

BRIEF TAXATION LAWS

(All rights including copyrights are reserved with publisher. Infringement/Piracy of this publication will entail civil and criminal action)

(INCOME TAX ORDINANCE, 2001)

RATES OF INCOME TAX FOR THE TAX YEAR-2014 (01-07-2013 TO 30-06-2014)

RATES OF TAX FOR BUSINESS INDIVIDUALS & AOP				RATES OF TAX FOR SALARIED INDIVIDUALS			
Sr. No.	Taxable Income		Rate	Sr. No.	Taxable Income		Rate
1	Taxable Income does not exceed	Rs.400000/-	0%	1	Taxable Income does not exceed	Rs.400000/-	0%
2	Taxable Income exceeds	Rs.400000/- to Rs.750000/-	10% of exceeding 400000/-	2	Taxable Income exceeds	Rs.400000/- to Rs.750000/-	5% of exceeding 400000/-
3	Taxable Income exceeds	Rs.750000/- to Rs.1500000/-	Rs.35000/- + 15% of exceeding 750000/-	3	Taxable Income exceeds	Rs.750000/- to Rs.1400000/-	Rs.17500/- + 10% of exceeding 750000/-
4	Taxable Income exceeds	Rs.1500000/- to Rs.2500000/-	Rs.147500/- + 20% of exceeding 1500000/-	4	Taxable Income exceeds	Rs.1400000/- to Rs.1500000/-	Rs.82500/- + 12.5% of exceeding 1400000/-
5	Taxable Income exceeds	Rs.2500000/- to Rs.4000000/-	Rs.347500/- + 25% of exceeding 2500000/-	5	Taxable Income exceeds	Rs.1500000/- to Rs.1800000/-	Rs.95000/- + 15% of exceeding 1500000/-
6	Taxable Income exceeds	Rs.4000000/- to Rs.6000000/-	Rs.722500/- + 30% of exceeding 4000000/-	6	Taxable Income exceeds	Rs.1800000/- to Rs.2500000/-	Rs.140000/- + 17.5% of exceeding 1800000/-
7	Taxable Income exceeds	Rs.6000000/-	Rs.1322500/- + 35% of exceeding 6000000/-	7	Taxable Income exceeds	Rs.2500000/- to Rs.3000000/-	Rs.262500/- + 20% of exceeding 2500000/-

SPECIAL TAX REBATE TO SENIOR CITIZEN: (Clause (1A) Part-III of 2nd Schedule)
50% of the tax rebate is provided for Taxpayer of 60 years or above on the 1st day of Tax Year and earning taxable income up to Rs.1000000/-, other than income of FTR.

MINIMUM TAX (SECTION 113):

Every Individual and AOP having turnover of 50 million or above and every Resident Company shall pay minimum Tax @ 1% for the tax year 2014.

However, minimum tax for tax year 2015 shall be as below:

1. Oil marketing & Sui Gas Companies, Pakistani Airlines & poultry: 0.5%
2. Distributors of Pharmaceutical products, consumer goods, fertilizers, cigarettes, petroleum distributors registered under Sales Tax, rice mills & dealers, flour mills: 0.2%
3. Motor cycle dealers registered under Sales Tax: 0.2%
4. All other cases: 1%

RATES FOR INCOME TAX FOR COMPANIES:

Tax Year	Banking Company	Public Company other than Banking Company	Private Company other than a Banking Company	Small Company
2014	35%	34%	34%	25%

DATES OF FILING OF RETURNS:

(i) If Tax Year ends;

From 1st January to 30th June:

For Company Case

31st December

For Salary cases:

31st August

For other cases:

30th September

(ii) For all other cases:

30th September

DATES OF FILING RETURNS ELECTRONICALLY:

For e-portal returns due date is 31st August.

Following persons are required to e-file the income tax returns & statements:

1. Returns of persons registered for sales tax.
2. Returns of Salaried Persons of income Rs.500000/- or more, along with Wealth Statement & Reconciliation Statement.
3. A Statement of deduction of tax by employer.

WEALTH STATEMENT

1. Every person being an Individual, filing Income Tax Return or Statement u/s 115(4), whose last declared/assessed income is Rs.10,00,000/- or more & person falling under Final Tax Regime (FTR) where tax paid is Rs.35000/-, shall file Wealth Statement along with Reconciliation Statement. 2. Every member of an AOP shall file Wealth Statement & Reconciliation Statement along with Income Tax Return.

