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Taxation of Foreign Income of a Resident Person

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OBJECTIVES

- **The taxability of foreign source income in Pakistan of a resident person.**
- **The availability of foreign tax credits and foreign losses, if any.**
- **The implications of Double Tax Treaty vis-à-vis foreign source income derive by a resident person.**

CONTENTS

Concept of Taxability of Foreign Source Income

PART ONE

Extent of Income Liable to Tax

- The extent of a person's income which is liable to tax is dependent on its residential status in Pakistan.

- A resident person is liable to tax in Pakistan both in respect of Pakistan source as well as foreign source income. – section 11(5)

- Non-resident person is liable to tax in Pakistan only in respect of Pakistan source income. – section 11(6)

- A resident person for a tax year is:
  - A resident Individual;
  - A resident Company;
  - A resident Association of Persons; and
  - The Federal Government.

How to Determine Residents

- An individual shall be a resident individual for a tax year if the individual is:
  - Present in Pakistan for 183 days or more, in aggregate in a tax year;
  - A Pakistani citizen who is either not a tax resident of any other country or has not stayed in any other country for more than 182 days during a tax year; or
  - An employee or official of the Federal Government / Provincial Government.
- A company shall be a resident company, if:
  - It is incorporated in Pakistan;
  - It is a Provincial Government / Local Government;
  - If the control and management of the affairs of the company is situated <u>wholly</u> in Pakistan at any time in the year, even if it is not incorporated in Pakistan.
- An association of person shall be resident in Pakistan if the control and management of the affairs of the association is situated <u>wholly</u> or <u>partly</u> in Pakistan at any time in the year.

Pakistan Source versus Foreign Source Income

- Section 101 and 101A identify geographical source of income vis Pakistan Source and Foreign Source.
- Broadly speaking, income pursuing to the two sections is classified as Pakistan Source either as:
  - Absolute - having actual source in Pakistan; or
  - Fictional - based on the status of the payer in Pakistan.
- Any income that is not classified as Pakistan source would be treated as foreign source income for the purposes of taxation.

Absolute Income

Section	Character of Income	Comment
101(1)	Salary	From employment exercised in Pakistan; or paid to a Government employee wherever such employment is exercised.
101(2)	Business Income of a Resident Person	When income is derived from business carried on in Pakistan.
101(3)	Business Income of a Non-Resident Person	When income is directly or indirectly attributable to: • a permanent establishment [PE]; • Sale of goods in Pakistan of same or similar nature as effected through PE; • Other business activities carried on in Pakistan of same or similar kind as effected through PE; • any business connection in Pakistan; or • Import of goods, whether or not title of goods passes outside Pakistan in a cohesive business operation.
101(5)	Gains on Disposal – asset or property	Disposal of business asset or property in Pakistan.

Absolute Income

Section	Character of Income	Comment
101(6)	Dividend Income	When paid by a resident company; or remittance of after-tax profit of a branch of a foreign company operating in Pakistan.
101(9)	Rental Income	When it is derived from the lease of immovable property in Pakistan or from any other interest in or over immovable property, including a right to explore for, or exploit, natural resources in Pakistan.
101(10)	Alienation or Disposal of Immovable Property	Referred to in 101(9) or alienation of any share in a company the assets of which consists of 'wholly' or 'principally', 'directly' or 'indirectly' of property or right referred to in 101(9).
101(13)	Disposal of Shares	Gain on disposal of shares of a resident company

Fictional Income

Section	Character of Income	Comment
101(4)	Independent Services Rendered by a Non-Resident Person	If paid by a resident person or borne by the permanent establishment of a non-resident person
101(7)	Profit on Debt	If paid by a resident person or borne by the permanent establishment of a non-resident person
101(8)	Royalty	If paid by a resident person or borne by the permanent establishment of a non-resident person
101(11)	Pension or Annuity	If paid by a resident person or borne by the permanent establishment of a non-resident person

