BASIC PROFESSIONAL DEVELOPMENT PROGRAM

by

Karachi Tax Bar Association

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PRESENTATION ON

Income from Property; and Capital Gains on Shares, Properties, Intangibles & ESOP

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Topics to be covered:

- Introduction
- Income from Property – Section 15
- Capital Gains - Immovable Properties – Section 37(1A)
- Capital Gains - Shares – Section 37A
- Capital Gains - Capital Assets – Section 37
- Capital Gains - ESOP – Section 14 and 37A
- Intangibles – Section 24 - 18
- Conclusion and Q&A

Introduction:

Ladies and gentlemen,

Today, we gather here to explore and gain a comprehensive understanding of several crucial aspects of taxation under the Income Tax Ordinance, 2001 (“Ordinance”).

My presentation will delve into six significant topics, each of which holds a vital place in the realm of income taxation. These topics not only impact individuals but also play a pivotal role in the financial landscape of our nation.

Let's take a moment to introduce each of these subjects:

Introduction:

1. **Income from Property (Rental Income):** Rental income is a common source of revenue for property owners. My presentation will outline the taxation issues and rules governing rental income and provide insights into deductions and allowances that can reduce the tax burden.

2. **Capital Gain on Properties:** Property transactions are a major financial undertaking for many. We will explore how Capital Gain Tax is applied to property sales and acquisitions. This discussion will also cover exemptions and considerations for property investors.

3. **Capital Gains on Shares:** We will begin by examining the intricacies of Capital Gains Tax on Shares. This portion of my presentation will shed light on how the sale of shares is taxed, the exemptions available, and the implications for investors and shareholders.

Introduction:

4. **Capital Gain on Capital Assets:** We will examine the concept of Capital Gain on Capital Assets. This segment will explore how capital assets are taxed when sold, and the implications for individuals and businesses.

5. **Capital Gain ESOP:** Employee Stock Ownership Plans (ESOPs) are a popular compensation method. We will explore how Capital Gains Tax is assessed on ESOPs and the implications for both employees and employers.

6. **Intangibles and its Taxation:** In an increasingly digital age, intangible assets like intellectual property and goodwill hold significant value. We will delve into the taxation of these intangible assets and discuss any exemptions or special provisions that may apply.

Introduction:

In the ever-evolving landscape of taxation, understanding these topics is essential for individuals, businesses, and investors alike. Whether you are a taxpayer navigating these regulations or a professional seeking to offer informed advice, our presentation aims to equip you with the knowledge needed to navigate the complexities of income taxation under the Ordinance.

So, without further ado, let’s dive into the intricate world of income taxation and explore the nuances of these critical tax categories.

Income from Property – Section 15:

Income from Property – Section 15:

Rental income is an important source of revenue for many individuals, but it is important to understand how it is taxed under the Income Tax Ordinance, 2001. Rental income is considered taxable income and must be reported on your tax return. The amount of tax you will owe will depend on your total income for the year and the tax bracket you fall into.

One thing to keep in mind is that you can deduct certain expenses related to your rental property, such as mortgage interest, property taxes, and repairs. These deductions can help lower your taxable rental income and reduce the amount of tax you owe. However, it's important to keep accurate records of these expenses and only claim deductions that are allowed under the law.

Income from Property – Section 15:

What is Rent?

"Rent" means any amount received or receivable by the owner of land or a building as consideration for the use or occupation of, or the right to use or occupy, the land or building, and includes any forfeited deposit paid under a contract for the sale of land or a building but excluding the lease of a building together with plant and machinery.

What Rent is Taxed?

The rent received or receivable by a person for a tax year, other than rent exempt from tax, will be chargeable to tax in that year under the **"Income from Property"**.

Income from Property – Section 15:

Whether Utilities are Taxed under Income From Property?

Any amount is included in rent received or receivable by any person **for the provision of amenities, utilities or any other service** connected with the renting of the building, such amount shall be chargeable to tax under the head "Income from Other Sources".

What if the Rent is not at Fair Market Value (FMV)?

Where the rent received or receivable by a person is less than the FMV for the property, the person shall be treated as having derived the FMV for the period the property is let on rent in the tax year. This rule shall not apply where the fair market rent is included in the income of the lessee chargeable to tax under the head "Salary".

Income from the lease of immovable property in Pakistan shall be Pakistan source rental income.

