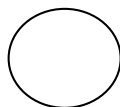


Collection and Deduction of Income Tax at Source (Withholding Agents Perspective) (Taxpayer's Facilitation Guide)

Brochure – IR-IT-04
September 2013

Revenue Division
Federal Board of Revenue
Government of Pakistan



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INTRODUCTION

Income Tax Ordinance, 2001 makes it obligatory to collect and deduct tax at source on certain specified persons (listed in cross index withholding agent wise), commonly known as “**Withholding Agents**” at a time when an economic activity takes place. This brochure explains the provisions of the Income Tax Ordinance, 2001 governing withholding tax in a simple and concise manner. It mainly revolves around the obligations of the withholding agents as to collection or deduction of tax at source, i.e. –

- Identifying the withholding agents;
- **Persons** from whom tax is to be deducted or collected;
- Applicable rates of withholding taxes;
- Basis of withholding tax;
- Time of deduction;
- Time of deposit of tax deducted or collected in the account of Federal Government;
- Frequency and time of submitting the statements of tax deducted or collected;
- Applicable exemptions and reduced rates; and
- Liabilities of the withholding agents and consequences of non-compliance.

A cross-index of different tax withholding agents and the corresponding applicable provisions of law is also given for quick and easy reference.

This brochure has been arranged section wise.

Definitions of various expressions and terminologies used shown in ***italic bold*** are given at the end of this brochure.

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

Comments and suggestions

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

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IMPORT OF GOODS
Section 148

Person(s) liable to collect tax	Collector of Customs	
From whom	Importer of goods	
Rate	12%	Import of foreign produced film imported for the purposes of screening and viewing
	5%	Other goods imported by an “industrial undertaking” or a “company”
	5.50%	Other goods imported by all other importers
Reduced rate	3%	Commercial importers covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011 [Clause (9C) of Part II of 2nd Schedule]
	2%	Pulses [Clause (24) of Part II of 2 nd Schedule]
	1%	Phosphatic fertilizer imported in pursuance of Economic Coordination Committee of the cabinet's decision No. ECC-155/12/2004 dated the 9th December, 2004, [Clause (13E) of Part II of 2nd Schedule]
	1%	Urea fertilizer [Clause (23) of Part II of 2nd Schedule]
	1%	Re-melt-able steel and directly reduced iron [Clause (9B) of Part II of 2nd Schedule]
	1%	Manufacturers covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011 [Clause (9C) of Part II of 2nd Schedule]
On	Value of goods as determined under section 25 of the Customs Act, 1969, as if the goods were subject to <i>ad valorem</i> duty increased by the Customs-Duty, Sales Tax and Federal Excise Duty, if any, payable in respect of the import of the goods.	
When	At the same time and manner as the customs duty is payable in respect of the goods imported	

Exemptions

Following persons are exempt from collection of tax at source under this section:

- | | |
|--|--|
| <p>1. Federal Government [Section 49 and SRO 947(I)/2008 dated September 05, 2008].</p> <p>2. Provincial Government [Section 49 and SRO 947(I)/2008 dated September 05, 2008].</p> <p>3. Local Government [Section 49 and SRO 947(I)/2008 dated September 05, 2008].</p> <p>4. Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the</p> | <p>5. Direct and indirect exporters covered under sub-chapter 7 of Chapter XII of SRO 450(I)/2001 dated June 18, 2001[Clause (56)(ii) of Part IV of 2nd Schedule]</p> <p>6. Manufacturing Bond as prescribed under Chapter XV of Customs Rules, 2001 notified <i>vide</i> S.R.O. 450(I)/2001, dated June 18, 2001 [Clause (56)(iv) of Part IV of 2nd Schedule]</p> |
|--|--|

7. Contactors and sub-contractors engaged in the execution of power project under the agreement between the Islamic Republic of Pakistan and HUB Power Company Limited [Clause (70) of Part IV of 2nd Schedule].
8. An **industrial undertaking** which has paid the tax liability for the current tax year, on the basis of determined tax liability for any of the preceding two tax years, whichever is the higher, and a certificate to this effect is issued by the concerned **Commissioner** [Clause (72B) of Part IV of 2nd Schedule]
9. Foreign company and its associations whose majority share capital are held by a foreign Government. [SRO 947(I)/2008 dated September 05, 2008].
10. Petroleum (E&P) companies (other than motor vehicles) covered under the Customs and Sales Tax Notification No. SRO 678(I)/2004 dated August 7, 2004 [SRO 947(I)/2008 dated September 05, 2008]
11. Businessmen Hospital Trust, Lahore. [SRO 840(I)/79 dated September 12, 1979].
12. Goods classified under Pakistan Customs Tariff falling under Chapters 27, 86 and 99 [Clause (56)(i) of Part IV of 2nd Schedule]
13. Goods temporarily imported into Pakistan for subsequent exportation and which are exempt from customs duty and sales tax under Notification No. S.R.O. 492(I)/2009, dated the 13th June, 2009 [Clause (56)(iii) of Part IV of 2nd Schedule]
14. Mineral oil imported by a manufacturer or formulator of pesticides which is exempt from customs-duties under the customs Notification No. S.R.O. 857(I)/2008, dated the 16th August, 2008 [Clause (56)(v) of Part IV of 2nd Schedule]
15. Fully as well partly designed/assembled cypher devices, for use within the country as are verified by Cabinet Division (NTISB) with reference to design, quality and quantity [Clause (60) of Part IV of 2nd Schedule].
16. Import of goods dedicated for use in renewable sources of energy like solar and wind etc., even if locally manufactured, which include induction lamps, SMD, LED's with or without blast with fittings and fixtures, wind turbines including alternator and mast, solar torches, lanterns and related instruments, PV modules with or without the related components including inverters, charge controllers and batteries. [Clause (77) of Part IV of 2nd Schedule].
17. Import of plant, machinery, fixtures, fittings or its allied equipments for the purposes of setting up an **industrial undertaking** (including hotels) or for installation of an existing **industrial undertaking** (including hotels) by the same **industrial undertaking** and a certificate to that effect from the Commissioner, in respect of such plant, machinery, fixtures, fittings or equipments is produced. *certain conditions and restrictions apply on the issuance of the certificate by the Commissioner). [SRO 947(I)/2008 dated September 05, 2008].
18. Plant or machinery imported by a person for execution of a contract with the Federal Government or Provincial Government or Local Government and produces a certificate from that Government. [SRO 947(I)/2008 dated September 05, 2008].
19. High-speed diesel oil, light diesel oil, high-octane blending component or kerosene oil imported by companies. [SRO 947(I)/2008 dated September 05, 2008].
20. Crude oil for refining and chemicals used in refining thereof imported by companies. [SRO 947(I)/2008 dated September 05, 2008].
21. Goods temporarily imported into Pakistan for subsequent exportation which are exempt from Customs duty and Sales tax under Notification No. SRO 1065(I)/2005 dated 20th October, 2005 [SRO 863(I)/2006 dated August 22, 2006]
22. Raw materials imported for own consumption by the taxpayers (other than the manufacturers and suppliers of cement, sugar, beverages and cigarettes) located in the most affected areas of Khyber Pakhtunkhwa, (district Peshawar, Malakand Agency, and districts of Swat, Buner, Shangla, Upper Dir, Lower Dir, Hangu, Bannu, Tank, Kohat, and chitral) and taxpayers located in moderately affected areas of Khyber Pakhtunkhwa (Charsada, Nowshera, D.I. Khan, Batagram, Lakki Marwat, Swabi and Mardan), FATA and PATA on production of exemption certificate issued by the Chief Commissioner concerned. [SRO 754(I)/2010 dated August 09, 2010]

Reduced rates:

1. Old and used automotive vehicles of Asian makes meant for transport of persons is subject to a maximum import duties (Custom Duty, Sales Tax and Income Tax) as under:

US \$ 4,400	Up to 800cc
US \$ 5,500	from 801cc to 1000cc
US \$ 11,000	from 1001cc to 1300cc
US \$ 15,400	from 1301cc to 1500cc
US \$ 18,700	from 1501cc to 1600cc
US \$ 23,100	from 1601cc to 1800cc (excluding jeeps)

The above maximum amount of import duties (Custom Duty, Sales Tax and Income Tax) is subject to reduction on account of depreciation at the rate of 1% per month with a maximum limit of 50% and 60% in case of cars.

