

# INDEX

Sr. No.	Particulars	Page No.
1	Summary of Tax Rates	2
	<b>PART-I</b>	
2.	Definition of salary income.	4
3.	Tax Deduction from Salary Income.	5
4.	Tax rates for salaried personnels.	6
5.	Value of perquisites.	8
6.	Valuation of Allowances and Perquisites.	8
7.	Tax Rebates	10
8.	Tax adjustments and Tax credits.	11
9.	Exemption from total income.	12
10.	Tax calculation examples.	13
11.	Filing of Income Tax Return.	16
12.	Persons not required to file return.	18
13.	Filing of wealth statements.	19
14.	Date of filing of return.	20
15.	Filing of Monthly/Annual statements of tax deducted	20
16.	Payment of tax collected.	21
17.	Professional Tax	21
18.	Income from property (rates).	22
	<b>PART-II</b>	
19.	Payments for Goods, Services, & Contracts	23
20.	Deduction of Tax on Retention Money	23
21.	Withholding Tax rates on other payments.	24
22.	Time of Deduction of Tax	26
	<b>PART-III</b>	
23.	Exemptions to WAPDA.	27
24.	WAPDA NTN No.	27
	<b>PART-IV</b>	
25.	GST guide.	29
26.	GST No. of WAPDA.	29
27.	Determination of Sales Tax Liability.	30
	<b>PART-V</b>	
	Withholding Sales Tax	33
28.	Sales Tax Special Procedure.	33
29.	Sales Tax deducted proforma.	38
	<b>Part-VI</b>	
30.	Sales Tax Rate	39
	<b>Part-VII</b>	
31.	Procedure to Claim Input Tax	39
	<b>Part-VIII</b>	
32.	Procedure for Output Tax	41



**PAKISTAN  
WATER & POWER DEVELOPMENT  
AUTHORITY**

**TAX MEMORANDUM-2012**

The existing laws and withholding rates of income tax incorporated in Income Tax Ordinance, 2001 are always subject to amendments made by Federal Board of Revenue from time to time to cope with the day to day changing environment. The existing as well as amended laws/rates are summarized as under.

<b>SUMMARY OF TAX RATES</b>			
<b>Sr. No.</b>	<b>HEAD OF INCOME</b>	<b>TAX RATE</b>	<b>EFFECTIVE DATE</b>
1	Salary income up to Rs.400,000/-	0%	01-07-2012
2	Property income up to Rs.150,000/- of individual	0%	01-07-2006
3	Royalty/ Fee for technical services of Non-Resident without permanent establishment	15% of gross amount payable	01-07-1994
4	Supply or sale of goods	3.5% of gross amount payable including GST if any	22-10-1996
5	Services or execution of contracts by Resident Persons.	6%	01-07-2012
6	Transport services	2%	01-07-2007
7	Cash withdrawals from banks	0.2%	01-07-2011
8	CNG consumption bills	4%	01-07-2007
9	Auction of property	5%	01-07-2009
10	Distribution of pharmaceutical products	1%	01-07-2009
11	Commission to advertising agents	5%	01-07-2006
12	Sale of imported goods if tax paid at import stage and sold without value addition	0%	01-07-2002

<b>Sr. No.</b>	<b>HEAD OF INCOME</b>	<b>TAX RATE</b>	<b>EFFECTIVE DATE</b>
13	Electronic & print media (Advertising services)	0%	01-07-2012
14	Air ticket (domestic)	5%	01-07-2010
15	Withholding of tax by every manufacturer at the time of sale of gross sales to all the distributors, dealers and wholesalers.	0.5%	01-07-2012
16	Advance tax on sale or transfer of immovable property	0.5%	01-07-2012

**NOTE:**

If any lower rate of tax on Royalty or Fee for Technical Services is prescribed in Double Taxation Agreement between the govt. of Non Resident and Islamic Republic of Pakistan then that lower rate will be applicable.

## **PART-I**

### **SALARY INCOME (Section-12).**

Any salary received by an employee in a tax year other than salary that is exempt from tax under Income Tax Ordinance, 2001 shall be charged to tax in that year under the head “Salary.”

Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including:

- a) Any pay, wages or other remuneration provided to an employee, overtime payment, bonus, commission, fees, gratuity or work condition supplements (such as for unpleasant work, dangerous working conditions)

“provided that any bonus paid or payable to corporate employees receiving salary income of one million or more (excluding bonus) in tax year 2010 shall be chargeable to tax at the rate provided in paragraph (2) of Division-I of Part-I of First Schedule.(effective from 1<sup>st</sup> July, 2009)

- b) Any perquisite whether convertible to money or not.
- c) Allowances provided by an employer including cost of living, subsistence, rent, utilities, education, entertainment or travel allowance, other than allowances solely expended in the performance of the duties of employment.
- d) Expenditure incurred by an employee that is paid or reimbursed by the employer other than expenditure incurred on behalf of the employer in the performance of the duties of employment.’
- e) Amount of any profit in lieu of or in addition to salary or wages including following amounts received:-

➤	As consideration for a person’s agreement to enter into an employment relationship
➤	As consideration for employee’s agreement to any conditions of employment or any changes to the employee’s condition of employment.
➤	On termination of employment paid under an agreement or voluntarily including compensation for redundancy, loss of employment and golden handshake payments.
➤	From a provident fund or any other fund to the extent to which the amount is not a repayment of contribution made by the employee to the fund in respect of which the employee not entitled to a deduction.
➤	As consideration for “an employee’s agreement to a restrictive covenant in respect of any past, present or prospective employment”.

- f) Pension or annuity or any supplement to a pension or annuity and,
- g) Any amount chargeable to tax as “Salary” under Section-14.

### **3. SALARY RECEIVED IN ARREARS SECTION-12 (7 & 8)**

(7) Where:

- a) any amount chargeable under the head “Salary” is paid to an employee in arrears; and
- b) as a result the employee is chargeable at higher rates of tax than would have been applicable if the amount had been paid to the employee in the tax year in which the services were rendered,

the employee may, by notice in writing to the Commissioner, elect for the amount to be taxed at the rates of tax that would have been applicable if the salary had been paid to the employee in the tax year in which the services were rendered.

(8) An election under sub-section (6) or (7) shall be made by the due date for furnishing the employee’s return of income or employer certificate, as the case may be, for the tax year in which the amount was received or by such later date as the Commissioner may allow

#### **TAX DEDUCTION FROM SALARY (SECTION-149):-**

Every employer paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employee’s average rate of tax computed at the rates specified in Division-I of Part-I of the First Schedule to the Income Tax Ordinance, 2001 on the estimated income of the employee chargeable under the head “Salary” for the tax year in which the payment is made after making [adjustment of tax withheld from employee under other heads and tax credit admissible under section 61, 62, 63 and 64 during the tax year after obtaining documentary evidence], as may be necessary, for [:]

- (i) tax withheld from the employee under Income Tax Ordinance, 2001 during the tax year;
- (ii) any excess deduction or deficiency arising out of any previous deduction; or
- (iii) failure to make deduction during the year;]

The tax rates specified in Division-I of Part-I [Clause (1A)] of Ist Schedule are tabulated on next page.

**TAX RATES FOR SALARIED PERSONNELS.**  
**(DIV-IA) PART-I OF IST SCHEDULE.**

Where the income of an individual chargeable under the head “SALARY” exceeds fifty percent of his taxable income. The rates of tax to be applied shall be as set out in the following table.

