

BUDGET 09'10

Finance Bill '2009

Changes in Income Tax Law only.

Income Tax Memorandum



Compiled by

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Contents

- Foreword 1
- Salient Features – Changes in Income Tax law 2
- Changes in Income Tax Law in Detail 10
- Tax Card for Salaried Individuals 16
- Tax Card for Non-Salaried Individuals and AOPs 17

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Foreword

Every year federal budget is presented in national assembly for the forthcoming fiscal year. Besides setting expected receipts and payments, budget also includes various fiscal measures to set direction for various fiscal targets which government wants to achieve.

Various amendments are made in fiscal laws including income tax law every year in furtherance of such objectives.

This tax memorandum aims to cover all proposed amendments in income tax law with implications on private limited companies (**PVT**), non-governmental organizations (**NGO**), association of persons (**AOP**) and individuals (**IND**).

I hope that the tax memorandum will assist our clients and staff to understand the changes in income tax law i.e. Income Tax Ordinance 2001 & Income Tax Rules 2002 and implications of such changes.

The information presented in this Memorandum has been taken from the Federal Budget and Finance Bill, 2009, as presented in the National Assembly. It contains proposed amendments, which will become operative once the Finance Bill is formally passed in National Assembly and become Finance Act, 2009.

Views expressed herein should not be acted upon without obtaining professional advice, as the interpretation may differ in different circumstances.

In the end I want to thank my colleagues Ms Ayesha Ahmad Murtaza **ACA, CPA**, Mr. Shahzad Hanan & Mr. Abdul Qadir for their contribution to compile this Tax Memorandum.

Peshawar

Abdus Salam Jan - FCA, FPA

June 15, 2009

SALIENT FEATURES - CHANGES IN INCOME TAX LAW

EXEMPTION LIMIT FOR SALARIED MALES AND FEMALES

The basic limit of exemption from income tax in respect of salaried persons is proposed to be increased from Rs.180,000 to Rs.**200,000**(for males). In the case of women salaried taxpayers, this limit is proposed to be increased from Rs.240,000 to Rs.**260,000**.

TAX RELIEF FOR SENIOR CITIZENS

Presently senior citizens are allowed 50% relief in tax liability provided the taxable income, in a tax year, does not exceed Rs.500,000. In view of inflationary trend, it is proposed to enhance limit of taxable income from Rs. 500,000 to Rs.**750,000**.

TAX RELIEF ON INTEREST PAYMENT OF A HOUSING LOAN

Under the existing provisions of the Income Tax Ordinance, a person is entitled to tax credit on interest payment of housing loans up to 45% of the taxable income or Rs.500,000. whichever is lower. The said limits are proposed to be enhanced to **50%** and Rs.**700,000**. respectively.

TAX RELIEF ON RECEIPT FROM PENSION SCHEME

Presently, receipts from accumulated balance of voluntary pension scheme is exempt up to 25% of the available balance. In order to promote the voluntary pension schemes and allow relief to pensioner class the said limit is proposed to be enhanced to 50%.

TAX RELIEF ON NON PERFORMING LOANS OF BANKS

Last year amendment was made in the Income Tax Ordinance whereby the banks were deprived of the facility to claim deduction on account of provisions of non-performing loans. This facility is being restored. However, the same is proposed to be restricted to **1%** of the total advances made by the bank in a tax year.

SALIENT FEATURES - CHANGES IN INCOME TAX LAW

Cont'd

TAX RELIEF ON TAX COLLECTED ON ELECTRICITY BILLS

Presently, tax collected on monthly electricity bills in respect of non-corporate Commercial and Industrial consumers is treated as final tax. An amendment has been proposed in section 235 of the Income Tax Ordinance by virtue of which the tax deducted on the monthly electricity bills exceeding **Rs.30,000** will be adjustable which consequently could be refunded.

TAX RELIEF TO CIGARETTE AND PHARMACEUTICAL PRODUCT DISTRIBUTOR

In view of the less margin of profit available to cigarettes and pharmaceutical products distributors, withholding tax rate in respect of such taxpayer is being reduced from 3.5% to **1%**.

