



BAKER TILLY  
MEHMOOD IDREES  
QAMAR  
CHARTERED ACCOUNTANT



# TAXATION OF CORPORATE & NON-CORPORATE TAXPAYERS UNDER INCOME TAX LAW

Contact Address:  
4th Floor, Central Hotel Building  
Civil Lines, Mereweather Road  
Karachi  
Phone # 35644872  
Email: [mrs@mimandco.com](mailto:mrs@mimandco.com)

PRESENTED BY:  
M. REHAN SIDDIQUI  
*Partner*

## ADVANCE TAX UNDER SECTION 147

*Is applicable on all income except*

- Dividend Income
- Income of Non-Resident i.e.
- Royalty, Fee for Technical Services
- Salary Income
- Imports which is final
- Profit on Debt which is final
- Income of Non-Residents on account of contract or sub-contract under a construction, assembly or installation projects in Pakistan, any contract for construction and services, a contract for advertisement services rendered on T.V
- Payment of Supplies, Services and Contract which falls under FTR
- Export receipts
- Prizes and winnings
- Petroleum Product sold to petrol pumps
- Brokerage and Commissions
- Tax on motor vehicle
- Income of CNG Stations

## FOR CORPORATE & AOP's SECTOR

*Has to pay on the basis of latest assessed taxable income, formula for company and AOP's are under:*

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

Where

- A- is the taxpayers turnover for the quarter
- B- is the tax assessed to the taxpayer for the latest tax year
- C- is the taxpayer's turnover for the latest tax year
- D- is the tax paid in the quarter for which for credit is allowed under section 168 (credit for tax collected or deducted) other than tax deducted under section 155 (income from property)

*(Contd...)*

## FOR CORPORATE & AOP's SECTOR

*It is Payable on or before*

1. 25<sup>th</sup> September
2. 25<sup>th</sup> December
3. 25<sup>th</sup> March
4. 15<sup>th</sup> June

September Quarter  
December Quarter  
March Quarter  
June Quarter

*If the current year is the 1<sup>st</sup> year of operation than Advance tax can be paid on the basis of quarterly turnover*

## FOR NON-CORPORATE & AOP's SECTOR

*It has to paid by an individual where the latest assessed taxable income including as discussed above exceed 500 Rupees five hundred thousand on the basis of following formulas*

$$(A / 4 /) - B$$

Where

- A- is the assessed to the taxpayer for the latest tax year or latest assessment year
- B- is the paid in the quarter for which a tax credit is allowed under section 168 (credit for tax collected or deducted) other than section 149 (salary) or 155 (income from property)

### *Payable on or before*

- |    |                            |                   |
|----|----------------------------|-------------------|
| 1. | 25 <sup>th</sup> September | September Quarter |
| 2. | 25th December              | December Quarter  |
| 3. | 25th March                 | March Quarter     |
| 4. | 15th June                  | June Quarter      |

*(Contd...)*

## GENERAL PROVISIONS

- *Any taxpayer shall file an estimate of tax payable for the relevant tax year any time before the last installment is required to pay before the Commissioner.*
- *Tax liability under section 113 (minimum tax) shall be taken into account while working out advance tax liability*
- *Advance tax is also required to be paid on the capital gains which are payable to the Commissioner within a period of 21 days after the close of each quarter but individual investors are not required to pay Advance tax on Capital Gains.*

### **Advance tax on Capital Gains is required to be paid as under**

- |    |  |                                     |
|----|--|-------------------------------------|
| 1. | Where holding period of security Gain of the is less than 6 months | 2% of the Capital quarter           |
| 2. | Where holding period is more 6 month and less than 12 months       | 1.5% of Capital Gain of the quarter |

- *Tax payable under this section shall apply if the amount due whereas tax due under an assessment order*

## PENALTIES

	Offence		Penalty
1.	fails to comply sections 114 (return of income), 115 (persons not required to furnish a return of income), 116 (wealth statement) and 165 (statements)		minimum penalty 5000/- or penalty equal to 0.1% of The tax payable for each day of default upto maximum of 25% of tax Payable
2.	fails to issue cash memo, invoices, receipts under section 174 (records, information collection and audit)		Higher of the - Five thousand rupees - 3 % of amount of tax included
3.	do not apply for registrations under section 181 (taxpayer registration)		Rs. 5000/-
4.	failure of notifying material changes under section 181 (taxpayer registration)		Rs. 5000/-
5.	fails to pay or partial payment of tax under section 137 (collection and recovery of tax)		1 <sup>st</sup> default - 5000/- Penalty 2 <sup>nd</sup> default - additional 25% penalty 3 <sup>rd</sup> default - additional 50% penalty of amount of tax
6.	Repeat erroneous calculation in return for more than one year		Higher of the - Five thousand rupees - 3 % of amount of tax involved

(Contd...)

