

Introduction

This brochure provides information on the obligations of the taxpayers of filing income tax return(s), annex(es), statement(s), etc. and a brief introduction of these forms for the tax year 2005.

The brochure is divided into following sections:

- General information;
- Changes for the tax year 2005;
- Which return form is for whom; and
- Annexes and their utility.

Decide which return form(s) and/or annexes are applicable in your particular case. Obtain those forms and briefly go through them and then read the related instructions and explanations given at the back of each form.

We have used plain language to explain most common tax situations. If you need more help after reading this brochure, feel free to contact us for further details and information related to your case.

This brochure is to assist the taxpayers and reflects the legal position at the time of printing. In case of any conflict the legal provisions of the law shall prevail over the contents of this brochure.

Comments and suggestions

We welcome your comments about this brochure and your suggestions for future editions.

You can e-mail us at membertpef@cbr.gov.pk
or

You can write to us at the following address:
**Facilitation and Tax Education,
Central Board of Revenue,
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General Information Before You Start

Who is required to file a return of income?

- Companies are required to file return of income irrespective of whether they have any taxable income or not.
- Associations of persons (AOP) and individuals are required to file return of income under any of the following conditions:
 - Aggregate income from salary, property, business, capital gains or other sources exceeds Rs. 100,000 in the tax year.
 - **Enjoys agricultural income exceeding Rs. 80,000 and also earning any amount greater than zero of income from salary, property, business, capital gains or other sources.**
 - Do not fall in any of the above two categories but had been charged to tax in any of the two preceding tax years.
 - Claims a loss to be carried forward and set-off against the income of the following year(s).
 - Owns immovable property:
 - with land area of 250 sq. yards or more; or
 - a flat;located in areas falling within the municipal limits (existing immediately before the commencement of Local Government Laws in the provinces), a Cantonment Board, or the Islamabad Capital Territory.
- Even if none of the above applies, one may still need to file a return in order to claim a refund of tax deducted or collected at source (other than **final tax**).
- Exceptions (not required to file return of income) to the above are as under:
 - Deriving income exclusively from salary and either the employer has filed the Annual Statement of Income Tax deducted from salary or the employee has filed the employer's certificate in lieu of the return.

- Entire income is subject to **final** taxation for which a separate statement is prescribed.
- A widow, an orphan below the age of 25 years, a disabled person or a non-resident for the reason of owning immovable property.

What is the due date of a return?

- Generally, a return by an individual and an AOP is due on or before 30th September and by a company on or before 31st December.
- A return by a company having special tax year is due on or before 30th September.

Where to file a return, certificate or statement?

- Regional Tax Office or Office of the Taxation Officer having jurisdiction over a taxpayer.
- For further details contact the nearest Commissioner of Income Tax or the Taxation Officer or CBR's Help Line Center.

What penalties and additional taxes are charged from non-filers, late-filers or short-filers?

- Non-filers or late-filers attract a penalty equal to one-thousandth (1/1000th) of the tax payable for each day of default subject to a minimum penalty of Rupees five hundred and a maximum penalty of twenty-five percent of the tax payable; and
- Non-filers, late-filers or short-filers owing a tax payable on the due date of a return, certificate or statement also attract:
 - Additional tax (interest) at the rate of twelve percent per annum; and
 - Penalties ranging from five to one hundred percent of the tax payable.

Can penalty for non-filing or late filing be avoided?

- Penalty for non-filing or late filing can be avoided by taking prior permission for extension in time from the Commissioner of Income Tax.

What if an omission or wrong statement is discovered later in the return, certificate or statement?

- A return, certificate or statement can be revised within five years to correct any omission or wrong statement discovered later on.

In case of refund what is required to be done?

- If computation of tax results in a refund, annex an application for claim of refund in the prescribed form with the return, certificate or statement.
- The refund claim can also be lodged later on but within two years from the date of assessment (date of filling of return etc.) or from the date on which the tax was paid, whichever ever is later.

What do total income, taxable income and income subject to final taxation mean?

- **“Total income”** is the sum of income under the following heads:
 - Salary;
 - Income from property;
 - Income from business;
 - Capital gains; and
 - Income from other sources [like dividend, royalty, profit on debt, rent from sub-lease of land or building, income from lease of any building together with plant or machinery, prize on bonds, winnings from a raffle, lottery or crossword puzzle, or a loan, advance, deposit or gift (subject to certain conditions)].
- Income under a specific head, is the total of the amounts derived under that head, which are chargeable to tax, as reduced by the deductions, if any, admissible under the Income Tax Ordinance, 2001.
- The scope of total income under the Income Tax Ordinance, 2001 is determined with reference to residential status of a taxpayer. In case of resident it is both Pakistan source income and foreign source income, while in

case of non-resident it is restricted to Pakistan source income only.

