

SEMINAR
ON
“INCOME TAX RETURNS, VALUATION OF
PROPERTY
&
TRANSACTIONS UNDER BAYNAMI LAW”

Return of Income – Overview



COMPARISON WITH OTHER COUNTRIES

RETURN OF INCOME – COMPANY

- It has generally been observed that other jurisdictions undertake very limited changes in the tax forms annually. Such changes are often a result of new tax legislation, guidance, clarifications or other necessary revisions as deem fit.
- In case of India as compared to the tax forms for 2015/16, there are no significant changes introduced in the corporate tax forms for 2016/17 with the exception of certain legislative changes. The overall template / layout of the form remains the same.
- Contrary to revision in other countries, the FBR not only undertakes the revision due to changes in legislation, but often revises the tax forms altogether. This results in an increased compliance time for the taxpayers.

RETURN OF INCOME – COMPANY

- The Corporate Tax Return in Pakistan was revamped in TY13/14 with the introduction of Iris portal.
- The purpose of the portal was to provide a single window for both taxpayers and the tax authorities in case of audits and assessments but cast an increased burden on the taxpayer since the entire template and form was changed.
- However, in the past two years there are no major changes in the format of the return, with the exception of legislative changes introduced through the Finance Act.
- We assume that such a practice would continue in the years to follow.
- Nevertheless, even now the portal has not been accurately mapped and technical and computational errors are being faced by the taxpayers and in my humble view proper software testing is required to attain its operational efficiency.

RETURN OF INCOME – INDIVIDUALS

- The Indian tax authorities prescribe different tax forms for different categories of individual taxpayers, according to the nature and source of income. This reduces the level of time required in case only certain heads of income are being earned by an individual person
- There are no significant changes introduced in the individual tax forms, except for those required through legislation.
- Certain schedules, however, are introduced to aid the collection of taxes. Introduction of Schedule of Pass Through Income (PTI), Schedule of Assets / Liabilities (Schedule AL) and details of tax collected at source are required to be filed by the taxpayers.

RETURN OF INCOME – INDIVIDUALS

- A Statement of Assets and Liabilities (Schedule AL) is required to be filed as part of tax filing

Schedule AL		Asset and Liability at the end of the year (Applicable in a case where total income exceeds Rs. 50 lakh)	
DETAILS OF ASSET AND LIABILITY	A	Particulars of Asset	Amount (Cost) (Rs.)
		1 Immovable Asset	
		a Land	
		b Building	
		2 Movable Asset	
		a Cash in hand	
		b Jewellery, bullion etc.	
		c Vehicles, yachts, boats and aircraft	
		3 Total	
	B	Liability in relation to Assets at A	

- [The said schedule shall only be applicable where income exceeds Rs.50 lakh (previously Rs.25 lakh).
ired.
- On the other hand in Pakistan, a detailed wealth statement requires details regarding personal expenses, personal assets / liabilities and reconciliation of wealth.

RETURN OF INCOME – INDIVIDUALS

- In Pakistan, prior to the introduction of Iris, there have been frequent changes in the tax return forms over the years.
- There is still no consensus as to the extent that information may be sought
- Filing out a tax form electronically on the web portal appears to be a daunting task for the taxpayers, it becomes difficult for them to file their own return
- Furthermore, as discussed earlier, even now the portal has not been fully mapped and technical and computational errors are being faced by the taxpayers and proper software testing may be required before operational efficiency is obtained.
- Outages of the portal in peak filing periods still prevails indicating platform weakness
- Lot of time and effort of both authorities as well as practitioners was wasted in sorting out teething issues in returns

FILING STATISTICS - INDIA

India All Taxpayers		
AY 2012-13 (Income Wise)		
Lower Limit	Upper Limit	No of Returns
-	250,000	16,665,836
250,000	500,000	8,690,172
500,000	1,000,000	4,002,373
1,000,000	5,000,000	1,617,565
5,000,000	-	167,613
Total		31,143,559

India E-Filing History	
Year	No of Returns
07-08	2,169,367
08-09	4,830,122
09-10	5,073,977
10-11	9,050,242
11-12	16,433,684
12-13	21,486,811
13-14	29,681,794
14-15	34,173,994
15-16	43,343,737

TECHNICAL ISSUES IN FILING RETURN OF INCOME ON IRIS



TECHNICAL ISSUES IN FILING RETURN OF INCOME ON IRIS

RETURN OF INCOME – COMPANY

- The final tax is being correctly worked out under section head **“Final/Fixed/Minimum/Average/Relevant/Reduced Rate”**. However, while working out the liability against final tax under section head **“Computation”**, the same is not appearing correctly at Code No. **920100**, as the portal is not taking the impact of certain receipts.