TAX RELIEF ON LATE PAYMENTS OF REFUNDS

At present, the taxpayers are entitled to compensation @ 6% for the late payment of refunds. Considering the prevailing interest rates on bank loans the rate of compensation is being increased to **10%** per annum.

TAX RATE ON IMPORTS INCREASED FROM 2% TO 4%

Before amendment made through Finance Act, 2008 withholding tax on imports was collected @ 5% which was reduced to 2%. The benefit of reduction in tax rate could not be passed on to end users therefore, the rate is proposed to be enhanced to **4%** across the board.

ADVANCE TAX CALCULATION CHANGED FOR COMPANIES / AOP

Presently, advance tax is payable in four quarterly installments on the basis of last assessed income. It is proposed that for working out the advance tax liability the sales should also be taken in to account.

SALIENT FEATURES - CHANGES IN INCOME TAX LAW

Cont'd

TURNOVER TAX REINTRODUCED

Last year the provision regarding payment of minimum tax on declared turnover by the companies was deleted, now proposed to be reintroduced with certain changes in the old basis.

TAX RATE INCREASED FOR INDENTING COMMISSION

Presently, the indenting commission is being taxed @ 1% of the gross receipts whereas the general rate for commission and brokerage is 10%. In view of the gross disparity in the rate it is proposed to be enhanced to 5%.

ADVANCE TAX ON MOTOR CAR / JEEP EXTENDED TO ALL TYPES OF VEHICLES

The scope of advance tax collection on purchase of new locally manufactured motorcar / jeep is proposed to be extended to all types of motor vehicles.

TAX TO BE COLLECTED FOR (IDPs) FROM INDIVIDUALS / AOPS

In order to raise funds for the rehabilitation of internally displaced persons (IDPs) of Swat, Dir & Bunair it is proposed to charge 5% tax on tax payable by individuals and AOPs whose taxable income exceeds one million rupees.

TAX TO BE COLLECTED FOR (IDPs) FROM CORPORATE EXECUTIVES

In order to support IDPs in their rehabilitation a new tax is being proposed to be charged on bonus income of corporate executives @ 30% of the bonus. This is a one time levy and payable for tax year 2009 only.

SALIENT FEATURES - CHANGES IN INCOME TAX LAW

Cont'd

INCREASE OF RATE OF ADDITIONAL TAX FROM 12% TO 15%

At present, additional tax is chargeable @ 12% per annum on late payment of tax. It is proposed to increase the rate of additional tax to 15% per annum.

DEPRECIATION ALLOWANCE ON PASSENGER TRANSPORT RESTRICTED

At present, depreciation on passenger transport vehicles is allowed on total cost. It is proposed to restrict the value of such vehicle to Rs.1.5 million for the purpose of depreciation.

EXEMPTION OF LARGE TRADING HOUSES WITHDRAWN

Presently the large trading houses are exempt from payment of withholding tax on imports as well as sales of goods. The facility of exemption of tax at import stage is being withdrawn. However, the tax so collected will be adjustable against final tax liability.

WITHDRAWAL OF VARIOUS EXEMPTIONS

The exemption regime provided under the second schedule to the Income Tax Ordinance, 2001 has been reviewed to delete the redundant and unjustified exemptions.

EXEMPTION TO EDUCATIONAL INSTITUTION IS RESTRICTED

Due to misuse of facility of tax exemption available to educational institution, it is proposed that such facility would only be available to those institutions which have been approved by the concerned Director General of LTU / RTO for this purpose.

SALIENT FEATURES - CHANGES IN INCOME TAX LAW

Cont'd

TAX TO BE COLLECTED ON EXPORTS EXPORTED WITHOUT FORM "E"

At present no tax is collected on export of goods made without form "E" because in this case export proceeds are received in cash. An amendment has been proposed in section 154 of ITO, 2001 whereby the Collectorate of Customs shall collect tax @ 1% at the time of clearing goods for export made without form "E". Presently such exports are mainly allowed to Afghanistan through land routs.

FURNISHING OF DOCUMENTS MADE MANDATORY TO FACILITATE TAX REFUNDS

In order to avoid false claims of tax payments and make possible speedy verification of tax paid for issuance of refund, it is proposed that the taxpayer would be required to furnish copies of challan or other equivalent document in support of claims of tax payments.

