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(38A) This proposed new clause seeks to define an "Officer of Inland Revenue" to include the designations Additional Commissioner Inland Revenue, Deputy Commissioner Inland Revenue, Assistant Commissioner Inland Revenue, Inland Revenue Officer, Inland Revenue Audit Officer or any other officer designated or appointed by the Board. The amendment is proposed to provide for a unified designation for functional and operational integration of three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.

(41), (48A) and (65) The proposed amendment to clause 41 and proposed deletion of clauses 48A and 65 are of editorial nature to rectify the law in accordance with changes already made.

4 Tax on taxable income

(1) The amendment proposed to this sub-section seeks to include reference to the new Division IB prescribing the flat rate of 25% as being the rate of tax applicable to Association of Persons instead of the graduated scale previously allowed to Association of Persons where the highest rate of 25% was applicable.

(4) The proposed amendment is of an editorial nature correcting misprint.

13 Value of perquisites

As a result of inclusion of a new proviso to this sub-section the Bill seeks to provide exemption to the benefit arising to the employee as a result of waiver of interest due to him as a matter of right on the balance due to him from the employer.

22 Depreciation

(3) The proposed amendment is of an editorial nature correcting misprint.

37 Capital gains

(3) The proposed amendments to this sub-section seek to provide for taxability of capital gains on sale of shares and securities.

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37A**Capital gains on sale of securities**

The capital gains on sale of listed securities have been exempt since inception of the law. The Federal Government has on several occasions attempted to bring these gains into the tax net but have not succeeded because of pressures from the thousands of investors, small and large. The significant lobby to keep the exemption alive has succeeded as the Government's desire has been to keep the Stock Market buoyant for attracting investments. Until the introduction of Capital Value Tax (CVT) a few years back the stock market transactions have remained unaccountable from tax perspectives.

This proposed new section seeks to tax capital gains arising from sale securities (previously exempted under clause 110 of the Second Schedule of the Ordinance. The term "securities" has been defined to include a public company (defined in clause 47 of Section 2), vouchers of Pakistan Telecommunications Corporation, Modaraba Certificates or instruments of redeemable capital.

The capital gain on sale of securities is to be taxed as a separate block of income.

65B**Tax credit for investment**

(1)

This proposed new section seeks to allow a company making investment in plant and machinery for the purposes of balancing, modernization and replacement (BMR) in an industrial undertaking set up in Pakistan and owned by the company to claim credit equal to 10% of the tax payable for the tax year in which the costs are incurred.

This credit is proposed to be made available for investments made in plant and machinery installations in Pakistan for BMR during the period from July 1, 2010 to June 30, 2015.

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In the event it is subsequently discovered that the tax credit has been wrongly claimed as the conditions for claiming the credit were not met, then the Commissioner Inland Revenue is empowered in sub-section (3) to re-compute the tax payable by the tax payer for the relevant year.

This amendment will encourage companies to modernize their facilities enabling them to improve productivity. Domestic investment has been sluggish during recent years and this facility is likely to provide some incentives for making the investments.

65C

Tax credit for enlistment

This proposed new section seeks to allow companies going for listing in the Stock Market to claim a 5% tax credit in the year in they are listed. The section does not clarify if the listing is of shares or other instruments as well.

The purpose of this new facility seems to be to encourage companies to go for listing as the capital market has been virtually dormant over the last few years. This incentive will create a positive impact to counter the negative impact of taxing capital gains.

87

Deceased individuals

(2A)

The proposed insertion of this new sub-section seeks to provide for a first charge on a deceased individual's assets for the tax liabilities accruing on the estate.

As the liabilities of the legal representatives are restricted to the deceased individual's assets the first charge for tax liability gives the tax authorities an ability to claim recovery of the amounts.

111

Unexplained income or assets

(2)

The proposed amendment to this sub-section seeks to tax the amount of unexplained income or assets in the year to which the amount relates instead of the year preceding the financial year in which the amount is discovered.

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This amendment will allow tax authorities to tax amounts of unexplained income and assets arising in years which are time barred under the present tax laws.

This amendment seeks to bring into the tax net transactions carried out in the past for acquisition of properties and stocks which have not been declared.

(4)(b) The proposed amendment to delete the clause (b) seeks to empower the tax authorities to tax unexplained income or assets which otherwise would have been time barred.

113 Minimum tax on the income of certain persons

(1) The proposed amendment seeks to include the following as also being liable to minimum tax:

- Individuals having a turnover of Rs 50 million or more in tax year 2009 or in any subsequent year
- Association of persons having a turnover of Rs 50 million or more in tax year 2007 or in any subsequent year.

(1)(e) and (2)(b) The proposed amendments to these sub-sections seek to increase the rate of minimum tax from 0.5% to 1% of the gross amount of receipts.

It is interesting to note that two years back this provision was withdrawn on the grounds that the cost of collection did not justify charge of this tax. Last year this provision was reinstated and now it is proposed that the law will also apply to individuals and AOP's having turnover in excess of the prescribed turnover and the rate of tax has also been doubled.

114 Return of income

(6) and (6A) The Bill proposes to amend sub-section (6) and introduce a new sub-section (6A) to deal with the situation where a person wishes to revise the return of income.

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If the taxpayer wishes to file a revised return of income voluntarily along with deposit of the amount of tax short paid or amount of tax sought to be evaded along with the default surcharge before receipt of notice under section 177 or sub-section (9) of section 122, no penalty shall be recovered from the taxpayer.