## PENALTIES

	Offence		Penalty
7.	Fails to comply section 174 (records, information collection and audit)		Higher of the - ten thousand rupees - 5% of amount of tax involved
8.	Fails to comply section 177 (audit) - on 1st notice - on 2nd notice - on 3rd notice		Rs. 5000/- Rs. 10,000/- Rs. 50,000/-
9.	Fails to comply section 176 (notice to obtain information or evidence)		1 <sup>st</sup> default – Rs. 5000/- Subsequent default Rs. 10,000/- for each default
10.	Any person who makes a false misleading or furnishes or files a false or misleading or omit any information while presenting to Income tax Authority under section 114 (return of income), 115 (persons not required to furnish a return of income), 116 (wealth statement), 174 (records, information collection and audit), 176 (notice to obtain information or evidence), 177 (audit) and General		Higher of the - Twenty five thousand rupees - 100% of amount of tax shortfall
11.	Any person who demise or obstructs the access of Commissioner or any authorized officer to the premises, place accounts, documents, computers or stock under section 175 (power to enter and search premises) and 177 (audit)		Higher of the - Twenty five thousand rupees - 100% of amount of tax involved

(Contd...)



## PENALTIES

	Offence		Penalty
12.	Violation of section 111 (unexplained income or assets) do and general		Higher of the - Twenty five thousand rupees - An amount equal to tax which a person sought to evade
13.	Obstruct any Income tax Authority in performing its official duty under section 209 (jurisdiction of income tax authorities), 210 (delegation) and general		Rupees twenty five thousand
14.	Contravenes any other provision of the Ordinance in General		Higher of the - five thousand rupees - 3 % of amount of tax
15.	Fails to collect and deduct tax under section 148 (imports), 149 (salary), 150 (dividend), 151 (profit on debt), 152 (payments to non-resident), 153 (payments for goods, services and contracts), 153A (payments to traders and distributors), 154 (exports), 155 (income from property), 156 (prizes and winning), 156A (petroleum products), 156B (withdrawal of balance under pension funds), 158 (time of deduction of tax), 160 (payment of tax collected or deducted), 231A (cash withdrawals from a bank), 231B (advance tax on private motor vehicles), 233 (brokerage and commission), 233A (collection of tax by a stock exchange registered in Pakistan), 234 (tax on motor vehicles), 235 (electricity consumption), 236 (telephone users) & 236A (advance tax at the time of sale by auction).		Higher of the - five thousand rupees - 10% of amount of tax

*(Contd...)*

## GENERAL PENALTIES

### ➤ **Under Section 161:**

A person shall be personally liable to pay the amount of tax to the Commissioner if a person fails to collect tax or deduct tax from a payment or having collected or deducted tax but fails to pay the Commissioner.

### ➤ **Under Section 205 Default Surcharges:**

Any person who fails to pay

- any tax excluding advance tax or default surcharge
- any penalty
- any amount of 140 (recovery of tax from persons holding money on behalf of a taxpayer) or 141 (liquidators)

Shall be liable for default surcharge of rate or 18% on per annum on the tax, penalty or other amount unpaid.

It is commuted from the date of on which tax, penalty or other amount due and ending on the date on which it was paid.

- Failure to pay Advance tax under section 147 (advance tax paid by the taxpayer) shall make the person to pay default surcharge at 18% per annum

## TAX CREDIT

### *Rebates and Exemption*

#### ➤ SENIOR CITIZEN REBATES:

Age above 60 years and income does not exceed 1 million rupees then the senior citizen's tax liability shall be reduced to 50% but this is not apply to Final Tax Regime.

#### ➤ TEACHER'S REBATE:

75% reduction of tax on salary payable to full time teacher, researcher, employed in a non profit education or research institution duly recognized by HEC, a Board of Education or a university recognized by HEC including, Government training and research institution share.

- Any tax payable on profit on investments in Bahbood Saving Certificates or Pensioners Benefit Accounts shall not exceeds 10% of such profits.

*(Contd...)*

## TAX CREDIT



### TAX CREDIT ON DONATION:

A person shall be entitle to a tax credit in respect of any sum paid or any property given by the person in the tax year as donation to Any Not Profit Organization.

- Any Board of education, any university
- Any educational institution, hospital or relief fund established or run in Pakistan by federal government or a provincial government or a local government.