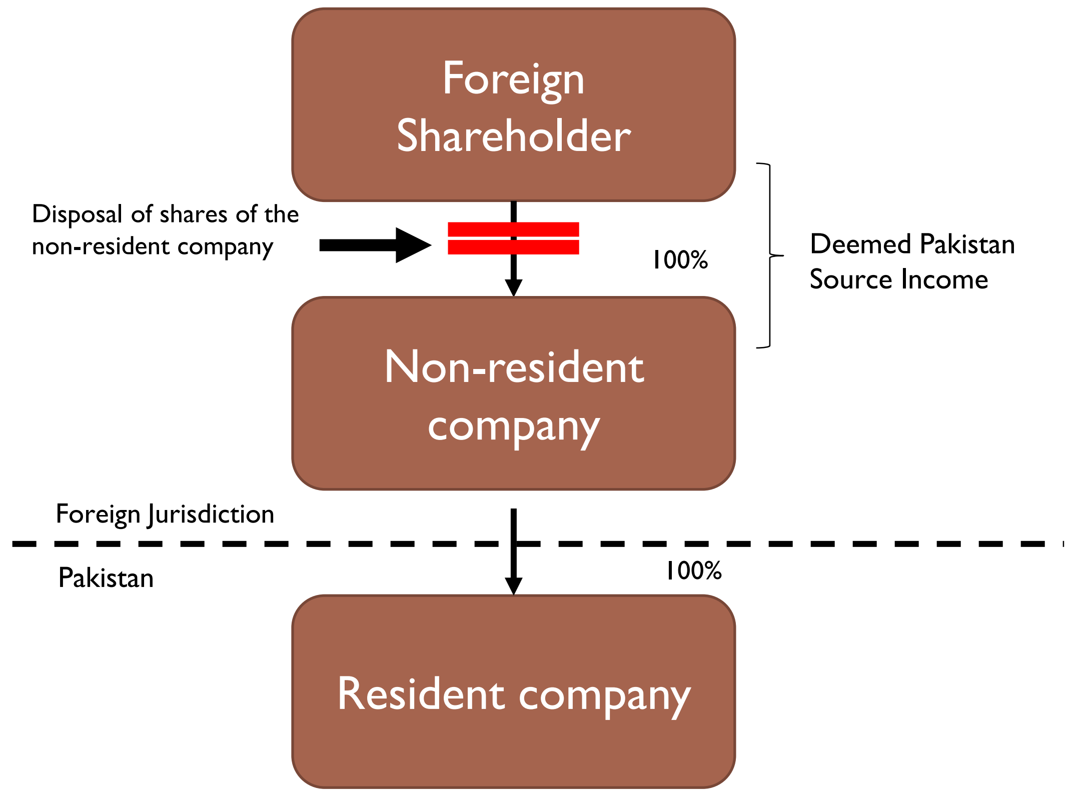
Fictional Income

Section	Character of Income	Comment
101(12)	Technical Fee	If paid by a resident person or borne by the permanent establishment of a non-resident person
101(12A)	Fee for Offshore Digital Services	If paid by a resident person or borne by the permanent establishment of a non-resident person
101(13A)	Insurance / Reinsurance Premium	Paid by a resident person or borne by the permanent establishment of a non-resident person
101(14)	Any Other Amount	Paid by a resident person or borne by the permanent establishment of a non-resident person

Gain on Disposal of Assets Outside Pakistan

- Section 101A deems gain from the disposal or alienation outside Pakistan of an asset located in Pakistan of a non-resident company as Pakistan-source.
- Where the asset is any share or interest in a non-resident company, the asset shall be treated to be located in Pakistan, if –
- The share or interest derives, directly or indirectly, its value wholly or principally from the assets located in Pakistan; and
- Shares or interest representing 10% or more of the share capital of the non-resident company are disposed or alienated.

ILLUSTRATION



Gain on Disposal of Assets Outside Pakistan

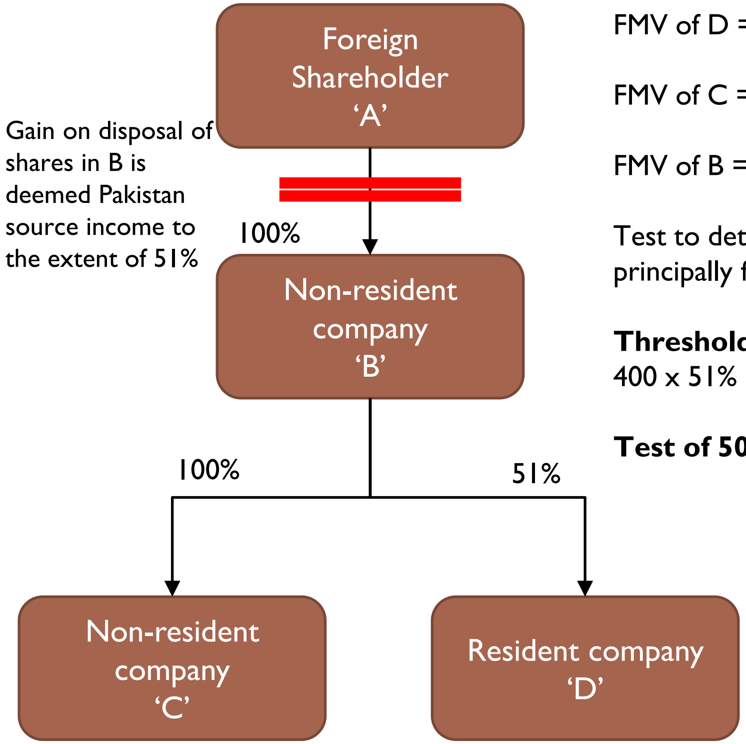
- The share or interest shall be treated to derive its value principally from the assets located in Pakistan, if the value of such assets exceeds one hundred million rupees and represents at least 50% of the value of all the assets owned by the non-resident company.