If the taxpayer wishes to deposit the amount of tax as pointed out by the Commissioner during the audit or before issuance of notice under sub-section (9) of section 122 the amount to be deposited along with the revised return will be the amount of tax sought to be evaded, the default surcharge and twenty five percent of the penalties leviable under the Ordinance.

If the taxpayer wishes to revise the return after the a show cause notice has been issued under sub-section (9) of section 122 the amount to be deposited along with the revised return will be the amount of tax sought to be evaded, the default surcharge and fifty percent of the penalties leviable under the Ordinance.

If the amounts are deposited and revised return has been filed with the revised audited financial statements the show cause notice issued to the taxpayer will stand abated.

115 **Persons not required to file return of income**

(4B) The proposed amendment seeks to relocate the requirement to file wealth statement in case of a person paying tax of Rs 20,000 to section 116 dealing with the subject matter of filing wealth statement.

116 **Wealth statement**

(2A) This proposed new sub-section seeks to require filing of a wealth statement and wealth reconciliation statement within 60 days of the passing of a provisional assessment under section 122C with respect to a taxpayer who has not filed return of income in response to a notice.

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(4) This proposed new sub-section seeks to relocate sub-section (4B) of section 115 and the amount of Rs 20,000 is proposed to be increased to Rs 35,000.

118 Method of furnishing returns and other documents

(3) The proposed amendments to this sub-section seek to provide for dates for filing of return of income as follows:

- In respect of an individual in respect of whom Annual Statement has been filed by the employer, shall file the return of income or a statement under sub-section 4 of section 115 on or before August 31 next following the end of the tax year to which the Annual Statement or statement under sub-section 4 of section 115 relates
- In respect of a return of income for any person (other than a company) on or before September 30 next following the end of the tax year to which the return relates.

119 Extension of time for furnishing returns and other documents

(6) The proposed amendment seeks to change the nomenclature of "additional taxes" to default surcharge to bring it in line with the three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.

120 Assessments

(1A) The proposed amendment to this sub-section seeks to align the amendments in section 177 with respect to the empowerment of Commissioner Inland Revenue to undertake audits by calling for records. This is discussed in greater detail below.

121 Best judgement assessment

(1)(a) The proposal to delete this sub-section is because of including section 122C which deals with the subject of assessment being done where no return of income has been filed in response to a notice.

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(1)(c) The proposed amendment seeks to broaden powers of Commissioner to determine not only taxable income but also the value of income.

(1)(d) The proposed amendment to this sub-section seeks to include "Cost and Management Accountants" to be eligible for being allotted the powers of the Commissioner alongside the Chartered Accountants.

122C Provisional assessment

This proposed new sub-section seeks to empower the Commissioner Inland Revenue to issue a "provisional assessment order" where in response to a notice a person has not responded. The Commissioner has powers to pass a provisional assessment of taxable income or income of the person including the amount of the tax due.

The provisional assessment order shall be treated as final assessment order if within 60 days of the passing of the order the person files return of income, wealth statement and wealth reconciliation statement.

This proposed new section seeks to empower the Commissioner to pass the orders in respect of persons not responding to notices with respect to assets and income identified by the tax authorities.

124 Assessment giving effect to an order

(2) The proposed amendments are of editorial nature seeking to rectify mistakes.

127 Appeal to the Commissioner (Appeals)

(1) The proposed deletion of references to sub-sections 183, 184, 185, 186, 187, 188 and 189 seek to make orders passed for penalties under these sub-sections to be not eligible for right of appeal.

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130 Appointment of the Appellate Tribunal

(4) The proposed amendment to this sub-section seeks to provide for appointment of an officer equal to the rank of Regional Commissioner, Commissioner of Inland Revenue or Commissioner of inland Revenue (Appeals) with at least 5 years experience as Commissioner or Collector to be appointed as an Accountant Member of the Tribunal.

134A Alternative Dispute Resolution

(1) and (3) The proposed amendments seek to align the reference to income tax to the new name Inland Revenue.

137 Due date for payment of tax

(2) The proposed new proviso seeks to allow for payment of tax assessed under section 122C as being payable after 60 days from the date of service of the notice.

(6) The proposed amendment seeks to change the nomenclature of "additional taxes" to default surcharge to bring it in line with the three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.

138A Estate in bankruptcy

This proposed new section seeks to provide for transfer of the tax liability to the estate and for treating the tax liability as being a current expenditure in the operations of the estate in bankruptcy and requires for payment of the amount prior to payment preferred by other creditors.

146B Tax arrears settlement incentive scheme

The proposed amendment seeks to change the nomenclature of "additional taxes" to default surcharge to bring it in line with the three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.

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147 Advance tax paid by the taxpayer

(1)(a) The proposed amendment to this sub-section seeks to exclude income from capital gains from the list of income not liable to advance tax. Consequently, income from capital gain is proposed to be included in the list of income on which advance tax is to be calculated.

(2) and (4B) Association of persons are now proposed to be excluded from the list on whom advance tax does not apply and the threshold of Rs 200,000 for individuals on whom advance tax is to be paid is now proposed to be increased to Rs 500,000.