FILING OF REVISED RETURN OF INCOME TAX RESTRICTED IN CERTAIN CASES

At present, the taxpayers are allowed to file revised return any time within five years of the filing of original return. It is proposed to disallow filing of revised return in cases, where the department has initiated proceedings for amendment of assessment order.

FILING OF APPEAL AGAINST REASSESSMENT ORDER ALLOWED

An amendment has been proposed in section 124 of the Income Tax Ordinance, 2001 by virtue of which the taxpayers would be provided the facility of filing appeal against the reassessment order.

COMMISSIONERS ARE EMPOWERED TO WITHHOLD REFUNDS WHERE APPEALS ARE PENDING

In order to safeguard the interest of revenue it has been proposed that in certain cases where departmental appeals are pending in courts the Commissioner will be empowered to withhold refunds.

SALIENT FEATURES - CHANGES IN INCOME TAX LAW

Cont'd

BASIS FOR ADDITIONAL TAX OF TAXPAYERS WITH SPECIAL TAX YEAR CHANGED

In the cases of taxpayers having special tax year calculation of additional tax for delayed payment of advance tax will be made from the first day of the last quarter of the relevant tax year instead of 1st April as allowed in case of taxpayers having normal tax year.

REVALUATION FOR DEPRECIATION ON ASSETS PURCHASED AGAINST FOREIGN LOAN RESTRICTED

Presently the taxpayers are allowed to rework out the cost of an asset, purchased against a loan in foreign currency, for the purpose of depreciation. An amendment has been proposed to restrict the revaluation of the asset only in the year of occurrence of exchange fluctuation and not in previous years.

FILING OF REVISED STATEMENT FOR ANY OMISSION ETC. IS ALLOWED

An amendment has been proposed in section 115 of the Income Tax Ordinance to provide for filing of revised statement by the tax payer on account of any omission or wrong statement of particulars of income.

VEHICLE REGISTRATION AUTHORITIES ARE EMPOWERED TO COLLECT ADVANCE TAX

The motor vehicle registration authorities are being empowered to collect advance tax payable on purchase of a new locally manufactured motor vehicle at the time of registration of such vehicle.

WEALTH RECONCILIATION STATEMENT ARE MADE MANDATORY

It is being made mandatory that the taxpayers who are required to file wealth statement shall also file wealth statement reconciliation giving necessary details and documents in support thereof.

SALIENT FEATURES - CHANGES IN INCOME TAX LAW

Cont'd

COMMISSIONER IS EMPOWERED TO DELEGATE POWERS TO A CA FIRM

An amendment has been proposed in section 177 of the Income Tax Ordinance, 2001 to empower the Commissioner of Income Tax to delegate powers to a chartered accountant firm for conducting audit of a taxpayer.

HARMONIZATION BETWEEN INCOME TAX LAW AND OTHER TAX LAWS IS PROPOSED

Harmonization of different tax laws namely Income Tax, Sales Tax, Customs and Federal Excise Duty is necessary for Tax Reforms. In this connection necessary amendments are being made in the Income Tax Ordinance, 2001 to make it harmonized with other tax laws. These amendments mainly relate to appellate proceedings, appeal fees, fine, penalties and appointment of Special Judges.

FILING OF RETURN MADE MANDATORY FOR IMPORTERS / EXPORTERS / SERVICE PROVIDERS

Importers, exporters and service providers are being required to file normal return of income instead of simple statement. Furthermore, the tax deducted / collected from such taxpayers would be treated as minimum instead of final tax.

NTN IS REQUIRED FOR PURCHASE OF PROPERTY / UTILITIES CONNECTIONS / BANK ACCOUNTS

It is proposed that obtaining of NTN may be made mandatory for purchase of property, obtaining commercial and industrial gas/electricity connection and opening of a bank account. All NTN holders are also proposed to file returns necessarily.

FILING OF RETURN MADE MANDATORY FOR CERTAIN PERSONS

In order to ensure filing of income tax returns by all persons having reasonable resources and income, it is proposed that any person owning immovable property with a land area having **500 sq. yards**, flat having covered area **2000 sq. ft** or owns a motor vehicle having engine capacity of **1000 cc** or more shall file return of income.

