordinance, other than this Part.
- (4) Subject to such rules as the Central Board of Revenue 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 unrecognised 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 recognised provident funds. -

- (1) The accounts of a recognised 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 recognised 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 therefrom, 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 23, incurred in the income year in which the accumulated balance due to the employee is paid.

10. Particulars to be furnished in respect of recognised provident funds.

- The trustees of a recognised provident fund and any employer who contributes to a recognised provident fund shall, when required by notice from the Commissioner, within such period (not being less than twenty one days from the date 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 recognised provident fund and any provision of this Part or of the rules made

thereunder, 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 recognise, or an order withdrawing recognition from a provident fund may appeal, within sixty days of the making of such order, to the Central Board of Revenue.
- (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 Central Board of Revenue 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 recognised 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 recognised 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 recognised 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 recognised 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 funds;
 - (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.
- 15. 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 2(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 Central Board of Revenue 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.**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 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, 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 of 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 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 thereunder 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 making of such order, to the Central Board of Revenue.
 - (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.
- 11. Provisions relating to rules.** -

 - (1) In addition to any power conferred by this Part, the Central Board of Revenue may make rules -

- (a) prescribing the statements and other information to be submitted along with an application for approval;
- (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;
- (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 thereunder; 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 21(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 Central Board of Revenue 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 employment after 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 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 alterations 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 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 a repugnance between any rule of an approved gratuity fund and any provision of this Part or of the rules made thereunder 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 making of such order, to the Central Board of Revenue.

- (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.

10. Provisions relating to rules. -

- (1) In addition to any power conferred in this Part, the Central Board of Revenue 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;
 - (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 thereunder; 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.

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.	Leather and textile made ups	
2.	Engineering goods, including electrical goods	
3.	Goods specified under heading No. 90.18 of the Fifth Schedule to the Customs Act, 1969 (IV of 1969)	
4.	Jewellery, pharmaceuticals, sports goods, toilet linen including terry towels, durries, horticultural products	
5.	Ceramic 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	
(i)	42.05	Other articles of leather
(ii)	57.01	Hand-knitted carpets and rugs
(iii)	61.01	Men and boys overcoats, jackets knitted or crocheted
(iv)	61.02	Women and girls overcoats, jackets knitted or crocheted
(v)	61.03	Men and boys suits, jackets, trousers, shirts knitted or crocheted
(vi)	61.05	Men and boys shirts knitted or crocheted

(vii)	61.06	Women and girls blouses, shirts knitted or crocheted
(viii)	61.09	T-shirts knitted or crocheted
(ix)	61.12	Tracksuits, swimwear knitted or crocheted
(x)	63.01,2000	Blankets, wool, cotton and MMF. 3000, 4000
(xi)	63.02	Bed linen, table linen and kitchen linen
10.	Vegetables, fresh fruit and cut flowers	
³²² [11.	Processed poultry meat]	

PART II

[Goods manufactured in Pakistan]

S. No.	Description
1.	Export of goods manufactured in Pakistan subject to other provisions of Schedule
2.	(i) Refined/treated salt (ii) Ground barytes (iii) Granite blocks and slabs (iv) Heat insulating bricks (v) Magnesite refractory
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

PART III*[Goods not covered by Part I or II]*

S. No.	Description
1.	All other goods not covered under Part I and Part II of this Schedule
2.	The following goods or class of goods produced or manufactured in Pakistan, namely: - (i) raw cotton (ii) rice (iii) rice bran (iv) wheat bran (v) lamb skin (vi) cotton yarn
3.	Such other goods as may be notified by the Central Board of Revenue