<b>Sr. No.</b>	<b>Taxable Income</b>	<b>Rate</b>
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. 1,500,000.	Rs. 17,500 + 10% of the amount exceeding Rs. 750,000.
4.	Where the taxable income exceeds Rs. 1,500,000 but does not exceed Rs. 2,000,000.	Rs. 95,000 + 15% of the amount exceeding Rs. 1,500,000.
5.	Where the taxable income exceeds Rs. 2,000,000 but does not exceed Rs. 2,500,000.	Rs. 175,000 + 17.5% of the amount exceeding Rs. 2,000,000.
6.	Where taxable income is Rs. 2,500,000 and above	Rs. 420,000 +20% of the amount exceeding Rs. 2,500,000/-.

## **VALUE OF PERQUISITES (SECTION-13).**

- i) For the purposes of computing income of an employee for a tax year chargeable to tax under the head “Salary”, the value of any perquisite provided by an employer to the employee in that year that is included in the employee’s salary under section 12 shall be determined in accordance with this section.
- ii) Where, in a tax year, the services of a housekeeper, driver, gardener or other domestic assistant is provided by an employer to an employee, the amount chargeable to tax to the employee under the head “Salary” for that year shall include the total salary paid to [such housekeeper, driver, gardener or other domestic assistant] in that year for services rendered to the employee, as reduced by any payment made by the employee [to the employer] for such services.
- iii) Where in a tax year utilities are provided by an employer to an employee, the amount chargeable to tax to the employee under the head “SALARY” for that year shall include the fair market value of the utilities provided, as reduced by any payment made by the employee for the utilities.

### **NOTE**

- a) “Services” includes the provision of any facility.
- b) “Utilities” includes electricity, gas, water and telephone.

## **VALUATION OF ALLOWANCES AND PERQUISITES UNDER INCOME TAX RULES-2002.**

### **1) VALUATION OF PERQUISITES, ALLOWANCE & BENEFITS (RULE-3)**

For the purpose of computing the income chargeable under the head “SALARY” the value of all perquisites, allowances and benefits provided by the employer to the employee shall be included in the said income in accordance with Rules 4 to 7 of Income Tax Rules 2002.

### **2) VALUATION OF ACCOMMODATION (PROVIDED BY EMPLOYER (RULE-4).**

The value of accommodation provided by an employer to the employee shall be taken equal to the amount that would have paid to the employee in case such accommodation was not provided..

Provided that value taken for this purpose shall, in any case, not be less than forty five percent (45%) of the minimum of the time scale of the basic salary or the basic salary where there is no time scale.

Provided further that where House Rent Allowance is admissible @ thirty percent, the value taken for the purpose of this rule shall be an amount

not less than thirty percent of minimum of the time scale of basic salary or the basic salary where there is no time scale.]

### **3) VALUATION OF CONVEYANCE (PROVIDED BY THE EMPLOYER (RULE-5)**

The addition on account of Motor Vehicle provided by the employer to the employee shall be calculated in the following manner:

#### **i. Where motor vehicle is used partly for personal and partly for official.**

In case the motor vehicle provided by the employer is used partly for personal and partly for official, the amount to be included in the salary on this account shall be 5%, of:

- (a) The cost to the employer for acquiring the motor vehicle OR
- (b) The fair market value of the motor vehicle at the commencement of the lease if the motor vehicle is taken on lease by the employer.

#### **ii. Where motor vehicle is provided exclusively for personal or private use.**

In case motor vehicle provided by the employer is used exclusively for personal or private use, addition in income will be made as under:-

(a)	Where motor vehicle is owned by the employer	10% of cost to the employer for acquiring the motor vehicle
		<b>OR</b>
(b)	Where the motor vehicle is taken on lease by the employer	10% of fair market value of the motor vehicle at the commencement of the lease

### **4. GENERATION ALLOWANCE.**

The writ against the exemption of Generation Allowance from withholding tax has been filed by the FBR in the honourable Supreme Court of Pakistan. However as per instructions of Director Litigation, WAPDA it has been decided that income tax from generation allowance may not be deducted and an undertaking be obtained from the petitioners that if the final decision of the court is against them, they would be liable for deduction of income tax from their salaries etc.

### **5. PROJECT CONSTRUCTION ALLOWANCE.**

Federal Board of Revenue has clarified vide C. No. 1(8)/WHT/2005 dated 20<sup>th</sup> July 2010 that Project Construction Allowance does not fall under the exemption provided in clause-39 of Part-I of Second Schedule to the Income Tax Ordinance, 2001. Therefore the allowance is “taxable”.



## **TAX REBATES**

**1. SENIOR CITIZENS, CLAUSE(1A) OF PART-III OF SECOND SCHEDULE.**

Where the taxable income (other than income on which the deduction of tax is final), in a tax year, of a taxpayer aged (60) years or more on the first day of that tax year does not exceed Rs. 1,000,000/- (one million rupees), his tax liability on such income shall be reduced by 50% (effective from 1<sup>st</sup> July 2010).

**2. FULL TIME TEACHER OR RESEARCHER (CLAUSE-2 PART-III OF SECOND SCHEDULE).**

Rebate @ 75% of gross tax payable is admissible to full time teacher or researcher employed in non profit education or research institution duly recognized by HEC, a Board of Education or University recognized by HEC including Govt. Training & Research Institution..

**PRESENTLY FOLLOWING TAX ADJUSTMENTS AND TAX CREDITS ARE AVAILABLE TO THE SALARIED PERSONS.**

(a) **Adjustment of tax collected/deducted on**

- i. Tax collected on Cash withdrawals from banks (under section 231- A) (FBR's Circular No.1 dated 2<sup>nd</sup> July, 2007)
- ii. Tax collected by Vehicle Registration Authority at the time registration of new Car/Jeep (U/S-23 1-B) (FBR's Circular No.1 dated 2<sup>nd</sup> July, 2007)
- iii. Motor vehicle tax collected under Section 234 in respect of motor vehicle registered in employees' own name. (FBR's Circular No.5 dated 5<sup>th</sup> July, 2008)
- iv. Tax collected through Electricity bills under Section 235 (FBR's Circular No. 5 dated 5<sup>th</sup> July, 2008).
- v. Tax collected through Telephone bill (under section 236) (FBR's Circular No. 5 dated 5<sup>th</sup> July, 2008)
- vi. Tax collected through purchase of Air Ticket (Domestic) under section 236-B (FBR Circular No.10 dated 16<sup>th</sup> July 2010)

(b) **Tax Credits on:**

- i. Donations to approved NPOS(Section-61)
- ii. Investment in shares and Insurance (Section-62)
- iii. Contribution to approved pension funds (Section-63)
- iv. Profit on debt paid in respect of house loans etc (Section-64)

**NOTE:**

The employer shall however be responsible to obtain documentary evidence before application of above adjustments/Tax credits.

**CREDIT FOR TAX COLLECTED/DEDUCTED (SECTION-168(3))**

The tax deductible under below mentioned sections is final tax and no tax credit shall be allowed against such tax.

<b>SR. NO.</b>	<b>HEAD OF DEDUCTION</b>	<b>SECTION</b>
1.	Import of Goods	148
2.	Profit on Debt	151
3.	Payment to Non-Resident	152 (EB)& (IBB)
4.	Payment for Goods & Services	153 Sub-section 3 (a)(c) & (d)
5.	Exports	154(4)
6.	Prizes & Winning	153(Sub section -3)
7.	Petroleum Products	156-A(Sub-Section -2)
8.	Brokerage and Commission	233(Sub-Section-3)
9	Transport Business	234(Sub-Section -5)
10.	CNG Stations	234-A (Sub-Section-3)

## **EXEMPTION FROM TOTAL INCOME:**

The below mentioned allowances are deductible allowances to arrive at taxable income:

### **(1) ZAKAT (Under Section 60(1)&(3) of Income Tax Ordinance, 2001.**

- (1) Zakat paid under the Zakat and Ushr Ordinance 1980 is to be treated as a deductible allowance from the total income to arrive at taxable income.
- (1) Any allowance or part of an allowance under this section for a tax year that is not able to be deducted under section 9(Taxable Income) for the year shall not be refunded, carried forward to a subsequent tax year, or carried back to a preceding tax year.

