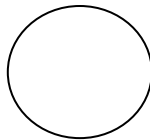


Obligation to file Income Tax Declarations

TAXPAYER'S FACILITATION GUIDE

Brochure – IR-IT-02 / Updated April, 2014

Revenue Division
Federal Board of Revenue
Government of Pakistan



helpline@fbr.gov.pk
0800-00-227, 051-111-227-227
www.fbr.gov.pk

Our Vision

To be a modern, progressive, effective, autonomous and credible organization for optimizing revenue by providing quality service and promoting compliance with tax and related laws

Our Mission

Enhance the capability of the tax system to collect due taxes through application of modern techniques, providing taxpayer assistance and by creating a motivated, satisfied, dedicated and professional workforce

Our Values

*Integrity
Professionalism
Teamwork
Courtesy
Fairness
Transparency
Responsiveness*

*For assistance and information on tax matters
Please contact our help line center through
Toll Free Telephone 0800-00-227 and following numbers:
Telephone 051-111-227-227 or 051-111-227-228
Fax 051-9205593
E-mail helpline@fbr.gov.pk*

or

Visit our tax facilitation center (located in all major cities) or any Regional Tax Office

or

Visit our website at www.fbr.gov.pk.

Federal Board of Revenue
Revenue Division
Government of Pakistan

Brochure – IR-IT-02
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Introduction

This brochure provides general information about taxpayers for filing income tax obligations of declarations (return of income and statement of final/fixed tax).

We have used simple 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.

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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 memberfate@fbr.gov.pk
or

You can write to us at the following address:

**Member, Facilitation And Taxpayer's
Education,
Federal Board of Revenue,
Constitution Avenue,
Islamabad**

What is a "Return of Income"

The Return of Income is a Form filed by a person to the Income Tax Department. It contains details of the person's annual income(s).

Obligation to file income tax declarations

Who is required to submit a return of income?

1. Every **company** irrespective of any conditions, whether earning exempt income, or still in start-up stage or any other situation;
2. **Associations of persons** and individuals with annual income over Rs. 400,000/- for tax year 2013.
 - **Any person who is charged** to tax in any of the two preceding **tax years**
 - Any person who claims a loss to be carried forward and set-off against the income of the following year(s).
3. Any person who owns immovable property:
 - i. with land area of 250 sq. yards or more located in areas falling within the **municipal limits**, a Cantonment Board, or the Islamabad Capital Territory;
 - ii. with land area of 500 sq. yards or more located in rating area; or
 - iii. a flat located in areas falling within the **municipal limits**, a Cantonment Board, or the Islamabad Capital Territory; or
 - iv. a flat with covered area of 2,000 sq. feet or more located in rating areas;
4. any person who owns a motor vehicle having engine capacity of 1,000 cc or more
5. any person who has obtained a National Tax Number; or
6. any person who is the holder of commercial or industrial connection of electricity where

the amount of annual bill exceeds Rs. 1,000,000.

7. **Non profit organizations**, irrespective of any conditions;
8. Any welfare institution approved under Clause (58) of Part I of the Second Schedule to the Income Tax Ordinance, 2001, irrespective of any conditions.
 - Every individual whose income under the head 'Income from business' exceeds Rs. 300,000 but does not exceed the **maximum amount that is not chargeable to tax**.
 - Any person [who in the opinion of the Commissioner was required to furnish the return of income (for any of the aforesaid reasons) but has failed to do so] to whom a notice for furnishing of the return of income has been served by the Commissioner.

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).

Who is not required to file I.T Return?

Exceptions (not required to file return of income) to the above are as under:

- Deriving income exclusively from salary **upto Rs. 499,999** (The annual statement of deduction of income tax from salary, filed by the employer is treated as return of income on behalf of such employee);
- Entire income is subject to final tax or fixed tax for which a separate statement is prescribed;
- A widow, an orphan below the age of 25 years or a disabled person solely for the reason of owning immovable property (a flat or land of 250 sq. yards or more) located in areas falling within the municipal limits*, a Cantonment Board, or the Islamabad Capital Territory; and
- A **non-resident** for the reason of owning immovable property;

Definition

“Municipal limits” means areas existing immediately before the commencement of local government laws in the provinces.

Definition

“Non-profit organization” means any person other than an individual which is:

- Established for religious, educational, charitable, welfare or development purposes, or for the promotion of an amateur sport;
- Formed and registered under any law as a non-profit organization;
- Approved by the commissioner of income tax; as a NPO and
- None of the assets of such person confers, or may confer, a private benefit to any other person;

“Maximum amount that is not chargeable to tax” for the **tax year** 2013 is Rs. 400,000 of **taxable income** derived from all sources taken together.

Who is required to furnish the statement of final/fixed tax?

- Any person deriving **income subject to a separate charge, income subject to final tax** or **separate block of income** [Please read our brochure **Income subject to Separate Charge, Final Tax, and Fixed Tax Regimes of Income Tax**]
- Any person [who in the opinion of the Commissioner was required to furnish the statement of final/fixed tax but has failed to do so] to whom a notice for furnishing of the statement of final/fixed tax has been served by the Commissioner.

What is the due date for furnishing the return of income and/or statement of final/fixed tax?