**GENERAL,
PERVEZ MUSHARRAF,
President.**

-
1. Substituted for “clauses (a), (d) and (e) of sub-section (20)” by Finance Ordinance, 2002.
 2. Substituted for “clause (c) of sub-section (20)” by Finance Ordinance, 2002.
 3. Clause (1A) Inserted by Finance Ordinance, 2002.
 4. Clause (5) substituted by Finance Ordinance, 2002.
 5. Clause (5A) inserted by Finance Ordinance, 2002.
 6. Clause (5B) inserted by Finance Ordinance, 2002.
 7. Clause (11A) inserted by Finance Ordinance, 2002.
 8. Clause (13) substituted by Finance Ordinance, 2002.
 9. Clause (13A) inserted by Finance Ordinance, 2002.
 10. The comma and words “,and any distribution to its shareholders of shares by way of bonus or bonus shares” omitted by Finance Ordinance, 2002.
 11. Substituted for “clause” by Finance Ordinance, 2002.
 12. Substituted for “clause” by Finance Ordinance, 2002.
 13. Substituted for “1980 (XXXI of 1980)” by Finance Ordinance, 2002.
 14. Clause (29) substituted by Finance Ordinance, 2002.
 15. Clause (29A) inserted by Finance Ordinance, 2002.
 16. Clause (30A) inserted by Finance Ordinance, 2002.
 17. Clause (31A) inserted by Finance Ordinance, 2002.
 18. Clause (35A) inserted by Finance Ordinance, 2002.
 19. Clause (36) substituted by Finance Ordinance, 2002.
 20. Substituted for “months” by Finance Ordinance, 2002.
 21. Substituted for a comma by Finance Ordinance, 2002.
 22. Comma inserted by Finance Ordinance, 2002.
 23. Commas and words “, and was on the Central Depository System,” omitted by Finance Ordinance, 2002.
 24. Clause (48A) inserted by Finance Ordinance, 2002.
 25. Clause (49A) inserted by Finance Ordinance, 2002.
 26. Substituted for “royalties” by Finance Ordinance, 2002.
 27. Substituted for “clauses” by Finance Ordinance, 2002.
 28. Substituted for “clauses” by Finance Ordinance, 2002.
 29. Comma and words inserted by Finance Ordinance, 2002.
 30. Substituted for “Deputy Commissioner of Income Tax, Additional Commissioner of Income Tax” by Finance Ordinance, 2002.
 31. Words and figures inserted by Finance Ordinance, 2002.
 32. Clause (74) inserted by Finance Ordinance, 2002.
 33. Clauses (b) to (e) substituted by Finance Ordinance, 2002.
 34. Words inserted by Finance Ordinance, 2002.
 35. Sub-section (3) substituted by Finance Ordinance, 2002.
 36. Sub-section (4) omitted by Finance Ordinance, 2002.
 37. Substituted for “the domestic assistant” by Finance Ordinance, 2002.
 38. Words inserted by Finance Ordinance, 2002.
 39. Sub-section (7) substituted by Finance Ordinance, 2002.

40. Substituted for "property" by Finance Ordinance, 2002.
41. Substituted for "property" by Finance Ordinance, 2002.
42. Substituted for "owed" by Finance Ordinance, 2002.
43. Sub-section (12) substituted by Finance Ordinance, 2002.
44. Commas and words inserted by Finance Ordinance, 2002.
45. Sub-section (14) substituted by Finance Ordinance, 2002.
46. Words inserted by Finance Ordinance, 2002.
47. Words inserted by Finance Ordinance, 2002.
48. Word inserted by Finance Ordinance, 2002.
49. Sub-section (3) inserted by Finance Ordinance, 2002.
50. Substituted for "five hundred rupees or on account of postage or utility bills " by Finance Ordinance, 2002.
51. Sub-section (12) substituted by Finance Ordinance, 2002.
52. Substituted for "seven hundred and fifty thousand " by Finance Ordinance, 2002.
53. Clause(c) substituted for by Finance Ordinance, 2002.
54. Sub-section (4) substituted by Finance Ordinance, 2002.
55. Substituted for "depreciation" by Finance Ordinance, 2002.
56. Substituted for "activities" by Finance Ordinance, 2002.
57. Substituted for "fair market" by Finance Ordinance, 2002.
58. Clause (a) substituted by Finance Ordinance, 2002.
59. Word inserted by Finance Ordinance, 2002.
60. Substituted "; or" by Finance, Ordinance, 2002.
61. Clause (e) omitted by Finance Ordinance, 2002.
62. Words and comma inserted by Finance Ordinance, 2002.
63. Substituted for "Dividends" by Finance Ordinance, 2002.
64. Substituted for "royalties" by Finance Ordinance, 2002.
65. Substituted for "an income year " by Finance Ordinance, 2002.
66. Sub-section (6) omitted by Finance Ordinance, 2002.
67. Sub-section (6) inserted by Finance Ordinance, 2002.
68. Word inserted by Finance Ordinance, 2002.
69. Word "and" omitted by Finance Ordinance, 2002.
70. Clause (d) omitted by Finance Ordinance, 2002.
71. Substituted for "Any support payment received by a spouse under an agreement to live apart " by Finance Ordinance, 2002.
72. Section 52 omitted by Finance Ordinance, 2002.
73. Commas and words inserted by Finance Ordinance, 2002.
74. Sub-section (2A) inserted by Finance Ordinance, 2002.
75. Section 57A inserted by Finance Ordinance, 2002.
76. Word inserted by Finance Ordinance, 2002.
77. Substituted for "SECP" by Finance Ordinance, 2002.
78. Substituted for "fifty" by Finance Ordinance, 2002.
79. Sub-section (1) substituted by Finance Ordinance, 2002.
80. Substituted for "fifty" by Finance Ordinance, 2002.
81. Substituted for "a deductible allowance" by Finance Ordinance, 2002.
82. Word inserted by Finance Ordinance, 2002.