Information System x

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Task: 114(1) (Return of Income filed voluntarily for complete year) Transaction Date:
 Name: Registration No:
 Period: 01-Jul-2015 - 30-Jun-2016 Tax Year: 2016 Valid Upto: 30-Jun-2016 Due Date: 31-Dec-2016 Document Date: Submission Date: *

Data Amortization Depreciation Minimum Tax Option out of PTR Payment Attachment Attribute Verification

Property

Receipts / Deductions

Business

Capital Assets

Other Sources

Foreign Sources / Agriculture

Tax Chargeable / Payments

Deductible Allowances

Tax Credits

Adjustable Tax

Final / Fixed / Minimum / Average / Relevant / Reduced Tax

Computations

Calculate

Description	Code	Receipts / Value	Tax Collected / Deducted	Tax Chargeable	Action
Final / Fixed / Minimum / Average / Relevant / Reduced Tax	640001	622,037,665	16,483,856	16,437,209	
Import u/s 148 @1%	64010052				
Import u/s 148 @2%	64010054				
Import u/s 148 @3%	64010056				
Import u/s 148 @4.5%	64010059				
Import u/s 148 @5.5%	64010061	112,820,600	6,205,133	6,205,133	
Import u/s 148 @6%	64010062				
Import of Edible Oil u/s 148 @5.5%	64010161				
Import of Packing Material u/s 148 @5.5%	64010181				
Dividend u/s 150 @7.5%	64030052				
Dividend u/s 150 @10%	64030053				
Dividend u/s 150 @12.5%	64030054				
Dividend u/s 150 @20%	64030057				
Dividend u/s 150 @25%	64030059				
Dividend to a Non-Resident covered under ADTT u/s 150 / u/s 5	64030099				
Royalty / Fee for Technical Services to a Non-Resident u/s 152(1) / Division IV, Part I, 1st Schedule	64050051				
Payment for Contracts for Construction, Assembly or Installation to a Non-Resident u/s 152(1A)(a) / Division II, Part III, 1st Schedule	64050052				

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Task: 114(1) (Return of Income filed voluntarily for complete year) + Transaction Date:
 Name: [REDACTED] Registration No: [REDACTED]
 Period: 01-Jul-2015 - 30-Jun-2016 Tax Year: 2016 Valid Upto: 30-Jun-2016 Due Date: 31-Dec-2016 Document Date: Submission Date: *

Data Amortization Depreciation Minimum Tax Option out of PTR Payment Attachment Attribute Verification

Property Receipts / Deductions

Business Capital Assets Other Sources Foreign Sources / Agriculture

Tax Chargeable / Payments Deductible Allowances Tax Credits Adjustable Tax Final / Fixed / Minimum / Average / Relevant / Reduced Tax Computations

Calculate

Description	Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax	Action
Income / (Loss) from Property	2000				
Income / (Loss) from Business	3000	3,098,932,189	55,303,051	3,043,629,138	
Gains / (Loss) from Capital Assets	4000				
Income / (Loss) from Other Sources	5000				
Foreign Income	6000				
Agriculture Income	6100				
Total Income	9000			3,043,629,138	
Deductible Allowances	9009			60,872,583	
Share of Partner Company in Income of AOP	9011				
Taxable Income	9100			2,982,756,555	
Tax Chargeable	9200			857,683,024	
Normal Income Tax	920000			954,482,098	
Final / Fixed / Minimum / Average / Relevant / Reduced Income Tax	920100			9,969,876	
WWF	920900	60,872,583		60,872,583	
Tax Credits	9329			106,768,950	
Turnover / Tax Chargeable u/s 113 @0.2%	923152				
Turnover / Tax Chargeable u/s 113 @0.25%	923163				
Turnover / Tax Chargeable u/s 113 @0.5%	923155				

RETURN OF INCOME – INDIVIDUALS

- ▶ The final tax is being correctly worked out under section head **“Final/Fixed/Minimum/Average/Relevant/Reduced Rate”**. However, while working out the liability against final tax under section head **“Computation”**, the same is appearing as **“NIL”** at Code No. **920100**, as the portal is not taking the impact of final tax receipts.
- ▶ As a result of the above omission, the amount of total tax deduction is reflecting as refundable income tax at Code No. **9210**.