### **2. MEDICAL ALLOWANCE PART-I CLAUSE-139(B) OF SECOND SCHEDULE.**

Medical allowance received by an employee who is not entitled to free medical treatment or hospitalization or reimbursement of medical or hospitalization charges under the terms of employment, such employee is entitled for exemption not exceeding 10 % of the basic salary for the year(effective from 1<sup>st</sup> July, 2003).

### **3. PENSIONS PART-I, CLAUSE-8, OF SECOND SCHEDULE.**

In case one gets more than one pension, the exemption applies to higher of the pensions received.

### **4. PENSION OF GOVT. & ARMED FORCES EMPLOYEES PART-I CLAUSE-IX OF SECOND SCHEDULE.**

Any Pension: (effective from 1<sup>st</sup> July 2006):

- i. Received in respect of services rendered by a member of the Armed Forces of Pakistan or Federal Government or a Provincial Government.
- ii. Granted under the relevant rules to the families and dependents of public servants or members of Armed Forces of Pakistan who die during service.

### **5. ENCHASMENT OF LPR.**

As per provision of clause-19, Part-I of Second Schedule to the Income Tax Ordinance, 2001 leave preparatory to Retirement (LPR) is exempt from deduction of income tax.

## TAX CALCULATION.

### EXAMPLE-1

#### BPS-14 (8000-610-26500)

#	Particulars	Gross Income(Rs.)	Exempt Income(Rs.)	Taxable Income(Rs.)
1.	Pay	246670	-	246670
2.	Special Pay	3600	-	3600
3.	Special Relief Allowance 50% (2010)	75120	-	75120
4.	Adhoc Relief 15% (2011)	22536	-	22536
5.	Adhoc Relief 20% (2012)	30048	-	30048
6.	H.Q Allowance (20%)	44088	-	44088
7.	WAPDA Allowance	2400	-	2400
8.	Conveyance Allowance	24000	-	24000
9.	H.R.A/House Acquisition 45%	26568	-	26568
10.	Cost of Free Electy.	16680	-	16680
11.	Cash Medical Allowance (Exempt upto 10% of basic salary for the year)	12000	12000	-
	<b>Taxable Income</b>	<b>503,710</b>	<b>12000</b>	<b>491,710</b>

#### TAX CALCULATION METHOD

	Amount (Rs)
On Rs. 400,000 @ 0%	= -
- On Rs. 91,710 @ 5%	= <u>4586</u>
	<u>4586</u>
- Tax Deductible (4586÷12)	= 382/- P.M

## **EXAMPLE-2**

### **BPS-18 (20000-1500-50000)**

<b>#</b>	<b>Particulars</b>	<b>Taxable Income</b>
1.	Pay	600000
2.	Special Pay	10500
3.	Adhoc Relief-2010 @ 50%	189060
4.	Adhoc Relief 15% (2011)	56724
5.	Adhoc Relief 20% (2012)	75632
6.	H.Q Allowance (20%)	72000
7.	Conveyance Allowance	60000
8.	H.R.A/House Acquisition 45%	69714
9.	Cost of Free Electy.	70800
	<b>Total</b>	<b>1,204,430</b>

### **TAX CALCULATION METHOD:**

$$\begin{aligned}\text{Tax on Rs. 1,204,430} &= \text{Rs. 17,500} + 10\% \text{ of the amount exceeding Rs. 750,000} \\ &= \text{Rs. 17,500} + (454,430 @ 10\%) \\ &= \text{Rs. 17,500} + \text{Rs. 45,443} \\ &= \text{Rs. 62,943}\end{aligned}$$

$$\text{Tax Deductible } (62,943 \div 12) = \underline{5,245} \text{ P.M}$$

### **EXAMPLE-3**

#### **BPS-20 (36000-2350-68900)**

<b>#</b>	<b>Particulars</b>	<b>Taxable Income</b>
1.	Pay	815050
2.	Qualification Pay	6000
3.	Senior Post Allowance	13200
4.	WAPDA Allowance	120000
5.	Qualification Allowance	32496
6	Adhoc Relief-2010 @ 50%	257856
7.	Adhoc Relief 15% (2011)	77352
8.	Adhoc Relief 20% (2012)	103136
9.	H.Q Allowance (20%)	72000
10.	Appointment Allowance	120000
11	Orderly Allowance	36000
12.	Entertainment Allowance	7200
13	H.R.A/House Acquisition 45%	126060
14.	Cost of Free Electricity	157932
	<b>Total</b>	<b>1,944,282</b>

#### **TAX CALCULATION METHOD:**

$$\begin{aligned}\text{Tax on Rs. 1,944,282} &= \text{Rs. 95,000} + 15\% \text{ of the amount exceeding Rs. 1,500,000} \\ &= \text{Rs. 95,000} + (\text{Rs. 444,282} @ 15\%) \\ &= \text{Rs. 95,000} + \text{Rs. 66,642} \\ &= \text{Rs. 161,642}\end{aligned}$$

$$\text{Tax Deductible (161,642} \div 12) = \underline{13,470} \text{ P.M}$$

## **FILING OF INCOME TAX RETURN (SECTION -114)**

### **PERSONS REQUIRED TO FURNISH RETURN OF INCOME**

(1) Subject to Income Tax Ordinance, 2001 the following persons are required to furnish a return of income for a tax year, namely:

- a) Every company.
- (ab) Every person (other than a company) whose taxable income for the year exceeds the maximum amount that is not chargeable to tax under this Ordinance for the year;
- (ac) Any non-profit organization as defined in Clause (36) of Section 2; or
- (ad) Any welfare institution approved under clause (58) of Part-I of the Second Schedule.
- (b) Any person not covered by clause (a), (ab), (ac) or (ad) who:
  - i. has been charged to tax in respect of any of the two preceding tax years;
  - ii. claims a loss carried forward under this Ordinance for a tax year;
  - iii. owns immovable property, with a land area of two hundred and fifty square yards or more, or owns any flat located in areas falling within the Municipal limits existing immediately before the commencement of local government laws in the provinces or area in a Cantonment or the Islamabad Capital Territory.
  - iv. Owns immovable property with a land area of five hundred square yards or more located in a rating area;
  - v. Owns a flat having covered area of two thousand square feet or more located in a rating area;
  - vi. Owns a motor vehicle having engine capacity above 1000CC;
  - vii. has obtained National Tax Number.”; or
  - viii. “Is the holder of commercial or industrial connection of electricity where the amount of annual bill exceeds rupees One Million” and
- “(1A) Every individual whose income under the head ‘Income from business’ exceeds rupees three hundred thousand but does not exceed rupees three hundred and fifty thousand in a tax year is required to furnish return of income for the tax year.”

- (2) A return of income;
- a) shall be in the prescribed form and shall be accompanied by such annexure, statements or documents as may be prescribed;
  - b) shall fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; and
  - c) shall be signed by the person, being an individual, or the person's representative where section 172 applies.
  - d) shall be accompanied with due payment of tax as per return of income tax; and
  - e) shall be accompanied with a wealth statement as required under section-116.

(2A) A return of income filed electronically on the web or any magnetic media or any other computer readable media as may be specified by the Board shall also be deemed to be a return for the purpose of sub-section (1); and the Board may, by notification in the official Gazette, make rules for determining eligibility of the data of such returns and e-intermediaries who will digitize the data of such returns and transmit the same electronically to the Income Tax Department under their digital signatures and other matters relating to electronic filing of returns statements or documents etc.