83. Clause (ab) inserted by Finance Ordinance, 2002.
84. Substituted for "232" by Finance Ordinance, 2002.
85. Section 74 substituted by Finance Ordinance, 2002.
86. Words inserted by Finance Ordinance, 2002.
87. Words inserted by Finance Ordinance, 2002.
88. Substituted for "corporate tax" by Finance Ordinance, 2002.
89. Substituted for "Business" by Finance Ordinance, 2002.
90. Substituted for "Business" by Finance Ordinance, 2002.
91. Substituted for "232" by Finance Ordinance, 2002.
92. Words inserted by Finance Ordinance, 2002.
93. Words inserted by Finance Ordinance, 2002.
94. Word inserted by Finance Ordinance, 2002.
95. Substituted for "151(a)(b), 153, 154, 156, 157 or 234(5)" by Finance Ordinance, 2002.
96. Word "wealth" omitted by Finance Ordinance, 2002.
97. Word "wealth" omitted by Finance Ordinance, 2002.
98. Substituted for "notice" by Finance Ordinance, 2002.
99. Word "wealth" omitted by Finance Ordinance, 2002.
100. Sub-section (5) omitted by Finance Ordinance, 2002.
101. Commas and words inserted by Finance Ordinance, 2002.
102. Words, figures and commas inserted by Finance Ordinance, 2002.
103. Commas and words inserted by Finance Ordinance, 2002.
104. Commas and words inserted by Finance Ordinance, 2002.
105. Commas, words, figures and letter inserted by Finance Ordinance, 2002.
106. Commas and words inserted by Finance Ordinance, 2002.
107. Substituted for "to claim tax relief" by Finance Ordinance, 2002.
108. Words and commas inserted by Finance Ordinance, 2002.
109. Sub-section (9) inserted by Finance Ordinance, 2002.
110. Substituted for "six months from the date" by Finance Ordinance, 2002.
111. Section 124A inserted by Finance Ordinance, 2002.
112. Sub-section (1) substituted by Finance Ordinance, 2002.
113. Sub-section (2) substituted by Finance Ordinance, 2002.
114. Substituted for "is" by Finance Ordinance, 2002.
115. Sub-section (5) substituted by Finance Ordinance, 2002.
116. Words "notice of" omitted by Finance Ordinance, 2002.
117. Words "of Income Tax" omitted by Finance Ordinance, 2002.
118. Substituted for "majority" by Finance Ordinance, 2002.
119. Substituted for "appellant" by Finance Ordinance, 2002.
120. Substituted for "appellant" by Finance Ordinance, 2002.
121. Commas and words inserted by Finance Ordinance, 2002.
122. Clause (d) substituted by Finance Ordinance, 2002.
123. Sub-section (2) substituted by Finance Ordinance, 2002.
124. Commas, words, bracket and figure inserted by Finance Ordinance, 2002.
125. Semicolon and word inserted by Finance Ordinance, 2002.