- Where the assets of the non-resident company are not wholly located in Pakistan, only income to the extent that is reasonably attributable to such assets as are located in Pakistan, and is determined as may be prescribed, would be taxable;

- 10% or more of the share capital of non-resident company are disposed or alienated;

ILLUSTRATION

Gain on disposal of shares in B is deemed Pakistan source income to the extent of 51%



FMV of D = 400

FMV of C = 150

FMV of B = 150 + (400 x 51%) = 354

Test to determine derivation of value principally from assets located in Pakistan

Threshold of Rs 100 million
400 x 51% = Rs 204 million

Test of 50% : (204 / 354) x 100 = 58%

Gain on Disposal of Assets Outside Pakistan

- Where the assets in Pakistan are held through a resident company, such company shall be required to provide the prescribed information to the Commissioner within 60 days of the transaction;
- The buyer would be required to withhold tax at the rate of 10% of the fair market value of the asset.

Gain on Disposal of Assets Outside Pakistan

- Where the buyer has not withheld tax, the resident company is required to collect the requisite tax from the non-resident seller at an amount being the higher of:
  - 20% of the gain (that is, FMV – Cost of Acquisition of Asset); or
  - 10% of the FMV of the asset; and
- Where the tax has been withheld by the buyer or collected by the resident company, no tax shall be payable by the non-resident company in respect of the gain under the head "Income from Business" or "Capital Gains".

Exempt Foreign Source Income

Section	Income	Comment
50	Foreign-Source Income of Short-Term Resident Individuals	Who is a resident individual solely by reason of the individual's employment; and
		Who is present in Pakistan for a period or periods not exceeding 3 years,
		Who does not derive any income from a business established in Pakistan; or does not receive or bring any foreign-source income in Pakistan.

Exempt Foreign Source Income

Section	Income	Comment
51	Foreign-Source Income of Returning Expatriates	Any foreign-source income derived by a citizen of Pakistan in a tax year who was not a resident individual in any of the 4 tax years preceding the tax year in which the individual became a resident shall be exempt in the tax year in which the individual became a resident individual and in the following tax year.
	Citizens Leaving Pakistan	Where a citizen of Pakistan leaves Pakistan during a tax year and remains abroad during the tax year, any income chargeable under the head “Salary” earned by him outside Pakistan during that year shall be exempt from tax.

Exempt Foreign Source Income

Section	Income	Comment
102	Foreign-Source Salary of Resident Individuals	If the individual has paid foreign income tax in respect of the salary. Foreign income tax is considered paid if tax has been withheld from salary by the employer and paid to the revenue authority of the foreign country in which the employment is exercised.

Foreign Losses and Foreign Tax Credits

PART TWO

Foreign Losses

- Deductible expenditures incurred by a person in deriving foreign-source income chargeable to tax under a head of income shall be deductible only against that income.
- The foreign loss shall be carried forward to the following tax year and set off against the foreign source income chargeable to tax under that head in that year, and so on, but no foreign loss shall be carried forward to more than 6 tax years immediately succeeding the tax year for which the loss was computed.
- Where a taxpayer has a foreign loss carried forward for more than 1 tax year, the loss for the earliest year shall be set off first.

Foreign Income Tax

- A foreign levy is regarded as foreign income tax if:
  - levy is a tax;
  - the tax is substantially equivalent to the income tax imposed under the Ordinance; and
  - it requires compulsory payment pursuant to the authority of the foreign country to levy tax.
- Foreign levy is not a tax if:
  - it is a penalty, fine, interest or similar obligation; or
  - person subject to levy receives or is entitled to receive, directly or indirectly, a specific economic benefit from the foreign country in exchange of payment pursuant to the levy.

Foreign Income Tax

- A foreign income tax is substantially equivalent to the income tax imposed under the Ordinance if the following conditions are satisfied:

- the tax imposed in respect of the events that would result in derivation of income, gains or profits under the Ordinance;
- taxable income is computed under the foreign tax by subtracting from the gross receipts any significant expenses and depreciation or amortization of capital cost attributable to such receipts or where tax is imposed under the foreign law or any other basis;
- Dividend or interest income earned from the foreign source may be treated to have same character for the resident person, as it has under the Ordinance;
- A withholding tax imposed on dividend, gross receipt payable to non resident persons as final tax;
- Tax on wages by withholding imposed as a final tax on salary.

Foreign Tax Credits

- Foreign tax credit is available only against the foreign source income chargeable to tax.

- Foreign tax credit is allowed to the extent of lesser of :
  - The foreign income tax paid; or
  - The Pakistan tax payable in respect of the income.

- Pakistan tax payable in respect of foreign source income derived by a taxpayer in a tax year shall be computed by applying the average rate of Pakistan income tax applicable to the taxpayer for the year against the taxpayer’s net foreign-source income for the year.

Foreign Tax Credits

- Foreign tax credit shall be calculated separately for each head of income.
- Any unutilized foreign tax credit or part of a tax credit shall not be refunded, carried back to the preceding tax year, or carried forward to the following tax year.
- A foreign tax credit only available if the foreign income tax is paid within two years after the end of the tax year in which the foreign income to which the tax relates was derived by the resident taxpayer.