Deductions Allowed from Income from Property – Section 15A:

- Amount used for repair of the building equal to 1/5th of the rent chargeable;
- Any premium for insurance of the building;
- Any local tax, charge or rate in respect to the property or rent chargeable;
- Ground rent payable or paid by the company;
- Profit to be paid on money borrowed as a mortgage to improve the property;
- The amount of interest or profit paid on the mortgage or charge of the property respectively;

Deductions Allowed from Income from Property – Section 15A:

- Share in rent and share towards appreciation in the value of property to HBFC / scheduled bank under a scheme of investment in property in the year under that scheme;
- Any administration and collection charges not exceeding 04% of the rent chargeable to tax computed before any deduction;
- Any expenditure incurred as legal expenditure in relation to litigation with respect to the property in court;
- Amount of unpaid rent which is irrecoverable. For such deduction to be allowed the person needs to establish that:

Deductions Allowed from Income from Property – Section 15A:

- tenancy was bona fide, the defaulting tenant does not reside in any of the properties of the same owner and steps have been taken to compel the tenant to vacate the property:

- The person has either taken all legal recourse to avail unpaid rent or believes such an attempt would be futile: and

- The rent has already been included in income from property and tax has been paid on the income inclusive of the bad rent.

Deductions Allowed from Income from Property – Section 15A:

Reversal of Deductions allowed under Income from Property:

- Any recovery of unpaid rent claimed as a deduction, shall be chargeable to tax in the tax year in which it is recovered.

- If the company does not pay the liability within three years of claiming a deduction, the amount of liability unpaid shall be charged to tax immediately after the end of the three year period.

  However, the unpaid liability charged for tax is paid either fully or partially, then the company can claim the amount paid as deduction for the tax year when it is paid.

Non-adjustable amounts received in relation to Buildings – Section 16:

- Amounts received from a tenant not adjustable against rent will be charged under the head income from property in equal proportions over 10 years. Section 16(1)

- Where the amount received as advance is returned, it shall not be chargeable to tax in the year it is returned and any year subsequently. Section 16(2)

- Where a new tenant replaces the old one and pays an advance, their amount will be reduced by the advance repaid to the previous tenant on which tax has been paid and it will then be chargeable to tax in equal proportions over the next 10 years, in the same way as the previous advance. Section 16(3)

How Income from Property is Taxed ?

Rent received will be taxed after allowing specific deductions from Income from Property at the follows rated:

- For Companies – at corporate rate of tax (presently 29%)
- For AOPs and Non-Salaried Individuals – rates in clause a, Division I, Part-I
- For Salaried Individuals – rates in clause b, Division I, Part-I, 1st Schedule

Business loss can be setoff against Income from Property

Set off of losses – Section 56

- Where a person sustains a loss for any tax year under any head of income specified in section 11, the person shall be entitled to have the amount of the loss set off against the person’s income, if any, chargeable to tax under any other head of income except income under the head salary for the year.

- Income from property is included under section 11, therefore, where a person sustains a loss for any tax year under any other head of income, the person shall be entitled to have the amount of the loss set off against the person’s income from property.

Income of Joint owners – Section 66

- where any property is owned by two or more persons and their respective shares are definite and ascertainable

- the persons shall not be assessed as an association of persons in respect of the property; and

- the share of each person in the income from the property for a tax year shall be taken into account in the computation of the person's taxable income for that year.

Withholding Tax on Income from Property – Section 155:

Every **prescribed person** making a payment in full or part (including a payment by way of advance) to any person on account of rent of immovable property (including rent of furniture and fixtures, and amounts for services relating to such property) shall deduct tax from the gross amount of rent paid at the rate specified in Division V of Part III of the First Schedule.

Explanation: **"gross amount of rent"** includes the amount referred to in subsection (1) or (3) of section 16, if any.

Explanation: For removal of doubt, it is clarified that the sub-section (1) shall apply when a payment is made on account of rent of immoveable property irrespective of head of income.

Withholding Tax on Income from Property – Section 155:

“Prescribed Person” means:

- the Federal Government;
- a Provincial Government;
- Local Government;
- a company;
- a non-profit organization or a charitable institution;
- a diplomatic mission of a foreign state;
- a private educational institution, a boutique, a beauty parlour, a hospital, a clinic or a maternity home;
- individuals or association of persons paying gross rent of rupees one and a half million and above in a year; or
- any other person notified by the Board for the purpose of this section.

