

DISCLOSURE OF FOREIGN ASSETS & INCOME (DECLARED UNDER FOREIGN AMNESTY)

by Anwar Kashif Mumtaz

Who is required to pay Tax in Pakistan?

- Tax in Pakistan is based on an individual's residential status and not on his or her nationality or citizenship.
- Residents of Pakistan are taxed on their worldwide income regardless of where it is received.
- Non – Residents are taxed on their Pakistan Source Income Only.

What is Income for tax purposes in Pakistan?

- The total income of a person for a tax year is the sum of (Sec-10):
 - > Person's income under all heads of income for the year; and
 - > Person's income exempt from tax under any of the provisions of the Income Tax Ordinance, 2001
- The Heads of Income as per the Income Tax Ordinance, 2001 are outlined below (Sec-11):
 - > Salary
 - > Income from Property
 - > Income from Business
 - > Capital Gains
 - > Income from Other Sources

Income of Resident and Non Resident Person

- A person who is a Resident will be taxed on his entire income including (Sec-11(5)):
 - > Pakistan Source Income
 - > Foreign Source Income
- A person who is a Non - Resident will be taxed only on his income earned in Pakistan that is (Sec11(6)):
 - > Pakistan Source Income

Who is a Resident Person?

- A Resident individual will be a person who (Sec-82):
 - > Resides in Pakistan for 183 days or more
 - or
 - > Is an employee of the Federal or Provincial Government of Pakistan posted abroad.
- An Individual who resides less than 183 days in Pakistan shall be categorized as a Non – Resident (Sec -81 & Sec-82).

Who has to file an Income Tax Return?

- Income Tax Return has to be filed by the following individuals (Sec-114):
 - > Businesses having income of Rs.300,000/- Salaried Ind. at Rs. 400,000/-
 - > Owners of property measuring 250 sq.yrds / flat measuring 2500 sq. feet
 - > People who hold an NTN (National Tax Number)
 - > Owners of 1000 cc Car.
 - > Companies & Others

What is part of Wealth Statement and who has to file it?

- A wealth statement includes a person's total assets and liabilities (Sec-116).
- Every Resident person who has filed his/her Income Tax return u/s 114 of the Income Tax Ordinance, 2001 has to file their Wealth Statement along with return (Sec-116).
- Non Resident has to file his/her wealth statement when the Commissioner issues notice to file it.

Who has to file the Foreign Income and Assets Statement?

- Every Resident Person who fulfills either of the two conditions below has to file a Foreign Income and Assets Statement (Sec-116A):
 - Having foreign income of not less than ten thousand United States dollars
 - Or
 - Having foreign assets with a value of not less than one hundred thousand United States dollars
- Foreign Income and Assets Statement filed by the Resident will need to contain the following information (Sec-116A):
 - Their total foreign assets and liabilities as on the last day of the tax year
 - Details of foreign assets transactions during the tax year including consideration if any
 - Details of foreign Income
 - Details of foreign expenses

How is Foreign Source Salary treated?

- A Resident's foreign source salary shall be exempt from tax if (Sec-102):

- > The person has paid foreign income tax in respect of the salary.

Or

- > Tax has been withheld from the salary by the person's employer and paid to the revenue authority of the foreign country in which the employment was exercised.

How is Foreign Tax Credit Dealt with?

- A Resident can claim tax credit for Foreign Income Tax paid equal to the lesser of: (Sec-103)
 - > The foreign income tax paid; or
 - > Average Rate of the Pakistan tax payable in respect of the Foreign Source Income for which the foreign income tax has been paid
- Any tax credit allowed but not credited shall not be refunded, carried back or carried forward to the preceding or following tax year (Sec-103).
- A credit shall be allowed only 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 (Sec-103).

Foreign Income Statement u/s. 116(A)

Data

Verification

Personal Assets / Liabilities / Receipts / Expenses

Personal Assets / Liabilities

Foreign Income

Description	Code	Amount		
Foreign Income	9000	759		
Foreign Income from Business	3000			
Gross Receipts Derived from Business	3009			
Expenditure Wholly and Necessarily for the purpose of deriving Gross Receipts from Business	3199			
Foreign Income from Capital Gain	4000			
Consideration Received	4999			
Cost	4092			
Foreign Income from Other Sources	5000			
Gross Receipts Derived from Other Sources	5029			
Expenditure Wholly and Necessarily for the purpose of deriving Gross Receipts from Other Sources	5089			
Foreign Income from Salary	1000			
Income Subject to Separate Taxation	7040	759		
Dividends	704001			
Profit on Debt	704002	759		
Rent from Property	704003			
Capital Gain on Disposal of Securities u/s 37(A)	704004			
Capital Gain on Disposal of Immovable Property u/s 37(1A)	704005			