[Clause (4) of Part III of 2nd Schedule read with Customs SRO 577(I)/2005 dated June 06, 2005]

2. In case of import of hybrid cars the amount of tax payable on import stage shall be reduced as under:

Engine Capacity	Rate of reduction
Upto 1200 cc	100%
1201 to 1800 cc	50%
1801 to 2500 cc	25%

Clarifications

1. Importers of goods belonging to tribal areas etc. are also liable for collection of tax on goods imported by them. However, since Income Tax Ordinance, 2001 does not extend to tribal areas etc., they can claim the refund of such tax collected from them (certain restrictions apply) [Circular Letter C. No. 63(I)/IT-6/80 dated November 27, ?????].
2. In case of importers of Azad Kashmir, the Customs authorities in Pakistan shall honour the certificate issued by the Commissioner, Azad Jammu and Kashmir, to the effect that such importer has paid the tax due as required by this section in designated branches of National Bank of Pakistan in Azad Jammu and Kashmir, alongwith a copy of such tax paid deposit receipt (challan).[Circular No. 13 of 1998 dated October 02, 1998]

PAYMENT OF SALARY
Section 149

Person(s) liable to deduct tax *Person responsible for paying salary*

From whom *Employee*

Rate On *salary* excluding flying and submarine allowance – **Annual average rate** (to be calculated as per rate card and as reduced by applicable **Reduction in tax liability**) after making adjustment for:

- a. any other adjustable tax collected or deducted at source (which is not a final tax) from employee during the tax year;
- b. tax credit admissible under section 61, 62, 63 and 64 during the tax year;
- c. any excess deduction or deficiency arising out of any previous deduction; or
- d. failure to make deduction during the year.

2.50% On flying allowance, not exceeding basic salary, paid to the pilots, flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces; and

2.50% On submarine allowance, not exceeding basic salary, paid to the officers of the Pakistan Navy [Clause (1) of Part II of 2nd Schedule].

On *Salary* chargeable to tax

When At the time the *salary* is actually paid

Rate card for calculating gross income tax on the taxable income from *salary*, excluding flying and submarine allowance is as under:

Tax Year 2014

Taxable income between	Rate of tax		
Rs. 0 and Rs. 400,000	0%	Rs. 2,500,001 and Rs. 3,000,000	Rs. 262,500 plus 20% of the amount exceeding Rs. 2,50,000
Rs. 400,001 and Rs. 750,000	5% of the amount exceeding Rs. 400,000	Rs. 3,000,001 and Rs. 3,500,000	Rs. 362,500 plus 22.50% of the amount exceeding Rs.3,000,000
Rs. 750,001 and Rs. 1,400,000	Rs. 17,500 plus 10% of the amount exceeding Rs. 750,000	Rs. 3,500,001 and Rs. 4,000,000	Rs. 475,000 plus 25% of the amount exceeding Rs.3,500,000
Rs. 1,400,001 and Rs. 1,500,000	Rs. 82,500 plus 12.50% of the amount exceeding Rs. 1,400,000	Rs. 4,000,001 and Rs. 7,000,000	Rs. 600,000 plus 27.50% of the amount exceeding Rs.4,000,000
Rs. 1,500,001 and Rs. 1,800,000	Rs. 95,000 plus 15% of the amount exceeding Rs. 1,500,000	Exceeds Rs. 7,000,000	Rs. 1,425,000 plus 30% of the amount exceeding Rs. 7,000,000
Rs. 1,800,001 and Rs. 2,500,000	Rs. 140,000 plus 17.5% of the amount exceeding Rs. 1,800,000		

Reduction in tax liability -

1. Where the taxable income, in a **tax year**, of a taxpayer aged 60 years or more on the first day of that **tax year** does not exceed Rs. 1,000,000, his tax liability on such income is reduced by fifty percent (50%). [Sub-clause (1A) of Clause (1) of Part III of 2nd Schedule]
2. The tax payable by a full time teacher or a researcher, employed in a non profit education or research institution including government training and research institution duly recognized by a Board of Education or a University or the University Grants Commission, is further reduced by an amount equal to 40% of the tax payable on **salary** income after the aforesaid reduction. [Sub-clause (2) of Clause (1) of Part III of 2nd Schedule]

Clarifications

1. Chargeability of income to tax is subject to determination of residential status that is **resident** individual or not. Since residential status of a Pakistani Seaman working abroad foreign flag-ships cannot be determined before the expiry of the **tax year**. Shipping agents are not required to withhold tax on **salary** paid to such Pakistani seaman. [Circular No. 18 of 2000 dated July 20, 2000]
2. The **employer** is permitted to make necessary adjustments while deducting tax from a subsequent payment of **salary** during **tax year** for any over or under-deducted tax from any earlier payment of **salary** in the same **tax year**. [Section 149(1)(iii) and Circular No. 18 of 2004 dated August 09, 2004].

PAYMENT OF DIVIDEND
Section 150

Person(s) liable to deduct tax	Every <i>person</i>
From whom	Recipients of <i>dividend</i>
Rate	10%
Reduced rate	7.5% Paid by a purchaser of a power project privatized by WAPDA [Clause (17) of Part II of 2 nd Schedule].
	7.5% Paid by a company set up for power generation [Clause (20) of Part II of 2 nd Schedule].
On	Gross amount of <i>dividend</i>
When	At the time the <i>dividend</i> is actually paid

Exemptions

Following persons are exempt from deduction of tax at source under this section:

1. Federal Government [Section 49].
2. Provincial Government [Section 49]
3. **Local Government** [Section 49]
4. **Companies** entitled to group taxation under section 59AA and 59B of the Income Tax Ordinance, 2001 in respect of their inter corporate *dividends* [Clause (11B) of Part IV of 2nd Schedule].
5. **Venture Capital Company** [Clause (38A) of Part IV of 2nd Schedule].
6. Islamic Development Bank [Clause (38B) of Part IV of 2nd Schedule]
7.
 - a. National Investment (Unit) Trust;
 - b. A modaraba;
 - c. A collective investment scheme;
 - d. An **approved Pension Fund**;
 - e. An **approved Income Payment Plan**;
 - f. **Real Estate Investment Trust** (REIT) Scheme;
 - g. A Private Equity and Venture Capital Fund;
 - h. A **recognized Provident Fund**;
 - i. An **approved Superannuation Fund**; and
 - j. An **approved Gratuity Fund**.