(5A) This proposed sub-section seeks to provides for due dates for payment of advance income tax by Association of Persons as follows:

Quarter ended	Due date (on or before)
September 30	September 25
December 31	December 25
March 31	March 25
June 30	June 25

(5B) This proposed new sub-section seeks to provide for advance tax on capital gains as follows:

Period of holding	Rate of tax
Less than six months	2%
More than six months but Less than 12 months	1.5%

The advance tax is due every quarter within 7 days of the close of each quarter.

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148	Imports
(7)	The proposed amendment seeks to clarify that the tax at source on import of edible oil is a minimum tax and not the final discharge of tax on that income source.
151	Profit on debt
	The proposed amendment to this section seeks to include the following within the final tax regime:
	<ul style="list-style-type: none">• Debt instruments• Government securities• Treasury bills• Pakistan Investment Bonds
152	Payments to non-residents
(2)	The proposed amendment to include reference to sub-section 1AA seeks to correct the cross reference to the rate in Division II of Part III of the First Schedule.
153	Payments for goods and services
(9)(g)	The proposed amendment in sub-section seeks to include Association of Persons as a "prescribed person" for withholding tax when making payments for goods and services if the turnover is Rs 50 million in tax year 2007 or in any subsequent year.
(9)(h)	The proposed amendment seeks to include individuals having turnover of Rs 50 million in tax year 2009 or in any subsequent year as a prescribed person for withholding tax when making payments for goods and services.

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155 Income from property

(2) The tax deducted at source when making payments for rent was considered final tax liability. The proposed amendment seeks to delete this sub-section which would result in the tax deducted at source as being treated as advance tax adjustable against the final tax liability determined on the basis of tax computation.

161 Failure to pay tax collected or deducted

(1B) The proposed amendment seeks to change the nomenclature of "additional taxes" to default surcharge to bring it in line with the three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.

162 Recovery of tax from the person from whom tax was not collected or deducted

(2) The proposed amendment seeks to change the nomenclature of "additional taxes" to default surcharge to bring it in line with the three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.

165 Statements

(1) and (4) The proposed amendments to this sub-section seek to eliminate the requirement of filing annual withholding statement and to provide for filing of quarterly withholding statement.

The proposed amendment also seeks to require compulsory filing of statement even where no withholding tax is collected or deducted during the period.

(2) The proposed amendments to this sub-section seek to provide for the filing dates of quarterly withholding statements as follows:

Period (Quarter ended)	Last date
September	October 20

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	Period (Quarter ended)	Last date
	December	January 20
	March	April 20
	June	July 20
169	Tax collected or deducted as a final tax	
(1)(b)	The proposed amendment to this sub-section is relating to the exclusion of income from property from the final tax regime.	
(3)	The proposed amendment to this sub-section seeks not to require filing of return of income for persons having income from property if they have no other source of income.	
Explanation	This proposed new explanation of "an assessment shall be treated to have been made under section 120" is as follows:	
	<ul style="list-style-type: none"> a) The Commissioner shall be taken to have made an assessment of income for that tax year and the tax due to be the amount specified in the return or statement filed b) The return or statement under sub-section (4) of section 115 of the Ordinance to be treated as an Assessment Order for all intents and purposes. 	
174	Records	
(3)	The proposed amendment seeks to increase the period for retention of records by taxpayers from 5 to 6 years	
(5)	The proposed amendment seeks to introduce a proviso requiring retention of records until completion of pending proceedings which includes proceedings for assessment or amendment of assessment, appeal, revision, reference, petition or prosecution and any proceedings before Alternate Dispute Resolution Committee.	

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176 Notice to obtain information or evidence

(1)(c) The proposed amendment to this sub-section seeks to empower a Commissioner to appoint a firm of chartered accountants to conduct an audit. A process has been underway for tax audits being carried out by chartered accountants for tax year 2008.

177 Audit

(1) The proposed new sub-section seeks to empower the Commissioner for calling for books and records, including records kept in an electronic format together with the required software. To be able to call for the records, the Commissioner is required to record the reason in writing for calling the record and the reason is required to be communicated to the taxpayer.

This section has undergone several changes over the years and it appears there is uncertainty regarding the approach of the Federal Board of Revenue for conducting audits. The proposed amendment seeks to make it much easier for the Commissioner to proceed with an audit as he is just required to record and communicate the reason for calling the records. There does not appear to be any check on the Commissioner using these powers and, therefore, there is a risk that this power may be abused.

(2) The proposed new sub-section (2) seeks to provide for the process to be adopted by the Commissioner after obtaining the records.

(3), (4), (5), (6), (7) and (8) The proposed deletion and amendments to these sub-sections are with respect to the new basis proposed for carrying out audits. Reference in the law to criteria and selection of cases on an objective basis is proposed to be eliminated.

(10) This proposed new sub-section seeks to empower the Commissioner to proceed with making a best judgment assessment in the absence of records, documents, information and explanation.

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181A Active Taxpayers List

This proposed new section seeks to provide for maintenance of an Active Taxpayers List in a prescribed form.