126. Clause (c) inserted by Finance Ordinance, 2002.
127. Sub-section (7) substituted by Finance Ordinance, 2002.
128. Sub-section (8) omitted by Finance Ordinance, 2002.
129. Sub-section (9) omitted by Finance Ordinance, 2002.
130. Substituted for "appellant" by Finance Ordinance, 2002.
131. Substituted for "appellant" by Finance Ordinance, 2002.
132. Substituted for "appellant" by Finance Ordinance, 2002.
133. Substituted for "appellant" by Finance Ordinance, 2002.
134. Substituted for "appellant" by Finance Ordinance, 2002.
135. Substituted for "three months" by Finance Ordinance, 2002.
136. Substituted for "appellant" by Finance Ordinance, 2002.
137. Section 135 omitted by Finance Ordinance, 2002.
138. Sub-section (7) omitted by Finance Ordinance, 2002.
139. Section 138 substituted by Finance Ordinance, 2002.
140. Section 138A inserted by Finance Ordinance, 2002.
141. Commas and words inserted by Finance Ordinance, 2002.
142. Commas and words inserted by Finance Ordinance, 2002.
143. Section 146A inserted by Finance Ordinance, 2002.
144. Clause (ba) inserted by Finance Ordinance, 2002.
145. Bracket, letter and comma inserted by Finance Ordinance, 2002.
146. Commas and words ", or collect tax from the shareholder in the case of bonus shares," omitted by Finance Ordinance, 2002.
147. Words "or" omitted by Finance Ordinance, 2002.
148. Clause (c) substituted by Finance Ordinance, 2002.
149. Clause (d) inserted by Finance Ordinance, 2002.
150. Substituted for "royalties" by Finance Ordinance, 2002.
151. Substituted for "an" by Finance Ordinance, 2002.
152. Words "professional" omitted by Finance Ordinance, 2002.
153. Substituted for "under a construction, assembly or a like project in Pakistan" by Finance Ordinance, 2002.
154. Substituted for "registered under" by Finance Ordinance, 2002.
155. Substituted for a colon by Finance Ordinance, 2002.
156. Substituted for "; and" by Finance Ordinance, 2002.
157. Words inserted by Finance Ordinance, 2002.
158. Words inserted by Finance Ordinance, 2002.
159. Sub-section (3) substituted by Finance Ordinance, 2002.
160. Section 157 omitted by Finance Ordinance, 2002
161. Section 158 substituted by Finance Ordinance, 2002.
162. Words and figures inserted by Finance Ordinance, 2002.
163. Words, comma and figure inserted by Finance Ordinance, 2002.
164. Words and figure inserted by Finance Ordinance, 2002.
165. Words and figure inserted by Finance Ordinance, 2002.
166. Words inserted by Finance Ordinance, 2002.
167. Sub-section (1A) inserted by Finance Ordinance, 2002.
168. Sub-section (1B) inserted by Finance Ordinance, 2002.
169. Words and figure inserted by Finance Ordinance, 2002.

170. Words and figure inserted by Finance Ordinance, 2002.
171. Words and figure inserted by Finance Ordinance, 2002.
172. Words and figure inserted by Finance Ordinance, 2002.
173. Words and figure inserted by Finance Ordinance, 2002.
174. Words and figure inserted by Finance Ordinance, 2002.
175. Words and figure inserted by Finance Ordinance, 2002.
176. Words and figure inserted by Finance Ordinance, 2002.
177. Words and figure inserted by Finance Ordinance, 2002.
178. Words and figure inserted by Finance Ordinance, 2002.
179. Words and figure inserted by Finance Ordinance, 2002.
180. Word and figure inserted by Finance Ordinance, 2002.
181. Words and figure inserted by Finance Ordinance, 2002.
182. Words and figure inserted by Finance Ordinance, 2002.
183. Words and figure inserted by Finance Ordinance, 2002.
184. Words and figure inserted by Finance Ordinance, 2002.
185. Substituted for "sub-section (2) of section 157" by Finance Ordinance, 2002.
186. Commas, words brackets and figures " , or sub-section (2) of section 157" omitted by Finance Ordinance, 2002.
187. Words added by Finance Ordinance, 2002.
188. Words and figures inserted by Finance Ordinance, 2002.
189. Sub-section (4) inserted by Finance Ordinance, 2002.
190. Sub-section (1A) inserted by Finance Ordinance, 2002.
191. Substituted for "the conduct " by Finance Ordinance, 2002.
192. Words inserted by Finance Ordinance, 2002.
193. Substituted for "any return of income" by Finance Ordinance, 2002.
194. Substituted for "the return" by Finance Ordinance, 2002.
195. Substituted for "Commissioner or Tribunal" by Finance Ordinance, 2002.
196. Substituted for "a taxation officer" by Finance Ordinance, 2002.
197. Substituted for "a taxation officer" by Finance Ordinance, 2002.
198. Substituted for "a taxation officer" by Finance Ordinance, 2002.
199. Substituted for "officer" by Finance Ordinance, 2002.
200. Substituted for "officer's" by Finance Ordinance, 2002.
201. Substituted for "a taxation officer" by Finance Ordinance, 2002.
202. Substituted for "a taxation officer" by Finance Ordinance, 2002.
203. Substituted for "a taxation officer" by Finance Ordinance, 2002.
204. Substituted for "a taxation officer" by Finance Ordinance, 2002.
205. Substituted for "a taxation officer" by Finance Ordinance, 2002.
206. Substituted for "a taxation officer" by Finance Ordinance, 2002.
207. Substituted for "a taxation officer" by Finance Ordinance, 2002.
208. Word inserted by Finance Ordinance, 2002.
209. Section 207 substituted by Finance Ordinance, 2002.
210. Section 208 substituted by Finance Ordinance, 2002.
211. Section 209 substituted by Finance Ordinance, 2002.
212. Section 210 substituted by Finance Ordinance, 2002.