Statement of Foreign Assets & Liabilities

U/s. 116(A)

Data		Verification	
<div> <div>Personal Assets / Liabilities / Receipts / Expenses</div> <div> <div>Personal Assets / Liabilities</div> <div>Foreign Income</div> </div> </div>		<div>Calculate</div>	
Description	Code	Amount	Action
Immovable Property	7002		
Business Capital	7003		
Investment (Non-Business) (Account / Annuity / Bond / Certificate / Debenture / Deposit / Fund / Instrument / Policy / Share / Stock / Unit, etc.)	7006	19,294,570	
Investment (Non-Business) (Account / Annuity / Bond / Certificate / Debenture / Deposit / Fund / Instrument / Policy / Share / Stock / Unit, etc.)	7006	12,950,116	
Investment (Non-Business) (Account / Annuity / Bond / Certificate / Debenture / Deposit / Fund / Instrument / Policy / Share / Stock / Unit, etc.) -	7006	0	
Investment (Non-Business) (Account / Annuity / Bond / Certificate / Debenture / Deposit / Fund / Instrument / Policy / Share / Stock / Unit, etc.) -	7006	3,213,992	
Investment (Non-Business) (Account / Annuity / Bond / Certificate / Debenture / Deposit / Fund / Instrument / Policy / Share / Stock / Unit, etc.) -	7006	3,130,462	
Share or Interest in Foreign Trust, Foreign Company or any Foreign Entity	7017		
Debt (Non-Business) (Advance / Debt / Deposit / Prepayment / Receivable / Security)	7007		
Motor Vehicle (Non-Business)	7008		
Cash (Non-Business)	7012		
Any Other Asset (Precious Possession, Household Items, Personal Items)	7013		
Assets in Others' Name	7014		
Assets held outside Pakistan	7016	19,294,570	
Credit (Non-Business) (Advance / Borrowing / Credit / Deposit / Loan / Mortgage / Overdraft / Payable)	7021		
Total Liabilities	7029		

Wealth Statement U/s. 116(2)

Description	Code	Amount
Agricultural Property	7001	
Commercial, Industrial, Residential Property (Non-Business)	7002	4,000,000
Commercial, Industrial, Residential Property (Non-Business)	7002	4,000,000
Business Capital	7003	
Equipment (Non-Business)	7004	
Animal (Non-Business)	7005	
Investment (Non-Business) (Account / Annuity / Bond / Certificate / Debenture / Deposit / Fund / Instrument / Policy / Share / Stock / Unit, etc.)	7006	8,445,722
Investment (Non-Business) (Account / Annuity / Bond / Certificate / Debenture / Deposit / Fund / Instrument / Policy / Share / Stock / Unit, etc.) - 4	7006	1,422,714
Investment (Non-Business) (Account / Annuity / Bond / Certificate / Debenture / Deposit / Fund / Instrument / Policy / Share / Stock / Unit, etc.) - Other	7006	7,023,008
Debt (Non-Business) (Advance / Debt / Deposit / Prepayment / Receivable / Security)	7007	
Motor Vehicle (Non-Business)	7008	
Precious Possession	7009	1,147,265
Precious Possession	7009	1,147,265
Household Effect	7010	170,000
Personal Item	7011	
Cash (Non-Business)	7012	600,000
Any Other Asset	7013	
Assets in Others' Name	7014	
Total Assets inside Pakistan	7015	14,362,987
Assets held outside Pakistan	7016	19,294,570
Assets held outside Pakistan -	7016	0
Assets held outside Pakistan -	7016	12,950,116
Assets held outside Pakistan - I - Sterling A/c # 26075202	7016	3,213,992
Assets held outside Pakistan - I	7016	3,130,462
Total Assets	7019	33,657,557
Credit (Non-Business) (Advance / Borrowing / Credit / Deposit / Loan / Mortgage / Overdraft / Payable)	7021	

Reconciliation of Wealth Statement U/s 116(2)