**PERSONS NOT REQUIRED TO FURNISH RETURN OF  
INCOME - SECTION-115 (1,3 & 4A).**

(1) where the entire income of a taxpayer in a tax year consists of income chargeable under the head "SALARY", Annual Statement of Deduction of Income Tax from Salary, filed by the employer of such taxpayer, in prescribed form, the same shall, for the purposes of this Ordinance, be treated as a return of income furnished by the taxpayer under section 114:

Provided that where salary income, for the tax year is five hundred thousand rupees or more, the taxpayer shall file return of income electronically in the prescribed form and it shall be accompanied by the proof of deduction or payment of tax and wealth statement as required under section 116."

3) The following persons shall not be required to furnish return of income for tax year solely by reason of sub-clauses (iii) of clause (b) of sub-section (1) of section 114:-

- a) A Widow.
- b) An orphan below the age of twenty five years.
- c) A disable person; or
- d) In the case of ownership of immovable property, a non-resident person.

(4A) Any person who, having furnished a statement, discovers any omission or wrong statement therein, he may, without prejudice to any other liability which he may incur under this Ordinance, furnish a revised statement for that tax year, at any time within five years from the end of the financial year in which the original statement was furnished.

**FILING OF WEALTH STATEMENT**  
**SECTION – 116(1)(2) & (3)**

- (1) Subject to sub-section (2), the Commissioner may, by notice in writing, require any person to furnish, on the date specified in the notice, a statement (hereinafter referred to as the “wealth statement”) in the prescribed form and verified in the prescribed manner giving particulars of –
- (a) the person’s total assets and liabilities as on the date or dates specified in such notice;
  - (b) the total assets and liabilities of the person’s spouse, minor children, and other dependents as on the date or dates specified in such notice;
  - (c) any assets transferred by the person to any other person during the period or periods specified in such notice and the consideration for the transfer; and
  - (d) the total expenditures incurred by the person, and the person’s spouse, minor children, and other dependents during the period or periods specified in the notice and the details of such expenditures.
  - (e) Reconciliation statement of wealth.
- (2) Every resident taxpayer filing a return of income for any tax year whose last declared or assessed income, or declared income for the year is One Million Rupees (Rs.1,000,000) or more shall furnish a Wealth Statement and Wealth Reconciliation Statement for that year along with such return.
- (3) Where a person, who has furnished a wealth statement, discovers any omission or wrong statement therein, he may, without prejudice to any liability incurred by him under any provision of this Ordinance, furnish a revised wealth statement at any time before an assessment, for the tax year to which it relates, is made under sub-section (1) or sub-section (4) of section-122.

**DATE OF FILING OF RETURNS.**  
**Section 118 Sub Clause 2(a) & (b).**

	<b>PARTICULARS</b>		<b>DUE DATE</b>
(a)	In the case of Company with a Tax year ending any time between 1 <sup>st</sup> January and 30th day of June	=	On or before 31 <sup>st</sup> December next following the end of the tax year to which the return relates.
(b)	In any other case	=	On or before 30th September next following the end of the tax year to which the return relates.

**STATEMENTS OF TAX DEDUCTED/COLLECTED (SECTION-165).**

1) Every person collecting tax from suppliers, contractors, consultants as well from salaried personnels shall provide to coming month statement in prescribed form setting out:-

- The name, computerized National identity Card and National Tax Number of each person from whom tax has been deducted or to whom payment has been made in each month.
- Total amount of payments from which tax has been deducted.
- The total amount of tax collected from a person or deducted from payments made to person in each month.
- Such other particulars as may be prescribed.

**2) DATE OF E-FILE MONTHLY STATEMENT**

Every prescribed person collecting tax or deducting tax from a payment under sub section (1) shall furnish or e-file statements by 15<sup>th</sup> day of the month following the month to which the withholding tax pertains.

**ANNUAL STATEMENT (SECTION-165)**

1. Every person deducting tax from salary under section-149 of Income Tax Ordinance, 2001 shall also furnish to Commissioner an Annual Statement in prescribed form and manner.
2. Provided that Annual Statement shall also be filed where the income exceeds three hundred thousand rupees but does not exceed three hundred and fifty thousand rupees in a tax year.

**PAYMENT OF TAX COLLECTED/DEDUCTED.**  
**(Rule-43(b) of Income Tax Rules 2002)**

Where the tax has been collected or deducted by a person other than the Federal Government or a Provincial Government shall deposit in an authorized branch of the State Bank or the National Bank of Pakistan within seven (07) days from the end of each week ending on every Sunday.

**PROFESSIONAL TAX**

**SECTION-3 OF THE PUNJAB FINANCE ACT-1977.**

The Professional Tax has been levied at the rate of Rs. 200/- per annum on the persons who are engaged in a profession, trade, calling or employment either wholly or partly within the **Province of Punjab** who were assessed to pay income tax during the preceding financial year.

The tax will be deducted in two equal installments from salaries for the months of October and April as may be convenient, and shall transmit the same to District Excise & Taxation Officer.

The tax will be deposited into the:

**Account Head = 0-170 Professional Trade Calling or Employment**

## INCOME FROM PROPERTY

(a) The rate of tax to be deducted from individual and association of persons is as under:-

<b>Sr. No</b>	<b>Gross amount of rent</b>	<b>Rate of tax</b>
(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. 400,000.	5 per cent of the gross amount exceeding Rs. 150,000.
(3)	Where the gross amount of rent exceeds Rs. 400,000 but does not exceed Rs. 1,000,000.	Rs. 12,500 plus 7.5 per cent of the gross amount exceeding Rs. 400,000.
(4)	Where the gross amount of rent exceeds Rs. 1,000,000.	Rs. 57,500 plus 10 per cent of the gross amount exceeding Rs. 1,000,000.

(b) The rate of tax to be deducted from company is as under:-

<b>Sr. No</b>	<b>Gross amount of rent</b>	<b>Rate of tax</b>
(1)	Where the gross amount of rent upto Rs. 400,000.	5 per cent of the gross amount of rent.
(2)	Where the gross amount of rent exceeds Rs. 400,000 but does not exceed Rs. 1,000,000.	Rs. 20,000 plus 7.5 per cent of the gross amount of rent exceeding Rs. 400,000.
(3)	Where the gross amount of rent exceeds Rs. 1,000,000.	Rs. 65,000 plus 10 percent of the gross amount of rent exceeding Rs. 1,000,000.

## **PART-II**

### **PAYMENT FOR GOODS, SERVICES AND CONTRACTS (SECTION-153)**

(1) Every prescribed person making a payment in full or part including a payment by way of advance to a resident person.

- (a) for the sale of goods;
- (b) for the rendering of or providing of services;
- (c) on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing of services.

shall at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at rates specified in Division-III of Part-III of the First Schedule.

NOTE: The said rates are given at Sr. No. 4 to 7 on page No. 24 of this Memorandum.

(2) The tax deducted under this section on the income of a resident person or permanent establishment of a non-resident person, shall be,-

- (a) a final tax on transactions referred to in clause (a) of sub-section (1) except on-
  - (i) payments received on account of supply of goods in respect of a company being a manufacturer of such goods; or
  - (ii) payments received on account of sale of goods by a public company listed on a registered stock exchange in Pakistan;
- (b) a minimum tax on transactions referred to in clause (b) of sub-section (1)
- (c) a final tax on transactions referred to in clause (c) of sub-section (1), a final tax on transactions referred to in sub-section (2)

### **DEDUCTION OF TAX ON RETENTION MONEY**

The income tax on retention money shall be deducted at the time when the amount is actually paid to the recipient.