[Clause (47B) of Part IV of 2nd Schedule].

8. International Finance Corporation established under the International Finance Corporation Act, 1956 [Clause (67) of Part IV of 2nd Schedule]
9. Asian Development Bank established under the Asian Development Bank Ordinance, 1971 [Clause (69) of Part IV of 2nd Schedule]
10. ECO Trade and Development Bank [Clause (72) of Part IV of 2nd Schedule]
11. **Shareholder** of a project situated in the special Economic Zone at Thar coalfield for a period of 30 years commencing from the date of commencement of business. [Clause (78) of Part IV of 2nd Schedule]
12. **Shareholder** who produces a certificate from the Commissioner to the effect that the recipient's income during the **tax year** is exempt from tax under the Income Tax Ordinance, 2001. [SRO 1236(I)/91 dated December 05, 1991].

Following persons are not obliged to deduct tax at source under this section:

13. **Venture Capital Company** [Clause (38A) of Part IV of 2nd Schedule].
14. Islamic Development Bank [Clause (38B) of Part IV of 2nd Schedule]

PAYMENT OF PROFIT ON DEBT
Section 151(1)(a)

Person(s) liable to deduct tax	Person paying yield (profit on debt) on an account, deposit or a certificate under the National Savings Scheme or Post Office Savings Account
From whom	Resident recipient of yield (Profit on debt)
Rate	10%
On	Yield (profit on debt) on an account, deposit or a certificate under the National Savings Scheme or Post Office Savings Account as reduced by amount of Zakat, if any, paid by the recipient under the Zakat and Ushr Ordinance, 1980.
When	At the time the yield (profit on debt) is credited to the account of the recipient or is actually paid, whichever is earlier.

Exemptions

Following persons are exempt from deduction of tax at source under this section:

1. The Federal Government [Section 49].
2. Provincial Government [Section 49 and SRO 594(I)/91 dated June 30, 1991].
3. **Local Government** [Section 49 and SRO 594(I)/91 dated June 30, 1991].
4. Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network. [Clause (16) of Part IV of 2nd Schedule].
5. **Non-resident**, (excluding local branches or subsidiaries or offices of foreign banks, **companies, associations of persons** or any other **person** operating in Pakistan), in respect of their **profit on debt** from Pak rupees denominated Government securities, where the investments are exclusively made from foreign exchange remitted into Pakistan through a Special Convertible Rupees Account maintained with a bank in Pakistan. [Clause (19) of Part IV of 2nd Schedule]
6. **Special Purpose Vehicle** for the purposes of securitization Company [Clause (38) of Part IV of 2nd Schedule]
7. **Venture Capital Company** [Clause (38A) of Part IV of 2nd Schedule]
8. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule]
9.
 - a. National Investment (Unit) Trust;
 - b. A modaraba;
 - c. A collective investment scheme;
 - d. An **approved Pension Fund**;
 - e. An **approved Income Payment Plan**;
 - f. **Real Estate Investment Trust (REIT)** Scheme;
 - g. A Private Equity and Venture Capital Fund;
 - h. A **recognized Provident Fund**;
 - i. An **approved Superannuation Fund**; and
 - j. An **approved Gratuity Fund**.

[Clause (47B) of Part IV of 2nd Schedule].
10. International Finance Corporation established under the International Finance Corporation Act, 1956 [Clause (67) of Part IV of 2nd Schedule]
11. Pakistan Domestic Sukuk Company Limited [Clause (68) of Part IV of 2nd Schedule]
12. Asian Development Bank established under the Asian Development Bank Ordinance, 1971 [Clause (69) of Part IV of 2nd Schedule]
13. ECO Trade and Development Bank [Clause (72) of Part IV of 2nd Schedule]
14. A **person** who produces a certificate from the Commissioner to the effect that their income during the **tax year** is exempt from tax under the Income Tax Ordinance, 2001 or any other law for the time being in force. [SRO 594(I)/91 dated June 30, 1991].

Profit on debt on following account, deposit or certificate are exempt from deduction of tax at source under this section:

15. Account, deposit or certificate issued under the National Savings Scheme of Post Office Savings Account which were exempt from tax under the repealed Income Tax Ordinance, 1979 and where investment was made on or before June 30, 2001 [Section 239(14)].
16. Mahana Amadni Account held under the National Savings Scheme where the monthly installment does not exceed Rs. 1,000 [Section 239(14)].
17. Bahbood Savings Certificate or Pensioner's Benefit Account issued under the National Savings Scheme [Clause (36A) of Part IV of 2nd Schedule]
18. Pak rupee accounts or certificates held under the National Savings Scheme or Post Office Savings Account, which are created out of foreign currency account or deposit held on May 28, 1998, with a bank authorized under the Foreign Currency Scheme of State Bank of Pakistan [Clause (59)(iii) of Part-IV of 2nd Schedule].
19. Monthly income Savings Account held under the National Savings Scheme, where monthly installment in an account does not exceed one thousand rupees (applies to a **resident** individual only) [Clause (59)(iv)(b) of Part-IV of 2nd Schedule].

PAYMENT OF PROFIT ON DEBT
Section 151(1)(b)

Person(s) liable to deduct tax	Banking Company Financial Institution
From whom	Resident recipient of Profit on debt on an account or deposit
Rate	10%
On	Profit on debt on an account or deposit maintained with a banking company or financial institution as reduced by amount of Zakat, if any, paid by the recipient under the Zakat and Ushr Ordinance, 1980 at the time the profit is paid.
When	At the time the profit on debt is credited to the account of the recipient or is actually paid, whichever is earlier.

Exemptions

Following persons are exempt from deduction of tax at source under this section:

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Federal Government [Section 49]. 2. Provincial Government [Section 49 and SRO 594(I)/91 dated June 30, 1991]. 3. Local Government [Section 49 and SRO 594(I)/91 dated June 30, 1991]. 4. Companies entitled to group taxation under section 59AA and 59B of the Income Tax Ordinance, 2001 in respect of their inter corporate profit on debts [Clause (11C) of Part IV of 2nd Schedule]. 5. Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network. [Clause (16) of Part IV of 2nd Schedule]. 6. Special Purpose Vehicle for the purposes of securitization Company [Clause (38) of Part IV of 2nd Schedule] 7. Venture Capital Company [Clause (38A) of Part IV of 2nd Schedule] 8. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule] 9. <ol style="list-style-type: none"> a. National Investment (Unit) Trust; b. A modaraba; | <ol style="list-style-type: none"> c. A collective investment scheme; d. An approved Pension Fund; e. An approved Income Payment Plan; f. Real Estate Investment Trust (REIT) Scheme; g. A Private Equity and Venture Capital Fund; h. A Recognized Provident Fund; i. An approved Superannuation Fund; and j. An approved Gratuity Fund. <p>[Clause (47B) of Part IV of 2nd Schedule].</p> <ol style="list-style-type: none"> 10. International Finance Corporation established under the International Finance Corporation Act, 1956 [Clause (67) of Part IV of 2nd Schedule] 11. Pakistan Domestic Sukuk Company Limited [Clause (68) of Part IV of 2nd Schedule] 12. Asian Development Bank established under the Asian Development Bank Ordinance, 1971 [Clause (69) of Part IV of 2nd Schedule] 13. ECO Trade and Development Bank [Clause (72) of Part IV of 2nd Schedule] 14. A person who produces a certificate from the Commissioner to the effect that its income during the tax year is exempt from tax under the Income Tax Ordinance, 2001 or any other law being in force. [SRO 594(I)/91 dated June 30, 1991]. |
|---|---|