SALIENT FEATURES - CHANGES IN INCOME TAX LAW

Cont'd

TAXATION OFFICER TO BE EMPOWERED TO ISSUE EXPARTE ORDERS OF NON FILERS

Taxation Officers are being empowered to pass best judgment assessment orders in the cases of the taxpayers who failed to furnish statutory statement as required under section 115 of the Income Tax Ordinance, 2001.

TAX CREDIT TO MANUFACTURER ON MAKING MORE THAN 90% SALES TO S.T. REGISTERED PERSONS

Manufacturers are being incentivized by allowing tax credit at **2.5%** of the tax payable if they are able to make at least 90% of their sales to sales tax registered persons.

CVT ON TRANSFER OF IMMOVABLE PROPERTY ENHANCED FROM 2% TO 4%

The real estate sector is known to be the most under taxed sector of the economy which usually attracts black economy. In order to curb the speculative tendency and discourage non productive investment the rate of CVT on transfer of immovable property is being enhanced from 2% to **4%**.

CHANGES IN INCOME TAX LAW IN DETAIL

DEFINITIONS

DIRECTOR GENERAL

SECTION 2 (17A)

“Director General” means a person appointed as Director General of Regional Tax Office or Large Taxpayers Unit under section 208 and includes a Director General of Income Tax, Sales Tax, Federal Excise Duty (FED) and Regional Commissioner of Income Tax.”

KIBOR

SECTION 2 (30AA)

“KIBOR means Karachi Inter bank offered Rate applicable on the first day of each quarter of the financial year.”

TURNOVER

SECTION 2 (70A)

“turnover” means turnover as defined in sub-section (3) of section 113.”

TAX TO BE COLLECTED FOR (IDPs) FROM CORPORATE EXECUTIVES

SECTION 12 (2)(a)

Following proviso shall be added in clause (a) in sub-section (2) in section 12

“Provided that any bonus paid or payable to corporate employees receiving salary income of one million rupees or more (excluding bonus) in tax year 2009, shall be chargeable to tax at the rate provided in paragraph (2) of Division I of Part I of the First Schedule”

In order to support IDPs in their rehabilitation a new tax is being proposed to be charged on bonus income of corporate executives @ 30% of the bonus. This is a one time levy and payable for tax year 2009 only.

TAX CREDIT TO A PERSON REGISTERED UNDER THE SALES TAX ACT 1990

SECTION 65(A)

- (1) Every manufacturer, registered under the Sales Tax Act, 1990, shall be entitled to a tax credit of two and a half per cent of tax payable for a tax year, if ninety per cent of his sales are to the person who is registered under the aforesaid Act during the said tax year.
- (2) For claiming of the credit, the person shall provide complete details of the persons to whom the sales were made.
- (3) No credit will be allowed to a person whose income is covered under final tax or minimum tax
- (4) Carry forward of any amount where full credit may not be allowed against the tax liability for the tax year, shall not be allowed.

Manufacturers are being incentivized by allowing tax credit at 2.5% of the tax payable if they are able to make at least 90% of their sales to sales tax registered persons.

MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS

SECTION 113

Following section 113 has been reintroduced with some additional provisions.

- (1) This section shall apply to a resident company where, for any reason whatsoever allowed under this Ordinance, including any other law or for the time being in force :
 - (a) loss for the year;

CHANGES IN INCOME TAX LAW IN DETAIL

- (b) the setting off of a loss of an earlier year;
- (c) exemption from tax;
- (d) the application of credits or rebates; or
- (e) the claiming of allowances or deductions (including depreciation and amortization deductions)

no tax is payable or paid by the person for a tax year or the tax payable or paid by the person for a tax year is less than one-half per cent of the amount representing the person's turnover from all sources for that year:

Provided that this sub-section shall not apply in the case of a company, which has declared gross loss before set off of depreciation and other inadmissible expenses under the Ordinance. If the loss is arrived at by setting off the aforesaid or changing accounting pattern, the Commissioner may ignore such claim and proceed to compute the tax as per historical accounting pattern and provision of this Ordinance and all other provisions of the Ordinance shall apply accordingly.

