

**GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE**

C.No.4 (36) ITP/2013

Islamabad, the 19 July, 2013

**Circular No.6 of 2013
Income Tax**

Subject: **FINANCE ACT, 2013 – EXPLANATION REGARDING
IMPORTANT AMENDMENTS MADE IN THE INCOME TAX
ORDINANCE, 2001.**

Salient features of the amendments made in the Income Tax Ordinance, 2001 through Finance Act, 2013 are explained as under:-

1. Dividend Income received by a Corporate Taxpayer [Section 8]

Through an amendment in section 8 and corresponding amendment in Section 169 of the Income Tax Ordinance, 2001 dividend received by a corporate taxpayer is now taxable at the rate of 10% as fixed and final tax.

2. Income from Property. [Section 15]

Prior to Finance Act, 2013, Income from property was taxed as a separate block of income at prescribed rates. Through Finance Act, 2013 income from property is now taxable as part of total income at normal rates as provided in Division I of Part-I of the First Schedule to the Income Tax Ordinance, 2001. Deductions in computing income chargeable under the head 'Income from Property' shall be allowed as per the provisions of Section 15A. The rates for withholding of tax on income from property has also been amended.

3. Set off of losses [Section 56]

Through Finance Act, 2013 a person sustaining a loss in any head of income as specified in section 11 cannot set off such loss against income under the head salary or income from property.

4. Person [Section 80]

An amendment has been made through Finance Act, 2013 to enlarge the scope of definition of a Company. Now as per Income Tax Ordinance, 2001 a company includes:

- (i) a co-operative society, a finance society or any other society;
- (ii) a non-profit organization;
- (iii) a trust, an entity or a body of persons established or constituted by or under any law for the time being in force.

Now the provisions of the Income Tax Ordinance, 2001 applicable to companies shall also apply on the above mentioned classes.

5. Unexplained income or assets [Section 111]

Through Finance Act, 2013 a proviso has been added to sub-section (1) of Section 111 of the Income Tax Ordinance, 2001 providing that where a taxpayer explains the nature and source of the amount credited or the investment made, money or valuable article owned or funds from which the expenditure was made, by way of agricultural income, such explanation shall be accepted only to the extent of agricultural income worked back on the basis of agricultural income tax paid subject to furnishing of proof of payment of agriculture tax under the relevant provincial law.

6. Minimum tax on the income of certain persons [Section 113]

The rate of Minimum tax under section 113 on the income of certain persons has been changed from 0.5% to 1%. Prior to Finance Act, 2013 carrying forward of excess amount of tax paid than the actual tax payable under section 113 was available to companies only. Now this facility has been extended to individuals and association of persons and they can also carry forward the excess amount of tax paid as per provisions of section 113.

7. Minimum tax on builders [Section 113A]

Through Finance Act, 2013 section 113A has been substituted. The substituted section 113A now provides that where a person derives income from the business of construction and sale of residential, commercial or other buildings, such person shall pay a minimum tax on income from the sale of residential, commercial or other building at the rates to be notified later. The mode, manner and time of payment of such amount of tax shall be notified.

8. Minimum tax on land developers [Section 113B]

Through Finance Act, 2013 section 113B has been substituted. The substituted section 113B now provides that where a person derives income from the business of development and sale of residential, commercial or other plots, such person shall pay a minimum tax on income from the sale of residential, commercial or other plots sold at the rates to be notified later. The mode, manner and time of payment of such amount of tax shall also be notified.