182 Offences and penalties

(1) The proposed new sub-section seeks to provide information relating to offences and penalties in the form of a Table as follows:

OFFENCES	PENALTIES	SECTIONS
Person fails to furnish a return, statement under section 115, wealth statement, wealth reconciliation or statement under section 165	0.1% of the tax payable for each day of default subject to a minimum penalty of Rs 5,000 and maximum penalty of 25% of tax payable for that year	114,115, 116 and 165
Person fails to issue cash memo or invoice or receipt required under the Ordinance/Rules	Rs 5,000 or 3% of the amount of tax involved whichever is higher	174 and Chapter VII of the Income Tax Rules
Person fails to apply for registration as required under the Ordinance	Rs 5,000	181
Person fails to notify the changes of material nature in the particulars of registration	Rs 5,000	181

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OFFENCES	PENALTIES	SECTIONS
Person fails to deposit the tax due within the time allowed under the Ordinance/Rules	5% of the amount of tax in default For the second default an additional 25% of the amount of tax in default For the third and subsequent defaults an additional 50% of the amount of tax in default	137
Person repeatedly makes erroneous calculations in the returns for more than one year whereby the amount of tax is shown as less than actual amount payable	Rs 5,000 or 3% of the amount tax involved whichever is higher	137
Person fails to maintain records required under the Ordinance/Rules	Rs 10,000 or 5% of the amount of tax on income whichever is higher	174
Person fails to comply with requirements of section 177 without any reasonable cause and:		177

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OFFENCES	PENALTIES	SECTIONS
(a) Fails to produce the documents and records on receipt of first notice	Rs 5,000	
(b) Fails to produce the documents and records on receipt of second notice	Rs 10,000	
(c) Fails to produce the documents and records on receipt of third notice	Rs 50,000	
Person fails to comply with notice under section 176	Rs 5,000 for the first default and Rs 10,000 for each subsequent default	176
Person (a) who makes a fault or misleading statement to an Inland Revenue Authority either in writing or orally or electronically including a	Rs 25,000 or 100% of the amount of tax shortfall whichever is higher Provided that in case of an assessment order deemed under section 120 no penalty shall be imposed to the extent of the tax shortfall occurring as	114, 115, 116,174, 176, 177 and general

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<p>statement in an application, certificate, declaration, notification, return, objection or other document including books of accounts given, filed or furnished under the Ordinance</p> <p>(b) furnishes or files a false or misleading information or document or statement to an income tax authority either in writing, orally or electronically</p> <p>(c) Omits from a statement made or information furnished to an income tax authority any matter or thing without which the statement or the information is false or misleading in a material particular</p>	<p>a result of the taxpayer taking a reasonably arguable position on the application of the Ordinance to the taxpayer's position</p>	
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OFFENCES	PENALTIES	SECTIONS
Person who denies or obstructs the access of the Commissioner or any officer authorized by the Commissioner to the premises, place, accounts, documents, computers or stocks	Rs 25,000 or 100% of the amount tax involved whichever is higher	175 and 177
Person has concealed income or furnished inaccurate particulars of such income, including suppression of any income or amount chargeable to tax, the claiming of any deduction for any expenditure not actually incurred or any act referred to in sub-section (1) of section 111 of the Ordinance in the course of any proceeding under the Ordinance before any income tax authority or the appellate tribunal	Rs 25,000 or an amount equal to the tax which the person sought to evade whichever is higher. However, no penalty shall be payable on mere disallowance of a claim of exemption from tax of any income or amount declared by a person or mere disallowance of any expenditure declared by a person to be deductible, unless it is proved that the person made the claim knowing it to be wrong	20, 111 and general

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OFFENCES	PENALTIES	SECTIONS
Person who obstructs any income tax authority in the performance of his duties	Rs 25,000	209, 210 and general
Person who contravenes any of the provision of this Ordinance for which no penalty has specifically been provided in this section	Rs 5,000 or 3% of the amount of tax involved whichever is higher	General
Person who fails to collect or deduct tax as required under provision of this Ordinance or fails to pay the tax collected or deducted as required under section 160	Rs 25,000 or 10% of the amount tax whichever is higher	148, 149, 150, 151, 152, 153, 153A, 154, 155, 156, 156A, 156B, 158, 160, 231A, 231B, 233, 233A, 234, 234A, 235, 236 and 236A

(2) The Bill proposes that the penalties are payable only if there is an order in writing passed by the Commissioner, Commissioner (Appeals) or the Appellate Tribunal after providing an opportunity of being heard to the taxpayer.

(3) The proposed Bill also seeks to provide that where a Commissioner Appeal or Appellate Tribunal makes the order, a copy shall be served immediately on the Commissioner and thereupon all the provisions of the Ordinance shall apply as if the order had been passed by the Commissioner.

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(4)	The proposed Bill also seeks to provide for reduction in penalties if an order has been passed in this regard.
183	<p>Exemption from penalty and default surcharge</p> <p>The amendments proposed to this section seek to empower the Federal Government or the Board to exempt a person or class of person from penalties and default surcharge if this is notified in the Official Gazette and the reasons for doing so are recorded in writing.</p>
184, 185, 186, 187, 188, 189 and 190	<p>Various provisions relating to penalties</p> <p>These are proposed to be omitted as the new provisions are tabulated in section 182.</p>
202	<p>Power to compound offences</p> <p>The proposed amendment seeks to change the nomenclature of “additional taxes” to default surcharge to bring it in line with the three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.</p>
203	<p>Trial by Special Judge</p> <p>(1) The proposed Bill seeks to empower the Federal Government to appoint, by notification in the Official Gazette, to appoint as many special judges as it may consider necessary but where it appoints more than one the territorial limits of their jurisdiction would be specified.</p>
(1A) and (1B)	<p>These proposed new sub-section seek to provide for the Special Judge to be a Sessions Judge having authority to try exclusively an offence punishable under the Ordinance other than offence referred to in section 198 of the Ordinance.</p>

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The proposed new sub-sections also clarify that the cases would be tried under the Code of Criminal Procedure and the prosecutor shall be deemed to be a Public Prosecutor.