- (2) Where this section applies:
- (a) the aggregate of the person's turnover as defined in sub-section (3) for the tax year shall be treated as the income of the person for the year chargeable to tax;
 - (b) the person shall pay as income tax for the tax year (instead of the actual tax payable under this Ordinance), an amount equal to one-half per cent of the person's turnover for the year;
 - (c) where tax paid under sub-section (1) exceeds the actual tax payable under Part 1, Division II of the First Schedule, the excess amount of tax paid shall be carried forward for adjustment against tax liability under the aforesaid Part of the subsequent tax year:

Provided that the amount under this clause shall be carried forward and adjusted against tax liability for three tax years immediately succeeding the tax year for which the amount was paid.

- (3) "turnover" means,-
- (a) the gross receipts, exclusive of Sales Tax and Federal Excise duty or any trade discounts shown on invoices, or bills, derived from the sale of goods, and also excluding any amount taken as deemed income and is assessed as final discharge of the tax liability for which tax is already paid or payable;
 - (b) the gross fees for the rendering of services for giving benefits including commissions; except covered by final discharge of tax liability for which tax is separately paid or payable;
 - (c) the gross receipts from the execution of contracts; except covered by final discharge of tax liability for which tax is separately paid or payable; and
 - (d) the company's share of the amounts stated above of any association of persons of which the company is a member.

Last year the provision regarding payment of minimum tax on declared turnover by the companies was deleted, now proposed to be reintroduced with certain changes in the old basis.

CHANGES IN INCOME TAX LAW IN DETAIL

TAXATION OF INCOME OF CERTAIN RETAILERS

SECTION 113 B

Following proviso has been added after clause (c) of section 113B.

“Provided that turnover chargeable to tax under this section shall not include the sale of goods on which tax is deducted or deductible under clause (a) of sub-section (1) of section 153.”

RETURN OF INCOME

SECTION 114

Through a proposed addition in section 114 following persons are now also required to file a return

- Any person owning immovable property with a land area having **500 sq. yards**.
- Any person owning a flat having covered area **2000 sq. ft**.
- Any person owns a motor vehicle having engine capacity of **1000 cc** or more.
- Any person who has obtained NTN.

Through a proposed substitution of sub section 6 of section 114 following conditions are added for filing a revised return by the tax payer. At present, the taxpayers are allowed to file revised return any time within five years of the filing of original return. It is proposed to allow filing of revised return in cases where the following conditions are met by the tax payer:

1. return should be accompanied by the revised accounts or revised audited accounts:
2. the reason of revision of return, in writing, duly signed, is filed therewith: and
3. return should be filed before the issuance of the notice for amendment of assessment.

PERSONS NOT REQUIRED TO FURNISH RETURN OF INCOME

SECTION 115

Through the following proposed substitution of proviso to sub section 1 of section 115 e-filing is made mandatory for salaried tax payer having salary of more than 500,000:

“provided that where salary income, for the tax year is five hundred thousand rupees or more, the taxpayer shall file return of income **electronically** in the prescribed form and it shall be accompanied by the proof of deduction or payment of tax and wealth statement as required under section 116.”

Through the following insertion of sub section (4A) in section 115 provision for filing revised statement by such persons is added:

“Any person who, having furnished a statement, discovers any omission or wrong statement therein, he may, without prejudice to any other liability which he may incur under this Ordinance, furnish a revised statement for that tax year, at any time within five years from the end of the financial year in which the original statement was furnished.”

Through the following insertion of sub section 4(B) in section 115 provision for filing of wealth statement by persons who are filing statement under FTR is added:

“Every person (other than a company) filing statement under sub-section (4), falling under final tax regime (FTR) and has paid tax amounting to twenty thousand rupees or more for the tax year, shall file a wealth statement alongwith reconciliation of wealth statement.”