Withholding Tax on Income from Property – Section 155:

S. No:	Gross amount of Rent	Rate of Tax
1.	Where the gross amount of rent does not exceed Rs.300,000.	Nil
2.	Where the gross amount of rent exceeds Rs.300,000 but does not exceed Rs.600,000.	5% of the gross amount exceeding Rs.300,000.
3.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.2,000,000.	Rs.15,000 + 10% of the gross amount exceeding Rs.600,000.
4.	Where the gross amount of rent exceeds Rs.2,000,000.	Rs.155,000 + 25 % of the gross amount exceeding Rs.2,000,000.

QUESTION - Income from Property – Section 15:

Mr. Zain a non-salaried individual had let out the property to Mr. Ali for a sum of Rs.250,000 per month in July 2022. Mr. Ali has paid a sum of Rs.1,000,000/- as non-adjustable deposit.

After the expiry of two years, Mr. Ali vacated the premises and Mr. Zain returned the deposit to Mr. Ali. Thereafter, Mr. Daniyal acquired the possession on the same rental amount. However, the amount of non-adjustable deposit was increased to Rs.1,200,000/-.

Mr. Zain incurred following expenditures:

- Repairs and maintenance	Rs. 350,000
- Property tax	Rs. 15,000
- Property insurance premium	Rs. 40,000

Compute the gross income of Mr. Zain from the said property and related tax liability and balance payable for the Tax Year 2024 assuming there is no income under any other head.

Capital Gain - Immovable Property – Section 37(1A):

Capital Gain - Immovable Property – Section 37(1A):

Calculating capital gain on properties can be a complex process, but it is important to understand how it works to ensure compliance with the Income Tax Ordinance, 2001.

Essentially, capital gain is the difference between the sale price of a property and its original purchase price, after adjusting for any improvements or renovations made over time.

To calculate capital gain, you need to know:

- Date of Purchase
- Cost of Purchase + Improvement Costs + Any Associated Costs (such as legal fees and stamp duty)
- Sales Value (FBR Prescribed Value)

Capital Gain - Immovable Property – Section 37(1A):

The gain on disposal of immovable properties situated in Pakistan shall be chargeable to tax under the head of capital gain at the rates specified in Division VIII of Part 1 of First Schedule.

Formula:

The gain will be computed as per following formula:

Capital Gain = A – B where:

- **"A"** is the consideration received by the person on disposal of the asset; and
- **"B"** is the cost of the asset. Section 37(2)

Capital Gain - Immovable Property – Section 37(1A):

The allowable expense and any deduction which is allowed in this Ordinance cannot be included in cost for computation of capital gain. Section 37(4)

Capital Gain - Immovable Property – Tax Rates:

Description	Open Plots	Constructed Property	Flats
Where the holding period **does not exceed one year**	15%	15%	15%
Where the holding period **exceeds one year** but does not exceed two years	12.5%	10%	7.5%
Where the holding period **exceeds two years** but does not exceed three years	10%	7.5%	0%
Where the holding period **exceeds three years** but does not exceed four years	7.5%	5%	0%
Where the holding period **exceeds four years** but does not exceed five years	5%	0%	0%
Where the holding period **exceeds five years** but does not exceed six years	2.5%	0%	0%
Where the holding period **exceeds six years**	0%	0%	0%

Capital Gain - Securities – Section 37A:

Capital Gain - Securities – Section 37A:

Have you ever sold shares and wondered how much tax you need to pay? Well, that is where capital gains tax on shares comes in. It is a tax on the profit you make when selling shares or other investments.

Capital gains tax on shares is an important part of the Income Tax Ordinance, 2001. It is designed to ensure that everyone pays their fair share of taxes on investment income. So, whether you are a seasoned investor or just getting started, it is essential to understand the basics of this tax.

Capital Gain - Securities – Section 37A:

The gain on disposal of disposal of securities shall be chargeable to tax under the head of capital gain at the rates specified in Division VII of Part 1 of First Schedule. However, section is not applicable on banking and insurance companies.

Further, this section also not apply to disposal of shares of following:

1) of a listed company made otherwise than through registered stock exchange and which are not settled through NCCPL;

2) through initial public offer during listing process except where the detail of such disposal is furnished to NCCPL for computation of capital gains and tax thereon under this section,

Capital Gain - Securities – Section 37A:

and the provisions of section 37 shall apply on such disposal of shares of a listed company or disposal of shares through initial public offer, accordingly.

Formula:

The gain will be computed as per following formula:

Capital Gain = A – B where:

- **"A"** is the consideration received by the person on disposal of the securities; and
- **"B"** is the cost of the asset. Section 37A (1A)

Capital Gain - Securities – Section 37A:

- The holding period of a security, for purposes of this section, shall be initiated from the date of acquisition.