(3) and (4)

These proposed new sub-sections provide for transfer of cases from one Special Judge to another whenever it appears to the Federal Government that the transfer shall promote the ends of justice or tend to the general convenience of the parties/witnesses.

The proposed new sub-section also provide for the procedure to be followed.

205

Default surcharge

The proposed amendments seek to change the nomenclature of “additional taxes” to default surcharge to bring it in line with the three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.

207

Income tax authorities

(1)

The proposed Bill seeks to introduce the new structure within the tax authority as follows:

- Board
- Chief Commissioner Inland Revenue
- Commissioner Inland Revenue
- Commissioner Inland Revenue (Appeals)
- Additional Commissioner Inland Revenue
- Deputy Commissioner Inland Revenue
- Assistant Commissioner Inland Revenue
- Inland Revenue Officer
- Inland Revenue Audit Officer
- Superintendent Inland Revenue
- Inspector Inland Revenue
- Auditor Inland Revenue

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- (2) The Bill proposes that the Board shall examine, supervise and oversee the general administration of the Ordinance.

- (3) The Bill proposes that the Chief Commissioners and Commissioners Inland Revenue Appeals shall be subordinate to the Board and Commissioners Inland Revenue shall be subordinate to the Chief Commissioners.

- (4) The Bill proposes that all the other positions from Additional Commissioner Inland Revenue down to Auditor Inland Revenue would all be subordinate to the Commissioners Inland Revenue.

- (4A) The Bill also proposes that the positions from Deputy Commissioners down to the Auditor Inland Revenue are subordinate to the Additional Commissioner Inland Revenue.

- (5) The Bill also generally provides that an officer vested with the powers of a Commissioner shall be subordinate to the Chief Commissioner.

208 Appointment of income tax authorities

209 Jurisdiction of income tax authorities

210 Delegation

211 Power of function exercised

The amendments proposed seek to provide for a unified designation for functional and operational integration of three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.

The amendments are in the nature of change in designations and nomenclature arising because of the creation of the Inland Revenue.

214C Selection for audit by the Board

This proposed new section provides for the empowerment of the Board to select persons or class of persons for audit. This section is now separated from the earlier section 177 which now deals with the procedure of audit and not the aspect relating to selection.

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215	Furnishing of returns, documents etc
(1) and (2)	The amendment is proposed to provide for a unified designation for functional and operational integration of three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.
217	Forms and notices; authentication of documents
(3)	The amendment is proposed to provide for a unified designation for functional and operational integration of three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.
	The proposed amendment seeks to empower the Board to specify the manner in which computer generated documents are to be authenticated.
226	Computation of limitation period
(b)	The proposed amendment seeks to prescribe for computation of limitation period for pending proceedings relating to assessment.
227	Bar of suits in Civil Courts
(2)	This proposed new sub-section seeks to provide for prior approval of the Board before commencing any inquiry, investigation against any officer performing his official duties.
229	Directorate General of Training and Research
	This proposed new section provides for the formation of a Directorate for Training and Research including identification of the hierarchy and empowering the Board to form the Directorate by appointing persons through Official Gazette notification.

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- 231AA Advance tax on transactions in bank**
- (1) The Bill proposes this new section for collection of tax on withdrawals demand draft, payment order, online transfer, telegraphic transfer, CDR, STDR, RTC or the sum total of the payments for such transactions exceeding Rs 25,000 in a day.
- (2) The proposed section provides for the following exclusions from the applicability of this section:
- (a) Federal Government or Provincial Government
 - (b) Foreign diplomat or a diplomatic mission in Pakistan
 - (c) Person who produces a certificate from the Commissioner that his income during the tax year is exempt.
- 233 Brokerage and Commission**
- The proposed amendment seeks to introduce the reference to Division II with respect to the applicable rate.
- 233A Collection of tax by a Stock Exchange registered in Pakistan**
- (2) The proposed amendment to this sub-section seeks to convert the tax collected on Stock Exchange members from minimum to adjustable based on the tax computation submitted by the members.
- 236 Telephone users**
- (1) The proposed amendment to this sub-section seeks to include "sale of units through electronic medium or whatever form" for levy of advance tax.
- (3A) The proposed new sub-clause provides for collection of advance tax at source on sale of units through electronic medium at the time of sale of units.

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236B Advance tax on purchase of air ticket

This proposed new section provides for collection of advance tax on the gross amount of the domestic air ticket and will be charged at the time of issue of ticket.

237 Power to make rules

(2) The proposed amendment seeks to change the nomenclature of "additional taxes" to default surcharge to bring it in line with the three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.

239 Savings

(3) and (7) The proposed amendment seeks to change the nomenclature of "additional taxes" to default surcharge to bring it in line with the three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.

239B Reference to authorities

The proposed amendments seek to change the nomenclature of "additional taxes" to default surcharge to bring it in line with the three domestic taxes, i.e Income Tax, Sales Tax and Federal Excise.

240 Removal of difficulties

(2) The proposed amendment seeks to empower the Federal Government/Board to issue by notification in the Official Gazette clarifications for removing difficulties.