CHANGES IN INCOME TAX LAW IN DETAIL

WEALTH STATEMENT

SECTION 116

Through the following proposed insertion of clause (e) to sub section 1 of section 116 a wealth reconciliation statement is also required to be filed:

(e) “the reconciliation statement of wealth”

AMENDMENT OF ASSESSMENTS

SECTION 122

Through the following proposed substitution of sub section 2 of section 122 the time period for the finalization of amended assessment is linked with financial year rather than date of issuance of assessment order:

“(2) No order under sub-section (1) shall be amended by the Commissioner after the expiry of five years from the end of the financial year in which the Commissioner has issued or treated to have issued the assessment order to the taxpayer.”

DECISION IN APPEAL

SECTION 129

Through the following proposed addition of provisos to the sub section 4 and deletion of sub section 5, 6 and 7 of section 129 the provisions for the finalization of appeal has been rationalized :

“Provided that such order shall be passed not later than one hundred and twenty days from the date of filing of appeal or within an extended period of sixty days, for reasons to be recorded in writing by the Commissioner (Appeals):

Provided further that any period during which the hearing of an appeal is adjourned at the request of the appellant or is postponed due to any appeal or proceedings or stay order, remand or alternative dispute resolution proceedings or for any other reason, shall be excluded in the computation of the aforementioned periods.”

ADVANCE TAX PAID BY THE TAX PAYER

SECTION 147

Through the following proposed substitution of sub section 4 of section 147 the formulae and basis of advance tax has been changed:

“(4) Where the taxpayer is a company or an association of persons, the amount of advance tax due for a quarter shall be computed according to the following formula, namely:-

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

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 155.”

CHANGES IN INCOME TAX LAW IN DETAIL

PAYMENT FOR GOODS AND SERVICES

SECTION 153

Through the following proposed insertion of sub clause (iii) to the provisos to sub section 6 of section 153 the following payments are now also out of the ambit of subsection 153 (6).

“(iii) the rendering of or providing of services referred to in sub- clause (b) of sub-section (1):

Provided that tax deducted under sub-clause (b) of sub-section (1) of section 153 shall be minimum tax.”

Through the following proposed insertion of clause (cc) after clause (c) in sub section 9 of section 153 the Non-Profit Organization (NPOs) has been brought into the definition of prescribed persons which will require non-profit organization to act as with holding tax agent (WTA) for payment made for goods and services acquired:

“(cc) a non-profit organization.”

REFUNDS

SECTION 170

Through a change in sub section 4 of section 170 the period of issuing refund order has been extended to 90 days from 45 days:

Through a proposed insertion of section 170A unlimited powers have been given to the Commissioner to withhold refund for an unidentified period:

POWERS TO WITHHOLD REFUND IN CERTAIN CASES

SECTION 170 A

- (1) Where an order giving rise to a refund is the subject matter of an appeal or further proceedings under this Ordinance, the Commissioner may, withhold refund till such time as he deems fit.
- (2) No refund under sub-section (1) shall be withheld unless the taxpayer has been given a reasonable opportunity of being heard.
- (3) The Commissioner shall make an order, stating the reason for withholding the refund and shall communicate the same to the taxpayer.”

NOTICE TO OBTAIN INFORMATION OR EVIDENCE

SECTION 176

Through a proposed insertion of clause (c) after clause (b) of sub section 1 of section 176 the commissioner is authorized to delegate his powers to a firm of Chartered Accountants:

- “(c) The firm of chartered accountants, as appointed by the Board, to conduct audit under section 177, for any tax year, with the prior approval of the Commissioner concerned, may obtain any information, require production of any record, or computer on which the required information is stored, impound and retain such computer as long as it is necessary and such firm may also exercise the powers as provided in sub-section (4), if specifically delegated by the Commissioner.”

PROSECUTION FOR CONCEALMENT OF INCOME

SECTION 192A

Through a proposed insertion of section 192A prosecution provisions for concealment of income has been added:

- (1) Where, in the course of any proceedings under this Ordinance, any person has either in the said proceedings or in any earlier proceedings concealed income or furnished inaccurate particulars of such income and revenue impact of such concealment or furnishing of inaccurate particulars of such income is five hundred thousand rupees or more shall commit an offence punishable on conviction with imprisonment upto two years or with fine or both.

CHANGES IN INCOME TAX LAW IN DETAIL

- (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.”