213. Section 211 substituted by Finance Ordinance, 2002.
214. Section 212 substituted by Finance Ordinance, 2002.
215. Section 213 substituted by Finance Ordinance, 2002.
216. Section 214 substituted by Finance Ordinance, 2002.
217. Section 215 substituted by Finance Ordinance, 2002.
218. Substituted for "the Central Excises and Salt Act, 1944 (I of 1944), the Estate Duty Act, 1950 (X of 1950)" by the Finance Ordinance, 2002.
219. Substituted for "Ehtesab Act, 1997 (IX of 1997)" by the Finance Ordinance, 2002.
220. Words inserted by Finance Ordinance, 2002.
221. Substituted for "232" by the Finance Ordinance, 2002.
222. Substituted for "the Commissioner (Appeals), the Tribunal or any Court" by the Finance Ordinance, 2002.
223. Section 232 omitted by Finance Ordinance, 2002.
224. Words inserted by Finance Ordinance, 2002.
225. Sub-section (2A) inserted by Finance Ordinance, 2002.
226. Words and commas inserted by Finance Ordinance, 2002.
227. Word "mobile" omitted by Finance Ordinance, 2002.
228. Word "mobile" omitted by Finance Ordinance, 2002.
229. Sub-section (1) substituted by Finance Ordinance, 2002.
230. Sub-section (2) substituted by Finance Ordinance, 2002.
231. Sub-section (3) substituted by Finance Ordinance, 2002.
232. Word "the imposition of penalty or" omitted by Finance Ordinance, 2002.
233. Sub-section (12) substituted by Finance Ordinance, 2002.
234. Sub-section (13) substituted by Finance Ordinance, 2002.
235. Sub-section (14) inserted by Finance ordinance, 2002.
236. Substituted for "until" by the Finance Ordinance, 2002.
237. Sub-section (18) substituted by Finance Ordinance, 2002.
238. Substituted for "no" by the Finance Ordinance, 2002.
239. Substituted for "clauses 2 and 3" by the Finance Ordinance, 2002.
240. Substituted by Finance Ordinance, 2002.
241. Clause (3) omitted by Finance Ordinance, 2002.
242. Division II substituted Finance Ordinance, 2002.
243. Substituted for "dividends" by the Finance Ordinance, 2002.
244. Substituted for "dividends" by the Finance Ordinance, 2002.
245. Word, bracket and letter inserted by Finance Ordinance, 2002.
246. Substituted for "30%" by the Finance Ordinance, 2002.
247. Division VII omitted by Finance Ordinance, 2002.
248. Division 1 omitted by Finance Ordinance, 2002.
249. Words inserted by Finance Ordinance, 2002.
250. Substituted for "ore" by the Finance Ordinance, 2002.
251. Sub-paragraph (ca) inserted by Finance Ordinance, 2002.
252. Words inserted by Finance Ordinance, 2002.
253. Brackets and words inserted by Finance Ordinance, 2002.
254. Clause (b) substituted by Finance Ordinance, 2002.

