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**PAKISTAN
WATER & POWER DEVELOPMENT AUTHORITY**

TAX MEMORANDUM-2015

SUMMARY OF WITHHOLDING TAX RATES

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:

Sr. #	Nature of Payment and Charging Reference & Rates of withholding Tax	Effective date
1.	<p><u>Fee for Technical Services to Non-Residents</u> (Section-6, Division-IV, Part-I of First Schedule)</p> <ul style="list-style-type: none"> • 15% of gross amount of Fee for Technical Services. • The lower rate of tax if prescribed in Double Taxation Agreement will override. 	1 st July, 1994
2.	<p><u>Salary</u> (Section-12, Clause-1A, Division I, Part-1 of 1st Schedule)</p> <ul style="list-style-type: none"> • 0% on Income up to Rs.400,000/- 	1 st July 2012
3.	<p><u>Profit on Debt</u> (Section-151, Division-IA Part-III of First Schedule)</p> <ul style="list-style-type: none"> • 10% of the yield or profit paid for filer • 17.5% of the yield or profit paid for non-filer <p>For Non-Filers</p> <p>Provided further that if the yield or profit paid is rupees five hundred thousand or less in respect of non-filer, the rate shall be 10%.</p>	1 st July 2015
4.	<p><u>Execution of Contract to a non-resident person</u> (Section-152(1A) Division-II, Part-III of First Schedule)</p> <ul style="list-style-type: none"> • 6% of the gross amount payable 	1 st July 2006

Sr. #	Nature of Payment and Charging Reference & Rates of withholding Tax	Effective date																																			
5.	<p><u>Sale/ Supply of Goods to a resident person</u> (Section 153(1)(a)(b)(c), Division-III, Part-III of First Schedule)</p> <table border="1" data-bbox="186 231 1461 693"> <thead> <tr> <th></th> <th colspan="2"><u>Sales of Goods (a)</u></th> <th colspan="2"><u>Provision of Services (b)</u></th> <th colspan="2"><u>Execution of Contract (c)</u></th> </tr> <tr> <th><u>Category</u></th> <th><u>Filer</u></th> <th><u>Non-Filer</u></th> <th><u>Filer</u></th> <th><u>Non-Filer</u></th> <th><u>Filer</u></th> <th><u>Non-Filer</u></th> </tr> </thead> <tbody> <tr> <td>Company</td> <td>4% of the gross amount payable</td> <td>6% of the gross amount payable</td> <td>8% of the gross amount payable</td> <td>12% of the gross amount payable</td> <td>7% of the gross amount payable</td> <td>10% of the gross amount payable</td> </tr> <tr> <td>Any Other Case</td> <td>4.5% of the gross amount payable</td> <td>6.5% of the gross amount payable</td> <td>10% of the gross amount payable</td> <td>15% of the gross amount payable</td> <td>7.5% of the gross amount payable</td> <td>10% of the gross amount payable</td> </tr> <tr> <td>Sportspersons</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> <td colspan="2">10% of the gross amount payable (no bifurcation of filer/non-filer in this case.)</td> </tr> </tbody> </table>		<u>Sales of Goods (a)</u>		<u>Provision of Services (b)</u>		<u>Execution of Contract (c)</u>		<u>Category</u>	<u>Filer</u>	<u>Non-Filer</u>	<u>Filer</u>	<u>Non-Filer</u>	<u>Filer</u>	<u>Non-Filer</u>	Company	4% of the gross amount payable	6% of the gross amount payable	8% of the gross amount payable	12% of the gross amount payable	7% of the gross amount payable	10% of the gross amount payable	Any Other Case	4.5% of the gross amount payable	6.5% of the gross amount payable	10% of the gross amount payable	15% of the gross amount payable	7.5% of the gross amount payable	10% of the gross amount payable	Sportspersons	N/A	N/A	N/A	N/A	10% of the gross amount payable (no bifurcation of filer/non-filer in this case.)		1 st July 2015
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6.	<p><u>Transport Services</u> (Sub-section (1) of Section 153, Clause (b) Division-III, Part-III of First Schedule)</p> <ul style="list-style-type: none"> 2% of the gross amount payable. 	1 st July 2007																																			
7.	<p><u>Distributors of Pharmaceutical Products</u> (Section-153(1)(a) Clause-24A, Part-II of 2nd Schedule)</p> <ul style="list-style-type: none"> 1% of the gross amount of payments 	1 st July 2009.																																			
8.	<p><u>Payment of Commission on Petroleum Products.</u> (Section-156A, Division-VIA of Part-III of First Schedule)</p> <ul style="list-style-type: none"> 12% of the amount of payment for Filer 15% of the amount of payment for Non-Filer. 	1 st July 2015																																			
9.	<p><u>Cash Withdrawal from Banks.</u> (Section-231A Division-VI, Part-IV of First Schedule)</p> <ul style="list-style-type: none"> 0.3% of the amount exceeding Rs. 50,000/- in a day in case of filers 0.6% in case of non-filers exceeding Rs. 50,000/- in a day. 	1 st July, 2015.																																			
10.	<p><u>Bank Transactions through Transfer, Demand Drafts, Pay Orders, Online Transfer, Telephonic Transfer, CDR & RTC</u> <u>Section-231 AA, Part-IV, Division-VIA of 1st Schedule</u></p> <ul style="list-style-type: none"> 0.3% of the Transaction in case of Filer and 0.6% of the Transaction in case of Non-Filer. The threshold of Rs. 25,000 is prescribed for the aggregate amount for all transaction in a day. 	1 st July, 2015																																			