9. Return of income [Section 114]

The following changes have been made in section 114 through Finance Act, 2013:

- (a) The threshold for filing of return has been curtailed to Rs.500, 000/- from Rs.one million, in the case of a person who is the holder of commercial or industrial connection of electricity.
- (b) Now a person registered with any Chamber of Commerce and Industry or any trade or business association or any market committee or any professional body including Pakistan Engineering Council, Pakistan Medical and Dental Council, Pakistan Bar Council or any Provincial Bar Council, Institute of Chartered Accountants of Pakistan or Institute of Cost and Management Accountants of Pakistan has to file return of income.
- (c) Keeping in view the basic threshold of rupees four hundred thousand, a technical correction has been made to provide that every individual whose income under the head 'Income from business' exceeds rupees three hundred thousand but does not exceed rupees four hundred thousand in a tax year is also required to furnish return of income for the tax year.
- (d) Prior to Finance Act,2013 any person who, having furnished a return, discovers any omission or wrong statement therein, may file revised return subject to the conditions that it is accompanied by the revised accounts or revised audited accounts, and the reasons for revision of return, in writing, duly signed by the taxpayers. Now such taxpayers shall also have to obtain approval of the Commissioner in writing for revision of return.

10. Persons not required to furnish a return of income [Section 115]

Prior to Finance Act, 2013 a salaried individual deriving income under the head 'Salary' where the salary income was above rupees four hundred thousand but below rupees five hundred thousand was not required to file return of income as the Annual Statement of deduction of Income tax from Salary, filed by the employer was treated to be a return of income furnished by the taxpayer under section 114. Through Finance Act, 2013 filing of income tax return has been made mandatory for such salaried individuals.

11. Wealth Statement [Section 116]

Through Finance Act, 2013 every resident person being an individual or member of an AOP filing of return of income, or statement under sub-section (4) of section 115 shall also file wealth statement along with reconciliation of wealth statement. This mandatory filing of Wealth statement has been made effective from the Tax Year 2013 onward. Moreover where a person having furnished a wealth statement, intends to furnish a revised wealth statement such person shall also file the revised wealth reconciliation and the reasons for filing revised wealth statement.

12. Method of furnishing returns and other documents [Section 118]

The following changes have been made in section 118 through Finance Act, 2013. The changes are:

- (a) The concept of treatment of an 'employer's certificate or an Annual Statement of deduction of income tax from salary filed by the employer as a return on behalf of the taxpayer has been abolished to make it compulsory for the salaried individuals deriving salary income above rupees four hundred thousand to file a return of income along with wealth statement and wealth reconciliation statement.
- (b) Where salary income for the tax year is five hundred thousand rupees or more, the taxpayer is required to file return of income electronically in the prescribed form accompanied by the proof of deduction or payment of tax and wealth statement as required under section 116 along with wealth reconciliation statement.
- (c) The date of electronic filing of returns by salaried persons, and a statement required under sub-section (4) of section 115 by persons falling in PTR is 31st day of August next following the end of the tax year to which the statement or return relates.

13. Provisional assessment [Section 122C]

Time limit of sixty days for provisional assessment to attain finality as the final assessment order from the date of service of order of provisional assessment and the limitation of sixty days in the subsequent provisos to sub-section (2) of section 122C has been reduced to forty five days through Finance Act,2013.

14. Imports [Section 148]

The rates of collection of tax in the case of imports have been rationalized. The rates are:

- (a) 5% of the value of goods in the case of industrial undertakings,
- (b) 5% in all other cases of companies, and
- (c) 5.5% in case of all other taxpayers.

Moreover rate of collection of tax is 12% of the value of the film in the case of a foreign produced film imported for the purposes of screening and viewing.

15. Payments to non-resident persons [Section 152]

For the purpose of deduction of tax from non-resident persons, the definition of prescribed person as given in sub-section (7) of section 153 of the Income Tax Ordinance, 2001 has been adopted. Thus, the prescribed person for the purpose of section 152 are:

- (a) the Federal Government;
- (b) a company;
- (c) an association of persons constituted by, or under law;
- (d) a non-profit organization;
- (e) a foreign contractor or consultant;
- (f) a consortium or joint venture;
- (g) an exporter or an export house;
- (h) an association of persons, having turnover of fifty million rupees or above in tax year 2007 or in any subsequent tax year; or
- (i) an individual, having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent year;
- (j) a person registered under the Sales Tax Act, 1990.