Profit on debt on following account or deposit maintained with a banking company or financial institution are exempt from deduction of tax at source under this section:

15. Created out of foreign currency account or deposit held on May 28, 1998, with a bank authorized under the Foreign Currency Scheme of State Bank of Pakistan [Clause (59)(iii) of Part-IV of 2nd Schedule].
16. Foreign currency account or deposit maintained by a **person** with authorized banks in Pakistan, in accordance with Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by citizens of Pakistan and foreign nationals residing abroad, foreign association of persons, companies registered and operating abroad and foreign nationals residing in Pakistan. [SRO 594(I)/91 dated June 30, 1991].
17. Rupee account or deposit held by a citizen of Pakistan residing abroad with a scheduled bank in Pakistan, where the deposits in the said account are made exclusively from foreign exchange remitted into the said account. [SRO 594(I)/91 dated June 30, 1991].
18. Inter-bank deposits by a **banking company** [SRO 594(I)/91 dated June 30, 1991].

Following persons are not obliged to deduct tax at source under this section:

15. Islamic Development Bank [Clause (38B) of Part IV of 2nd Schedule]

PAYMENT OF PROFIT ON DEBT
Section 151(1)(c)

Person(s) liable to deduct tax	Federal Government Provincial Government Local Government
From whom	Resident recipient of profit on any security (profit on debt)
Rate	10%
On	Profit on debt on any security (other than an account, deposit or certificate under the National Savings Schemes or Post Office Account) issued by the Federal Government or a Provincial Government or a Local Government as reduced by amount of Zakat, if any, paid by the recipient under the Zakat and Ushr Ordinance, 1980 at the time the profit is paid.
When	At the time the profit on debt is credited to the account of the recipient or is actually paid, whichever is earlier

Exemptions

Following persons are exempt from deduction of tax at source under this section:

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Federal Government. [Section 49]. 2. Provincial Government. [Section 49 and SRO 594(I)/91 dated June 30, 1991]. 3. Local Government. [Section 49 and SRO 594(I)/91 dated June 30, 1991]. 4. A person whose income is not likely to be chargeable to tax and produces a certificate from the Commissioner of an exemption from deduction of tax [Section 159(1A)]. 5. Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network. [Clause (16) of Part IV of 2nd Schedule]. 6. Special Purpose Vehicle for the purposes of securitization Company [Clause (38) of Part IV of 2nd Schedule] 7. Venture Capital Company [Clause (38A) of Part IV of 2nd Schedule] 8. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule] | <ol style="list-style-type: none"> 9. <ol style="list-style-type: none"> a. National Investment (Unit) Trust; b. A modaraba; c. A collective investment scheme; d. An approved Pension Fund; e. An approved Income Payment Plan; f. Real Estate Investment Trust (REIT) Scheme; g. A Private Equity and Venture Capital Fund; h. A Recognized Provident Fund; i. An approved Superannuation Fund; and j. An approved Gratuity Fund. <p>[Clause (47B) of Part IV of 2nd Schedule].</p> 10. International Finance Corporation established under the International Finance Corporation Act, 1956 [Clause (67) of Part IV of 2nd Schedule] 11. Pakistan Domestic Sukuk Company Limited [Clause (68) of Part IV of 2nd Schedule] 12. Asian Development Bank established under the Asian Development Bank Ordinance, 1971 [Clause (69) of Part IV of 2nd Schedule] 13. ECO Trade and Development Bank [Clause (72) of Part IV of 2nd Schedule] 14. A person who produces a certificate from the Commissioner to the effect that its income during the tax year is exempt from tax under the Income Tax Ordinance, 2001 or any other law being in force [SRO 594(I)/91 dated June 30, 1991]. |
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Profit on debt on following Securities of the Federal, Provincial or Local Government are exempt from deduction of tax at source under this section:

15. Created by ***non-resident***, (excluding local branches or subsidiaries or offices of foreign banks, ***companies, associations of persons*** or any other ***person*** operating in Pakistan), where the investments are exclusively made from foreign exchange remitted into Pakistan through a Special Convertible Rupees Account maintained with a bank in Pakistan. [Clause (19) of Part IV of 2nd Schedule].
16. Created out of foreign currency account or deposit held on May 28, 1998, with a bank authorized under the Foreign Currency Scheme of State Bank of Pakistan [Clause (59)(iii) of Part-IV of 2nd Schedule].

PAYMENT OF PROFIT ON DEBT
Section 151(1)(d)

Person(s) liable to deduct tax	Banking Company Financial Institution Company as defined in the Companies Ordinance, 1984 Body Corporate formed by or under any law in force in Pakistan Finance Society
From whom	Resident recipient of Profit on debt
Rate	10%
On	Profit on debt on any bond, certificate, debenture, security or instrument of any kind issued by Banking Company, Financial Institution , Company as defined in the Companies Ordinance, 1984, a Body Corporate formed by or under any law in force in Pakistan or a Finance Society as reduced by amount of Zakat, if any, paid by the recipient under the Zakat and Ushr Ordinance, 1980 at the time the profit is paid.
When	At the time the profit on debt is credited to the account of the recipient or is actually paid, whichever is earlier

Exemptions

Following persons are exempt from deduction of tax at source under this section:

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| <ol style="list-style-type: none"> 1. Federal Government. [Section 49]. 2. Provincial Government. [Section 49 and SRO 594(l)/91 dated June 30, 1991]. 3. Local Government. [Section 49 and SRO 594(l)/91 dated June 30, 1991]. 4. Financial Institution. [Section 151(1)(d)]. 5. Companies entitled to group taxation under section 59AA and 59B of the Income Tax Ordinance, 2001 in respect of their inter corporate profit on debts [Clause (11C) of Part IV of 2nd Schedule]. 6. Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network. [Clause (16) of Part IV of 2nd Schedule] 7. Special Purpose Vehicle for the purposes of securitization Company [Clause (38) of Part IV of 2nd Schedule] 8. Venture Capital Company [Clause (38A) of Part IV of 2nd Schedule] | <ol style="list-style-type: none"> 9. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule] 10. a. National Investment (Unit) Trust;
b. A modaraba;
c. A collective investment scheme;
d. An approved Pension Fund;
e. An approved Income Payment Plan;
f. Real Estate Investment Trust (REIT) Scheme;
g. A Private Equity and Venture Capital Fund;
h. A Recognized Provident Fund;
i. An approved Superannuation Fund; and
j. An approved Gratuity Fund.

[Clause (47B) of Part IV of 2nd Schedule]. 11. International Finance Corporation established under the International Finance Corporation Act, 1956 [Clause (67) of Part IV of 2nd Schedule] 12. Pakistan Domestic Sukuk Company Limited [Clause (68) of Part IV of 2nd Schedule] 13. Asian Development Bank established under the Asian Development Bank Ordinance, 1971 [Clause (69) of Part IV of 2nd Schedule] 14. ECO Trade and Development Bank [Clause (72) of Part IV of 2nd Schedule] |
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15. A **person** who produces a certificate from the Commissioner to the effect that its income during the **tax year** is exempt from tax under the Income Tax Ordinance, 2001 or any other law being in force. SRO 594(I)/91 dated June 30, 1991].