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First Schedule

Rates of Tax

Part 1 – Division I (1)

Rates of Tax for Individuals and Association of Persons

The proposed amendment seeks to omit the words “and Association of Persons” in the heading of this Division and in clause (1) to bring the heading and the clause in line with the corresponding Division 1B Rates of Tax for Association of Persons which propose 25% rate of tax on the taxable income of Association of Persons and to create a separate tax rate for individuals.

Part 1 – Division I (1)

The tax rates applicable for computing tax liability for every individual except a salaried taxpayer are proposed to be changed. The revised Table showing the comparative position of the current Table is as follows :

Proposed		Existing	
Salary slab	Rate %	Salary slab	Rate %
Where the taxable income exceeds Rs.100,000 but does not exceed Rs.110,000	0	Where the taxable income exceeds Rs.100,000 but does not exceed Rs.110,000	0.50
Where the taxable income exceeds Rs.110,000 but does not exceed Rs.125,000,	0	Where the taxable income exceeds Rs.110,000 but does not exceed Rs.125,000,	1.00
Where the taxable income exceeds Rs.125,000 but does not exceed Rs.150,000,	0	Where the taxable income exceeds Rs.125,000 but does not exceed Rs.150,000,	2.00

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
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Proposed		Existing	
Salary slab	Rate %	Salary slab	Rate %
Where the taxable income exceeds Rs.150,000 but does not exceed Rs.175,000,	0	Where the taxable income exceeds Rs.150,000 but does not exceed Rs.175,000,	3.00
Where the taxable income exceeds Rs.175,000 but does not exceed Rs.200,000,	0	Where the taxable income exceeds Rs.175,000 but does not exceed Rs.200,000,	4.00
Where the taxable income exceeds Rs.200,000 but does not exceed Rs.300,000,	0	Where the taxable income exceeds Rs.200,000 but does not exceed Rs.300,000,	5.00
Where the taxable income exceeds Rs.300,000 but does not exceed Rs.400,000,	7.50	Where the taxable income exceeds Rs.300,000 but does not exceed Rs.400,000,	7.50
Where the taxable income exceeds Rs.400,000 but does not exceed Rs.500,000,	10.00	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.500,000,	10.00

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
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Proposed		Existing	
Salary slab	Rate %	Salary slab	Rate %
Where the taxable income exceeds Rs.500,000 but does not exceed Rs.600,000,	12.50	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.600,000,	12.50
Where the taxable income exceeds Rs.600,000 but does not exceed Rs.800,000,	15.00	Where the taxable income exceeds Rs.600,000 but does not exceed Rs.800,000,	15.00
Where the taxable income exceeds Rs.800,000 but does not exceed Rs.1,000,000,	17.50	Where the taxable income exceeds Rs.800,000 but does not exceed Rs.1,000,000,	17.50
Where the taxable income exceeds Rs.1,000,000 but does not exceed Rs.1,300,000,	21.00	Where the taxable income exceeds Rs.1,000,000 but does not exceed Rs.1,300,000,	21.00
Where the taxable income exceeds Rs.1,300,000	25.00	Where the taxable income exceeds Rs.1,300,000	25.00

The proposed amendment seeks to increase exemption limit to Rs. 300,000 for individuals and reducing the number of slabs to eight.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
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Part 1 – Division I (1A) The proposed amendment seeks to omit the proviso of Clause (1A) after the table, to withdraw the specific relief provided to women taxpayers earlier.

The tax rates applicable for computing tax liability of individuals under the head “salary” (including individuals in whose case the salary income exceeds 50% of his taxable income) are proposed to be changed. The revised Table showing the comparative position of the current Table is as follows:

Proposed		Existing	
Salary slab	Rate %	Salary slab	Rate %
Where the taxable income exceeds Rs.200,000 but does not exceed Rs.250,000,	0	Where the taxable income exceeds Rs.200,000 but does not exceed Rs.250,000,	0.50
Where the taxable income exceeds Rs.250,000 but does not exceed Rs.300,000,	0	Where the taxable income exceeds Rs.250,000 but does not exceed Rs.300,000,	0.75
Where the taxable income exceeds Rs.300,000 but does not exceed Rs.350,000,	0.75	Where the taxable income exceeds Rs.300,000 but does not exceed Rs.350,000,	0.75
Where the taxable income exceeds Rs.350,000 but does not exceed Rs.400,000,	1.50	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.400,000,	1.50

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
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Proposed		Existing	
Salary slab	Rate %	Salary slab	Rate %
Where the taxable income exceeds Rs.400,000 but does not exceed Rs.450,000,	2.50	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.450,000,	2.50
Where the taxable income exceeds Rs.450,000 but does not exceed Rs.550,000,	3.50	Where the taxable income exceeds Rs.450,000 but does not exceed Rs.550,000,	3.50
Where the taxable income exceeds Rs.550,000 but does not exceed Rs.650,000,	4.50	Where the taxable income exceeds Rs.550,000 but does not exceed Rs.650,000,	4.50
Where the taxable income exceeds Rs.650,000 but does not exceed Rs.750,000,	6.00	Where the taxable income exceeds Rs.650,000 but does not exceed Rs.750,000,	6.00
Where the taxable income exceeds Rs.750,000 but does not exceed Rs.900,000,	7.50	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.900,000,	7.50
Where the taxable income exceeds Rs.900,000 but does not exceed Rs.1,050,000,	9.00	Where the taxable income exceeds Rs.900,000 but does not exceed Rs.1,050,000,	9.00