16. Payments for goods, services and contracts [Section 153]

The scope of prescribed person for the purposes of Section 153 has been extended to 'a person registered under the Sales Tax Act, 1990'. It means that every person registered under the Sales Tax Act, 1990 shall also deduct income tax at the prescribed rate.

17. Income from Property [Section 155]

The following changes have been made in section 155 through Finance Act, 2013:

- (a) The scope of prescribed person for the purposes of Section 155 has been extended to include:
 - (i) a charitable institution,
 - (ii) a private educational institution,
 - (iii) a boutique,
 - (iv) a beauty parlour,
 - (v) a hospital,

- (vi) a clinic,
- (vii) a maternity home, or
- (viii) individuals or association of persons paying gross rent of Rs.1.5 million and above in a year.

(b) The rate of deduction of income tax under section 155 has been revised as follows:

- (i) The rate of tax to be deducted under section 155, in the case of individual and association of persons, shall be –

S.No	Gross amount of rent	Rate of tax
(1)	(2)	(3)
1.	Where the gross amount of rent does not exceed Rs.150,000	Nil
2.	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs. 1,000,000	10% of the gross amount exceeding Rs.150,000
3.	Where the gross amount of rent exceeds Rs. 1,000,000	Rs. 85,000 + 15% of the gross amount exceeding Rs.1,000,000.

- (ii) The rate of tax to be deducted under section 155, in the case of company shall be 15% of the gross amount of rent.

18. Prizes and winnings [Section 156]

Through Finance Act, 2013 the rate of tax under section 156 has been increased from 10% to 15%.

19. Statements [Section 165]

Through Finance Act, 2013, 'Explanation' to Section 165 has been added through which it has been clarified that the provisions of sub-section (1) of Section 165 override all conflicting provisions contained in the Protection of Economic Reforms Act, 1992 (XII of 1992), the Banking Companies Ordinance, 1962 (LVII of 1962), the Foreign Exchange Regulation Act, 1947 (VII of 1947) and the regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956), if any, on the subject, in so far as divulgence of information under section 165 is concerned.

20. Furnishing of information by banks [Section 165A]

Through Finance Act, 2013 a new section 165A has been introduced. As per the said provision, every banking company shall make arrangements to provide to the Board in the prescribed form and manner,-

- (a) online access to its central database containing details of its account holders and all transactions made in their accounts;
 - (b) a list containing particulars of deposits aggregating rupees one million or more made during the preceding calendar month;
 - (c) a list of payments made by any person against bills raised in respect of a credit card issued to that person, aggregating to rupees one hundred thousand or more during the preceding calendar month;
 - (d) a consolidated list of loans written off exceeding rupees one million during a calendar year; and
 - (e) a copy of each Currency Transactions Report and Suspicious Transactions Report generated and submitted by it to the Financial Monitoring Unit under the Anti-Money Laundering Act, 2010 (VII of 2010).
- (2) Each banking company shall also make arrangements to nominate a senior officer at the head office to coordinate with the Board for provision of any information and documents in addition to those listed in sub-section (1), as may be required by the Board.
- (3) The banking companies and their officers shall not be liable to any civil, criminal or disciplinary proceedings against them for furnishing information required under this Ordinance.
- (4) Subject to section 216, all information received under this section shall be used only for tax purposes and kept confidential.

21. Additional payment for delayed refunds [Section 171]

Through an 'Explanation' to sub-section (2) of section 171 it has been explained to preclude the possibility of varying interpretations that where a refund order is made on an application under sub-section (1) of section 170, for the purpose of compensation, the refund becomes due from the date the refund order is made and not from the date the assessment of income is treated to have been made by the Commissioner under section 120 of the Income Tax Ordinance, 2001.

22. Representatives [Section 172]

Through Finance Act, 2013 it has been explained that 'business connection' includes transfer of an asset or business in Pakistan by a non-resident to the representative of the person for the purposes of the Income Tax Ordinance, 2001.