Profit on debt on following bond, certificate, etc. are exempt from deduction of tax at source under this section:

16. Paid under a loan agreement by the borrower to a **Banking company** or a development financial institution. [Section 151(1)(d)].

17. Pak rupee denominated corporate securities and redeemable capital, as defined in the Companies Ordinance, 1984, listed on a registered stock exchange, where the investments are exclusively made from foreign exchange remitted into Pakistan through a Special Convertible Rupees Account maintained with a bank in Pakistan, paid to a **non-resident**, (excluding local branches or subsidiaries or offices of foreign banks, **companies, associations of persons** or any other **person** operating in Pakistan) [Clause (19) of Part IV of 2nd Schedule].

18. Term Finance Certificate held by a **company**, issued on, or after, the first day of July, 1999 [Clause (59)(i) of Part IV of 2nd Schedule]

19. Term Finance Certificates being the instruments of redeemable capital under the Companies Ordinance, 1984 (XLVII of 1984), issued by Prime Minister's Housing Development Company (Pvt) Limited (PHDCL) [Clause (59)(ii) of Part IV of 2nd Schedule]

20. Created out of foreign currency account or deposit held on May 28, 1998, with a bank authorized under the Foreign Currency Scheme of State Bank of Pakistan [Clause (59)(iii) of Part-IV of 2nd Schedule].

21. Inter-bank deposits by a **banking company** [SRO 594(I)/91 dated June 30, 1991].

Following persons are not obliged to deduct tax at source under this section:

22. **Special Purpose Vehicle** for the purposes of securitization Company [Clause (38) of Part IV of 2nd Schedule]

23. **Venture Capital Company** [Clause (38A) of Part IV of 2nd Schedule]

24. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule]

PAYMENT TO NON-RESIDENT – ROYALTY/FEE FOR TECHNICAL SERVICES
Section 152(1)

Person(s) liable to deduct tax	Every Person paying royalty or fee for technical services to a non-resident
From whom	Non-Resident Person
Rate	15% or lower rate as per agreement for avoidance of double taxation
On	Gross amount of royalty or fee for technical services chargeable to tax under section 6 (incomes subject to a separate charge)
When	At the time the royalty or fee for technical services is actually paid

Exemptions:

Following persons are exempt from deduction of tax at source under this section:

1. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule]
2. International Finance Corporation established under the International Finance Corporation Act, 1956 [Clause (67) of Part IV of 2nd Schedule]
3. Asian Development Bank established under the Asian Development Bank Ordinance, 1971 [Clause (69) of Part IV of 2nd Schedule]
4. ECO Trade and Development Bank [Clause (72) of Part IV of 2nd Schedule]

Following persons are not obliged to deduct tax at source under this section:

5. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule]
6. Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 in respect of income from Hajj operations [Clause (72A) of Part IV of 2nd Schedule]

PAYMENT TO *NON-RESIDENT* – EXECUTION OF CONTRACTS ETC
Section 152(1A)

Person(s) liable to deduct tax	Every <i>Person</i>
From whom	<i>Non-Resident Person</i>
Rate	6% or lower rate as per agreement for avoidance of double taxation
On	Gross amount of the payment (including an advance) on account of: (a) A contract or sub-contract under a construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project; or (b) Any other contract for construction or services rendered relating thereto; or (c) A contract for advertisement services rendered by T. V. Satellite Channels,
When	At the time the amount is actually paid

Exemptions:

Following persons are exempt from deduction of tax at source under this section:

1. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule]
2. International Finance Corporation established under the International Finance Corporation Act, 1956 [Clause (67) of Part IV of 2nd Schedule]
3. Asian Development Bank established under the Asian Development Bank Ordinance, 1971 [Clause (69) of Part IV of 2nd Schedule]
4. ECO Trade and Development Bank [Clause (72) of Part IV of 2nd Schedule]

Following persons are not obliged to deduct tax at source under this section:

5. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule]
6. Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 in respect of income from Hajj operations [Clause (72A) of Part IV of 2nd Schedule]

**PAYMENT TO *NON-RESIDENT* – INSURANCE OR REINSURANCE PREMIUM
Section 152(1AA)**

Person(s) liable to deduct tax	Every <i>Person</i>
From whom	<i>Non-Resident Person</i>
Rate	5% or lower rate as per agreement for avoidance of double taxation
On	Gross amount of the insurance premium or re-insurance premium, excluding payments made to a <i>permanent establishment</i> in Pakistan of a <i>non-resident</i> with the written approval of Commissioner.
When	At the time the amount is actually paid

Exemptions:

Following persons are exempt from deduction of tax at source under this section:

1. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule]
2. International Finance Corporation established under the International Finance Corporation Act, 1956 [Clause (67) of Part IV of 2nd Schedule]
3. Asian Development Bank established under the Asian Development Bank Ordinance, 1971 [Clause (69) of Part IV of 2nd Schedule]
4. ECO Trade and Development Bank [Clause (72) of Part IV of 2nd Schedule]

Following persons are not obliged to deduct tax at source under this section:

5. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule]
6. Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 in respect of income from Hajj operations [Clause (72A) of Part IV of 2nd Schedule]

PAYMENT TO *NON-RESIDENT* – MEDIA PERSONS
Section 152(1AAA)

Person(s) liable to deduct tax	Every <i>person</i>
From whom	<i>Non-resident</i> Media Person relaying from outside Pakistan
Rate	10%
On	Gross amount paid for advertising services relayed from out-side Pakistan
When	At the time the amount is actually paid

Following persons are not obliged to deduct tax at source under this section:

1. Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 in respect of income from Hajj operations [Clause (72A) of Part IV of 2nd Schedule]

PAYMENT TO NON-RESIDENT – OTHER PAYMENTS
Section 152(2)

Person(s) liable to deduct tax	Every Person
From whom	Non-resident Person
Rate	20% or lower rate as per agreement for avoidance of double taxation
Reduced rate	10% on profit on debt payable to a Non-resident Person not having Permanent Establishment in Pakistan [Clause (5A) of Part II of 2 nd Schedule]
On	Gross amount of any payment including profit on debt but excluding payments on account of: <ul style="list-style-type: none"> a. Royalty or fee for technical services which are covered under section 152(1) [Section 152(2)]; b. Certain contracts which are covered under section 152(1A) [Section 152(2)]; c. Insurance premium or re-insurance premium which are covered under section 152(1AA) [Section 152(2)]; d. Media persons which are covered under section 152(1AAA) [Section 152(2)]; e. Sale of goods, rendering of or providing of services and execution of contracts to the non-resident having a permanent establishment in Pakistan which are covered under section 152(2A) [Section 152(2)]; f. Salary being covered under section 149. [Section 152(3)(a)]; g. Dividend being covered under section 150. [Section 152(3)(a)]; h. Prizes and winnings being covered under section 156. [Section 152(3)(a)]; i. Brokerage or commission being covered under section 233. [Section 152(3)(a)]; j. Any payment that is taxable in the hands of a permanent establishment in Pakistan of the non-resident, with the written approval of the Commissioner [Section 152(3)(b)]; k. Any payment that is paid by a person who is liable to pay tax thereon as a representative of the non-resident under section 172(3) provided a declaration to this effect is filed with the Commissioner prior to making the payment. [Sections 152(3)(c) and 152(4)]; and l. Any payment that is not chargeable to tax (conditions and restrictions apply) [Sections 152(3)(d)].
When	At the time the amount is actually paid
Exemptions	3. International Finance Corporation established under the International Finance Corporation Act, 1956 [Clause (67) of Part IV of 2 nd Schedule]
Following persons are exempt from deduction of tax at source under this section:	
1. Islamic Development Bank [Clause (38C) of Part IV of 2 nd Schedule].	4. Asian Development Bank established under the Asian Development Bank Ordinance, 1971 [Clause (69) of Part IV of 2 nd Schedule]
2. Foreign news agencies, syndicate services and non-resident contributors, who have no permanent establishment in Pakistan [Clause (41B) of Part IV of 2 nd Schedule].	5. ECO Trade and Development Bank [Clause (72) of Part IV of 2 nd Schedule]