EXAMPLE ILLUSTRATING APPLICATION OF FOREIGN TAX LOSSES AND FOREIGN TAX CREDIT

On 1 July 2021 Mr. X, a citizen of Pakistan, joined a local newspaper as an investigative journalist at a salary of Rs 300,000 per month.

Following are the details of his income received from Germany; tax paid thereon and brought forward losses for tax year 2022:

Heads of Income	Foreign Income / (Loss)	Foreign Tax Paid	Foreign Losses Brought Forward
	-----------------------Rupees----------------------		
Speculation Business	600,000	110,000	(380,000)
Non-speculation business [NSB]	1,480,000	120,600	-
Other sources	(1,500,000)	-	-
Capital gain	950,000	76,000	(1,800,000)

On 1 May 2022 Mr. X resigned from his current job and joined an Arabic newspaper in Dubai, as CEO, on a monthly salary equivalent to Rs 1,200,000. He was paid 50% of his salary in Dubai and remaining 50% remitted to his bank account in Pakistan through normal banking channel. Mr. X remained in Dubai during the rest of the tax year 2022.

Income	------------------Rupees------------------		
	Pakistan Source	**Foreign Source**	**Total**
Salary	**3,000,000** (300,000 x 10)	**2,400,000** (1,200,000 x 2)	**5,400,000**
Speculation business	-	**220,000** (600,000 – 380,000)	**220,000**
NSB	-	**1,480,000**	**1,480,000**
Other sources	-	**(1,500,000)**	**Carried Forward**
Capital Loss	-	**(850,000)** (950,000 – 1,800,000)	**Carried Forward**
Taxable Income	Salary received from Dubai is exempt from tax by virtue of section 51 of the Ordinance		**4,700,000** (7,100,000 – 2,400,000)

Computation of net-tax liability

Tax Liability on Rs 4,700,000 [370,000 + (20% x 1,200,000)]			**610,000**
Foreign Tax Credit – Lower	Speculation Business	Non-Speculation Business	
Foreign Tax Paid (a)	**110,000**	**120,600**	**(149,153)** (28,553 + 120,600)
Pakistan Tax Payable (b)	**28,553** (610,000/4,700,000) x 220,000	**192,085** (610,000/4,700,000) x 1,480,000	
Net Tax Payable			**460,847**

CONTROLLED FOREIGN COMPANY - CFC

PART THREE

Controlled Foreign Company

- The taxable income of a resident person shall include income attributable to a “Controlled Foreign Company”.

- Income of a foreign company owned by a Pakistani resident is taxable in Pakistan only when such income is “received” from the non-resident entity. 109A is a deeming provision which essentially creates a legal fiction resulting into following:

  - Corporate veil is pierced and income of a non-resident company is deemed to be the income of the controlling entity in Pakistan.

  - Income is taxed when it is ‘earned’ and not when it is ‘received’.

Controlled Foreign Company

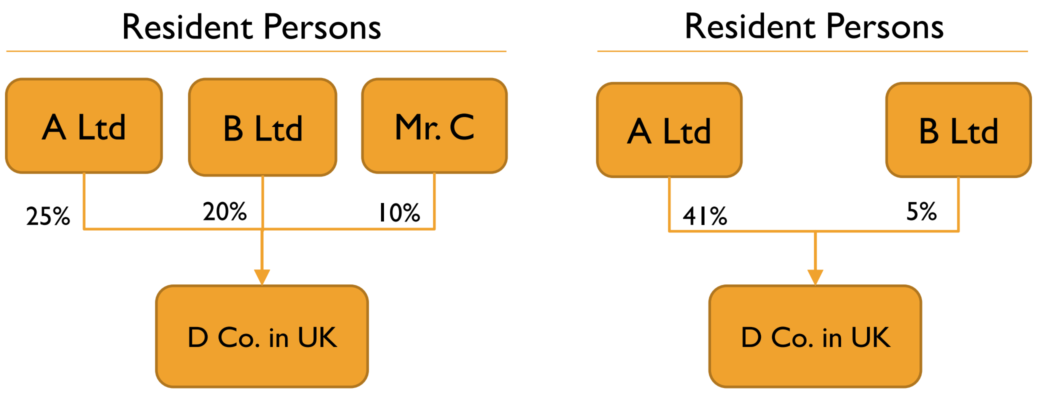
What is a CFC?

A foreign company is a CFC if either of the two conditions is satisfied:

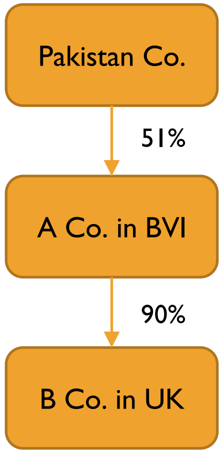
- More than 50% of the capital or voting rights of a non-resident foreign company are held, directly or indirectly, by one or more persons resident in Pakistan; or

- More than 40% of the capital or voting rights of a non-resident foreign company are held directly or indirectly by a single resident person in Pakistan.