23. Audit [Section 177]

Section 177 of the Income Tax Ordinance, 2001 empowers the Commissioner to initiate audit of income tax affairs of any taxpayer and to call for any record or documents including books of accounts maintained under this Ordinance or any other law for the time being in force for conducting audit of the income tax affairs of the person. For the removal of doubt an 'Explanation' has been added to clarify that the powers of the Commissioner under section 177 are independent

of the powers of the Board under section 214C to select a case for audit of the income tax affairs and that section 214C does not restrict the powers of the Commissioner to call for the record or documents including books of accounts of a taxpayer for audit and to conduct audit under section 177 of the Income Tax Ordinance, 2001.

24. Displaying of National Tax Number [Section 181B]

Through Finance Act, 2013 a new section has been introduced by virtue of which every person deriving income from business chargeable to tax, who has been issued a National Tax Number, shall display his National Tax Number at a conspicuous place at every place of his business. If any person is found violating this provision he shall be liable for a penalty of five thousand rupees.

25. Offences and Penalties [Section 182]

Following amendments have been made in section 182 to rationalize the penalties provided for different offences in order to promote compliance to the relevant legal obligations:

- (a) A minimum penalty of Rs.20, 000/- and a maximum penalty of fifty percent of the tax payable has been provided for non-filing of return u/s 114 within the due date. In cases where no tax is payable a penalty of Rs.20, 000/- shall be levied for non filing of return.
- (b) Serial No. IA has been introduced to prescribe penalty for non furnishing of statements u/s 115, 165 or 165A at Rs.2,500/- for each day of default subject to a minimum penalty of Rs.50,000/-
- (c) Serial No. IAA has been introduced to prescribe penalty for non-furnishing of wealth statement or wealth reconciliation at the rate of rupee 100 per day of default.
- (d) The rates of penalty for non production of records and documents u/s section 177 have been rationalized. Now there shall be a penalty of twenty-five thousand rupees in case of non-compliance to first notice, a penalty of fifty thousand rupees in case of non-compliance to second notice, and a penalty of one hundred thousand rupees in case of non-compliance to third notice.
- (e) The rates of penalty for non compliance to section 176 have been rationalized. Now there shall be a penalty of twenty-five thousand rupees in case of first default, and a penalty of fifty thousand rupees for the second and subsequent defaults.
- (f) Serial No. 16 has been introduced to prescribe penalty for non display of NTN at the place of business has been prescribed. The rate of penalty is five thousand rupees.

26. Selection for Audit by the Board [Section 214C]

The Federal Board of Revenue may select persons or classes of persons for

audit of Income Tax affairs through computer ballot which may be random or parametric. Whenever there is a parametric selection of cases the Board shall keep the parameters confidential. For the removal of doubt it has been clarified that the powers of the Commissioner under section 177 are independent of the powers of the Board under section 214C to select a case for audit of the income tax affairs and there is no restriction in section 214C that restricts the powers of the Commissioner to call for the record or documents including books of accounts of a taxpayer for audit and to conduct audit under section 177 of the Income Tax Ordinance, 2001.

27. Cash Withdrawal from a bank [Section 231A]

The rate of deduction of income tax by every banking company has been increased to 0.3%.

28. Collection of tax by NCCPL [Section 233AA]

NCCPL shall now collect advance tax at the rate of 10% from margin financiers, trading financiers and lenders in addition to the members of Stock Exchange registered in Pakistan in respect of margin financing or providing of any margin financing, margin trading or securities lending under Securities (Leveraged Markets and Pledging) Rules, 2011 in share business. However the provisions of section 233AA shall not apply to any Mutual Fund specified in sub-clause (2) of clause (57) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

29. Advance Tax on private motor vehicles [Section 231B]

Through Finance Act, 2013 the rates of adjustable advance tax collected by every motor vehicle registering authority, at the time of registration of new locally manufactured motor vehicle have been revised. The revised rates specified in Division VII of Part IV of the First Schedule to the Income Tax Ordinance, 2001 are as follows:

Engine capacity	Amount of tax
upto 850cc	Rs.10,000
851cc to 1000cc	Rs.20,000
1001cc to 1300cc	Rs.30,000
1301cc to 1600cc	Rs.50,000
1601cc to 1800cc	Rs.75,000
1801cc to 2000cc	Rs.100,000
Above 2000cc	Rs.150,000

30. Tax on motor vehicles [Section 234]

As per section 234 of the Income Tax Ordinance,2001 any person at the time of collecting motor vehicle tax shall also collect advance tax at the rates specified in Part IV of the First Schedule. If the motor vehicle tax is collected in instalments, the advance tax shall also be collected in instalments in like manner. Through Finance Act, 2013 it has been provided that where the motor vehicle tax is collected in lump sum, this advance tax shall also be collected in lump sum in like manner. Moreover, where this tax is collected from any person being the owner of goods transport vehicle, the tax so collected shall also be adjustable against total tax liability and not final tax on the income of such person from plying, or hiring out, of such vehicle. The rates for collection of tax where the motor vehicle tax is collected in lump sum are as follows:

(a)	Upto 1000cc	Rs. 7,500
(b)	1001cc to 1199cc	Rs. 12,500
(c)	1200cc to 1299cc	Rs. 17,500
(d)	1300cc to 1599cc	Rs. 30,000
(e)	1600cc to 1999cc	Rs. 40,000
(f)	2000cc and above	Rs. 80,000

31. Telephone users [Section 236]

The rate of collection of income tax under section 236 in the case of subscribers of mobile telephone and pre-paid card has been increased from 10% to 15%.

32. Advance tax at the time of sale by auction [Section 236A]

The rate of collection of income tax under section 236A has been increased from 5% to 10%.

33. Advance tax on functions and gatherings [Section 236D]

Through Finance Act,2013 a new section 236D has been introduced which provides for collection of adjustable income tax from a person arranging or holding a function in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose. Where food, service or any other facility is provided by the same place the prescribed person shall collect the income tax at the rate of 10% on the total amount of bill from the person arranging such function.

However, where the food, service or any other facility is provided by any other

person, the prescribed person shall also collect advance income tax at the rate of 10% on the payment for such food, service or facility from the person arranging or holding the function.

The prescribed person for the purposes of this provision includes the owner, a lease-holder, an operator or a manager of a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose.

An inclusive definition of the term functions has also been provided which includes any wedding related event, a seminar, a workshop, a session, an exhibition, a concert, a show, a party or any other gathering.

The prescribed person is also liable to file withholding statement under section 165 of the Ordinance.

34. Advance tax on foreign produced TV plays and serials [section 236E]

Through Finance Act, 2013 a new section 236E has been introduced which provides for collection of advance income tax as per rates provided in Division XII of Part IV of the First Schedule from any landing rights channel for screening and viewing of any foreign TV drama serial or a play dubbed in Urdu or any other regional language. The advance tax collected under this section is adjustable.

This tax shall be collected by the licensing authority certifying the foreign-produced TV plays and serials for screening and viewing. The licensing authority is also obligated to file withholding statement under section 165.

35. Advance tax on cable operators and other electronic media [Section 236F]

As per newly inserted section 236F Pakistan Electronic Media Regulatory Authority shall collect advance income tax from cable operators and persons providing other electronic media at the time of issuance and renewal of license to a licensee and permission to cable television operators and other distribution services i.e. Direct to Home Television Distribution System (DTH), electronic media, Internet Protocol TV (IPTV), loop holder, Multi Channel Multi Point Distribution System (MMDS), Mobile TV, FM Radio, Mobile Audio, Satellite TV Channel and Landing Rights.

The tax withheld under this section shall be adjustable. The withholding agent for the purposes of this section, Pakistan Electronic Media Regulatory Authority shall have to file withholding statement under section 165.