Sr. #	Nature of Payment and Charging Reference & Rates of withholding Tax	Effective date
11.	<p><u>Brokerage and Commission</u> (Section-233(1), Division-II Part-IV of First_Schedule)</p> <p>For Filers</p> <ul style="list-style-type: none"> • 10% of the amount of the payment, in case of advertising agents • 12% in all other cases <p>For Non-Filer</p> <ul style="list-style-type: none"> • 15% of the amount of payment 	1 st July 2015
12.	<p><u>CNG Consumption Charges.</u> (Section-234A, Division-VIB, Part-III of First Schedule)</p> <ul style="list-style-type: none"> • 4% of the gas consumption charges. 	1 st July, 2007.
13.	<p><u>Full Time Teacher & Researcher</u> (Section-149, Clause-2, Part-III of 2nd Schedule)</p> <ul style="list-style-type: none"> • 40% 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 st July 2013
14.	<p><u>Sale of Air Ticket</u> (Section-153(1)(a) of Clause-43B Part-IV of 2nd Schedule)</p> <ul style="list-style-type: none"> • 0% at the time of payments received on sale of air tickets by traveling agent who has paid tax on the commission. 	1 st July, 2007
15.	<p><u>Sale of imported goods</u> (Section-153(1)(a) Clause-47A Part-IV of 2nd Schedule)</p> <ul style="list-style-type: none"> • 0% in respect of payment received by a resident person for supply of such goods as were imported by the same person and on which tax has been paid under Section 148 at import stage and sold without value addition. 	1 st July, 2002.
16.	<p><u>Electricity Bills (Industrial & Commercial)</u> Section-235, Part-IV, Division-IV of 1st Schedule</p> <p>If the amount of bill exceeds Rs. 20,000 per month.</p> <ul style="list-style-type: none"> • 10% for commercial consumers. • 5% for industrial consumers. 	1 st July, 2010
17.	<p><u>Advance Tax on Domestic electricity Consumption</u> Section 235A, Division XIX, Part IV of 1st Schedule.</p> <ul style="list-style-type: none"> • 7.5% if the amount of monthly bill is Rs. 75,000 or more; and • 0% the amount of monthly bill is less than Rs. 100,000. 	1 st July, 2015