## WITHHOLDING OF TAX ON OTHER PAYMENTS

The below mentioned existing/amended rates of withholding income tax shall be effective till further notification/amendments which Federal Board of Revenue (FBR) may issue from time to time.

Sr. No	Nature of Payment and Charging Reference	Rate of withholding	Effective date
1.	<b><u>Fee for Technical Services to Non-Residents</u></b> (Section-6, Division-IV, Part-I of First Schedule)	i) 15% of gross amount of Fee for Technical Services. ii) The lower rate of tax if prescribed in Double Taxation Agreement will override.	1 <sup>st</sup> July, 1994
2.	<b><u>Profit on Debt</u></b> (Section-151, Division-I Part-III of First Schedule)	10% of the amount of profit/yield	1 <sup>st</sup> July 2006
3.	<b><u>Execution of Contract by Non-Residents</u></b> (Section-152(1A) Division-II, Part-III of First Schedule)	6% of the gross amount payable	1 <sup>st</sup> July 2006.
4.	<b><u>Sale/ Supply of Goods</u></b> (Section 153(1)(b), Clause-1(b) Division-III, Part-III of First Schedule)	3.50% of the gross amount payable (inclusive sales tax if any)	22 <sup>nd</sup> October, 1996
5.	<b><u>Other Services by Resident Persons</u></b> (Section -153, Clause-2(ii) Division-III Part-III of First Schedule)	6% of the gross amount payable.	1 <sup>st</sup> July 2007
6.	<b><u>Transport Services</u></b> (Sub-section (1) of Section 153, Clause-1(b) Division-III, Part-III of First Schedule)	2% of the gross amount payable.	1 <sup>st</sup> July 2007
7.	<b><u>Sale of Gross Sales to all the distributors, dealers &amp; wholesalers</u></b> (Section-153A, Part-IIA of First Schedule)	0.5 % at the time of payment.	1 <sup>st</sup> July 2012
8.	<b><u>Payment of Commission on Petroleum Products.</u></b> (Section-156A, Division-VIA of Part-III of First Schedule)	10% of the amount of commission payable to petrol pump operator.	1 <sup>st</sup> July 2004
9.	<b><u>Cash Withdrawal from Banks.</u></b> (Section-231-A Division-VI, Part-IV of First Schedule)	0.2% of the amount exceeding Rs. 50000/- in a day.	1 <sup>st</sup> July, 2012.
10.	<b><u>Bank Transactions through Transfer, Demand Drafts, Pay Orders, Online Transfer, Telephone Transfer, DCR &amp; RTC</u></b> <u>Section-231 AA, Part-IV, Division-VIA of 1<sup>st</sup> Schedule.</u>	0.3% of the amount exceeds twenty five thousand in a day	1 <sup>st</sup> July, 2010

<b>Sr. No</b>	<b>Nature of Payment and Charging Reference</b>	<b>Rate of withholding</b>	<b>Effective date</b>
11.	<b><u>CNG Consumption Charges.</u></b> (Section-234A, Division-VIB, Part-III of First Schedule)	4% of the gas consumption charges.	1 <sup>st</sup> July, 2007.
12.	<b><u>Brokerage and Commission</u></b> (Section-233, Division-II Part-IV of First Schedule)	10% of the amount of the payment	1 <sup>st</sup> July 2005
13.	<b><u>Auction of Property</u></b> (Section-236A, Division-VIII, Part-IV of Ist Schedule)	5% of the amount of sale of property by auction.	1 <sup>st</sup> July, 2009.
14.	<b><u>Distributors of Pharmaceutical Products</u></b> (Section-153(1)(a) Clause-24A, Part-II of 2 <sup>nd</sup> Schedule)	1% of the gross amount payable.	1 <sup>st</sup> July 2009.
15.	<b><u>Commission to Advertising Agent</u></b> (Section-233, Clause-26, Part-II of 2 <sup>nd</sup> Schedule)	5% of the amount of payment	1 <sup>st</sup> July 2006
16.	<b><u>Full Time Teacher &amp; Researcher</u></b> (Section-149, Clause-2, Part-III of 2 <sup>nd</sup> Schedule)	75% rebate of gross tax payable to full time teacher or researcher employed in non-profit organization recognized by HEC, Board of Education or University recognized by HEC including Govt Training & Research Institutes.	1 <sup>st</sup> July 2006
17.	<b><u>Minimum Tax (Turnover Tax)By DISCOs and NTDC.</u></b> (Section-113, Clause-6, Part-III, 2 <sup>nd</sup> Schedule)	Where DISCOs & NTDC are required to pay Minimum Tax, the purchase price of electricity shall be excluded from the turnover liable to minimum tax upto Tax Year-2013.	SRO-171(1)/2008 dated 21 <sup>st</sup> February, 2008.
18.	<b><u>Advance Tax on Purchase of Air Ticket (Domestic)</u></b> (Section-236-B, Division-IX, Part-IV of Ist Schedule)	i)5% of gross amount of domestic air ticket. ii)The tax is adjustable against the overall tax liability of the purchaser of air ticket (effective from 01-07-2011)	1 <sup>st</sup> July, 2010.
19	<b><u>Advance Tax on Sale or Transfer of Immoveable Property</u></b> Section 236-C, Division X, Part IV 1 <sup>st</sup> Schedule.	0.5% of the gross amount of the consideration received.	01-07-2012.



<b>Sr. No</b>	<b>Nature of Payment and Charging Reference</b>	<b>Rate of withholding</b>	<b>Effective date</b>
20.	<b><u>Sale of Air Ticket</u></b> (Section-153(1)(a) of Clause-43B Part-IV of 2 <sup>nd</sup> Schedule)	0% at the time of payments received on sale of air tickets by traveling agent who has paid tax on the commission.	1 <sup>st</sup> July, 2007
21.	<b><u>Sale of imported goods.</u></b> (Section-153(1)(a) Clause-47A Part-IV 2 <sup>nd</sup> Schedule)	0% at the time of payment to resident suppliers who have paid tax (U/s -148) at import stage and goods were supplied as were imported.	1 <sup>st</sup> July, 2002.
22.	<b><u>Electronic &amp; Print Media Services.</u></b> (Section-153(1)(b) Clause-16A, Part-IV 2 <sup>nd</sup> Schedule)	0% of the amount payable to electronic & print media services on account of advertising services.	1 <sup>st</sup> July 2012
23.	<b><u>Electricity Bills (Industrial &amp; Commercial)</u></b> Section-235, Part-IV, Division-IV of Ist Schedule	If the amount of bill exceeds Rs. 20,000 per month. i)10% for commercial consumers. ii)5% for industrial consumers.	1 <sup>st</sup> July, 2010

### **TIME OF DEDUCTION OF TAX (SECTION-158):**

A person required to deduct tax from an amount paid by the person shall deduct tax-

- (a) in the case of deduction under section 151, at the time the amount is paid or credited to the account of recipient whichever is earlier; and
- (b) in other cases, at the time the amount is actually paid.

### **NOTE**

Section-151 of the Income Tax Ordinance, 2001 deals in “Profit on Debt”.

## **PART-III**

### **EXEMPTIONS AVAILABLE TO WAPDA FROM PAYMENT OF CERTAIN TAXES IN THE LIGHT OF INCOME TAX ORDINANCE. 2001.**

1) **WAPDA NATIONAL TAX NUMBER (NTN).**

National Tax Number Cell of Income Tax Department has allotted to WAPDA NTN: **9014201-2** (Tax Free Entity).

2) **INCOME OF WAPDA**

Any income of Water and Power Development Authority (WAPDA) established under the Pakistan Water & Power Development Authority Act 1958, is exempt from payment of Income Tax under Clause-66 (xvi), Part-I of Second Schedule to the Income Tax Ordinance 2001.