255. Clause (7) omitted by Finance Ordinance, 2002.
256. Clause (27) omitted by Finance Ordinance, 2002.
257. Clause (28) omitted by Finance Ordinance, 2002.
258. Clause (29) omitted by Finance Ordinance, 2002.
259. Clause (30) omitted by Finance Ordinance, 2002.
260. Clause (31) omitted by Finance Ordinance, 2002.
261. Clause (32) omitted by Finance Ordinance, 2002.
262. Words and comma "Senior Post Allowance, Entertainment Allowance or" omitted by Finance Ordinance, 2002.
263. Clause (37) omitted by Finance Ordinance, 2002.
264. Clause (54) omitted by Finance Ordinance, 2002.
265. Substituted for "Controller of Capital Issues" by Finance Ordinance, 2002.
266. Words inserted by Finance Ordinance, 2002.
267. Words inserted by Finance Ordinance, 2002.
268. Commas and words inserted by Finance Ordinance, 2002.
269. Clause (63) omitted by Finance Ordinance, 2002.
270. Clause (64) omitted by Finance Ordinance, 2002.
271. Words, brackets and figure inserted by Finance Ordinance, 2002 and shall be deemed to have been inserted from 5th August 1998.
272. Clause (85) omitted by Finance Ordinance, 2002.
273. Clause (86) omitted by Finance Ordinance, 2002.
274. Clause (89) omitted by Finance Ordinance, 2002.
275. Clause (94) omitted by Finance Ordinance, 2002.
276. Words and commas inserted by Finance Ordinance, 2002
277. Clause (112) omitted by Finance Ordinance, 2002.
278. Substituted for a Full stop by Finance Ordinance, 2002.
279. Proviso inserted by Finance Ordinance, 2002.
280. Clause (116) omitted by Finance Ordinance, 2002.
281. Clause (118) omitted by Finance Ordinance, 2002.
282. Clause (119) omitted by Finance Ordinance, 2002.
283. Clause (121) omitted by Finance Ordinance, 2002.
284. Clause (122) omitted by Finance Ordinance, 2002.
285. Clause (123) omitted by Finance Ordinance, 2002.
286. Clause (124) omitted by Finance Ordinance, 2002.
287. Clause (125) omitted by Finance Ordinance, 2002.
288. Substituted for "thirtieth day of June, 1999" by Finance Ordinance, 2002
289. Substituted for a Full stop by Finance Ordinance, 2002.
290. Second proviso inserted by Finance Ordinance, 2002.
291. Clause (127) omitted by Finance Ordinance, 2002.
292. Clause (128) omitted by Finance Ordinance, 2002.
293. Clause (130) omitted by Finance Ordinance, 2002.
294. Clause (132A) inserted by Finance Ordinance, 2002.
295. Sub-clause (a) substituted by Finance Ordinance, 2002.
296. Substituted for "three hundred" by Finance Ordinance, 2002
297. Clause (18) inserted by Finance Ordinance, 2002

298. Clause (19) inserted by Finance Ordinance, 2002
299. Clause (20) inserted by Finance Ordinance, 2002
300. Clause (21) inserted by Finance Ordinance, 2002
301. Clause (1A) inserted by Finance Ordinance, 2002
302. Substituted for "eight" by Finance Ordinance, 2002
303. Clause (10) substituted for by Finance Ordinance, 2002.
304. Clause (30) substituted by Finance Ordinance, 2002.
305. Commas, figures and words inserted by Finance Ordinance, 2002.
306. Substituted for "section 153" by Finance Ordinance, 2002.
307. Substituted for "section 153" by Finance Ordinance, 2002.
308. Words, brackets and figures substituted for "section 153" by Finance Ordinance, 2002.
309. Substituted for "section 153" by Finance Ordinance, 2002.
310. Clause (43A) inserted by Finance Ordinance, 2002.
311. Substituted for "153" by Finance Ordinance, 2002.
312. Substituted for "section 153" by Finance Ordinance, 2002.
313. Substituted for "section 153" by Finance Ordinance, 2002.
314. Substituted for "section 153" by Finance Ordinance, 2002.
315. Clause (47A) inserted by Finance Ordinance, 2002.
316. Clause (47B) inserted by Finance Ordinance, 2002.
317. Substituted for "40%" by Finance Ordinance, 2002.
318. Substituted for "; and" by Finance Ordinance, 2002.
319. Fourth paragraph omitted by Finance Ordinance, 2002.
320. Substituted for "one-twelfth of" by Finance Ordinance, 2002.
321. Substituted for "deemed" by Finance Ordinance, 2002.
322. Added by Finance Ordinance, 2002.