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Apps IRIS - Login Tax Payer eFBR - Taxpayer Facili					
Salary	Description	Code	Receipts / Value	Tax Collected / Deducted	Tax Chargeable
Property	Final / Fixed / Minimum / Average / Relevant / Reduced Tax	640001	1,000,000	65,000	45,000
Business	Import u/s 148 @1%	64010052			
Capital Assets	Import u/s 148 @2%	64010054			
Other Sources	Import u/s 148 @3%	64010056			
Foreign Sources / Agriculture	Import u/s 148 @4.5%	64010059			
Foreign Sources	Import u/s 148 @6%	64010062			
Agriculture	Import of Edible Oil u/s 148 @5.5%	64010161			
Tax Chargeable / Payments	Import of Packing Material u/s 148 @5.5%	64010181			
Deductible Allowances	Dividend u/s 150 @7.5%	64030052			
Tax Chargeable	Dividend u/s 150 @10%	64030053			
Tax Reductions	Dividend u/s 150 @12.5%	64030054			
Tax Credits	Dividend to a Non-Resident covered under ADTT u/s 150 / u/s 5	64030099			
Adjustable Tax	Royalty / Fee for Technical Services to a Non-Resident u/s 152(1) / Division IV, Part I, 1st Schedule	64050051			
Final / Fixed / Minimum / Average / Relevant / Reduced Tax	Payment for Contracts for Construction, Assembly or Installation to a Non-Resident u/s 152(1A)(a) / Division II, Part III, 1st Schedule	64050052			
Computations	Payment for Services, Contracts to a Non-Resident u/s 152(1A)(b) / Division II, Part III, 1st Schedule	64050053			
	Fee for Advertisement Services to a Non-Resident u/s 152(1A)(c) / Division II, Part III, 1st Schedule	64050054			
	Insurance / Reinsurance Premium to a Non-Resident u/s 152(1AA) / Division II, Part III, 1st Schedule	64050055			
	Fee for Advertisement Services to a Non-Resident u/s 152(1AAA) / Division II, Part III, 1st Schedule	64050056			
	Profit on Debt u/s 152(2) / u/c (5A), Part II, 2nd Schedule	64050096			
	Royalty / Fee for Technical Services to a Non-Resident covered under ADTT	64050097			
	Payment for Goods, Services, Contracts, Rent, Capital Gains, etc. to a Non-Resident covered under ADTT	64050098			
	Payment for Goods u/s 153(1)(a) @1%	64060052			
	Payment for Goods u/s 153(1)(a) @1.5%	64060053			
	Payment for Goods u/s 153(1)(a) @4.5%	64060059	1,000,000	65,000	45,000
	Payment for Services u/s 153(1)(b) @1%	64060152			
	Payment for Services u/s 153(1)(b) @2%	64060154			

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Agriculture

Tax Chargeable / Payments

Deductible Allowances

Tax Chargeable

Tax Reductions

Tax Credits

Adjustable Tax

Final / Fixed / Minimum / Average / Relevant / Reduced Tax

Computations

Agriculture income	6100				
Share in untaxed Income from AOP	3131				
Share in Taxed Income from AOP	3141				
Total Income	9000				
Deductible Allowances	9009				
Taxable Income	9100				
Tax Chargeable	9200				0
Normal Income Tax	920000				
Final / Fixed / Minimum / Average / Relevant / Reduced Income Tax	920100				
Tax Reductions	9309				
Tax Credits	9329				
Turnover / Tax Chargeable u/s 113 @0.2%	923152				
Turnover / Tax Chargeable u/s 113 @0.25%	923163				
Turnover / Tax Chargeable u/s 113 @0.5%	923155				
Turnover / Tax Chargeable u/s 113 @1%	923160				
Income / Super Tax Chargeable	923181				
Difference of Minimum Tax Chargeable u/s 148(8) / 153(3)(b) / 113(b)	923192				
Difference of Minimum Tax Chargeable on Electricity Bill u/s 235	923193				
Difference of Minimum Tax Chargeable u/s 113	923194				
Adjustment of Minimum Tax Paid u/s 113 in earlier Year(s)	923198				
Refund Adjustment of Other Year(s) against Demand of this Year	92101				
Withholding Income Tax	9201			65,000	
Advance Income Tax	9202				
Advance Income Tax u/s 147(5B)	92021				
Admitted Income Tax	9203				
Demand Income Tax	9204				
Refundable Income Tax	9210				65,000

RETURN OF INCOME – INDIVIDUALS

- ▶ The deductible allowance on account of **“Profit on Debt”** under section 64A of the Income Tax Ordinance, 2001 at Code No. **9007** is not being correctly calculated against Code No. **9009** under the section head **“Computation”**. The same is resulting in higher taxable income.