Sr. #	Nature of Payment and Charging Reference & Rates of withholding Tax	Effective date									
18.	<p><u>Advance tax on internet bill of a subscriber or sale price of internet prepaid card</u> (Section-236, Division-V, Part-IV of 1st Schedule)</p> <ul style="list-style-type: none"> In the case of a telephone subscriber (other than mobile phone subscriber) where the amount of monthly bill exceeds Rs. 1000/- 10% of the exceeding amount of bill In the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card 14% of the amount of bill or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form 	1 st July 2015									
19.	<p><u>Auction of Property</u> (Section-236A, Division-VIII, Part-IV of 1st Schedule)</p> <ul style="list-style-type: none"> 10% of the gross sale price of any property or goods sold by auction. 	1 st July, 2013.									
20.	<p><u>Advance Tax on Purchase of Air Ticket (Domestic)</u> (Section-236B, Division-IX, Part-IV of 1st Schedule)</p> <ul style="list-style-type: none"> 5% of gross amount of domestic air ticket. 	1 st July, 2010.									
21.	<p><u>Advance Tax on Sale or Transfer of Immoveable Property</u> Section 236C, Division X, Part IV 1st Schedule.</p> <ul style="list-style-type: none"> 0.5% of the gross amount of the consideration received in case of filers. 1% in case of non-filers. 	1 st July, 2014.									
22.	<p><u>Advance tax on function & gatherings.</u> Section 236D(1)(2), Division XI, Part IV 1st Schedule.</p> <ul style="list-style-type: none"> 5% of that total amount of bill. 	1 st July, 2014.									
23.	<p><u>Advance tax on sales to distributors, dealers and wholesalers by manufacturer or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textiles, beverages, paint or foam sector</u> Section 236G, Division-XIV, Part-IV of First Schedule)</p> <table border="1" data-bbox="186 1438 1274 1669"> <thead> <tr> <th>Category of Sale</th> <th>Filer</th> <th>Non-Filer</th> </tr> </thead> <tbody> <tr> <td>Fertilizers</td> <td>0.7% of the amount of payment</td> <td>1.4% of the amount of payment</td> </tr> <tr> <td>Other than Fertilizers</td> <td>0.1% of the amount of payment</td> <td>0.2% of the amount of payment</td> </tr> </tbody> </table>	Category of Sale	Filer	Non-Filer	Fertilizers	0.7% of the amount of payment	1.4% of the amount of payment	Other than Fertilizers	0.1% of the amount of payment	0.2% of the amount of payment	1 st July, 2015.
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Other than Fertilizers	0.1% of the amount of payment	0.2% of the amount of payment									
24.	<p><u>Advance tax on sales to retailers by manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar cement, iron and steel products, motor cycles, pesticides, cigarettes, glass, textile beverages and paint or foam sector</u> Section 236H, Division XV Part-IV of First Schedule</p> <ul style="list-style-type: none"> 0.5% of the gross amount of sales. 	1 st July, 2013									

Sr. #	Nature of Payment and Charging Reference & Rates of withholding Tax	Effective date								
25.	<u>Collection of Advance Tax by Educational Institutions</u> Section 236I, Division XVI, Part-IV of First Schedule <ul style="list-style-type: none"> • 5% of the amount of fee where the annual fee exceed two hundred thousand rupees. 	1 st July, 2013								
26.	<u>Advance Tax on Purchase of Immoveable Property</u> Section 236K, Division XVIII, Part IV of 1 st Schedule. <ul style="list-style-type: none"> • Where the value of Immoveable property is up to Rs. 3 Million, 0% and • Where the value of Immoveable property is more than Rs. 3 Million, 1% for filers and 2% for non-filers. 	1 st July, 2014.								
27.	<u>Advance Tax on International Air Ticket</u> Section 236L, Division XX, Part IV of 1 st Schedule <table border="0" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Type of ticket</th> <th style="text-align: left;">Rates</th> </tr> </thead> <tbody> <tr> <td>First/Executive Class</td> <td>Rs. 16,000 per person</td> </tr> <tr> <td>Other than excluding economy</td> <td>Rs. 12,000 per person</td> </tr> <tr> <td>Economy</td> <td>0%</td> </tr> </tbody> </table>	Type of ticket	Rates	First/Executive Class	Rs. 16,000 per person	Other than excluding economy	Rs. 12,000 per person	Economy	0%	1 st July, 2015
Type of ticket	Rates									
First/Executive Class	Rs. 16,000 per person									
Other than excluding economy	Rs. 12,000 per person									
Economy	0%									
28.	<u>Advance tax on banking transactions otherwise than through cash</u> Section 236P, Division XXI, Part IV of the First Schedule <ul style="list-style-type: none"> • 0.6% of the transaction for non-filers, where the sum total of payments for all transactions otherwise than through cash, exceeds Rupees 50,000 in a day. 	1 st July, 2015								
29.	<u>Payment to a resident person for right to use machinery and equipment</u> Section 236Q, Division XXIII, Part IV of the First Schedule <ul style="list-style-type: none"> • 10% of the amount of payment 	1 st July, 2015								

TIME OF DEDUCTION OF TAX (SECTION-158):

A person required to deduct tax from an amount paid by the person shall deduct tax under section 151 of the Income Tax Ordinance, 2001 (i.e deals in “Profit on Debt):

- a. in the case of deduction, 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:

The concept of “Filer” and “Non-filer” has been introduced in the Income Tax Ordinance, 2001 through Finance Act, 2014. Filer means a tax payer whose name appears in the active taxpayers’ list issued by the Board from time to time or is holder of a taxpayer’s card shall be allowed benefits like reduced withholding tax rates as compared to non-filers.

Non-filer means a person who is not a filer. By this amendment, non-filer will be compelled to file their returns of income.