The due dates for furnishing the return of income and/or statement of final/fixed tax for are as under:

	Due date
In case of a company (Both for return of income and/or statement of final/fixed tax):	
• Whose tax year ends between 1 st July and 31 st December	30 th September *
• Whose tax year ends between 1 st January and 30 th June	31 st December *
In case of salaried individual (Both for return of income and/or statement of final/fixed tax only)	31 st August *
In case of other individual and association of persons	
• Required to furnish statement of final/fixed tax only	31 st August *
• Required to furnish statement of final/fixed tax and return of income	30 th September *
• Required to furnish return of income only	30 th September *
* next following the end of tax year	

Where to furnish the return of income and/or statement of final/fixed tax?

- **Hard copies (printed forms)** of the return of income and/or statement of final/fixed tax can be furnished:

- By post or courier service; or
- Delivery by hand;

to the Tax Facilitation Center of the respective Large Taxpayer Unit or Regional Tax Office having jurisdiction over a taxpayer **where *electronic filing of return of income and/or statement of final/fixed tax is not mandatory.***

- **Soft copies (electronic filling)** of the return of income and/or statement of final/fixed tax are required to be furnished through Federal Board of Revenue web portal (www.e.fbr.gov.pk).

Is it mandatory to furnish the return of income and/or statement of final/fixed tax electronically?

Electronic filing of return of income and/or statement of final/fixed tax is mandatory for the following:

- A **company**;
- An **Association of Persons**; and
- An individual registered under the Sales Tax Act, 1990
- An individual deriving income from salary of Rs. 500,000 or more.

For further information on the procedure for e-filing please visit FBR's web portal www.e.fbr.gov.pk

What penalties and default surcharge are charged from non-filers, late-filers or short-filers?

- Non-filers or late-filers attract a penalty equal to 0.1% of the tax payable for each day of default subject to a minimum penalty of Rs. 5,000 and a maximum penalty of 25% of the tax payable;
- Non-filers, late-filers or short-filers owing a tax payable on the due date of furnishing the return of income and/or statement of final/fixed tax also attract Default Surcharge (interest) at the rate of KIBOR plus 3% per quarter; and

- Where a return of income and/or statement of final tax are required to be furnished in compliance to a notice served by the Commissioner, the non-filers and late filers commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both.

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

Penalty for non-filing or late filing can be avoided by taking extension in time for furnishing the return of income and/or statement of final/fixed tax from the Commissioner.

For this purpose application in writing, by the due date, has to be made to the Commissioner specifying the reasons for inability to furnish the return of income and/or statement of final/fixed tax by the due date.

If the Commissioner is satisfied that because of the absence from Pakistan, sickness of the taxpayer, any misadventure or any other reasonable cause, the taxpayer is unable to furnish the return of income and/or statement of final/fixed tax on the due date, the Commissioner is empowered to allow extension for furnishing the return of income and/or statement of final/fixed tax upto 15 days and in exceptional circumstances for a longer period.

What if an omission or wrong statement is discovered later in the return of income and/or statement of final/fixed tax?

A return of income and/or statement of final/fixed tax can be revised to correct any omission or wrong statement discovered later on, within 5 years from the end of the financial year in which the return of income and/or statement of final/fixed tax was originally furnished.

The revised return of income and/or statement of final/fixed have to be accompanied with revised accounts or revised audited accounts and the reasons for such revision.

Furnishing of revised return of income and/or statement of final tax does not absolve a person from payment of default surcharge.

In case of refund what is required to be done?

- If computation of tax results in a refund, you are required to submit a separate application for claim of refund in the prescribed form with the return of income and/or statement of final tax.
- The refund can also be claimed later on (after you have submitted your tax returns) 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.

Definitions

Following terms used in this brochure are explained in our brochure "**Basic Concepts of Tax on Income**":

- Company
- Associations of persons
- Taxable income
- Tax year

Facilitation and Taxpayer Education Material available on our website www.fbr.gov.pk

Income Tax:

- Income Tax Ordinance, 2001;
- Income Tax Rules, 2002;
- Income Tax Notifications (SRO's issued by the Federal Government);
- Income Tax Circulars (Clarifications issued by the Federal Board of Revenue);
- Income Tax Forms (Registration form, return forms, withholding tax statements, tax deposit form);
- Computer Software (Withholding tax statements);
- Avoidance of Double Tax Treaties with other countries;
- Publications and brochures

Sales Tax

- Sales Tax Act, 1990;
- Sales Tax Rules, 2006;
- Sales Tax Special Procedure Rules, 2007;
- Sales Tax Special Procedure (Withholding) Rules, 2007
- Sales Tax Notifications (SRO's issued by the Federal Government);
- Sales Tax General Orders;
- Sales Tax Circulars/Rulings (Clarifications issued by the Federal Board of Revenue);
- Sales Tax Forms (Registration form, return forms, tax deposit form);
- Computer Software (Refund claim);
- Publications and brochures

Federal Excise Duty

- Federal Excise Act, 2005;
- Federal Excise Rules, 2005;
- Federal Excise Notifications (SRO's issued by the Federal Government);
- Federal Excise General Orders;
- Federal Excise Circulars/Rulings (Clarifications issued by the Federal Board of Revenue);
- Federal Excise Forms (Return forms);
- Publications and brochures

On line information services:

- Registration (Income Tax, Sales Tax and Federal Excise Duty);
- Registration Application Status (Income Tax and Sales Tax);
- Registered Taxpayers Verification (Income Tax and Sales Tax);
- Active taxpayers list;

F A T E
“Facilitation and Tax Education “
is the key to Voluntary Compliance
and
Voluntary Compliance is the key to
“**Better Revenues**”