Following persons are not obliged to deduct tax at source under this section:

6. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule].
7. Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 in respect of income from Hajj operations [Clause (72A) of Part IV of 2nd Schedule]

Conditions and restriction

For the purposes of any payment that is not chargeable to tax excluded from the ambit of deduction of tax source under this section, following conditions and restrictions apply:

A notice in writing to the Commissioner that a payment being not chargeable to tax is being made without deduction of tax at source indicating the name and address of the payee and the nature and amount of payment.

The Commissioner on receipt of the notice will pass an order accepting the contention or directing to deduct the tax.

The exclusion of such payment from the payments not liable to deduction of tax source will not apply if the Commissioner directs otherwise.

However, no notice to the Commissioner is required for payment on account of:

- Import of goods where title to the goods passes outside Pakistan and is supported by import documents, except an import that is part of an overall arrangement for the supply of goods, their installation, and any commission and guarantees in respect of the supply where –
 - a. the supply is made by the head office outside Pakistan of a person to a **permanent establishment** of the **person** in Pakistan;
 - b. the supply is made by a **permanent establishment** of the **person** outside Pakistan to a **permanent establishment** of the **person** in Pakistan;
 - c. the supply is made between **associates**; or
 - d. the supply is made by a **resident person** or a Pakistan **permanent**

establishment of a **non-resident person**.

- Educational and medical expenses remitted in accordance with the regulations of the State Bank of Pakistan.
[Sections 152(5), 152(5A), 152(6) and 152(7)]

**PAYMENT TO PERMANENT ESTABLISHMENT IN PAKISTAN OF A NON-RESIDENT –FOR GOODS,
PAYMENT TO NON-RESIDENTS – SALE OF GOODS, SERVICES AND EXECUTION OF CONTRACTS
Section 152(2A)**

Person(s) liable to deduct tax	Federal Government; Company; Association of Persons constituted by, or under, law; Non-profit organization Foreign Contractor or Consultant; Consortium or Joint Venture; Association of Persons having turnover of fifty million rupees or more in the tax year 2007 or in any subsequent tax year ; An Individual having turnover of fifty million rupees or more in the tax year 2009 or in any subsequent tax year ; or A person registered under the Sales Tax Act, 1990
From whom	Permanent Establishment in Pakistan of a Non-Resident
Rate	3.50% Sale of goods 2.00% Transport services 6.00% Other services rendered or provided 6.00% Execution of contract
On	Gross amount of payment on account of: a. Sale of goods inclusive of sales tax payable, if any;; b. Rendering of or providing of services inclusive of sales tax payable, if any;; and c. Execution of a contract inclusive of sales tax payable, if any, other than a contract for the sale of goods or the rendering of or providing of services;
When	At the time the amount is actually paid

Exemptions

Following persons are not obliged to deduct tax at source under this section:

1. Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 in respect of income from Hajj operations [Clause (72A) of Part IV of 2nd Schedule]

PAYMENT FOR GOODS, SERVICES AND EXECUTION OF CONTRACTS
Section 153(1)

Person(s) liable to deduct tax	<p>Federal Government; Company; Association of Persons constituted by, or under, law; Non-profit organization Foreign Contractor or Consultant; Consortium or Joint Venture; Association of Persons having turnover of fifty million rupees or more in the tax year 2007 or in any subsequent tax year; An Individual having turnover of fifty million rupees or more in the tax year 2009 or in any subsequent tax year; or A person registered under the Sales Tax Act, 1990</p>
From whom	Resident Person ;
Rate	<p>1.50% Sale of rice, cottonseed or edible oils 3.50% Sale of any other goods (by a company) 4.00% Sale of any other goods (by a person other than a company) 2.00% Transport services 6.00% Other services rendered or provided (by a company) 7.00% Other services rendered or provided (by a person other than a company) 6.00% Execution of contact (by a company) 6.50% Execution of contact (by a person other than a company)</p>
Reduced rate	<p>1.00% Sale of rice by Rice Exporters Association of Pakistan (REAP) to Utility Store Corporation, in accordance with the provisions of the agreement, signed with Ministry of Food, Agriculture and Livestock (MINFAL) on May 5, 2008 [Clause (13HH) of Part II of 2nd Schedule]</p> <p>1.00% Distributors of cigarette and pharmaceutical products [Clause (24A) of Part II of 2nd Schedule]</p> <p>1.00% Large distribution house who fulfill all the conditions for a large import house as laid down under clause (d) of sub-section (7) of section 148, for large import houses [Clause (24A) of Part II of 2nd Schedule]</p> <p>1.00% Local sale of steel scrap to steel melters who have opted under Sales Tax Special Procedures and are compliantly filing returns under the said scheme [Clause (12) of Part IV of 2nd Schedule]</p> <p>1.00% Local sale, supplies and services provided or rendered to the following categories of Sales Tax Zero Rated taxpayers registered on or before June 30, 2011, namely:</p> <ol style="list-style-type: none"> a. Textile and articles thereof; b. Carpets; c. Leather and articles thereof including artificial leather footwear; d. Surgical goods; and e. Sports goods <p>[Clause (45A) of Part IV of 2nd Schedule]</p> <p>As may be directed by the Commissioner on case to case basis [Section 153(4)]</p>

On

Gross amount of payment on account of:

- d. Sale of goods inclusive of sales tax payable, if any, ('Sale of goods' includes sale of goods for cash or on credit, whether under written contract or not);
- e. Rendering of or providing of services inclusive of sales tax payable, if any, ('Services' includes the services of accountants, architects, dentists, doctors, engineers, interior decorators and lawyers, otherwise than as an employee); and
- f. Execution of a contract inclusive of sales tax payable, if any, other than a contract for the sale of goods or the rendering of or providing of services;

but excluding the following:

- a. Payment for goods, services and execution of contracts made to **persons** to whom the Commissioner, by an order in writing directs to make the payment without deduction of tax. [Section 153(4)];
- b. Sale of goods by an importer of goods who has paid tax at the time of import of such goods under section 148 and the goods are sold in the same condition as they were when imported. [Section 153(5)(a) and Clause (47A) of Part IV of 2nd Schedule];
- c. payments made to traders of yarn by the taxpayers specified in the zero-rated regime of sales tax (as provided under clause (45A) of Part-IV of the Second Schedule) [Section 153(5)(b)]
- d. Refund of any security deposit [Section 153(5)(c)];
- e. Payment for execution of contracts representing the cost of construction materials supplied to the contractor by the Federal, Provincial or **Local Government** [Section 153(5)(d)];
- f. Payment for sale of goods made to a cotton ginner who deposits in the Government Treasury, an amount equal to the amount of tax deductible on the payment being made to him, and evidence to this effect is provided to the withholding agent [Section 153(5)(e)];
- g. Payment for sale goods (purchase of an asset under a lease and buy back agreement) by a **modaraba**, leasing company, **banking company** or **financial institution**. [Section 153(5)(f)]; and
- h. Any payment for securitization of receivables by a **Special Purpose Vehicle** to the **Originator** [Section 153(5)(g)].