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Employment
 Salary
 Property
 Business
 Capital Assets
 Other Sources
Foreign Sources / Agriculture
 Foreign Sources
 Agriculture
Tax Chargeable / Payments
 Deductible Allowances
 Tax Chargeable
 Tax Reductions
 Tax Credits
 Adjustable Tax
 Final / Fixed / Minimum / Average / Relevant / Reduced Tax
 Computations

Description	Code	Total	Inadmissible	Admissible	Action
Deductible Allowances	9009			300,000	
Zakat u/s 60	9001	100,000		100,000	
Workers Welfare Fund u/s 60A	9002	100,000		100,000	
Charitable Donations u/s 61, Part I, 2nd Schedule	9004	100,000	0	100,000	
Profit on Debt etc. u/s 64A	9007	100,000			

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Foreign Sources / Agriculture
 Foreign Sources
 Agriculture
Tax Chargeable / Payments
 Deductible Allowances
 Tax Chargeable
 Tax Reductions
 Tax Credits
 Adjustable Tax
 Final / Fixed / Minimum / Average / Relevant / Reduced Tax
 Computations

Description	Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax	Action
Income from Salary	1000	10,000,000	0	10,000,000	
Income / (Loss) from Property	2000				
Income / (Loss) from Business	3000				
Gains / (Loss) from Capital Assets	4000				
Income / (Loss) from Other Sources	5000				
Foreign Income	6000				
Agriculture Income	6100				
Share in untaxed Income from AOP	3131				
Share in Taxed Income from AOP	3141				
Total Income	9000			10,000,000	
Deductible Allowances	9009			300,000	
Taxable Income	9100			9,700,000	
Tax Chargeable	9200			2,232,000	
Normal Income Tax	920000			2,232,000	
Final / Fixed / Minimum / Average / Relevant / Reduced Income Tax	920100				
WWF	920900				
Tax Reductions	9309				
Tax Credits	9329				

RETURN OF INCOME – INDIVIDUALS

- ▶ The “**Tax Credit for Investment in Shares and Life Insurance Premium**” under section 62 of the Income Tax Ordinance, 2001 at code No. **9312** is not being correctly calculated. Through Finance Act, 2015 the threshold for the above tax credit has been extended to Rs.1,500,000. However, the portal is calculating the tax credit as per previous threshold of Rs.1,000,000.

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 Foreign Sources
 Agriculture
Tax Chargeable / Payments
 Deductible Allowances
 Tax Chargeable
 Tax Reductions
Tax Credits
 Adjustable Tax
 Final / Fixed / Minimum / Average / Relevant / Reduced Tax
 Computations

Description	Code	Eligible Amount	Ineligible Amount	Tax Credit	Action
Tax Credits	9329			232,200	
Tax Credit for Charitable Donations u/s 61	9311				
Tax Credit for Investment in Shares and Life Insurance Premium u/s 62	9312	1,500,000		232,200	
Tax Credit for Contribution to Approved Pension Fund u/s 63	9313				
Tax Credit for Registration for Sales Tax u/s 65A	9315				
Tax Credit u/s 103	9320				
Tax Credit for Tax Paid on Share Income from AOP	9321				
Tax Credit for Tax Charged on Behbood Certificates / Pensioner's Benefit Account in excess of applicable rate	9322				
Tax Credit for Trust / Welfare Institution / Non-Profit Organization u/s 100C	9323				
Surrender of Tax Credit on Investments in Shares disposed off before time limit	9328				

Information System x

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Employment
 Salary
 Property
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 Capital Assets
 Other Sources
Foreign Sources / Agriculture
 Foreign Sources
 Agriculture
Tax Chargeable / Payments
 Deductible Allowances
 Tax Chargeable
 Tax Reductions
 Tax Credits
 Adjustable Tax
 Final / Fixed / Minimum / Average / Relevant / Reduced Tax
 Computations

Description	Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax	Action
Income from Salary	1000	10,000,000	0	10,000,000	
Income / (Loss) from Property	2000				
Income / (Loss) from Business	3000				
Gains / (Loss) from Capital Assets	4000				
Income / (Loss) from Other Sources	5000				
Foreign Income	6000				
Agriculture Income	6100				
Share in untaxed Income from AOP	3131				
Share in Taxed Income from AOP	3141				
Total Income	9000			10,000,000	
Deductible Allowances	9009				
Taxable Income	9100			10,000,000	
Tax Chargeable	9200			2,089,800	
Normal Income Tax	920000			2,322,000	
Final / Fixed / Minimum / Average / Relevant / Reduced Income Tax	920100				
WWF	920900				
Tax Reductions	9309				
Tax Credits	9329			232,200	

THANK YOU