3) **PAYMENT OF TAX AT IMPORT STAGE (SECTION 148).**

Income of WAPDA is exempt from levy of tax under Clause 66 (xvi) of Part-I of Second Schedule to the Income Tax Ordinance 2001 and as such no income tax is to be paid to Collector of Custom on import of goods..

4) **INTEREST RECEIVED BY WAPDA OF INVESTMENTS (SECTION -151).**

Income of WAPDA is exempt from levy of tax under Clause 66(xvi) of Part-I of Second Schedule to the Income Tax Ordinance 2001 and as such no deduction Under Section 151 of the Income Tax Ordinance 2001 is to be made against the payment of any profit (interest).

5) **PAYMENT TO TRADERS & DISTRIBUTORS & WHOLESALERS**

Income of WAPDA is exempt from payment of tax under clause 66 (xvi) of Part-I of Second Schedule to the Income Tax Ordinance, 2001 and as such no deduction under section 153-A of Income Tax Ordinance, 2001 is to be made against the traders, distributors and wholesalers.

6) **WITHHOLDING OF TAX BY EVERY MANUFACTURER AT THE TIME OF SALE OF GROSS SALES TO ALL THE DISTRIBUTORS, DEALERS AND WHOLESALERS (SECTION-153-A)**

7) **PAYMENT OF INCOME TAX ON INCOME OF RENTED PROPERTY (SECTION-155).**

Income of WAPDA is exempt from levy of tax under Clause 66(xvi) of Part-I of Second Schedule to the Income Tax Ordinance 2001 and as such no deduction Under Section 155 of the Income Tax Ordinance 2001 is to be made against the rent of property received.

8) **CASH WITHDRAWAL FROM BANKS (SECTION 231-A).**

Income of WAPDA is exempt from payment of tax under Clause 66 (xvi) of Part-I, Second Schedule to the Income Tax Ordinance 2001 and as such no deduction Under Section 231-A, of Income Tax Ordinance 2001 is to be made for cash withdrawal in a day exceeds fifty thousand rupees.9)

9) **PURCHASE OF MOTOR CARS AND JEEPS (SECTION 231-B)**

Income of WAPDA is exempt from levy of income tax under clause-66(xvi) of Part-I of Second Schedule to the Income tax Ordinance 2001 and as such no advance tax under Section-231B is to be paid at the time of registration of new motor car or a jeep.

10) **TAX ON MOTOR VEHICLES (SECTION-234)**

Income of WAPDA is exempt from levy of income tax under Section-66(xvi) of part-I of Second Schedule to the Income Tax Ordinance, 2001 and as such no advance tax is to be paid at the time of collection of motor vehicle tax.

11) **PAYMENT OF INCOME TAX COLLECTED THROUGH ELECTRICITY BILLS (SECTION-235)**

Income of WAPDA is exempt from levy of tax under Clause 66 (xvi) of Part-I of Second Schedule to the Income Tax Ordinance 2001 and as such no deduction Under Section 235 of the Income Tax Ordinance 2001 is to be made through electricity bills.

12) **PAYMENT OF TAX COLLECTED THROUGH TELEPHONE BILLS (SECTION- 236)**

Income of WAPDA is exempt from levy of tax under Clause 66 (xvi) of Part-I of Second Schedule to the Income Tax Ordinance 2001 and as such no deduction Under Section 236 of the Income Tax Ordinance 2001 is to be made through telephone bills.

**13) PAYMENT OF INCOME TAX COLLECTED THROUGH DOMESTIC AIR TICKET(SECTION 236-B)**

Income of WAPDA is exempt from levy of tax under clause-66(xvi) of Part-I of Second Schedule to the Income Tax Ordinance 2001 and as such no deduction under section 236-B of Income Tax Ordinance, 2001 is to be made through purchase of air ticket(domestic).

**14) DETERMINATION OF MINIMUM TAX LIABILITY OF WAPDA CORPORATIZED ENTITES ( PART III CLAUSE-VI OF SECOND SCHEDULE).**

“Where the corporatized entities of Pakistan Water and power Development Authority (DISCOs) and National Transmission and Dispatch Company (NTDC), are required to pay minimum tax under section-113, the purchase price of electricity shall be excluded from the turnover liable to minimum tax up to the Tax Year 2013”.

# **SALES TAX**

## **PART-IV**

### **GST NUMBER OF WAPDA**

WAPDA has been registered by the Collectorate of Sales Tax, Lahore on overall basis, as Manufacturer, Distributors, Wholesaler and Retailer under Sales Tax Act 1990 with Registration Number. **03--09--2716--001--73**. This number is to be quoted wherever required, and must be shown on all the invoices issued/received for the taxable supplies.

### **IMPORTANT SECTIONS OF SALES TAX ACT 1990**

#### **INPUT TAX - SEC.2(14)**

Input tax in relation to a registered person means:

1. a tax levied under this Act on supply of goods to the persons;
2. tax levied under this Act on the import of goods by the persons;
3. tax levied under the Federal Excise Act, 2005 in sales tax mode as a duty of excise on the manufacture or production of the goods, or the rendering or providing of the services;
4. provincial sales tax levied on services rendered or provided to the person; and
5. levied under the Sales Tax Act, 1990 as adapted in the State of Azad Jammu and Kashmir, on the supply of goods received by the persons.

#### **OUTPUT TAX – SECTION 2 (20)**

Output tax in relation to a registered person means:-

1. tax levied under this Act on a supply of goods, made by the persons;
2. tax levied under Federal Excise Act, 2005 in Sales Tax mode as a duty of excise on the manufacture or production of the goods, or the rendering or providing of the services, by the person.
3. Provincial Sales Tax levied on services rendered or provided by the person.

## **SUPPLY (SECTION 2) (33)**

- (1) “Supply” means a sale or other transfer of the right to dispose of goods as owner, including such sale or transfer under a hire purchase agreement, and also includes :-
- (2) putting to private, business or non-business use of goods produced or manufactured in the course of taxable activity for purposes other than those of making a taxable supply;
- (3) Auction or disposal of goods to satisfy a debt owed by a person; and
- (4) possession of taxable goods held immediately before a person ceases to be a registered person;
- (5) Provided that the Federal Government, may by notification in the official Gazette, specify such other transactions which shall or shall not constitute supply.

## **DETERMINATION OF TAX LIABILITY(SECTION-7):**

- (6) For the purpose of determining tax liability in respect of taxable supplies made during a tax period, a registered person shall,[subject to the provisions of section 73], be entitled to deduct input tax paid or payable during the tax period for the purpose of taxable supplies made, or to be made, by him, from output tax that is due from him in respect of that tax period and to make such other adjustments as are specified in section-9.

### **2. Provided that where a registered person did not deduct input tax within the relevant period, he may claim such tax in the return of any of the six succeeding tax periods.**

- i. A Registered person shall not be entitled to deduct input tax from output tax unless,---
  - i. in case of a claim for input tax in respect of a taxable supply made, he holds a tax invoice in his name and bearing his registration number in respect of such supply for which return is furnished;
  - ii. in case of goods imported into Pakistan, he holds bill of entry or goods declaration in his name and showing his sales tax registration number, duly cleared by the customs under section 79 or section 104 of the Customs Act, 1969 (IV of 1969);
  - iii. in case of goods purchased in auction, he holds a treasury challan, in his name and bearing his registration number, showing payment of sales tax;.