When

At the time the amount is actually paid

Exemptions

Khan Development Network. [Clause (16) of Part IV of 2nd Schedule].

Following persons are exempt from deduction of tax at source under this section:

2. Federal Government. [Section 49].

3. Provincial Government. [Section 49 and SRO 586(I)/91 dated June 30, 1991].

4. **Local Government**. [Section 49 and SRO 586(I)/91 dated June 30, 1991].

5. Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha

6. **Special purpose vehicle** for the purpose of securitization. [Clause (38) of Part IV of 2nd Schedule].

7. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule].

8. Traders of yarn for sales, supplies and services to the following categories of Sales Tax Zero Rated taxpayers registered on or before June 30, 2011, namely:

- a. Textile and articles thereof;
- b. Carpets;
- c. Leather and articles thereof including artificial leather footwear;

- d. Surgical goods; and
e. Sports goods
[Clauses (45A) of Part IV of 2nd Schedule]
9. Trading Houses which full fill the following conditions in a **tax year**:
- (i) Has a paid up capital of more than Rs.250 million;
 - (ii) Owns fixed assets exceeding Rs.300 million at the close of the Tax Year;
 - (iii) Maintains computerized records of imports and sales of goods;
 - (iv) Maintains a system for issuance of 100% cash receipts on sales;
 - (v) Presents its accounts for tax audit every year; and
 - (vi) Is registered with Sales Tax Department:
[Clauses (57) of Part IV of 2nd Schedule]
10. Large import houses which full fill the following conditions in a **tax year**:
- (i) Has a paid up capital of more than Rs. 250 million;
 - (ii) Has imports exceeding Rs.500 million during the tax year;
 - (iii) Owns total assets exceeding Rs. 350 million at the close of the Tax Year;
 - (iv) Is a single object company;
 - (v) Maintains computerized records of imports and sales of goods;
 - (vi) Maintains a system for issuance of 100% cash receipts on sales;
 - (vii) Presents its accounts for tax audit every year;
 - (viii) Is registered with Sales Tax Department; and
 - (ix) Makes sales of industrial raw material to manufacturer registered for sales tax purposes;
[Clauses (57A) of Part IV of 2nd Schedule]
11. International Finance Corporation established under the International Finance Corporation Act, 1956 [Clause (67) of Part IV of 2nd Schedule]
12. Pakistan Domestic Sukuk Company Limited [Clause (68) of Part IV of 2nd Schedule]
13. Asian Development Bank established under the Asian Development Bank Ordinance, 1971 [Clause (69) of Part IV of 2nd Schedule]
14. ECO Trade and Development Bank [Clause (72) of Part IV of 2nd Schedule]
- Following sale of goods, rendering or providing of services and execution of contracts are exempt from deduction of tax at source under this section:**
15. Sale of agricultural produce by the growers of such produce, subject to furnishing of the certificate in the prescribed form by the grower. [Clause (12) of Part IV of 2nd Schedule].
 16. Incidental expenses of the crew of oil tanker on business trip paid in cash [Clause (12) of Part IV of 2nd Schedule]
 17. Electronic and print media for advertising services [Clause (16A) of Part IV of 2nd Schedule].
 18. Sale of petroleum products imported by the same person under the Government of Pakistan's de-regulation policy of POL products. [Clause (43A) of Part IV of 2nd Schedule].
 19. Sale of air tickets by travel agents who have paid withholding tax on their commission [Clause (43B) of Part IV of 2nd Schedule].
 20. Sale of petroleum products by an oil distribution company or an oil refinery or **permanent establishment of non-resident** Petroleum Exploration and Production (E&P) Company [Clause (46) of Part IV of 2nd Schedule].
 21. Sale of fully as well partly designed / assembled cypher devices, for use within the country as are verified by Cabinet Division (NTISB) with reference to design, quality and quantity [Clause (60) of Part IV of 2nd Schedule]
 22. Sale of goods dedicated for use in renewable sources of energy like solar and wind etc., even if locally manufactured, which include induction lamps, SMD, LED's with or without blast with fittings and fixtures, wind turbines including alternator and mast, solar torches, lanterns and related instruments, PV modules along with the related components including inventers, charge controllers and batteries. [Clause (77) of Part IV of 2nd Schedule].
 23. Sale of goods or providing or rendering of services to a project situated in the special Economic Zone at Thar coalfield during the project construction and operations period. [Clause (78) of Part IV of 2nd Schedule]

24. Sale for goods, rendering or providing of services and execution of contracts by residents of Tribal Areas or Azad Kashmir, who execute contracts in Tribal Areas or Azad Kashmir only, as the case may be, and produces a certificate to this effect from the Political Agent concerned or the district authority, as the case may be, or in case of Azad Kashmir, from the Income Tax Officer concerned. [SRO 586(I)/91 dated June 30, 1991].
25. Sale for goods, rendering or providing of services and execution of contracts by a **person** who produces a certificate from the Commissioner to the effect that their income during the **tax year** is exempt from tax. [SRO 586(I)/91 dated June 30, 1991].
26. Sale of agricultural produce including fresh milk by the growers/producers of agricultural produce to a **company** or **an association of persons** having **turnover** of Rs. 50,000,000 or above or an individual having **turnover** of Rs. 50,000,000 or above. [SRO 586(I)/91 dated June 30, 1991].
27. Sale of live chicken birds and eggs (which has not been subjected to any process other than that which is ordinarily performed to render such produce fit to be taken to the market) by a **person** engaged in poultry farming or an **industrial undertaking** engaged in poultry processing. [SRO 586(I)/91 dated June 30, 1991].
28. Sale of electricity and gas by a **company** [SRO 586(I)/91 dated June 30, 1991].
29. Sale of crude oil by a **company** [SRO 586(I)/91 dated June 30, 1991].
30. Sale of their products by Attock Refinery Limited, National Refinery Limited and Pakistan Refinery Limited [SRO 586(I)/91 dated June 30, 1991].
31. Sale of petroleum products by Pakistan State Oil Company Limited, Shell Pakistan Limited, and Caltex Oil (Pakistan) Limited [SRO 586(I)/91 dated June 30, 1991].
32. Sale of food and services of accommodation or both by hotels and restaurants, if payment is made in cash. [SRO 586(I)/91 dated June 30, 1991].
33. Sale of passenger tickets and for the cargo charges of goods transported by shipping companies and air carriers [SRO 586(I)/91 dated June 30, 1991].
34. Sale of goods not exceeding rupees twenty five thousand in a financial year by a **person**. Provided that where the total payments in a financial year, exceed rupees twenty five thousand, the payer shall deduct tax from the payments including the tax on payments made earlier without deduction of tax during the same financial year. [SRO 586(I)/91 dated June 30, 1991].
35. Services rendered or provided and execution of contracts not exceeding rupees ten thousand in a financial year by a **person**. Provided that where the total payments in a financial year, exceed rupees ten thousand, the payer shall deduct tax from the payments including the tax on payments made earlier without deduction of tax during the same financial year. [SRO 586(I)/91 dated June 30, 1991].
36. Sale of cottonseed. [SRO 586(I)/91 dated June 30, 1991].
37. Sale of goods by the **manufacturer** thereof, who produces a certificate from the Commissioner to the effect that its income during the **tax year** is not likely to be chargeable to tax due to assessed losses carried forward. [SRO 586(I)/91 dated June 30, 1991].
38. Carriage of goods by an owner of one good transport vehicle, receiving payment once in a financial year from a payer on account of a single journey undertaken during the financial year. [SRO 586(I)/91 dated June 30, 1991].
39. Sale of goods, rendering or providing of services or execution of contracts, other than those which are **subject to final taxation**, by a **person** who produces a certificate from the Commissioner to the effect that its income during the **tax year** is not likely to be chargeable to tax due to assessed losses carried forward. [SRO 586(I)/91 dated June 30, 1991].
40. Sale of goods, rendering or providing of services or execution of contracts, other than those which are **subject to final taxation**, by a **person**:
 - (a) from whom tax has been deducted under sub-section (1) of section 153;