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 chargeable 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, including leave pay, payment in lieu of leave, overtime payment, bonus, commission, fees, gratuity or work condition supplements (such as for unpleasant or dangerous working conditions)
- b) Any perquisite, whether convertible to money or not;
- c) the amount of any allowance provided by an employer to an employee including a cost of living, subsistence, rent, utilities, education, entertainment or travel allowance, but shall not include any allowance solely expended in the performance of the employee’s duties of employment;
- d) the amount of any 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 employee’s duties of employment;
- e) the amount of any profits 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 an employee’s agreement to any conditions of employment or any changes to the employee’s condition of employment;
➤	On termination of employment, whether paid voluntarily or under an agreement, including any compensation for redundancy or loss of employment and golden handshake payments;
➤	From a provident or 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 was not entitled to a deduction; and
➤	As consideration for an employee’s agreement to a restrictive covenant in respect of any past, present or prospective employment;

- f) Any 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 person responsible for 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 1st Schedule are tabulated on next page.

TAX RATES FOR SALARIED PERSONNEL
CLAUSE-1A, Division I, PART-I OF 1st 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 namely:

Sr. No.	Taxable Income	Rate
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. 500,000.	2% of the amount exceeding Rs. 400,000/-
3	Where the taxable income exceeds Rs. 500,000 but does not exceed Rs. 750,000.	Rs 2,000 + 5% of the amount exceeding Rs 500,000/-
4	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs. 1,400,000.	Rs. 14,500 + 10% of the amount exceeding Rs. 750,000/-
5	Where the taxable income exceeds Rs. 1,400,000 but does not exceed Rs. 1,500,000.	Rs. 79,500 + 12.5% of the amount exceeding Rs. 1,400,000/-
6	Where the taxable income exceeds Rs. 1,500,000 but does not exceed Rs. 1,800,000.	Rs. 92,000 + 15% of the amount exceeding Rs. 1,500,000/-
7.	Where the taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000.	Rs.137,000 + 17.5% of the amount exceeding Rs. 1,800,000/-
8.	Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,000,000.	Rs. 259,500 + 20% of the amount exceeding Rs. 2,500,000/-
9.	Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 3,500,000.	Rs. 359,500 + 22.5% of the amount exceeding Rs. 3,000,000.
10.	Where the taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 4,000,000.	Rs. 472,500 + 25% of the amount exceeding Rs. 3,500,000.
11	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 7,000,000.	Rs. 597,000 + 27.5% of the amount exceeding Rs. 4,000,000.
12.	Where the taxable income exceeds Rs. 7,000,000	Rs. 1,422,000 + 30% of the amount exceeding Rs. 7,000,000.

- i) For the purposes of computing the 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 purposes of computing the income chargeable to tax 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 the 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 been paid by the employer in case such accommodation was not provided.

Provided that the 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.

www.meoisb.com **ADDITION 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
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OR

(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.
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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 20th 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”.

1. SENIOR CITIZENS, CLAUSE (1B) OF PART-I OF FIRST SCHEDULE

Where taxable income other than income on which the deduction of tax is final discharge of tax liability, does not exceed Rupees 1,000,000, in a tax year of a taxpayer holding NADRA's CNIC for disabled person or a taxpayer aged 60 years or more on the first day of that tax year, his tax liability on such income shall be reduced by 50%.

2. FULL TIME TEACHER OR RESEARCHER (SECTION 149, CLAUSE-2 PART-III OF SECOND SCHEDULE)

The tax payable by a full time teacher or a researcher, employed in a non profit education or research institution duly recognized by Higher Education Commission, a Board of Education or University recognized by Higher Education Commission, including government training & research institution, shall be reduced by an amount equal to 40% of tax payable on his income from salary.

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 231A).
- ii. Tax collected by Vehicle Registration Authority at the time registration of new Car/Jeep (under Section 231B).
- iii. Motor vehicle tax collected under Section 234 in respect of motor vehicle registered in employees' own name.
- iv. Tax collected on the amount of electricity bill of domestic consumer (Section 235A).
- v. Tax collected through Telephone bill (under Section 236) (FBR's Circular No. 5 dated 5th July, 2008).
- vi. Tax collected through purchase of Air Ticket (Domestic) under Section 236B.
- vii. Advance tax on sale or transfer of immovable property (under Section 236C).
- viii. Advance tax paid for arranging functions and gatherings (Section 236D).
- ix. Advance tax on sales to distributors, dealers and wholesalers (Section 236G).
- x. Advance tax on sales to retailers (Section 236H).
- xi. Collection of Advance tax by educational institution (Section 236I)
- xii. Tax collected on purchase or transfer of immovable property (Section 236K).
- xiii. Advance tax on purchase of International Air Tickets (Section 236L).
- xiv. Advance tax on banking transactions otherwise than through cash (Section 236P).