## **SHORT PAID AMOUNT RECOVERABLE WITHOUT NOTICE(U/S-IIA)**

Notwithstanding any of the provisions of this Act, where a registered person pays the amount of tax less than the tax due as indicated in his return, the short paid amount of tax alongwith default surcharge shall be recovered from such person by stopping removal of any goods from his business premises and through attachment of his business bank accounts, without giving him a show cause notice and without prejudice to any other action prescribed under section 48 of 'this Act or the rules made there under:

Provided that no penalty under section 33 of this Act shall be imposed unless a show cause notice is given to such person.

## **DE-REGISTRATION, BLACKLISTING AND SUSPENSION OF REGISTRATION (SECTION- 21)**

- 1) The Board or any officer, authorized in this behalf may subject to the rules, de-register a registered person or such class of registered persons not required to be registered under this Act.
- 2) Notwithstanding any thing contained in this Act, in case where the Commissioner is satisfied that a registered person is found to have issued fake invoices or has otherwise committed tax fraud, he may blacklist such person or suspend his registration in accordance with such procedure as the Board may, by notification in the official Gazette prescribe.

## **TAX INVOICE (SECTION -23)**

A registered person making a taxable supply shall issue a serially numbered tax invoice at the time of supply of goods containing the following particulars, namely:-

- a. Name, Address and Registration number of the supplier;
- b. Name, Address and Registration number of the purchaser;
- c. Date of issue of invoice;
- d. Description and quantity of goods;
- e. Value of exclusive of tax;
- f. Amount of Tax;
- g. Value of inclusive of tax; and
- h. In the case of imported material/equipments/parts in Pakistan for taxable activity,
- i. "Bill of Entry" cleared by the custom, Amount of sales Tax paid and date of payment appearing on the Bill of entry is to be adopted for GST Claim.

### **APPEALS BEFORE COLLECTOR APPEALS (SECTION 45-1)**

Any person, other than the Sales Tax Department, aggrieved by any decision or order passed under sections 10, 11, 13, 16, 45 or 66, by an officer of Inland Revenue may, within thirty days of the date of receipt of such decision or order, prefer appeal to the Commissioner Inland Revenue (Appeals):

Provided that an appeal preferred after the expiry of thirty days may be admitted by the Commissioner Inland Revenue (Appeals) if he is satisfied that the appellant has sufficient cause for not preferring the appeal within the specified period:-

Provided further that the appeal shall be accompanied by a fee of one thousand rupees 1000/- to be paid in such manner as the Board may prescribe.

### **APPEALS TO APPELLATE TRIBUNAL (SECTION-46)**

- i. Any person including an officer of Inland Revenue not below the rank of an Additional Inland Revenue Commissioner aggrieved by the order of the Commissioner Inland Revenue (Appeals) and the Board passed under section-45A and 45-B, may within sixty (60) days of the receipt of the order may prefer appeal to the Appellate Tribunal.
- ii. Appeal shall be accompanied by a fee of Rs.1000/- (Rupees One Thousand) paid in such manner as the Board may prescribe.

### **APPEALS TO HIGH COURT (SECTION-47),**

- i. Through Finance Act 2005 it has been prescribed that within ninety (90) days of the receipt of the order of Appellate Tribunal under sub section-S of section 46 the aggrieved person or any officer of Sales Tax not below the rank of an Additional Collector authorized by the Collector may prefer an application on the prescribed form along with a statement of the case to the High Court stating any question of law arising out of such order.
- ii. An application under section (1) by a person other than the Add: Commissioner authorized by the Commissioner shall be accompanied by a fee of one hundred rupees (Rs.100/-).



## **PART-V**

### **WITHHOLDING SALES TAX**

Withholding Tax should be deducted and withheld @ **1%** of value of Taxable supplies vide Sales Tax notification SRO 704 (1)/ 2009 dated 30-07-2009.

#### **THE SALES TAX SPECIAL PROCEDURE (WITHHOLDING) RULES, 2007**

Notification No. S.R.O 660(1)/2007, dated 30<sup>th</sup> June, 2007.—In exercise of the powers conferred by sub-section (6) and sub-section (7) of section 3 [and sub-section (4) of section 7] of the Sales Tax Act, 1990 read with section 71 thereof, the Federal Government is pleased to make the following rules, namely:-

**1. Short title, application and commencement.**—(1) These rules may be called the Sales Tax Special Procedure (Withholding) Rules, 2007.

[(2) They shall apply to taxable goods and services as are supplied to following persons, hereby specified as withholding agents, for the purpose of deduction and deposit of sales tax, namely:--

- (a) federal and provincial government departments;
- (b) autonomous bodies;
- (c) public sector organizations;
- (d) taxpayers as fall in the jurisdiction of Large Taxpayers Unit for the purpose of sales tax, federal excise duty or income tax; and
- (e) recipients of service of advertisement, who are registered for sales tax.

**Explanation.**—“withholding agent” includes the accounting office which is responsible for making payment against the purchases made by a government department.]

(3) They shall come into force on the 1<sup>st</sup> day of July, 2007.

**2. Responsibility of a withholding agent**--(1) The withholding agent, intending to make purchases of taxable goods, shall indicate in an advertisement or notice for this

purpose that the sales tax to the extent as provided in these rules shall be deducted from the payment to be made to the supplier.

[(2) A withholding agent, other than a person in the jurisdiction of Large Taxpayers unit and a recipient of advertisement services, shall deduct an amount equal to one fifth of the total sales tax shown in the sales tax invoice issued by a registered person and make payment of the balance amount to him.

**However, a registered person (WAPDA) in a Large Taxpayers Unit (LTU), who purchases goods from a registered person, other than one registered in an LTU, shall deduct and withhold one percent of value of taxable supplies received by him as sales tax from the payment due to the supplier. This amount will be deposited by the withholding agent through his monthly return. Remaining amount of fifteen percent or more, as the case may be, of the value of taxable supplies shall be paid by the withholding agent to supplier who will account for that in his monthly return.**

*(as per SRO 704(1)/2009 dated 30<sup>th</sup> July 2009)*

[“(3) A withholding Agent, having Free Tax Number (FTN) and falling under clause (a), (b) or (c) of sub-rule (2) of rule 1, shall on purchase of taxable goods from unregistered persons, deduct sales tax at the applicable rate of the value of taxable supplies made to him from the payment due to the supplier and unless otherwise specified in the contract between the buyer and supplier, the amount of sales tax for the purpose of this rule shall be worked out on the basis of gross value of taxable supply.”].

(3A) A person mentioned in clause (e) of sub-rule (2) of rules 1, who receives advertisement services, provided or rendered by a person based in Pakistan or abroad, shall deduct the amount of sales tax as mentioned in the invoice issued by the service provider from the payment due to the service provider. In case the sales tax amount is not indicated on the invoice, the recipient shall deduct sales tax at the applicable rate of the value of taxable services from the payment due to the service provider.]

[(4) Where the purchases are made by a government department, the following procedure shall be observed, namely:--

(a) The Drawing and Disbursing Officer (DDO) preparing the bill for the accounting office shall indicate the amount of sales tax withheld as prescribed above.

The accounting officers shall adopt the procedure as indicated below:

- (i) in case of purchases made by a department under the Federal Government, the office of the accountant General of Pakistan Revenue shall account for the amount deducted at source during a month under the Head of Account

“B02341-Sales Tax” and send an intimation to the Member (Sales Tax), Federal Board of Revenue, by the 15<sup>th</sup> of the following month;

(ii) in the case of purchases by departments under provincial or district governments, the Account General of the province or the District Accounts Officer, as the case may be, shall credit the amount deducted at source during a month to the head of account “G12777-Sales Tax “Deductions at Source under Sales Tax Special Procedure (Withholding) Rules, 2007”. Cheque for the amount will be prepared by the Accountant General or the District Accounts Officer, as the case may be, in the name of Collector having jurisdiction by debit to the aforesaid head of account and sent to the Collector by the 15<sup>th</sup> of the following month; and

(iii) where the purchases are made by the departments falling purview of Military Accountant General, the MAG shall account for the amount deducted at source during a month under the Head of Account “B02341-Sales Tax” and send intimation to the member (Sales Tax), Federal Board of Revenue, by the 15<sup>th</sup> of the following month. The amount so deducted at source shall be reported by MAG office to AGPR through civil exchange accounts; and

(b) the concerned Drawing and Disbursement Officer shall prepare the return in the form as in the Annexure to these rules for each month and for ward the same to the Collector having jurisdiction by the 15<sup>th</sup> of the following month.