- **“Security”** means share of a public company, voucher of Pakistan Telecommunication Corporation, Modaraba Certificate and Debt Securities.

- **“Debt Security”** means Term Finance Certificates, Pakistan Investment Bills, T Bills and Sukuks (Shariah Compliant Bonds) etc.

- It is separate block of income and any loss sustained on disposal of securities shall be setoff only against gain of person from other securities.

Capital Gain - Securities – Listed Securities - Section 100B:

Capital gains on disposal of listed securities and tax thereon shall be computed, determined, collected and deposited in accordance with the rules laid down in the **Eighth Schedule**.

However, eight schedule is not applicable on:

a) Banking Companies, Non-banking finance company and an insurance company which are subject to tax under fourth schedule.

b) A mutual funds and a modaraba.

c) A company in respect of debt securities only.

Capital Gain - Securities – Listed Securities - Section 100B:

- Capital gains on disposal of listed securities, units of open-ended mutual funds and trading of future commodities and tax thereon shall be computed, determined, collected and deposited on behalf of taxpayers by the NCCPL on the basis of automated system

- CDC and Pakistan Mercantile Exchange will furnish the information required by NCCP for discharging obligations under this purpose

Capital Gain - Securities – Listed Securities - Section 100B:

- NCCPL will issue an annual certificate to taxpayer in respect of capital gains subject to tax under this schedule and taxpayer will furnish the same along with the return of income and such certificate will be the conclusive evidence for tax under this schedule

- Capital gains computed under this Schedule shall be chargeable to tax at the rate applicable in Division VII of Part I of the First Schedule

Capital Gain - Securities – Listed Securities - Section 100B:

Holding Period	Rate of Tax for TY 2023 and Onwards
Where the holding period **does not exceed one year**	15%
Where the holding period exceeds one year but **does not exceed two years**	12.5%
Where the holding period exceeds two years but **does not exceed three years**	10%
Where the holding period exceeds three years **but does not exceed four years**	7.5%
Where the holding period exceeds four years **but does not exceed five years**	5%
Where the holding period exceeds five years but **does not exceed six years**	2.5%
Where the holding period **exceeds six years**	0%
Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%

Capital Gain - Securities – Listed Securities - Section 100B:

1. the reduced rates of tax on capital gain arising on disposal shall apply where the **securities are acquired on or after the first day of July, 2022**; and

2. the **rate of 12.5% tax** shall be charged on capital gain arising on disposal where the **securities are acquired on or after the first day of July, 2013 but on or before the 30th day of June, 2022**; and

3. the rate of **0% tax** shall be charged on capital gain arising on disposal where the **securities are acquired before the first day of July, 2013.**

4. **Companies** - gain on debt securities will be chargeable at the **rate of 29%.**

5. Capital gain on the disposal of debt instruments and Government Securities including T-Bills & Pakistan Investment Bonds invested through SCRA (Special Convertible Rupee Account), the withholding tax rate on such capital gain arising on **debt instrument will be 10%** of the amount of capital gain which shall be final tax (2nd Schedule, Part 2 of Clause 5A.

Capital Gain - Securities – MF, CIS and REITS - Tax Rates:

Mutual Funds, Collective Investment Schemes and REIT Schemes

Category	Tax Rates
Individual and Association of Persons	10% for stock funds 10% for other funds
Company	10% for stock funds 25% for other funds

Capital Gain on Securities – MF, CIS and REITS - Tax Rates:

Mutual Funds, Collective Investment Schemes and REIT Schemes

Note:

1. In case of stock funds if dividend receipts of the fund are less than capital gains, the gain will be chargeable at the rate of 12.5%

2. No gain is chargeable if holding period is more than 6 years.

Capital Gain - Securities – Section 37:

Capital Gain - Capital Asset – Section 37:

The gain on disposal of **Capital Asset** by a person in a Tax Year other than exempt gain shall be chargeable to tax under the heard "Capital Gains".

Formula:

The gain will be computed as per following formula:

Capital Gain = A – B where:

- **"A"** is the consideration received by the person on disposal of the securities; and
- **"B"** is the cost of the asset.

Capital Gain - Capital Asset – Section 37:

What is a **Capital Asset?**

Means property of any kind held by a person, whether or not connected with a business, **but does not include**:

a) any stock-in-trade, consumable stores or raw materials held for the purpose of business;

b) any property with respect to which the person is entitled to a depreciation deduction U/s. 22 or amortization U/s.24;

c) any movable property **excluding capital assets** specified in sub-section (5) of section 38 **held for personal use** by the person or any member of the person's family dependent on the person.