Tax credit is calculated as lesser of the

- The total amount of person donations referred in the year including the fair market value of any property given
- Where the person is
- An individual or association of person's (AOP), 30% of taxable income
- A company 20% of taxable income

*(Contd...)*

## TAX CREDIT



### TAX CREDIT ON INVESTMENT IN SHARES AND INSURANCE

A resident person other than company shall be entitled to a tax credit for a tax year on

- Acquiring new shares under IPO
- Life insurance premium paid over policy

The amount of tax shall be lesser of the

- Total cost of acquiring shares or premium paid
- 20% of person's taxable income
- 1 million rupees

And shares shall not be disposed off within 24 month.

*(Contd...)*

## TAX CREDIT



### TAX CREDIT ON CONTRIBUTION TO AN APPROVAL PENSION FUND:

An eligible person deriving business income or Salary income shall be entitled to a tax credit in respect of any contribution or premium paid in the approval fund under the Voluntary Pension System Rules, 2005.

Tax credit is applicable on lesser of:

- total contribution or premium paid.
- 20% of the eligible person's taxable.

Subject to the some condition of age which should be more than 41 years at the time of joining the fund and each year 2% additional contribution tax credit is allowed which should not exceed 50% of taxable income in successive year.

*(Contd...)*

## TAX CREDIT



### TAX CREDIT ON PROFIT ON DEBTS:

A tax credit on any profit, share in rent and share in appreciation for value of house paid by the person in the year on a loan by a scheduled bank or non banking finance institution regulated by Sector advanced by Government or the local government or a statutory body or a public company listed on a registered stock Exchange where the loan is utilized on construction of new house or acquisition of the house.

Tax credit is allowed on the lesser of

- the total profit referred paid by the person in the year
- 50% of person's taxable income
- Rs. 750,000/-

*(Contd...)*

## TAX CREDIT

### ➤ **Total credit under section 65A:**

Every manufacturer registered under Sales Tax Act, 1990, and 90% of its sales are made also to registered persons to under sales tax, shall be entitled to a tax credit of 2.5% of tax payable. But no credit is allowed to a person where income is covered under Final Tax Regime or minimum tax.

### ➤ **Total credit under section 65B:**

A company is entitled to a tax credit equal to 10% of tax payable if it invests any amount in the purchase of a plant and machinery, for the purpose of extension, expansion, balancing, modernization and replacement of the plant and machinery, already installed therein in an industrial undertaking setup in Pakistan and owned by it.

But no credit on final tax regime or minimum tax. However, 20% of the credit is available to a company setup in Pakistan before July 2011 which makes investment through 100% new equity during July 2011 to June 2016 for the purpose of balancing, modernization and machinery already installed in an industrial undertaking owned by the company.

*(Contd...)*



## TAX CREDIT

➤ **Total credit under section 65C:**

A tax credit equal to 15% of the tax payable shall be allowed to a company which opts for enlistment in the stock exchange in Pakistan.

➤ **Total credit under section 65D:**

A tax credit equal to 100% of the tax payable subject to some contribution including minimum tax and final tax to a company formed for establishing and operating a new industrial undertaking including corporate dairy forming sets up. This tax credit is available for a five years beginning from the date of setting up or commencement of commercial production, whichever is later.

➤ **Total credit under section 65E:**

Where a company invests any amount, with 100% new equity raised through issuance of new share, in the purchase and installation of plant and machinery for an industrial undertaking, includes corporate dairy farming for the purpose of expansion of plant & machinery or under taking a new project and maintain separate accounts of an expansion project or a new project shall be allowed 100% tax credit including PTL and minimum tax for 5 years beginning.

*(Contd...)*

## TAX CREDIT



### DEDUCTION ALLOWANCE:

- Zakat
- Workers Welfare Fund (WWF).
- Worker Participation Profit Fund (WPPF)

### ZAKAT:

Zakat is payable by every person who is defined in Zakat and Ushr Ordinance, 1980 as Sahib-e- Nisaab.

### WORKER WELFARE FUND (WWF):

Governed under Worker Welfare Fund, 1971, and paid to FBK. Calculated as:

- In case of normal return 2% of the higher of taxable profit or accounting profit before taxation.
- In case of statement under section 115(4) (statement of final taxation) on the gross receipt.

### WORKER PARTICIPATION PROFIT FUND (WPPF):

Governed under companies' profit (Worker Participation) Act, 1968 and calculated on the accounting profit at 5%.



BAKER TILLY  
MEHMOOD IDREES  
QAMAR  
CHARTERED ACCOUNTANT

THANK  
YOU