CONDONATION OF TIME LIMIT

SECTION 214A

Through the proposed insertion of section 214A the time limit for condonation by the FBR for application of provisions of the Income Tax Ordinance, 2001 has been specified.

POWER OF THE BOARD TO CALL FOR RECORDS

SECTION 214B

Through the proposed insertion of section 214b the FBR has been empowered to call for and examine records in any departmental proceedings.

DIRECTORATE GENERAL (INTELLIGENCE AND INVESTIGATION OF INCOME TAX)

SECTION 229A

Through the proposed insertion of section 229A the Directorate General of Intelligence and Investigation of Income Tax has to be formed and assigned powers.

ADVANCE TAX ON PRIVATE MOTOR VEHICLES

SECTION 231B

Through the following proposed insertion of section 231B the provision of advance tax on private motor vehicles has been introduced.

“231B. Advance tax on private motor vehicles.-

Every motor vehicle registering authority of Excise and Taxation Department shall collect advance tax at the time of registration of a new locally manufactured motor vehicle, at the rates specified in Division VII of Part IV of the First Schedule:

Provided that the provisions of this section shall not be applicable in the case of -

- (a) the Federal Government;
- (b) the Provincial Government;
- (c) the Local Government;
- (d) a foreign diplomat; or
- (e) a diplomatic mission in Pakistan.”

ELECTRICITY CONSUMPTION

SECTION 235

Through the following proposed substitution of sub section 4 of section 235 the provisions of tax deducted on electricity bills of tax payers have been revisited for allowing adjustability of such tax with certain conditions:

“(4) under this section,-

- (a) in the case of a taxpayer other than a company, tax collected upto bill amount of thirty thousand rupees per month shall be treated as minimum tax on the income of such persons and no refund shall be allowed;
- (b) in the case of a taxpayer other than a company, tax collected on monthly bill over and above thirty thousand rupees per month shall be adjustable; and
- (c) in the case of a company, tax collected shall be adjustable against tax liability.”

CHANGES IN INCOME TAX LAW – TAX CARDS

PROPOSED RATE CARD FOR SALARIED MALES AND FEMALES TAX YEAR 2010

Where the income of an individual chargeable under the head “salary” exceeds fifty percent of his taxable income, the rates of tax to be applied shall be as set out in the following table namely: -

| SN | TAXABLE INCOME | RATE OF TAX |
|----|--|--------------|
| 1 | Where the taxable income does not exceed Rs. 200,000. | 0% |
| 2 | Where the taxable income exceeds Rs. 200,000 but does not exceed Rs.250,000. | 0.5% |
| 3 | Where the taxable income exceeds Rs. 250,000 but does not exceed Rs.350,000. | 0.75% |
| 4 | Where the taxable income exceeds Rs. 350,000 but does not exceed Rs.400,000. | 1.5% |
| 5 | Where the taxable income exceeds Rs. 400,000 but does not exceed Rs.450,000. | 2.5% |
| 6 | Where the taxable income exceeds Rs. 450,000 but does not exceed Rs.550,000. | 3.5% |
| 7 | Where the taxable income exceeds Rs. 550,000 but does not exceed Rs.650,000. | 4.5% |
| 8 | Where the taxable income exceeds Rs. 650,000 but does not exceed Rs.750,000. | 6.0% |
| 9 | Where the taxable income exceeds Rs. 750,000 but does not exceed Rs.900,000. | 7.5% |
| 10 | Where the taxable income exceeds Rs. 900,000 but does not exceed Rs.1,050,000. | 9.0% |
| 11 | Where the taxable income exceeds Rs. 1,050,000 but does not exceed Rs.1,200,000. | 10.0% |
| 12 | Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs.1,450,000. | 11.0% |
| 13 | Where the taxable income exceeds Rs. 1,450,000 but does not exceed Rs.1,700,000. | 12.5% |
| 14 | Where the taxable income exceeds Rs. 1,700,000 but does not exceed Rs.1,950,000. | 14.0% |
| 15 | Where the taxable income exceeds Rs. 1,950,000 but does not exceed Rs.2,250,000. | 15.0% |
| 16 | Where the taxable income exceeds Rs. 2,250,000 but does not exceed Rs.2,850,000. | 16.0% |
| 17 | Where the taxable income exceeds Rs. 2,850,000 but does not exceed Rs.3,550,000. | 17.5% |
| 18 | Where the taxable income exceeds Rs. 3,550,000 but does not exceed Rs.4,550,000. | 18.5% |
| 19 | Where the taxable income exceeds Rs. 4,550,000 but does not exceed Rs.8,650,000. | 19.0% |
| 20 | Where the taxable income exceeds Rs. 8,650,000. | 20.0% |