Capital Gain - Capital Asset – Section 37:

Capital Asset U/s. 38 (5):

a) A painting, sculpture, drawing or other work of art;

b) jewellery;

c) a rare manuscript, folio or book;

d) a postage stamp or first day cover;

e) a coin or medallion; or

f) an antique.

Capital Gain - Capital Asset – Section 37(6):

Acquirer of **Shares of Company:**

The person acquiring a capital asset, being shares of a Company, shall deduct advance adjustable tax from the gross amount paid as consideration for the shares **at the rate of ten percent (10%) of the fair market value of the shares** which shall be paid to the Commissioner by way of credit to the Federal Government, **within fifteen days of the payment.**

Fair Market Value of Shares **-** Section 37(7):

Notwithstanding the provisions of section 68, the value of shares, for the purpose of sub-section (6), shall be the fair market value, as prescribed for sub- section (4) of section 101A, without reduction of liabilities.

Capital Gain - Capital Asset – Section 37(6):

Payment Without Deduction of **Withholding Tax** - Section 37(8):

The Commissioner may, on application made by the person acquiring of the shares, and after making such inquiry as the Commissioner thinks fit, allow to make the payment, without deduction of tax or deduction of tax at a reduced rate.

Other Provisions of Ordinance regarding **Non-Collection of Tax, Penalty and Default Surcharge to apply** - Section 37(9):

The provisions of sections 161, 162, entry No. 15 of the Table in section 182, clause (c) of sub-section (1) of section 191 and section 205 shall mutatis mutandis apply to the tax deductible and payable under this section.

Capital Gain - Capital Asset – Section 37(6):

Prescribed Information to be provided to **the Commissioner by Acquirer -** Section 37(10):

The person disposing the capital asset, being shares of a company, shall furnish to the Commissioner **within thirty days of the transaction of disposal**, the prescribed information or documents, in a statement as may be prescribed:

Provided that the Commissioner may, by notice in writing, require the said person, to furnish information, documents and statement within a period of less than thirty days as specified in the notice.

Employee Share Option Plan (ESOP) - Section 14:

Employee Share Option Plan (ESOP) - Section 14:

"Employee Share Scheme" means any agreement or arrangement under which a company may issue shares in the company to

- an employee of the company or an employee of an associated company; or
- the trustee of a trust and under the trust deed the trustee may transfer the shares to an employee of the company or an employee of an associated company.

Intial Right or Option to acquire Shares is not taxable:

The value of a right or option to acquire shares under an employee share scheme granted to an employee shall not be chargeable to tax.

Employee Share Option Plan (ESOP) - Section 14:

Disposal of Right or Option to acquire Shares:

Where an employee disposes of a right or option to acquire shares, the amount chargeable to tax to the employee under the head "Salary" for that year shall include the amount of any gain made on the disposal which is computed as under:

A – B

A = is the consideration received for the disposal of the right or option; and

B = is the employee's cost in respect of the right or option.

Employee Share Option Plan (ESOP) - Section 14:

Shares issued **without restriction of Transfer/Disposal** subsequent to issuance:

Where, in a tax year, an employee is issued with shares under an employee share scheme including as a result of the exercise of an option or right to acquire the shares, the amount chargeable to tax to the employee under the head "Salary" for that year shall include:

FMV – Consideration – Consideration for Right (if any)

Employee Share Option Plan (ESOP) - Section 14:

FMV =	**Fair Market Value of the Shares** determined at the date of issue,
CONSIDERATION =	**any consideration** given by the **employee for the shares**
RIGHT =	**any amount given as consideration for the grant of a right** or option to acquire shares.