The rates of withholding tax are provided in Division XIII of Part IV of the First Schedule.

36. Advance tax on sale to distributors, dealers and wholesalers

[Section 236G]

Through Finance Act, 2013 a new section 236G is introduced which requires collection of advance income tax by every manufacturer or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector. The tax shall be collected from distributors, dealers and wholesalers, at the time of sale of the above goods/products.

The rate of tax is prescribed at 0.1 percent of the gross amount of the sale which shall be adjustable in the hands of the distributor, dealer or wholesaler on the taxable income for the tax year in which the tax was collected.

37. Advance tax on sale to retailers [Section 236H]

Through Finance Act, 2013 a new section 236G is introduced which requires collection of advance income tax by every manufacturer distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector. The tax shall be collected from retailers at the time of sale of the above goods/products.

The rate of tax is prescribed at 0.5 percent of the gross amount of the sale which shall be adjustable in the hands of the retailers on the taxable income for the tax year in which the tax was collected.

38. Advance tax on payment of fee to Educational Institutions [Section 236I]

As per newly inserted section 236I every educational institution is required to collect advance income tax at the rate of 5% on the amount of fee paid to an educational institution. The person responsible for preparing monthly, bimonthly or quarterly fee voucher or challan shall also charge withholding tax in case the fee exceeds two hundred thousand rupees annually.

The term fee includes tuition fee and all charges received by the educational institution, by whatever name called, excluding the amount which is refundable. The tax collected in this section is adjustable. The withholding agent for the purposes of this section i.e. educational institution shall also provide details in the withholding statement to be filed under section 165 to the Income Tax Ordinance, 2001.

39. Advance tax on dealers, commission agents and *arhatis* etc [Section 236J]

Through Finance Act, 2013 a new section 236J is introduced requiring every market committee to collect advance tax from its members i.e. dealers, commission agents, *arhatis* etc. at the time of issuance or renewal of license for

membership. The term market committee includes any committee or body formed under any provincial or local law made for the purposes of establishing, regulating or organizing agricultural, livestock and other commodity markets.

The tax shall be collected at the rates provided in Division XVII of Part IV of the First Schedule to the Income Tax Ordinance, 2001 on the basis of category of license. The withheld tax shall be adjustable in the hands of the member.

The market committee, being a withholding agent, shall also file withholding statement under section 165 to the Income Tax Ordinance, 2001.

40. Income tax rates for Individuals and association of persons (other than salaried individuals)

Income tax rates for individuals (other than salaried individuals) and association of persons have been revised through addition of two new slabs. The revised rates are as per the 'TABLE' below:

TABLE

S.No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.750,000	10% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,500,000	Rs.35,000 + 15% of the amount exceeding Rs.750,000
4.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.2,500,000	Rs.147,500 + 20% of the amount exceeding Rs.1,500,000
5.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.4,000,000	Rs.347,500 + 25% of the amount exceeding Rs.2,500,000
6.	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.6,000,000	Rs. 722,500 + 30% of the amount exceeding Rs.4,000,000
7.	Where the taxable income exceeds Rs.6,000,000	Rs.1,322,500 + 35% of the amount exceeding Rs.6,000,000.

41. Income tax rates for Salaried Individuals

Income tax rates for salaried individuals have been revised. The revised rates are as per the 'TABLE' below:

TABLE

S.No.	Taxable income.	Rate of tax.
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(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.750,000	5% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,400,000	Rs.17,500 + 10% of the amount exceeding Rs.750,000
4.	Where the taxable income exceeds Rs.1,400,000 but does not exceed Rs.1,500,000	Rs.82,500 + 12.5% of the amount exceeding Rs.1,400,000
5.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.1,800,000	Rs.95,000 + 15% of the amount exceeding Rs.1,500,000
6.	Where the taxable income exceeds Rs.1,800,000 but does not exceed Rs.2,500,000	Rs.140,000 + 17.5% of the amount exceeding Rs.1,800,000
7.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.3,000,000	Rs.262,500 + 20% of the amount exceeding Rs. 2,500,000
8.	Where the taxable income exceeds Rs.3,000,000 but does not exceed Rs.3,500,000	Rs.362,500 + 22.5% of the amount exceeding Rs. 3,000,000
9.	Where the taxable income exceeds Rs.3,500,000 but does not exceed Rs.4,000,000	Rs. 475,000 + 25% of the amount exceeding Rs.3,500,000
10.	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.7,000,000	Rs.600,000 + 27.5% of the amount exceeding Rs.4,000,000
11.	Where the taxable income exceeds Rs.7,000,000	Rs.1,425,000 + 30% of the amount exceeding Rs.7,000,000.

42. INCOME TAX RATES FOR COMPANY(other than a Banking Company)

Through Finance Act, 2013 a proviso has been added in Division II of Part-I in the First Schedule to the Income Tax Ordinance, 2001 providing that the rate of tax imposed on the taxable income of a company other than a banking company, shall be 34% for the tax year 2014. This means that the rate of Income Tax for the Tax Year 2013 shall be 35% and for the Tax Year 2014 the rate of income tax shall be 34% on the taxable income of a company other than a banking company.

43. AMENDMENTS IN SECOND SCHEDULE

In Second Schedule to the Income Tax Ordinance, 2001 some of the amendments made are as follows:

- (a) In Part-I sub-clause (i) of clause (53A) has been deleted. Now the perquisite of free or concessional passage provided by airlines and transporters to its employee or to the members of employees household and dependents is to be included in taxable income of the employee. The market value of the fare at the relevant time shall be added to the income of the employee in case of free passage and the difference of the market value and the amount paid by the employee in case of concessional passage.
- (b) In Part-I a new clause (58A) has been added providing that income of a university or other educational institution being run by a non-profit organization as defined in sub-section (36) of section 2 of the Income Tax Ordinance, 2001 existing solely for educational purposes and not for purposes of profit shall be exempt.
- (c) In Part-III in clause (1) a proviso has been added that the reduction in tax liability is available @ 25% on so much amount of the flying allowance or the submarine allowance as does not exceed an amount equal to the basic salary received by pilots, flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces, and submarine allowance by the officers of the Pakistan Navy.
- (d) In Part-III in clause (2) reduction in tax liability of the tax payable on income from salary equal to 75% has been reduced to 40% in the case of:
 - (i) a full time teacher employed in a non profit educational institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government training institutions.
 - (ii) a full time researcher employed in a research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government research institution.
 - (iii) It is further clarified that a full time teacher means a person employed purely for teaching and not performing any administrative or managerial jobs e.g. principals, headmasters, directors, vice-chancellors,

chairmen, controllers etc. Similarly a full time researcher means a person purely employed for research job only in a research institution and such institution is purely performing research activities.

- (e) In Part-III in clause (59) the exemption from the applicability of Provisions of section 151 regarding withholding tax on profit on debt in the case of any resident individual on Defence Savings Certificates, Special Savings Certificates, Savings Accounts or Post Office Savings Accounts or Term Finance Certificates (TFCs), where such deposit does not exceed one hundred and fifty thousand rupees has been withdrawn. Now there is no threshold of invested amount for the purposes of withholding.
- (f) In Part-III, a new clause namely (72A) has been added providing that the provisions of clause (l) of section 21, sections 113 and 152 shall not apply in case of a Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3, 500 per Hajji for the tax year 2013 and Rs.5, 000 per Hajji for the tax year 2014 in respect of income from Hajj operations.

44. AMENDMENTS IN THIRD SCHEDULE

The rate of initial allowance under section 23 for plant and machinery has been reduced to 25% from 50%.

45. AMENDMENTS IN SEVENTH SCHEDULE

The dividend received from Money Market Funds and Income Funds is taxable at the rate of 25% for tax year 2013 and onwards.

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