EXAMPLE



In both cases, D Co. in UK shall be treated as CFC of the residents in Pakistan



Both A and B are CFCs

Controlled Foreign Company

However, foreign company meeting either of the conditions will not be treated as CFC, if:

- share of the foreign company are traded on the stock exchange of the jurisdiction of which the foreign company is a resident for tax purposes;

- the non-resident company derives <u>active business income</u>; or

- tax paid, after taking into account foreign tax credits available to the non-resident company, on the income derived or accrued, during the foreign tax year, by the non-resident company to any tax authority outside Pakistan is not less than 60% of tax payable on the said income under this Ordinance.

Controlled Foreign Company

Concept of Active Business Income?

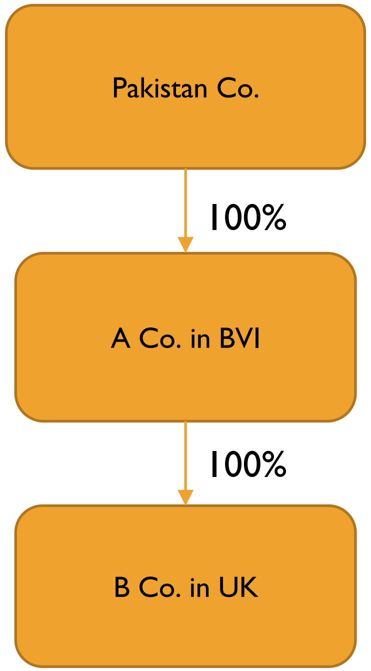
Requires fulfillment of two conditions simultaneously:

Cumulative income from following sources is less than 20% of total income of the foreign entity:

- dividend
- interest
- property
- capital gains
- royalty
- annuity payments
- supply of goods to an associate
- sale or licensing of intangibles and management
- holding or investment in securities and financial assets

Principle source of the company is under the head "income from business" in the country or jurisdiction of which it is a resident.

EXAMPLE



Income of US$ 100 being dividend from B. Income of US$ 100 being service income from third parties

Income of US$ 100 being profit from manufacturing for third parties being active income

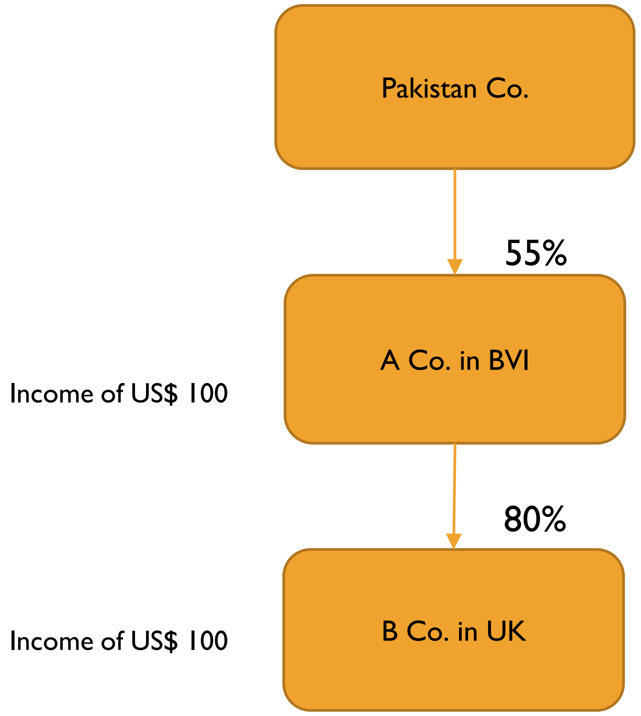
The dividend income of A is 50% of the total income of the company hence exceeds threshold of more than 20% passive income therefore it constitute CFC. Whereas, active income of B is from active business, it cannot be treated as CFC.

Controlled Foreign Company

Attributable Income

The attributable income is determined by comparing the percentage of control (whether directly or indirectly) held by the said person over the CFC.

ATTRIBUTION CONCEPT



If income of A and B are not from the same source, which income of A is not dividend from B then CFC income for Pakistan Co. is US$ 99 i.e. 55 plus 44 [100 x 80% x 55%]

Controlled Foreign Company

Other Exclusions:

- Income of a controlled foreign company shall be treated as zero, if less than ten million rupees.
- The attributable income shall be treated as zero if direct / indirect capital or voting right held by a resident person is less than 10% in the foreign company.

Controlled Foreign Company

Other relevant rules:

- Income of CFC to be determined in the currency of its tax jurisdiction and shall be included in the taxable income of the controlling resident during the tax year by converting into rupees at the SBP rate applying between that foreign currency and the rupees on the last day of the tax year.
- Foreign Tax Year: means any year or period of reporting for income tax purposes by that non-resident company in the country of residence or, if that company is not subject to income tax, any annual period of financial reporting by that company.