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
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Proposed		Existing	
Salary slab	Rate %	Salary slab	Rate %
Where the taxable income exceeds Rs.1,050,000 but does not exceed Rs.1,200,000,	10.00	Where the taxable income exceeds Rs.1,050,000 but does not exceed Rs.1,200,000,	10.00
Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,450,000,	11.00	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,450,000,	11.00
Where the taxable income exceeds Rs.1,450,000 but does not exceed Rs.1,700,000,	12.50	Where the taxable income exceeds Rs.1,450,000 but does not exceed Rs.1,700,000,	12.50
Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs.1,950,000,	14.00	Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs.1,950,000,	14.00
Where the taxable income exceeds Rs.1,950,000 but does not exceed Rs.2,250,000,	15.00	Where the taxable income exceeds Rs.1,950,000 but does not exceed Rs.2,250,000,	15.00

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
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Proposed		Existing	
Salary slab	Rate %	Salary slab	Rate %
Where the taxable income exceeds Rs.2,250,000 but does not exceed Rs.2,850,000,	16.00	Where the taxable income exceeds Rs.2,250,000 but does not exceed Rs.2,850,000,	16.00
Where the taxable income exceeds Rs.2,850,000 but does not exceed Rs.,3,550,000,	17.50	Where the taxable income exceeds Rs.2,850,000 but does not exceed Rs.3,550,000,	17.50
Where the taxable income exceeds Rs.3,550,000 but does not exceed Rs.4,550,000,	18.50	Where the taxable income exceeds Rs.3,550,000 but does not exceed Rs.4,550,000,	18.50
Where the taxable income exceeds Rs.4,550,000	20.00	Where the taxable income exceeds Rs.4,550,000 but does not exceed Rs.8,650,000,	19.00
		Where the taxable income exceeds Rs.8,650,000	20.00

The proposed amendment seeks to raise the exemption limit to Rs. 300,000 for salary individuals and tax rate where income exceeds 4,550,000 has been increased to 20%.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
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Part 1 – Division IA Rate of Tax on certain persons

The present rate of tax on retailer with turnover up to Rs. 5 million for any tax year is 0.50% of the turnover. The proposed amendment seeks to enhance the rate to 1%.

Part 1 – Division IB Rates of Tax for Association of Persons

The proposed insertion seeks to add a new Division IB to introduce separate flat rate of tax on the taxable income of Association of Persons for the tax year 2010 onwards to 25%.

Part 1 – Division II Rates of Tax for Companies

The present rate of tax on small companies is at 20%. The proposed amendment seeks to increase the rate to 25%.

Part 1 – Division VII Capital Gains on Sale of Securities

The proposed amendment seeks to add a new Division after Division VI, namely Division VII Capital Gains on Sale of Securities.

The proposed tax rates applicable for period of holding of securities for each tax year to compute tax liability on Capital Gains on Sale of Securities shall be follows :

Period	Tax Year	Rate of tax
Where holding period of a security is less than six months.	2010	10.0%
	2011	10.0%
	2012	12.5%
	2013	15.0%
	2014	17.5%
Where holding period of a security is more than six months but less than twelve months.	2010	7.5%
	2011	8.0%
	2012	8.5%
	2013	9.0%
	2014	9.5%
	2015	10.0%

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
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The proposed tax implication on capital gain is to encourage long term investment in the market.

Part II - Rates of Advance Tax

The present rate of advance tax payable at the import stage to the Collector of Custom is 4%. The proposed amendment seeks to increase the rate to 5%.

Part III - Division II Payments to non-residents

The present rate of tax to be deducted from payment under sub section 2 of section 152 to non residents is 30%. The proposed amendment seeks to reduce the rate to 20%.

Part III – Division VI Prizes and Winnings

The proposed substitution seeks to amend the rate of tax on prizes and winnings. The present rate of tax to be deducted from payment of prize on cross-word puzzle is 20%. The proposed amendment seeks to reduce the rate to 10%.

Part IV – Division III Tax on Motor Vehicles

The Bill seeks to withdraw slabs of tax rate on goods transport vehicles with different laden weight and proposes tax of one rupee per kilogram of the laden weight.

Part IV – Division IV Electricity Consumption

The present rate of tax on collection of amount of electricity bill for industrial and commercial consumers if it exceeds Rs. 20,000 is 10%. The bill seeks to reduce the rate to 5%.

Part IV – Division V Telephone users

The proposed amendment seeks to replace the expression “CD” with “an electronic medium” to extend the ambit of section 236.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
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Part IV – Division VIA Advance tax on transactions in Bank

The proposed amendment seeks to add a new Division after Division VI, namely Advance tax on transactions in Bank. The bill also proposes the rate of tax of 0.3% to be deducted under section 231AA on bank transactions if the payment for withdrawal is made through any mode of banking transactions including Demand Draft, Payment Order, Online Transfer, Telegraphic Transfer, CDR, STDR, RTC, or the sum total of the payments for such transaction in a day, exceeds twenty-five thousand rupees.