8	Taxable Income exceeds	Rs.3000000/- to Rs.3500000/-	Rs.362500/- + 22.5% of exceeding 3000000/-
9	Taxable Income exceeds	Rs.3500000/- to Rs.4000000/-	Rs.475000/- + 25% of exceeding 3500000/-
10	Taxable Income exceeds	Rs.4000000/- to Rs.7000000/-	Rs.600000/- + 27.5% of exceeding 4000000/-
11	Taxable Income exceeds	Rs.7000000/-	Rs.1425000/- + 30% of exceeding 7000000/-

VALUATION OF PERQUISITES, ALLOWANCES & BENEFITS:

The value of allowances, perquisites and benefits shall be determined in accordance with Rules 4 to 7 and Entertainment Expenditure as per Rule 10 of the Income Tax Rules, 2002.

REDUCTION IN TAX FOR SALARIED TAXPAYERS: (Clause 1 (2) Part-III of 2nd Schedule)

The tax payable by a full time teacher or a researcher, employed in a non-profit education or research institution including Government Training & Research Institution duly recognized by a Board of Education or a University or the Higher Education Commission, shall be reduced by 40% of the tax payable on income from salary.

FLYING ALLOWANCE AS A SEPARATE BLOCK OF INCOME:

(Clause 1 (a)(b) Part-III of 2nd Schedule)

Flying Allowance of Pilots, Flight Engineers, Navigators of Pakistan Armed Forces & Airlines, CAA, Commissioned Officers & sub-marine Allowance to Pakistan Navy shall be taxed at 2.5% as a separate block. Provided under this clause reduction of allowance does not exceed an amount equal to basic salary.

PENALTY FOR NON-FILING OF RETURN.

If a person fails to file Income Tax Return within due date shall pay penalty @ 0.1% of Tax Payable for each day of default, maximum 50% of Tax Payable but not less than Rs.10000/- (Even if no Tax is Payable)

PENALTIES: Section 182(1A)

Fails to furnish statement required u/s 115, 165 or 165A within due date.	Penalty Rs.2500/- each day of default subject to minimum penalty of Rs.10000/-
Fails to furnish wealth statement or Reconciliation Statement u/s 114, 115 & 116.	Penalty of Rs.100/- for each day of default

APPEAL FEE:

Appeal to:	Limitation	Fee
Commissioner Inland Revenue (Appeals)	30 days	Rs.1,000/-
Appellate Tribunal Inland Revenue	60 days	Rs.2,000/-
Reference to High Court	90 days	Rs.100/-

Note: An appeal to C.I.R. (Appeal) shall be entertained only when the amount of admitted tax liability due u/s 137(i) stands paid.

COLLECTION / DEDUCTION OF TAX UNDER INCOME TAX ORDINANCE, 2001

WITHHOLDING TAX RATES FOR TAX YEAR 2015 (01

- 07 - 2014 to 30 - 06 - 2015)

SECTIONS	NATURE OF PAYMENT	RATE	EXEMPTION	ADJUSTABLE / FINAL
148	Import of Industrial remelttable & directly reduced iron for own use, Potassic fertilizer, Urea & other manufacturer under S.R.O. 1125 (1)/2011 dated 31.12.2011.	1%	Nil	Final but Adjustable for own Industrial use
	Import pulses	2%	Nil	Final
	Commercial imports under S.R.O. 1125 (1)/2011 dated 31.12.2011.	3%	Nil	Final
	Import of ship breakers on import of ships	4.5%	Nil	Final
	Import by other Industrial undertakings not covered above	5.5%	Nil	Final
	Import by companies not covered above	5.5%	Nil	Final
	Import by persons not covered above	6%	Nil	Final
149	Salary Income	As per Income Tax Rates	Rs.400000 P.A.	Adjustable
	Directorship fee, fee attending board meetings etc.	20%	Nil	Adjustable
150	Dividend of power project companies & coal supplying to power generation	7.5%	Nil	Final
	All other Filer persons	10%	Nil	Final
	For non-filer persons	15%	Nil	Final
	On stock fund, money market fund, income fund or any other fund	10% for individuals & AOP		Final
	On stock fund	10% for Company		Adjustable
151	On money market fund, income fund or any other fund	25% for Company		Adjustable
	Yield or profit on debt.	10% after deduction of Zakat	Nil	Final (Other than a Company)
	Yield or profit on debt to non-filer	15% after deduction of Zakat	Nil	Final
152	Yield or profit on debt to non-filer (profit up to Rs.500000/-)	10% after deduction of Zakat	Nil	Final
	(1) Royalty or Fee for Technical Services	15%	Nil	Final
	(1A) Payment of execution of contracts, construction, Assembly or installation project & advertisement Contracts TV satellite Channels	6%	Nil	Final
	(2) Any other payments to non-residents	20%	Nil	Final
	(2A) Payment to non-resident for sale of goods & rendering services	3.5%	Nil	Final
	(2A) Payment to non-resident for rendering transport services	2%	Nil	Final
1AA	Payment of insurance or re-insurance premium	5%	Nil	Final
	Payment of advertisement services to a media person	10%	Nil	Final