(b) Tax Credits on (Chapter III, Part X of Income Tax Ordinance, 2001);

- 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 will, however, be responsible to obtain documentary evidences along with declaration from employees on prescribed form "IT-3", for correct application of relevant provisions of law. The said declaration and evidences are required to be retained by the employer for at least 5 years.

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:

SR. NO.	HEAD OF DEDUCTION	SECTION
1.	Import of Goods	148 (Sub Section 7)
2.	Profit on Debt	151 (Sub Section 3)
3.	Payment to Non-Resident	152 (1B)& (1BB)
4.	Payment for Goods & Services	153 (Sub-Section 3)
5.	Exports	154 (4)
6.	Prizes & Winning	156 (Sub Section 3)
7.	Petroleum Products	156A (Sub-Section 2)
8.	Brokerage and Commission	233 (Sub-Section 3)
9.	CNG Stations	234A (Sub-Section 3)

EXAMPLE-1**BPS-14 (10340-790-34040)**

Sr. No.	Particulars	Gross Income(Rs.)	Exempt Income(Rs.)	Taxable Income(Rs.)
1.	Pay	2,75,760	-	2,75,760
2.	Special Pay	3,600	-	3,600
3.	Adhoc Relief (2010 & 2013 to 2015)	1,99,216		1,99,216
4.	H.Q Allowance (20%)	52,262	-	52,262
5.	WAPDA Allowance	2,400	-	2,400
6.	Conveyance Allowance	34,272	-	34,272
7.	H.R.A/House Acquisition 45%	26,568	-	26,568
8..	*Cost of Free Electy.	16,680	-	16,680
9.	Cash Medical Allowance (Exempt upto 10% of basic salary for the year)	18,000	18,000	-
	Taxable Income	6,28,758	18,000	6,10,758

Note:- *Subject to full utilization of free electricity units.

TAX CALCULATION METHOD

- Tax on Rs. 6,10,758 = Rs. 2,000 + 5% of the amount exceeding Rs. 5,00,000
= Rs. 2,000 + 5% (Rs. 6,10,758- Rs. 5,00,000=Rs. 1,10,758)
= Rs.2,000 + 5% of Rs. 1,10,758
= Rs. 2,000+ Rs. 5,538
= Rs. 7,538

Tax Deductible (7,538÷12) = 628 P.M.

BPS-18 (25940-1950-64940)

Sr. No.	Particulars	Taxable Income (Rs)
1.	Pay	3,81,480
2.	Special Pay	31,200
3.	Adhoc Relief (2010 & 2013 to 2015)	2,80,320
4.	H.Q Allowance (20%)	72,000
5.	Conveyance Allowance	60,000
6.	H.R.A/House Acquisition 45%	69,720
7.	*Cost of Free Electy.	70,800
8.	Special WAPDA Allowance	1,20,000
	Total	10,85,520

Note:- *Subject to full utilization of free electricity units.

TAX CALCULATION METHOD:

$$\begin{aligned}\text{Tax on Rs. 10,85,520} &= \text{Rs. 14,500} + 10\% \text{ of the amount exceeding Rs. 7,50,000} \\ &= \text{Rs. 14,500} + 10\% (\text{Rs. 10,85,520} - \text{Rs. 7,50,000}) = \text{Rs. 3,35,520} \\ &= \text{Rs. 14,500} + 10\% \text{ of Rs. 3,35,520} \\ &= \text{Rs. 14,500} + \text{Rs. 33,552} \\ &= \text{Rs. 48,052}\end{aligned}$$

$$\text{Tax Deductible } (48,052 \div 12) = \underline{4,004} \text{ P.M.}$$

EXAMPLE-3

BPS-20 (46705-3050-89405)

Sr. No.	Particulars	Taxable Income (Rs)
1.	Pay	9,26,460
2.	Personal Pay	44,650
3.	Qualification Pay	12,000
4.	Senior Post Allowance	15,000
5.	WAPDA Allowance	1,20,000
6.	Orderly Allowance	1,44,000
7.	H.Q Allowance (20%)	72,000
8.	Entertainment Allowance	7,200
9.	Adhoc Relief (2010 & 2013 to 2015)	7,18,132
10.	H.R.A/House Acquisition 45%	1,26,060
11.	*Cost of Free Electy.	1,57,932
	Total	23,43,434

Note:- *Subject to full utilization of free electricity units.

TAX CALCULATION METHOD:

Tax on Rs. 23,43,434= Rs. 1,37,000 + 17.5% of the amount exceeding Rs. 18,00,000
= Rs. 1,37,000 + (Rs. 5,43,434 @ 17.5%=95,101)
= Rs. 1,37,000 + Rs.95,101
= Rs. 2,32,101/-

Tax Deductible (2,32,101 ÷ 12) = 19,342 P.M.