Part IV – Division IX Advance tax on Purchase of Air Ticket

The Bill seeks to add a new Division to collect advance tax at 5% rate on gross amount of domestic air tickets.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
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Second Schedule**Exemptions and Tax concessions****Part I****(72)(iii)**

According to the proposed insertion, profit on debt given by non-residents being individual, company, firm or association of persons shall be exempt from tax provided that:

- Such loan is given for the purpose of industrial investment in Pakistan
- Loan agreement is concluded on or after July 01, 1991; and
- The loan agreement is registered with the SBP.

(92A)

The Bill Proposes to exempt income of university / educational institution established in the most affected / moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for a period of two years ending on June 30, 2011.

(102)

The proposed amendment seeks to withdraw the exemption on dividend income of Investment Corporation of Pakistan.

(110)

The proposed amendment seeks to withdraw the exemption on capital gains derived on following listed securities:

- Modaraba certificates
- Redeemable capital
- Shares of public companies
- Vouchers of Pakistan Telecommunication Corporation

(110A)

The proposed amendment seeks to withdraw the exemption on transfer of a capital asset of the existing stock exchanges to newly corporatized stock exchange, in the course of corporatization of an existing stock exchange.

(126F)

The proposed new insertion seeks to exempt profits and gains derived by the taxpayers, other than manufacturers and suppliers of cement, sugar, beverages and cigarettes, in the most affected/moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for a period of three years starting from tax year 2010.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
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Part II	Reductions in Tax Rates
(24A)	The proposed amendment seeks to extend reduced tax rate facility of 1% to large distribution houses who fulfill all the conditions as laid down under clause (d) sub section 7 of section 148 for a large import houses.
Part III	Reduction in Tax Liability
(1A)	Under the proposed amendment, normal tax liability of a person shall be reduced by 50% if the following condition is satisfied: <ul style="list-style-type: none"> • The person is 60 years of age on first day of any tax year; and • Income subject to normal tax regime during the tax year is Rs.1.00 million or less (previously this limit was Rs.0.75 million or less).
Part IV	Exemptions from specific Provisions
(10A)(i)	Under the proposed insertion, provisions relating to the penalties due to <ul style="list-style-type: none"> • Non-filing of returns/statements; and • Non-payment of taxes/default surcharge other than taxes under section 147. <p>shall not apply to businesses located in most affected/moderately affected area of Khyber Pakhtunkhwa, FATA/ PATA, provided that principal amount of tax must have been paid by June 30, 2010.</p>
(10A)(ii)	Under the proposed insertion, commercial/industrial electricity consumers, located in the most affected/moderately affected area of Khyber Pakhtunkhwa, FATA/ PATA shall not pay advance tax on electricity till June 30, 2011.
(10A)(iii)	Under the proposed insertion, withholding tax on export proceeds of exporters based in most affected/moderately affected area of Khyber Pakhtunkhwa, FATA/ PATA shall not be made till June 30, 2011.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
(10A)(iv)	Under the proposed insertion, withholding tax at import stage under section 148 shall not be applicable on the importers of plant and machineries, not being manufacturers/suppliers of cement, sugar, beverages and cigarettes, for establishment of businesses in the most affected/moderately affected area of Khyber Pakhtunkhwa, FATA/ PATA upto June 30, 2011.
(52)	Under the proposed insertion, relief given to importer being an industrial undertaking engaged in the manufacture of vanaspati ghee or oil by way of non-applicability of clause (vi) of Notification No. SRO 593(I)/91, dated the 30th June, 1991 has been withdrawn.
(73)	Proposed insertion seeks to grant exemption from tax payable by the foreign experts acquired with the prior approval of the Ministry of Textile Industry.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
Third Schedule	Depreciation
Part I (V) of the Table	Depreciation rate on “ramps”, built for providing access to disabled persons, costing Rs.0.25 million or less shall be 100%.
Fifth Schedule Part I	Rules for the computation of the profits and gains from the Exploration and Production of Petroleum
Rule 4A	Under the proposed insertion, decommissioning cost, as certified by the Chartered or Cost Accountants, shall be allowed as a deductible expense from tax year 2010 over a period which is lesser of the following: <ul style="list-style-type: none">• 10 years• Remaining production/development life as of July 01, 2010• Mining lease period.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
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Seventh Schedule **Rules for the computation of the profits and gains of a banking company and tax payable thereon**

Clause 1 – Sub-clause (c) The proposed insertion seeks to allow banking companies to claim provision for advances and off balance sheet items at the rate of 5% of total advances for consumer and small and medium enterprises as a deduction, provided a certificate from external auditors in support of the above would be furnished.

The proposed amendment increases the admissibility of provision from 1% to 5% for total advances for consumer and small and medium enterprises.

Rule 8A (1), (2) and (3) The proposed insertion seeks to add a new rule, after rule 8 titled “Transactional provisions”. The proposed insertion seeks to allow banking companies to claim advances actually written off against which provisions were provided in the tax year 2008 or before but were neither claimed nor allowed as tax deductible in any tax year.

The proposed insertion seeks to exclude any amounts written back in tax year 2009 in computing the total income of that tax year which relate to amounts made for in the tax year 2008 and prior to the said tax year for or against irrecoverable or doubtful advances.

The proviso to the proposed insertion seeks to exclude the provisions of this Schedule to any assets given or acquired on finance lease by a banking company up to tax year 2008 and recognition of income and deductions in respect of such assets is to be dealt with in accordance with the provision of the Ordinance. Provided that unabsorbed depreciation in respect of such assets is to be allowed as set off against the said lease rental income only.