- **“Taxable income”** means **total income** reduced by deductible allowances on account of:
 - Expenditure on personal medical services (applies to individuals only);
 - Zakat paid under the Zakat and Ushr Ordinance, 1980;

Zakat paid on a debt, the profit of which is chargeable to tax under the head “Income from Other Sources” is not deductible from total income. Such Zakat is an admissible deduction only against the profit on debt.
 - Workers Welfare Fund paid under the Workers Welfare Fund Ordinance, 1971; and
 - Worker’s Participation Fund paid under the Companies Profit (Worker’s Participation) Act, 1968 (applies to company only).
- **Income subject to final taxation** is that, which are subject to collection or deduction of tax at source and such tax collected or deducted at source is treated as the final tax liability in respect of such income e.g.: -
 - Income arising from business of:
 - Import of goods;
 - Supply of goods (other than by manufacturers);
 - Execution of contract;
 - Export of goods;
 - Brokerage, commission and discounts;
 - Plying of goods transport vehicles;
 - Dividend received from a company; and
 - Prize and winnings from prize bond, raffle, lottery, crossword puzzle, quiz or sale promotion offers.
- The above incomes are excluded from the ambit of total/taxable income subject to normal taxation.

Changes for the Tax Year 2005

- To facilitate the salaried taxpayers, a major change in law has been made. An individual having income exclusively from “salary” and no claims for:
 - Any deductions from income;
 - Tax reductions (other than salaried taxpayer tax reduction or a teacher or researcher tax reduction);
 - Tax credits;
 - Tax already paid (other than that deducted from salary or collected with motor vehicle tax or telephone bills); or
 - Refund of tax;is no more required to file the employer’s certificate in lieu of return of income, if his/her employer has filed the annual statement of income tax deducted from salary.
- This facility cannot be availed by individuals having more than one employer or short deduction of tax by the employer.
- Another important change is that an individual and an AOP is no more required to file a return of income only for the reason of:
 - Being owner of a motor vehicle;
 - Being subscriber of telephone or mobile phone;
 - Undertaking foreign travel; or
 - Being member of a club.
- Principally, income tax forms for tax year 2005 remain unchanged, except for the changes necessitated by amendments in the law and evaluation of returns etc. submitted for the Tax Year 2004.
- All the return forms and annexes have been numbered for identification purposes.

Which Return Form is for whom?

- Separate return forms for each type / category of taxpayers make them more user specific and user friendly. These are briefly explained below:
 - **R1 Return of total income** is for companies.
 - **R2 Return of total income** is for associations of persons and non-salaried individuals.
 - **R3 Employer’s certificate in lieu of return of income** is a dual-purpose certificate issued by the employer.
 - Where the employee has no other sources of income etc., and the employer has not filed the annual statement of income tax deduction from salary, then this certificate is treated as return of income; and
 - Where the employee has other sources of income etc., then this certificate serves the purpose of a salary and tax deduction certificate to be annexed with “R4 - Attachment to Employer’s Certificate”
 - The employer is obliged to provide this certificate within sixty days from the end of the tax year. In case of termination of employment before the end of the tax year, such certificate is to be issued within seven days. Where a certificate is lost, stolen or destroyed, one can request for a duplicate and the employer is obliged to provide the same.
 - **R4 Attachment to employer’s certificate** is for individuals having income from salary as well other sources or claims for deductions, reductions and credits i.e.:
 - Income chargeable under any other head i.e. “Property”, “Business”, “Capital Gain” or “Other sources”;
 - More than one employer;
 - Income from disposal of shares subject to restriction of transfer or a right or option to acquire share, acquired under the employee share scheme;
 - Elected for separate taxation of payments on termination etc. or arrears of salary;

- Agricultural income exceeding Rs. 80,000;
- A claim for:
 - Any deductible allowance (like Zakat, expenditure on personal medical services, etc).
 - Reduction in tax being 65 years of age or more.
 - Tax credit for charitable donations, etc.
 - Tax collected or deducted at source (other than from salary, with motor vehicle tax or telephone bills).
- **R5 Statement of final taxation** is for taxpayers having transactions that are subject to final taxation only and are not required to file Form R1, R2, R3, R4 or R6.
- **R6 Statement of final taxation for retailers** is for individuals and AOP having turnover upto Rs. 5,000,000 from sale of goods to general public for consumption and opting for tax at the rate of 0.75% of their turnover.
- With these forms, only the following documents/evidences are required to be attached:
 - Applicable annexes;
 - Evidence of deduction of expenditure on personal medical services;
 - Evidence of payment of:
 - Advance tax;
 - Tax collected or deducted at source;
 - Tax paid with the return;
 - Wealth statement (applicable to resident individual, if declared or last assessed income is Rs. 500,000 or more);
 - Evidence of payment of foreign tax (applicable where there is foreign source income)
 - Copies of audited financial statement (applicable to companies only)

Annexes And Their Utility

The purpose of introducing the annexes is to:

- Guide taxpayers in understanding their rights and obligations;
- Standardize the format of obtaining the information from the taxpayers, which they are already submitting to achieve the objectives of automation.
- Assist taxpayers in:
 - Computing their income under different heads by identifying the components of the income and deductions etc.;
 - Determining applicable tax rebates and tax credits by identifying all the admissible rebates and credits;
 - Claiming the taxes already paid in advance or by way of collection or deduction of tax at source; and
 - Making "Self Assessment" for a correct and faithful declaration of income etc.;

The following annexes are prescribed:

- **Annex I** for particulars of directors of company or members of an AOP.
- **Annex IIA** (applies to an individual or an AOP) for summary of business results in lieu of income statement (manufacturing, trading and profit and loss account; or income and expenditure account; or receipt and payment account).
- **Annex IIB** (applies to a company) for details of business income (Income Statement - manufacturing, trading and profit and loss account; or income and expenditure account; or receipt and payment account).
- **Annex IIC** (applies to a company) for item wise details as to the nature of adjustments made in book profits/(losses) to arrive at business income/(loss) in accordance with the provisions of the Income Tax Ordinance, 2001.