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.
- (2) 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.

EXEMPTION FROM TOTAL INCOME

1. 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 1st July, 2003).

2. 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.

3. PENSION OF GOVT. & ARMED FORCES EMPLOYEES PART-I CLAUSE-9 OF SECOND SCHEDULE.

Any Pension: (effective from 1st 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.

4. ENCASHMENT 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.

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 Income Tax Ordinance, 2001 for the year; or
- (ac) any non-profit organization as defined in Clause (36) of Section 2;
- (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 areas 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 Five Hundred Thousand or,
 - ix. is a resident 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.

(11A) 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 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;
 - c) shall be signed by the person, being an individual, or the person's representative where section 172 applies.
 - d) shall be accompanied evidence of payment of tax as per return of income; 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.

Taxpayers' Registration - Section 181(4)

National Tax Number (NTN) has been replaced with Computerized National Identity Card (CNIC) issued by National Database and Registration Authority (NADRA). From tax year 2015 and onwards, all individuals shall use CNIC as NTN.

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

- 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) The Commissioner may, by notice in writing, require any person being an individual 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;
 - (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; and
 - (e) the reconciliation statement of wealth.
- (2) Every resident taxpayer, being an individual filing a return of income for any tax year 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 Income Tax Ordinance, 2001, furnish a revised wealth statement alongwith the revised wealth reconciliation and the reasons for filing 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.

Section 116(2)

Every resident taxpayer, being an individual filling a return of income for any tax year shall furnish a wealth statement and wealth reconciliation statement for that year along with such return.

Provided that every member of an association of persons shall also furnish wealth statement and wealth reconciliation statement for the year along with return of income of the association.

DATE OF FILING OF RETURN OF INCOME / STATEMENT

(SECTION 118)

Category of Taxpayer	Date of Filing
Companies: (For return under section 114, statements under sections 115(4) and 116)	
<ul style="list-style-type: none">• Having tax year ending between 01 January to 30 June	31 December
<ul style="list-style-type: none">• Other cases	30 September
<ul style="list-style-type: none">• Annual Statement of deduction of Income tax from salary	31 August
Other than Companies	
<ul style="list-style-type: none">• Annual Statement of deduction of Income tax from salary (through e-portal.	31 August
<ul style="list-style-type: none">• Return of income through e-portal in the case of salaried person	31 August
<ul style="list-style-type: none">• Statement of final tax under section 115(4) (through e-portal)	31 August
<ul style="list-style-type: none">• Return of income	30 September

Note (Section 118(6)):

Where a taxpayer is not borne on the National Tax Number Register and fails to file an application in the prescribed form and manner with the taxpayer's return of income, such return shall not be treated as a return furnished under Section 118.

STATEMENTS OF TAX DEDUCTED/COLLECTED (SECTION-165)

1) Every person collecting tax from suppliers, contractors, consultants as well from salaried personnels shall provide to the Commissioner a monthly statement in prescribed form setting out:

- The name, computerized National identity Card and National Tax Number and address 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 15th day of the month following the month to which the withholding tax pertains.

However, the Commissioner may grant extension for filing of statement, on application by the taxpayer, if he is satisfied that a reasonable cause exists for non-furnishing of statement by the due date (Section 165(4)).

ANNUAL STATEMENT- SECTION 165(6)

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.

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 of Pakistan or the National Bank of Pakistan within seven (07) days from the end of each week ending on every Sunday.

INCOME FROM PROPERTY

SECTION 155, DIVISION-V, PART-III OF 1ST SCHEDULE

(a) The rate of tax to be deducted under Section 155, in the case of an individual and association of persons is as under:-

Sr. No	Gross amount of rent	Rate of tax
(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 per cent of the gross amount exceeding Rs. 150,000.
(3)	Where the gross amount of rent exceeds Rs. 1,000,000.	Rs. 85,000 plus 15 per cent of the gross amount of rent exceeding Rs. 1,000,000.

(b) The rate of tax to be deducted in the case of company shall be 15% of the gross amount of rent.

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

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 or

- (a) for the sale of goods;
- (b) for the rendering of or providing of services;
- (c) on the execution of a contract, including contract signed by a sportsperson, but not including 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 on page No. 2 of this Memorandum.