Employee Share Option Plan (ESOP) - Section 14:

Example – Shares Issued Without Restriction:

If Option is exercised in **Year 5:**	
Consideration for right / option	Rs. 10
Consideration for shares issued	Rs. 40
Total Value for Consideration	**Rs. 50**
Fair Market Value (FMV) **Year 5**	**Rs. 80**
What amount would be taxable under Salary	**?**

Employee Share Option Plan (ESOP) - Section 14:

Example – Shares Issued Without Restriction:

If Shares are **Disposed-off** in **Year 7:**	
Consideration for right / option	Rs. 10
Consideration for shares issued	Rs. 40
Total Value for Consideration	**Rs. 50**
Fair Market Value (FMV) **Year 7**	**Rs. 100**
What amount would be taxable under Salary	**?**
What amount would be taxable under Capital Gain	**?**

Employee Share Option Plan (ESOP) - Section 14:

Shares issued **with Restriction of Transfer** subsequent to issuance:

No amount shall be chargeable to tax to the employee under the head “Salary” until the earlier of:

- the time the employee has a free right to transfer the shares; or
- the time the employee disposes of the shares; and

FMV – Consideration – Consideration for Right (if any)

* FMV shall be taken at the time the employee has a free right to transfer the shares or disposes of the shares, as the case may be.

Employee Share Option Plan (ESOP) - Section 14:

Example – Shares Issued with Restriction of 2 Years:

Options exercised in **Year 5** at a value of **Rs.50** when FMV is **Rs.80**	
Shares restriction 2 Years i.e. **Year 7** when FMV is **Rs.100**	
Shares **SOLD** during **Year 9** when FMV is **Rs.120**	
Calculate:	
If any amount is Taxable in **Year 5** and if so under what head?	**?**
If any amount is Taxable in **Year 7** and if so under what head?	**?**
If any amount is Taxable in **Year 9** and if so under what head?	**?**

Intangibles - Section 24:

Intangibles - Section 24:

What Is Intangible:

"**intangible**" means any patent, invention, design or model, secret formula or process, copyright, trade mark, scientific or technical knowledge, computer software, motion picture film, export quotas, franchise, license, intellectual property, or other like property or right, contractual rights and any expenditure that **provides an advantage or benefit for a period of more than one year**.

Exclusions: Expenditure incurred to acquire a depreciable asset or unimproved land, but shall not include self-generated goodwill or any adjustment arising on account of accounting treatment in the manner as may be prescribed.

Intangibles - Section 24:

Cost of Intangible:

"cost" in relation to an intangible, means any expenditure incurred in acquiring or creating the intangible, including any expenditure incurred in improving or renewing the intangible.

Allowable Deduction:

A person shall be allowed an **amortization deduction** in a tax year for the cost of the person's intangibles:

i. That are **wholly or partly used** by the person in the tax year in deriving income from business chargeable to tax; and

ii. That have **a normal useful life exceeding one year**.

Intangibles - Section 24:

Formula for allowable deduction:

The Amortization for a Tax Year shall be computed as per following:

Amortization = A / B where:

"A" is the Cost of the Intangible; and

"B" is the normal useful life of the intangible in whole years.

Normal Useful Life: is determined on the basis of generally accepted accounting principles or in accordance with IFRS 38.

Intangibles - Section 24:

Where Life is not ascertainable: In case useful lift is not ascertainable; it shall be treated as if it had a normal useful life of **twenty-five years**.

No Deduction Allowable:

No deduction shall be allowed where a deduction has already been allowed under another section for the entire cost of the intangible in the tax year in which the intangible is acquired.

Deduction shall not Exceed Cost:

The total deductions allowed to a person shall not exceed the cost of the intangible.

Intangibles - Section 24:

Intangible Not Wholly used for Business:

Where an intangible is used in a tax year partly in deriving income from business chargeable to tax and partly for another use, the deduction allowed under this section for that year shall be restricted to the fair proportional part of the amount that would be allowed if the intangible were wholly used to derive income from business chargeable to tax.

Formula: **A x B / C**

A = is the amount of amortization;

B = is the **number of days the intangible is used**; and

C = is the **number of days in the Tax Year**.

Intangibles - Section 24:

Disposal:

- Where, in any tax year, a person disposes of an intangible, no amortization deduction shall be allowed for that year; and

- if the consideration received exceeds WDV, the excess shall be income of the person chargeable under the head **"Income from Business**"; or

- if the consideration received is less than WDV, the difference shall be allowed as a deduction under the head **"Income from Business"** in that year.

Conclusion:

Understanding Your Tax Obligations:

- In conclusion, it is important to understand your tax obligations under the Ordinance. Whether you are dealing with capital gains tax on shares, properties or intangibles, knowing the rules and regulations can help you save money and avoid common mistakes.

- By taking the time to learn about the different types of taxes and deductions available, you can maximize your savings and reduce your overall tax burden. Remember to consult with a tax professional if you have any questions or concerns about your specific situation.

Thank you

Presentation by:

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(Advocate High Court &

Former President, Karachi Tax Bar Association)

OCTOBER 10, 2023