Data	Verification																																																												
<div><div>▼ Personal Assets / Liabilities / Receipts / Expenses</div><div>Personal Expenses</div><div>Personal Assets / Liabilities</div><div>Reconciliation of Net Assets</div></div>	<table><thead><tr><th>Description</th><th>Code</th><th>Amount</th></tr></thead><tbody><tr><td>Net Assets Current Year</td><td>703001</td><td>33,657,557</td></tr><tr><td>Net Assets Previous Year</td><td>703002</td><td>13,182,391</td></tr><tr><td>Increase / Decrease in Assets</td><td>703003</td><td>20,475,166</td></tr><tr><td>Inflows</td><td>7049</td><td>43,311,726</td></tr><tr><td>Income Declared as per Return for the year subject to Normal Tax</td><td>7031</td><td>3,000,000</td></tr><tr><td>Income Declared as per Return for the year Exempt from Tax</td><td>7032</td><td></td></tr><tr><td>Income Attributable to Receipts, etc. Declared as per Return for the year subject to Final / Fixed Tax</td><td>7033</td><td>517,019</td></tr><tr><td>Adjustments in Income Declared as per Return for the year</td><td>7034</td><td></td></tr><tr><td>Foreign Remittance</td><td>7035</td><td></td></tr><tr><td>Inheritance</td><td>7036</td><td></td></tr><tr><td>Gift</td><td>7037</td><td></td></tr><tr><td>Gain on Disposal of Assets, excluding Capital Gain on Immovable Property</td><td>7038</td><td></td></tr><tr><td>Others</td><td>7048</td><td>39,794,707</td></tr><tr><td>Outflows</td><td>7099</td><td>22,836,560</td></tr><tr><td>Personal Expenses</td><td>7089</td><td>2,843,599</td></tr><tr><td>Gift</td><td>7091</td><td></td></tr><tr><td>Loss on Disposal of Assets</td><td>7092</td><td></td></tr><tr><td>Others</td><td>7098</td><td>19,992,961</td></tr><tr><td>Unreconciled Amount</td><td>703000</td><td>0</td></tr></tbody></table>	Description	Code	Amount	Net Assets Current Year	703001	33,657,557	Net Assets Previous Year	703002	13,182,391	Increase / Decrease in Assets	703003	20,475,166	Inflows	7049	43,311,726	Income Declared as per Return for the year subject to Normal Tax	7031	3,000,000	Income Declared as per Return for the year Exempt from Tax	7032		Income Attributable to Receipts, etc. Declared as per Return for the year subject to Final / Fixed Tax	7033	517,019	Adjustments in Income Declared as per Return for the year	7034		Foreign Remittance	7035		Inheritance	7036		Gift	7037		Gain on Disposal of Assets, excluding Capital Gain on Immovable Property	7038		Others	7048	39,794,707	Outflows	7099	22,836,560	Personal Expenses	7089	2,843,599	Gift	7091		Loss on Disposal of Assets	7092		Others	7098	19,992,961	Unreconciled Amount	703000	0
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Avoidance of Double Taxation Agreements and Prevention of Fiscal Evasion

- The agreement (ADTA) will supersede any other law contrary to this tax avoidance agreement.
- The ADTA will provide at least one of the following:
 - Relief from the tax payable under this Income Tax Ordinance, 2001
 - Determination of Pakistan Source Income of Non – Resident
 - Determination of the Operation of Business and its Attribution
 - Determination of Income of Resident Person and its Attribution
 - Exchange of Information for the prevention of Fiscal Evasion or avoidance of taxes under Income Tax Ordinance, 2001.

Applicability of Section 111 on Foreign Assets & Remittance of Resident Person

- Any income or assets which has no explanation about the nature and source of the amount shall be included in the person's income chargeable to tax
- Any amount received through foreign exchange, remittance is exempt from the application of Section 111 if:
 - The amount does not exceed Rs. 10 million in a tax year
 - En-cashed into Rupee by a scheduled bank: and
 - Certificate from the Bank to that effect is produced

Voluntary Disclosure of Domestic Assets (Amendment) Act, 2018

- For the removal of doubt it is clarified that undisclosed income does not include income which was not required to be disclosed by ninth of April, 2018

FBR's Income Tax Circular No.7 of 2018

- Procedure for taking credit of tax paid under Amnesty Acts in 2018 but declaration not filed.

Voluntary Declaration of Domestic Assets Act, 2018

● **11. Confidentiality.—**

(1) Notwithstanding the provisions of sub-section (3) of section 216 of the Income Tax Ordinance, 2001 (XLIX of 2001), the Right of Access to Information Act, 2017 (XXXIV of 2017) and any other law for the time being in force, particulars of any person making a declaration under this Act or any information received in any declaration made under this Act shall be confidential.

(2) A person who discloses any particulars in contravention of subsection (1) shall commit an offence punishable on conviction with a fine of not less than five hundred thousand Rupees but not exceeding one million Rupees or imprisonment for a term not exceeding one year or with both.

THANK YOU

GRACIAS
ARIGATO
SHUKURIA
JUSPAKAR
DANKSCHEEN
TASHAKKUR ATU
YACHANYELAY
SUKSAMA
KHAMMET
GOZAMASHITA
EPCABISTO
KOMAP-SUMIDA
GRAZIE
MEHRBANI
PALIHES
BOLZİN
MERCİ
BIYAN
SHUKRIA
TINKI