(3) The tax deductible under clause (a) and (c) of sub-section (1) and under sub-section (2) of Income Tax Ordinance, 2001, on the income of a resident person shall be a final tax;-

Provided that:-

(a) tax deducted under clause (a) of sub-section (1) shall be adjustable where Payments are received on sale or supply of goods, by a, -

- (i) company being a manufacturer of such goods; or
- (ii) public company listed on a registered stock exchange in Pakistan;

(b) tax deductible shall be a minimum tax on transactions referred to in clause (b) of sub-section (1); and

(c) tax deducted under clause (c) of sub-section (1), shall be adjustable if payments are received by a public company listed on a registered stock exchange in Pakistan, on account of execution of contracts.

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.

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 ON 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 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.

6) 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).

7) **ADVANCE TAX ON PRIVATE MOTOR VEHICLES (SECTION 231B)**

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 vehicle including Car, Jeep, Van, Sports Utility Vehicle, Pickup Trucks for private use, Caravan Automobile, Limousine, Wagon and any other automobile used for private purpose.

8) **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.

9) **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.

10) **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.

11) **PAYMENT OF INCOME TAX COLLECTED THROUGH DOMESTIC AIR TICKECT (SECTION 236B)**

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 236B of Income Tax Ordinance, 2001 is to be made through purchase of air ticket (domestic).

**PAYMENT OF PROPERTY TAX AGAINST WAPDA'S
PROPERTIES/ASSETS**

- Ministry of Law & Justice Division vide its O.M No. 2/20/2013-Law-I dated 19-02-2013 has stated that the Article 165 of constitution provides that public property of Federal Government is exempt from levying of property tax. And the Article 165 of constitution as such applies to the properties of WAPDA as well.

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):

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.

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.
- 3) During the period of suspension of registration, the invoices issued by such person shall not be entertained for the purposes of sales tax refund or input tax credit, and once such person is blacklisted, the refund or input tax credit claimed against the invoices issued by him whether prior or after such blacklisting, shall be rejected through a self speaking appealable order and after affording an opportunity of being heard to such person.
- 4) Notwithstanding anything contained in this Act, where the Board, the concerned Commissioner or any officer authorized by the Board in this behalf has reasons to believe that a registered person is engaged in issuing fake or flying invoices, claiming fraudulent input tax or refunds, does not physical exist or conduct actual business, or as committing any other fraudulent activity, the Board, concerned Commissioner or such officer may after recording reasons in writing, block the funds or input tax adjustments of such person and direct the concerned Commissioner having jurisdiction for further investigation and appropriate legal action.

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, 36, 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/-).

WITHHOLDING SALES TAX

Withholding Tax should be deducted and withheld @ $1/5^{\text{th}}$ and $1/10^{\text{th}}$ of the Sales Tax of the value of Taxable supplies vide Sales Tax notification SRO 846 (1)/ 2009 and SRO 897(1)/2013 dated 4/10/2013.

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

Notification No. S.R.O 660(1)/2007, dated 30th 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 and clause (b) of sub-section (1) of section 8] 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) companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001), which is registered for sales tax, federal excise duty or income tax;]
- (e) recipients of service of advertisement, who are registered for sales tax.
- (f) persons registered as exporters.

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 1st 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 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 as per illustration given below.-

ILLUSTRATION:

Value of taxable supplies excluding sales tax	Rs. 1000
Sales tax chargeable @ 17%	Rs. 170
Sales tax to be deducted by the withholding agent	Rs. 34(i.e. Rs. 170 ÷ 5)
Sales tax payable by the withholding agent to the supplier	Rs. 136 (i.e. Rs. 170 – Rs. 34)
Balance amount payable to the supplier by the withholding agent.	Rs. 1136 (Rs. 1000 + Rs. 136)

[(3) A withholding agent having Free Tax Number (FTN) an falling under clauses (a)(b) or (c) of sub-rule (2) of rule 1 shall, on purchase of taxable goods from persons liable to be registered but not actually registered under Chapter I of the Sale stAx Rules, 2006 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 cohnttract between the buyer and the supplier, the amont of sales tax for the purposes of this rule shall be worked out on the bvasis of gross value of taxable supply.

(ii) A withholding Agent, other than specified in clause (i), shall on purchase of taxable goods from persons liable to be registered but not actually registered under Chapter I of Sales Tax Rules, 2006 deduct sales tax at the rate of one per cent of the vauue of taxable supplies made to him from the payment due to the supplier and 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

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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 Chief Commissioner, Regional Tax Office, Islamabad, by the 15th of the following month;
 - (ii) in the case of purchases by departments under provincial or district governments, the Accountant 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 15th 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 Chief Commissioner, Regional Tax Office, Rawalpindi, by the 15th 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 forward the same to the Collector having jurisdiction by the 15th 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 [relevant head of account] on sales tax return-cum-payment challan in the

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form set out at Annexure to these rules, by 15th of the month following the month during which payment has 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.