- **Annex IID** for adjustment of brought forward business losses, un-absorbed depreciation, initial allowance and amortization and losses of subsidiary and carry forward of the same. This annex is also for details of un-absorbed depreciation and business losses brought forward and/or carry forward.
- **Annex IIE** for details of depreciation, initial allowance and amortization for the year.
- **Annex IIF** for details of gain or loss on disposal of depreciable assets and intangibles.
- **Annex IIG** for details of bifurcation of income/loss from business attributable to sales/receipts, etc., subject to final Taxation.
- **Annex III** for details of the share income from AOP's and the particulars of the AOP's in which member/partner.
- **Annex IV** for details and computation of income from property.
- **Annex V** for details and computation of capital gains.
- **Annex VI** for details and computation of income from other sources.
- **Annex VII** for details and computation of foreign source income.
- **Annex VIII** for details and computation of claims of tax reductions, tax credits and tax averaging.
- **Annex IX** for details and computation of claim of separate taxation of retirement benefits, arrears of salary or profit on debts relating to prior years derived from investment in National Saving Schemes including Defence Savings Certificates.
- **Annex X** for details of claim of advance tax paid, adjustable tax collected or deducted at source and prior years refunds due.
- **Annex XI** is for taxpayers who have income subject to final taxation as well as income subject to normal taxation. This is in lieu of R5 - Statement of Final Taxation.
- **Annex XII** (applies to a company) for furnishing certain key information listed in the annex. This annex is compulsory for every company.

How to get the forms

- All income tax return forms, statements and annexes are priced and sold by approved private printers through their outlets in Income Tax Offices.
- These forms and annexes can also be downloaded from CBR's website www.cbr.gov.pk or photo copied. However, it should be ensured that the paper used is of white colour, legal size (8 1/2" X 14"), at least 90 grams.
- Two copies of the return, certificate, attachment or statement are to be submitted. The tax department will retain the original and the duplicate, duly signed, dated and stamped will be returned as acknowledgment thereof.

How to get NTN

- In case you don't know the National Tax Number, visit CBR's website www.cbr.gov.pk for on line verification or visit nearest NTN Center / Cell.
- If National Tax Number is not allotted, it is better to obtain the same by submitting an application in prescribed form to the nearest NTN Center /Cell.
- National Tax Number application forms can be obtained from the nearest NTN Center / Cell or downloaded from CBR's website www.cbr.gov.pk.
- NTN Centers /Cells are located at:
 - o CDA Block II, Old CBR Building, Melody, Islamabad Ph # 051-9210040 Fax # 051-9208685
 - o Income Tax Building, Nabah Road, Lahore Ph # 042-9212202 Fax # 042-9211909
 - o Income Tax Building, Shahrah-e-Kamal Attaturk, Karachi Ph # 021-9211330 Fax # 021-9212534
 - o Income Tax Building, Queens Road, Sukkur Ph # 071-9310148 Fax # 071-9310149
 - o Income Tax House, L.M.Q. Road, Multan Ph # 061-9201101 Fax # 061-9201102
 - o Income Tax House, Opposite Allied Hospital, Sargodha Road, Faisalabad Ph # 041-9210310 Fax # 041-9210311
 - o Income Tax Building, G.T. Road, Gujranwala Ph # 0431-9200796 Fax # 0431-9200797
 - o Income Tax House, Katchery Road, Sialkot Ph # 0432-290420 Fax # 0432-290422
 - o Income Tax House, Jamrud Road, Peshawar Ph # 091-9206091 Fax # 091-9206092
 - o Income Tax Office, Spinny Road, Quetta Ph # 081-9202826 Fax # 081-9201376
 - o Income Tax Building, Civil Lines, Hyderabad Ph # 0221-782961 Fax # 0221-782962
 - o Computer Center, 26-C Model Town-A, Shabbir Shaheed Road, Bahawalpur Ph # 0621-9255280 Fax # 0621-9255282
 - o Income Tax Complex, Canal Colony, Sahiwal PH # 0441-227465
 - o Computer Center, 275-A Satellite Town, Sargodha Ph # 0451-210994
 - o Medium Taxpayer Unit, Rashid Minhas Road, Rawalpindi PH # 051-9270411
- An application in prescribed form can also be annexed with the return, certificate or statement.

Select the return, certificate, statement and annexes that are applicable in your case.

The return form selected will also guide you in selection of applicable annexes.

Instructions to fill-in are given at the back of each return, certificate, statement and annex.