Controlled Foreign Company

- Income attributable to CFC shall not be taxed again when the same is received in Pakistan by the resident person.
- If tax has been paid on the CFC income by the resident person and in the subsequent year the resident person receives dividend distributed by the CFC, after deduction of tax on dividend, the resident person shall be allowed tax credit equal to the lesser of:

  (i) foreign tax paid;
  (ii) Pakistan tax payable for the tax year in which the dividend is received by the resident person.

Controlled Foreign Company - Illustration

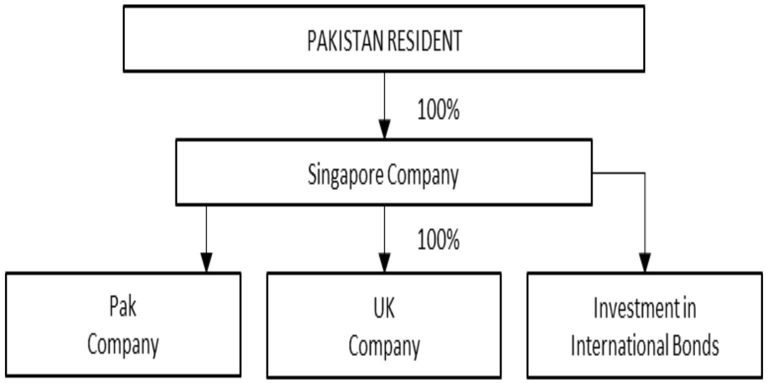
CASE 1 – HIGHER TAX RATES IN SINGAPORE

Profit and Loss Account of Singapore Entity

	US$
Dividend income — Pak Company	100
Dividend income — UK Company	150
	250
Interest income from international bonds — tax free	80
	330
Less: Tax charge / liability / paid	70*
Profit after tax	260
Effective tax rate ($ 70 / $ 330)	21.21%

Singapore Tax Return

	US$
Dividend income $ 250 taxable in Singapore @ 20%	50
Interest income $ 80 taxable in Singapore @ 25%	20
Gross Singapore Tax Liability	70*
Less: Foreign tax credit	
Tax on dividend paid in Pak $ 100 x 15%	15
Tax on dividend paid In UK $ 150 x 18%	27
Tax on interest income	-
	42
Balance tax payable with Singapore Tax Return	28



Controlled Foreign Company - Illustration

CASE 1 – HIGHER TAX RATES IN SINGAPORE

Check Box - Section 109A(2)(b) - 60% threshold

"Tax paid ($28), after taking into account any foreign tax credits AVAILABLE to the non-resident company ($ 42), on the income derived or accrued, during a foreign tax year, by the non-resident company to any tax authority outside Pakistan is less than sixty percent of the tax payable on the said income under this Ordinance."*

		US$
(i)	Income of foreign company	330
(ii)	Pakistan tax payable* on $ 330 under the Ordinance (deeming calculation as if Singapore entity is assessed in Pakistan)	
	- Dividend income @ 15% on $ 250 (under section 5)	37.5
	- Interest income @ 29% on $ 80 (corporate rate)	23.2
		60.7
(iii)	60% of $ 60.7	36.42
(iv)	Tax paid to tax authority outside Pakistan	28
	Foreign tax credit available to Singapore entity	42
		70

Since $ 70 is higher than $ 36.42 therefore Singapore entity is NOT a CFC.

CFC Income taxable under Section 109A

	US$
Attributable CFC Income ($ * 100%)	-
Tax Rate	15%
Tax on CFC income	-

[Section 109A(1)] There shall be included in the taxable income of a resident person for a tax year an income attributable to a CFC as defined in subsection (2).

[Section 109A(4)] Income of a CFC is an amount equal to the taxable Income of that company determined in accordance with the provisions of the Ordinance, as if that CFC is a resident taxpayer and shall be taxed at the rate specified in Division III at Part I of the Five Schedule.

Controlled Foreign Company - Illustration

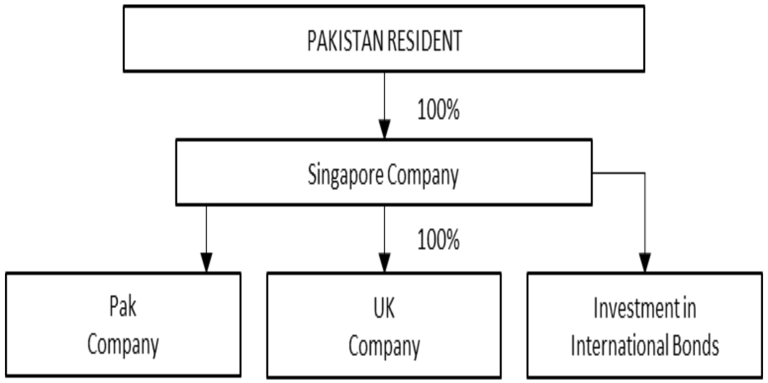
CASE 2 – LOWER TAX RATES IN SINGAPORE

Profit and Loss Account of Singapore Entity

	US$
Dividend income – Pak Company	100
Dividend income – UK Company	150
	250
Interest income from international bonds – tax free	80
	330
Less: Tax charge / liability / paid	30*
Profit after tax	300
Effective tax rate ($ 30 / $ 330)	9 %