Provided that where income of a woman taxpayer is covered by this clause, no tax shall be charged if the taxable income does not exceed Rs.260,000.

Provided further that where the total income of a taxpayer marginally exceeds the maximum limit of a slab in the table, the income tax payable shall be the tax payable on the maximum of that slab plus an amount equal to:

- (i) 20% of the amount by which the total income exceeds the said limit where the total income does not exceed Rs.550,000.
- (ii) 30% of the amount by which the total income exceeds in each slab but total income does not exceed Rs.1,050,000.
- (iii) 40% of the amount by which the total income exceeds in each slab but total income does not exceed Rs.2,250,000.
- (iv) 50% of the amount by which the total income exceeds in each slab but total income does not exceed Rs.4,550,000.
- (v) 60% of the amount by which the total income exceeds in each slab but the total income exceeds Rs.4,550,000.

Provided further that Internally Displaced Persons Tax (IDPT), treated as income tax, on the tax payable on the taxable income of one million rupees or more, shall be levied at the rate of 5% of such tax, for tax year 2009; and

The rate of tax payable on bonus as IDPT as income tax shall be 30% for the tax year 2009.”

CHANGES IN INCOME TAX LAW – TAX CARDS

PROPOSED RATE CARD FOR NON-SALARIED INDIVIDUALS & ASSOCIATION OF PERSONS (AOP) TAX YEAR 2010

Non-Salaried Individual or Association of Persons (AOP) has to pay taxes on their income, the rates of tax to be applied shall be as set out in the following table namely: -

| SN | TAXABLE INCOME | RATE OF TAX |
|----|--|--------------|
| 1 | Where the taxable income does not exceed Rs. 100,000. | 0% |
| 2 | Where the taxable income exceeds Rs. 100,000 but does not exceed Rs.110,000. | 0.5% |
| 3 | Where the taxable income exceeds Rs. 110,000 but does not exceed Rs.125,000. | 1.0% |
| 4 | Where the taxable income exceeds Rs. 125,000 but does not exceed Rs.150,000. | 2.0% |
| 5 | Where the taxable income exceeds Rs. 150,000 but does not exceed Rs.175,000. | 3.0% |
| 6 | Where the taxable income exceeds Rs. 175,000 but does not exceed Rs.200,000. | 4.0% |
| 7 | Where the taxable income exceeds Rs. 200,000 but does not exceed Rs.300,000. | 5.0% |
| 8 | Where the taxable income exceeds Rs. 300,000 but does not exceed Rs.400,000. | 7.5% |
| 9 | Where the taxable income exceeds Rs. 400,000 but does not exceed Rs.500,000. | 10.0% |
| 10 | Where the taxable income exceeds Rs. 500,000 but does not exceed Rs.600,000. | 12.5% |
| 11 | Where the taxable income exceeds Rs. 600,000 but does not exceed Rs.800,000. | 15.0% |
| 12 | Where the taxable income exceeds Rs. 800,000 but does not exceed Rs.1,000,000. | 17.5% |
| 13 | Where the taxable income exceeds Rs. 1,000,000 but does not exceed Rs.1,300,000. | 21.0% |
| 14 | Where the taxable income exceeds Rs. 1,300,000. | 25.0% |

“Provided that where income of a woman taxpayer is covered by this clause, no tax shall be charged if the taxable income does not exceed Rs.125,000”.

“Provided further that Internally Displaced Persons Tax (IDPT), treated as income tax, on the tax payable on the taxable income of one million rupees or more, shall be levied at the rate of 5% of such tax, for tax year 2009.”