(5) In case of purchases, not covered by sub-rule (4) above, the sales tax deducted at source shall be deposited by the withholding agent in the designated branch of National Bank of Pakistan under [under relevant head of account] on sales tax return-cum-payment challan in the form set out at Annexure to these rules, by 15<sup>th</sup> of the month following the month during which payment ahs been made to the supplier. The return-cum-payment challan shall be prepared and deposited with the bank in triplicate and the bank shall send the original to the Collectorate of Sales Tax having jurisdiction, return the duplicate to the depositor and retain the triplicate for its own record:

Provided that a single return-cum-challan can be filed in respect of all purchases for which the payment has been made in a month.

(2) In case the withholding agent is also registered under the Sales Tax Act,1990, or the Federal Excise Act, 2005, he shall file the return and deposit the withheld amount of sales tax in the manner as provided under Chapter II of the Sales Tax Rules, 2006

along with other tax liability and such person shall not be required to file the return in the term as set out in the Annexure to these rules:

Provided that in case the withholding agent is not registered for sales tax or federal excise duty but holds a national tax number assigned under the Income Tax Ordinance, 2001 (XLIX of 2001), he shall file the return, as set out in the Annexure to these rules; electronically and deposit the amount deducted at source in the manner as provided for persons filing returns electronically under rule 18 of the Sales Tax Rules, 2006:

Provided further that any other withholding agent may also opt to file the prescribed return electronically and deposit the deducted amount in the manner as provided in this sub-rule.]

- (3) The withholding agent shall furnish to the Collector of Sales Tax having jurisdiction all such information or data as may be requested by him for carrying out the purposes of these rules.
- (4) A certificate showing deduction of sales tax shall be issued to the supplier by the withholding agent duly specifying the name and registration number of supplier, description of goods and the amount of sales tax deducted]

**3. Responsibility of the [registered supplier].** --- (1) The [registered supplier] shall issue sales tax invoice as stipulated in section 23 of the Sales Tax Act, 1990, in the of every taxable supply made to a withholding agent.

(2) The Collector shall ensure that the return received from the bank is duly fed in the computerized system as referred to in clause (5AA) of section 2 of the Sales Tax Act, 1990.

(3) The Collector shall periodically ensure that the suppliers mentioned in the return filed by the withholding agents, as fall under his jurisdiction, are filing returns under section 26 of the Sales Tax Act, 1990, read with Chapter II of the Sales Tax Rules, 2006 and are duly declaring the supplier made to withholding agents.

[5. Exclusions.- The provisions of these rules shall not apply to the supplies of the following goods and services if made by a registered person, namely:-

- (i) Electrical energy;
- (ii) Natural Gas.]

- (iii) Petroleum products as supplied by petroleum production and exploration companies, oil refineries and oil marketing companies;
- (iv) mild steel products;
- (v) products made from sheets of iron or non-steel alloy, stainless steel and other alloy steel, such as pipes, almirahs, trunks etc.
- (vi) paper, in rolls or sheets;
- (vii) plastic products including pipes;
- (viii) vegetable ghee and cooking oil; and
- (ix) telecommunication services]

6. Application of other provisions.- All the provisions of the rules and notifications made or issued under the Sales Tax Act, 1990 shall apply to supplies as aforesaid not inconsistent with the provisions of these rules.

## PART-VI

### SALES TAX RATE - SECTION 3(1).

- (1) Subject to the provisions of this Act, there shall be charged, levied and paid as tax known as SALES TAX at the rate of **Sixteen per cent (16 %) of the value of**
- (2) **taxable supplies made in Pakistan by a registered person in the course of furtherance of any (taxable activity) carried out by him w.e.f 01-07-2012, and**
- (3) **goods imported into Pakistan w.e.f. 20-06-2011.**

## PART-VII

### PROCEDURE TO CLAIM INPUT TAX

1. WAPDA is registered under Sales Tax Act and the rate of Sales Tax is **16% w.e.f 01-07-2012** GST on Taxable supplies
2. Before issuance of Purchase Order it must be ensured that concerned supplier/firm is registered under Sales Tax Act. A copy of Sales Tax Registration Certificate issued by Sales tax Collectorate must be obtained from the firm supplying taxable goods.
3. Sales Tax invoices are to be serially numbered and must be in accordance with section – 23 of Sales Tax Act 1990.
4. GST paid on purchases should be claimed for reimbursement in the following month without waiting for actual payment made. However in case of default, **CLAIMS** should be made **within Six succeeding months from the date of INVOICE.**
5. As per Act supplier is bound to issue Sales Tax Invoice at the time of supply.
6. It would also be the responsibility of the **CONCERNED OFFICE (BUYER)** to obtain Sales Tax Invoice alongwith material received and signing the delivery challan and issuance of GRN/SMB.
7. On purchases of goods where the suppliers have charged GST should be claimed in case these are related to for the purpose of taxable supply
8. On receipt of Sales Tax Invoice from the supplier, the **CONCERNED OFFICE (BUYER)** should send its legible attested copy to his Finance

Director / Manager Finance immediately (irrespective of payment of suppliers Bill).

9. The Finance Director Manager Finance after obtaining statement of GST supported by Sales Tax invoice from all the formation under his administrative & Financial control will deliver to GST Cell duly attested in the month following the month of purchase without any fail.
10. A retailer can not charge GST without having Registration under Sales Tax Act.
11. GST should not be paid on purchases made of items mentioned under the 6<sup>th</sup> Schedule of Sales Tax Act -1990.
12. This may also be ensured that Sales Tax Invoices may not be claimed twice as it would entail additional Tax alongwith penalties by the CBR.
13. Each GST claim must carry certificate showing “That these claims have not been submitted before”. Each claim should be thoroughly checked as on double claim CBR imposes huge penalty.
14. Only GST paid on inputs should be submitted for reimbursement.
15. A certificate is appended on the next month claim that all previous GST claims have been submitted for reimbursement.
16. Ensure the payment of GST is made only on production of GST payment challan, Sale Tax Return and Affidavit that Sales Tax Return cover such GST amount.
17. Any activity not covered in these guidelines should immediately be forwarded to the O/o Director (Taxes) 320 Wapda House Lahore to avoid any irregularity of the Tax Laws.

## **PART-VIII**

### **PROCEDURE FOR OUTPUT TAX**

1. Sale of Hydro Electric power to CPPA/NTDC is Output Tax. The invoice of Hydro Electric power should reach to the office of Director (Taxes) on the month following the month of generation of Electricity.
2. On the same analogy, any **Sales of Scrap** should reach to the office of Director (Taxes) on the month following the month of Sale and GST is to be charged @ **16% w.e.f of 01-07-2012.**

*The provision of law as currently applicable have very carefully been quoted or reproduced in this Tax Memorandum. In case any error is still found, the same is requested to be conveyed to the undersigned for rectification/clarification. In this regard the Finance Act. 2012/Income Tax Ordinance 2001/Sales Tax Act 1990 may also be consulted.*

**(Mian Aetzaz-ud-Din Ahmad)**  
**Director (Taxes), WAPDA**