Singapore Tax Return

	US$
Dividend income $ 250 taxable in Singapore @ 5%	12.5
Interest income $ 80 taxable in Singapore @ 10%	8
Gross Singapore Tax Liability	20.5
Less: Foreign tax credit	
Tax on dividend paid in Pak $ 100 x 15%	15
Tax on dividend paid In UK $ 150 x 10%	15
Tax on interest income	-
	(30)
Balance tax payable with Singapore Tax Return (Tax credit AVAILABLE of ($30) is restricted to ($20.5)	0



Controlled Foreign Company - Illustration

Check Box - Section 109A(2)(b) - 60% threshold

"Tax paid ($ Nil), after taking into account any foreign tax credits AVAILABLE to the non-resident company ($ 30), on the income derived or accrued, during a foreign tax year, by the non-resident company to any tax authority outside Pakistan is less than sixty percent of the tax payable on the said income under this Ordinance."*

		US$
(i)	Income of foreign company	330
(ii)	Pakistan tax payable* on $ 330 under the Ordinance (deeming calculation as if Singapore entity is assessed in Pakistan)	
	- Dividend income @ 15% on $ 250 (under section 5)	37.5
	- Interest income @ 29% on $ 80 (corporate rate)	23.2
		60.7
(iii)	60% of $ 60.7	36.42
(iv)	Tax paid to tax authority outside Pakistan	0
	Foreign tax credit available to Singapore entity	30
		30

Since $ 30 is lower than $ 36.42 therefore Singapore entity is A CFC.

CFC Income taxable under Section 109A

	US$
Attributable CFC Income ($ 330 * 100%)	330
Tax Rate	15%
Tax on CFC income	49.6

[Section 109A(1)] There shall be included in the taxable income of a resident person for a tax year an income attributable to a CFC as defined in subsection (2).
[Section 109A(4)] Income of a CFC is an amount equal to the taxable Income of that company determined in accordance with the provisions of the Ordinance, as if that CFC is a resident taxpayer and shall be taxed at the rate specified in Division III at Part I of the First Schedule.

Double Tax Treaty Provisions vis-a-vis Foreign Source Income

PART FOUR (I)

Treaty Provisions to Prevail

Where Pakistan has signed a tax treaty with another country the provisions of the treaty will prevail over the provisions of the Ordinance (except in certain circumstances) if the treaty provides for at least one of the following:

- Relief from the tax payable under the Ordinance;
- The determination of the Pakistan-source income of non-resident persons;
- Where all the operations of a business are not carried on within Pakistan, the determination of the income attributable to operations carried on within and outside Pakistan, or the income chargeable to tax in Pakistan in the hands of non-resident persons, including their agents, branches, and permanent establishments in Pakistan;
- The determination of the income to be attributed to any resident person having a special relationship with a non-resident person; and
- The exchange of information for the prevention of fiscal evasion or avoidance of taxes on income chargeable under the Ordinance and under the corresponding laws in force in that other country.

Treaty Withholding Tax Rates

PART FOUR (II)

Subject to fulfilment of specified conditions, the following rates of tax may apply in the following jurisdiction in respect of foreign source income derived by a Pakistani resident.

Treaty Withholding Tax Rates

Countries	Dividends %	Interest %	Royalties %
Austria	10/15	15	20
Azerbaijan	10	10	10
Bahrain	10	10 (b)	10
Bangladesh	15	15 (b)	15
Belarus	10/15 (d)	10 (b)	15
Belgium	10/15 (d)	15 (b)	20 (m)
Denmark	15	15 (b)(f)	12
Egypt	15/30 (q)	15 (t)	15
Finland	12/15/20 (s)	15 (i)	10
France	10/15 (o)	10 (t)	10
Germany	10/15 (v)	10/20 (b)(i)	10

Treaty Withholding Tax Rates

Countries	Dividends %	Interest %	Royalties %
HongKong	10	10 (b)	10
Hungary	15/20 (p)	15 (b)	15
Indonesia	10/15 (p)	15	15
Iran	05	10	10
Ireland	05/10	10	10
Italy	15/25 (r)	30 (t)	30
Japan	5/7.5/10 (a)	10 (b)	10
Jordan	10	10 (b)	10
Kazakhstan	12.5/15 (o)	12.5 (t)	15
Korea (South)	10/12.5 (d)	12.5 (b)	10
Kuwait	10	10 (t)	10

Treaty Withholding Tax Rates

Countries	Dividends %	Interest %	Royalties %
Kyrgyzstan	10	10	10
Lebanon	10	10 (b)	7.5
Libya	0	0	0
Malaysia	15/20 (d)	15 (b)(f)	15
Malta	15	10 (b)	10
Mauritius	10	10 (b)	12.5
Morocco	10	10 (b)	10
Nepal	10/15	10/15	15
Netherlands	10/20 (p)	20 (b)(l)	10/15/10
Nigeria	12.5/15 (o)	15	15
Norway	15	10 (b)	12