(6) In case the withholding agent is also registered under the Sales Tax Act, 1990, or the Federal Excise Act, 2005, he shall deposit the withheld of sales tax [along with the return filed for the month in which the purchases was made] 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.]

(7) 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.]

(8) 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 respect of every taxable supply made to a withholding agent.

4. Responsibility of the Collector:- (1) The Collector shall keep a list of all withholding agents falling in his jurisdiction and monitor payment of tax deducted by withholding agents

falling in his jurisdiction and shall also ensure that the return prescribed under these rules is filed.

(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 supplies 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 and dealers of motor spirit and high speed diesel;
- (iv) vegetable ghee and cooking oil; and
- (v) telecommunication services]
- (x) Goods specified in the Third Schedule to the Sales Tax Act, 1990, and
- (xi) Supplies made by commercial importers who paid value addition tax on such goods at the time of import as prescribed under Chapter X of the Sales Tax Special Procedure Rules, 2007.

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 ON SERVICES.

Consequent upon the 18th Amendment in the Constitution of Islamic Republic of Pakistan Sales Tax on services with the promulgation of the Sindh Act No. XII of 2011 and Punjab Act No. XLII of 2012 respectively are no longer governed by the provisions of the Sales Tax Act, No. 1990. For Sindh and Punjab, it is the Sindh Sales Tax on Services Act, 2011, Punjab Sales Tax on Services Act, 2012 and KPK Sales Tax on Services Act, 2013 the rules made thereunder legally operate and apply in relation to the taxable services provided or rendered in Sindh, Punjab and KPK Respectively. Also see the detail of taxable services at the end of Tax Memorandum.

PART-VII

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 **Seventeen percent (17 %) of the value of**
- (2) **taxable supplies made in Pakistan by a registered person in the course of or furtherance of any (taxable activity) carried out by him w.e.f 01-07-2015, and**
- (3) **goods imported into Pakistan w.e.f. 01-07-2015.**

PART-VIII

PROCEDURE TO CLAIM INPUT TAX

1. WAPDA is registered under Sales Tax Act and the rate of Sales Tax is **17% w.e.f 01-07-2015** on Taxable supplies
2. Before issuance of Purchase Order it must be ensured that concerned supplier/ firm is registered & active taxpayer with FBR under Sales Tax Act. A copy of Certificate

www.meoisb.com regarding Sales Tax Registration and Active Sales Tax Payer 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. It would also be the responsibility of the **CONCERNED OFFICE (BUYER/CONSIGNEE)** to obtain Sales Tax Invoice, signing the delivery challan and issuance of GRN/SMB .at the time of delivering material/ supplies whether received wholly or partially.
5. As per Act supplier is bound to issue Sales Tax Invoice at the time of supply.
6. GST to be paid on purchases should be claimed for reimbursement in the following month without waiting for actual payment made alongwith the withheld amount of sales tax, copy of the relevant tax period supplier return and annexure ‘C’ thereto. However in case of default, **CLAIMS** should be made **within Six succeeding months from the date of INVOICE.**
7. .GST paid on purchases should be claimed for those taxable supplies only which are directly **related to taxable activity (generation) of WAPDA.**
8. On receipt of Sales Tax Invoice from the supplier, the **CONCERNED OFFICE (BUYER/CONSIGNEE)** should send its legible attested copy to the concerned Director Finance / Manager Finance alongwith the relevant tax period supplier sales tax return and annexure ‘C’ thereto. immediately (**irrespective of payment of suppliers Bill**).
9. The concerned Director Finance/Manager Finance after obtaining statement of GST supported by Sales Tax invoice from all the formation under his administrative & financial control will deliver the same to GST Cell of GMF(Power) WAPDA duly attested in the month following the month of purchase without fail.
10. A retailer can not charge GST without having Registration under Sales Tax Act.
11. Items covered under the 6th Schedule of Sales Tax Act -1990 are exempt from Sales Tax.
12. 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 FBR imposes huge penalty.
13. A certificate is appended on the next month claim that all previous GST claims have been submitted for reimbursement.

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14. Ensure the payment of GST(WITHIN SIX MONTHS) is to be made to supplier only on production of GST payment challan, Sale Tax Return and Affidavit that Sales Tax Return covers such GST amount from the supplier.

15. 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-IX

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 @ **17% w.e.f of 01-07-2015.**

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. 2015/Income Tax Ordinance 2001/Sales Tax Act 1990 may also be consulted.

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

Encl:-

1. Sale Tax Withholding Rules
2. Sale Tax Withholding Rules on Services (Punjab, Sindh, KPK)
3. Second Schedule (Taxable Services)