Treaty Withholding Tax Rates

Countries	Dividends %	Interest %	Royalties %
Oman	10/12.5 (o)	10 (t)	12.5
Philippines	15/25 (p)	15 (b)	25 (k)
Poland	15	0	20/15
Portugal	10/15 (a)	10 (f)	10
Qatar	05/10 (o)	10 (t)	10
Romania	10	10 (f)	12.5
Saudi Arabia	05/10 (a)	10 (f)	10
Serbia	10	10 (b)	10
Singapore	10/12.5/15 (u)	12.5	10
South Africa	10/15 (o)	10 (t)	10
Spain	5/7.5/10 (a)	10	7.5

Treaty Withholding Tax Rates

Countries	Dividends %	Interest %	Royalties %
Sri Lanka	15	10 (b)	20
Sweden	15	15 (b)	10
Switzerland	10/20 (a)	10 (f)	10
Syria	10	10	18/15/10 (w)
Tajikistan	05/10 (p)	10 (x)(y)	10 (x)
Thailand	15/25 (d)	10/25 (i)	10/20 (j)
Tunisia	10	13	10
Turkey	10/15 (d)	10	10
Turkmenistan	10	10	10
Ukraine	10/15 (a)	10	10
United Arab Emirates	10/15 (v)	10 (b)	12

Treaty Withholding Tax Rates

Countries	Dividends %	Interest %	Royalties %
United Kingdom	15/20	15 (b)	12.5
United States	8.75	- (g)	- (g)
Uzbekistan	10	10 (b)	10
Vietnam	15	15 (y)	18/15/10 (w)
Yemen	10	10 (y)	10 (x)
Non-Treaty Jurisdictions (z)	7.5/12.5/15/20/25	10/17.5/20	15/20
Bosnia and Herzegovina	10	20	15
Brunei Darussalam	10	15 (b)	15
Canada	15/20 (d)	25	20 (c)
China (mainland)	01/10	10	12.5
Czech Republic	05/15 (v)	10 (b)	10

Treaty Withholding Tax Rates

a	Treaty-determined percentage holding required
b	Interest paid to the government or, in certain circumstances, to a financial Institution owned or controlled by the government is exempt
c	15% for industrial, commercial or scientific know-how
d	Treaty-determined percentage holding required, and pair must be engaged in an industrial undertaking; otherwise, higher rate or normal rate applies
e	Royalties are exempt from withholding tax to the extent they represent a fair and reasonable consideration
f	Certain approved loans are exempt
g	Normal rates apply
h	Treaty-determined percentage holding by a public company required and the profits out of which the dividends are paid must be derived from an industrial undertaking; otherwise, normal rates apply

Treaty Withholding Tax Rates

i	10% if the recipient is a financial institution
j	Lower amount for literary, artistic or scientific royalties.
k	15% if payer is an enterprise engaged in preferred activities.
l	Rate reduced to 10% if recipient is a bank or financial institution or if certain types of contracts apply. Rate reduced to 15% if recipient holds 25% of the capital of the paying company.
m	Copyright royalties and other similar payments for literary, dramatic, musical or artistic work are exempt.
n	15% if the recipient is a company. Further reduced to 10% if the treaty-determined percentage is held by the recipient and the industrial undertaking is set up in Pakistan after 8th December, 1987. 20% in other cases.
o	Lower rate applies if the recipient is a company that control, directly or indirectly, 10% of the voting power in the company paying the dividend.

Treaty Withholding Tax Rates

p	Lower rate applies if the recipient is a company that owns directly at least 25% of the capital of the paying company
q	The 15% rate applies to dividends paid to companies. The 30% rate applies to other dividends.
r	The 15% rate applies if the recipient is a company that owns directly at least 25% of the capital of the payer and is engaged in an industrial undertaking.
s	The 12% rate applies if the recipient is a company that owns directly at least 25% of the capital of the payer; the 15% rate applies to dividends paid to other companies; and the 20% rate applies to other dividends
t	Interest paid to the government or to an agency of or an instrumentality owned by the government is exempt from tax.

Treaty Withholding Tax Rates	
u	The 10% rate applies if the payer is engaged in an industrial undertaking and if the recipient is a company; the 12.5% rate applies if the recipient is a company; the 15% rate applies in all other cases.
v	The lower rate applies if the beneficial owner of the dividends is a company that owns at least 20% of the shares of the payer
w	The 10% rate applies to royalties for cinematographic films and to tapes for television or radio broadcasting. The 15% rate applies to royalties for literary, artistic or scientific works.
x	The treaty rate applies to the extent the amount represents a fair and reasonable consideration.
y	Interest paid to the government or to the central bank is exempt
z	For details regarding these rates, please see the relevant footnotes in Section A.

THANK YOU