- (b) the aggregate of the tax deducted under the said sub-section is equal to or exceeds the tax payable under section 147 in respect of that **tax year**, and
- (c) a certificate to that effect from the Commissioner is produced by such **person**.

[SRO 586(I)/91 dated June 30, 1991].

41. Sale of goods to an exporter of such goods outside Pakistan. Provided that –
- (a) the exporter shall deduct tax on account of goods purchased in respect of goods sold in Pakistan; and
 - (b) if tax has not been deducted from payments on account of supply of goods in respect of goods sold in Pakistan, the said tax shall be paid by the exporter, if the sales in Pakistan are in excess of five percent of export sales.

This exemption does not apply to sale of goods in respect of which special rates of tax deduction are specified.

[SRO 368(I)/94 dated March 07, 1994].

Following persons are not obliged to deduct tax at source under this section:

42. **Special purpose vehicle** for the purpose of securitization. [Clause (38) of Part IV of 2nd Schedule].
43. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule].
44. A manufacturer-cum-exporter, excluding payments relating to goods sold in Pakistan or payments in respect of which special rates of tax deduction are specified. [Clause (45) of Part IV of 2nd Schedule].
45. Trading Houses which full fill the following conditions in a **tax year**:
- (i) Has a paid up capital of more than Rs.250 million;
 - (ii) Owns fixed assets exceeding Rs.300 million at the close of the Tax Year;
 - (iii) Maintains computerized records of imports and sales of goods;
 - (iv) Maintains a system for issuance of 100% cash receipts on sales;
 - (v) Presents its accounts for tax audit every year; and
 - (vi) Is registered with Sales Tax Department:
- [Clauses (57) of Part IV of 2nd Schedule]

46. Large import houses which full fill the following conditions in a **tax year**:
- (i) Has a paid up capital of more than Rs. 250 million;
 - (ii) Has imports exceeding Rs.500 million during the tax year;
 - (iii) Owns total assets exceeding Rs. 350 million at the close of the Tax Year;
 - (iv) Is a single object company;
 - (v) Maintains computerized records of imports and sales of goods;
 - (vi) Maintains a system for issuance of 100% cash receipts on sales;
 - (vii) Presents its accounts for tax audit every year;
 - (viii) Is registered with Sales Tax Department; and
 - (ix) Makes sales of industrial raw material to manufacturer registered for sales tax purposes;
- [Clauses (57A) of Part IV of 2nd Schedule]

Clarifications

1. Payment to agents, who work on fixed commission basis but receive payment on behalf of their principals as well, can be bifurcated between the agent and the principal for the purposes of deduction at source. Accordingly the tax deducted will be separately deposited on behalf of the agent and principal.

Where the principal is exempt, the tax shall be deducted from the payment relating to the agent only.

This situation normally arises in case of advertising agents, insurance agents, travel agents and agents of petroleum companies etc.

[Circular No. 25 of 1980 dated September 23, 1980, Circular No. 1 of 1981 dated January 03, 1981 and Circular No. 29 of 1999 dated November 16, 1999]

2. In case the recipient of payment claims exemption on account of sale of imported goods, it is the responsibility of the person making the payment to ensure that the conditions for exemption are fulfilled and for this purpose may obtain the relevant import documents etc. [Section 153(5)(a) and Clause (47A) of Part IV of 2nd Schedule]
3. Lease payments under “lease financing arrangements” are not liable to deduction of

tax at source [Circular Letter C. No. IT.JI.1(7)/84-Vol II dated March 27, 1988]

4. Renting of vehicles amounts to provision of services and therefore car rentals attract deduction of tax at source [Circular Letter C. No. 1(17)WHT/91 dated November 18, 1992]
5. Insurance premiums paid to and claims discharged by insurance companies are not liable to deduction of tax at source [Circular Letters C. No. IT.JI.1(7)/84 dated February 08, 1988 and C. No. 1(25)IT-I/80 dated October 01, 1980]
6. The Commissioner is empowered under section 153(4) of the Income Tax Ordinance, 2001, to issue exemption certificate to the petrol pump operators who may be subjected to further tax deduction from the sales of petroleum products under section 153(1) of the Income Tax Ordinance, 2001 from whom tax has already been collected under section 156A of the Income Tax Ordinance, 2001 [Circular No. 11 of 2004 dated July 01, 2004].

PAYMENT FOR SERVICES OF STITCHING, DYING, ETC
Section 153(1A)

Person(s) liable to deduct tax	Exporter Export house
From whom	Resident Person ; and Permanent Establishment in Pakistan of a Non-Resident
Rate	0.50%
On	Gross amount of payment for providing of services or rendering of services on account of: (a) Stitching; (b) Dying; (c) Printing; (d) Embroidery; (e) Washing; (f) Sizing; and (g) Weaving
When	At the time the amount is actually paid

Exemptions

Following persons are exempt from deduction of tax at source under this section:

1. Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network. [Clause (16) of Part IV of 2nd Schedule].
2. **Special purpose vehicle** for the purpose of securitization. [Clause (38) of Part IV of 2nd Schedule]
3. Islamic Development Bank. [Clause (38C) of Part IV of 2nd Schedule]
4. A **person** whose income is exempt from tax and produces a certificate from the Commissioner of an exemption from deduction of tax. [SRO 586(I)/91 dated June 30, 1991].

Following persons are not obliged to deduct tax at source under this section:

5. **Special purpose vehicle** for the purpose of securitization. [Clause (38) of Part IV of 2nd Schedule]
6. Islamic Development Bank. [Clause (38C) of Part IV of 2nd Schedule]

PAYMENT OF EXPORTS REALIZATIONS
Section 154(1) & (2)

Person(s) liable to deduct tax	Authorized dealer in foreign exchange
From whom	Exporter of goods; and Indenting commission agents
Rate	1.00% On export of goods 5.00% On indenting commission
On	Foreign exchange proceeds of goods exported or indenting commission
When	At the time of realization of the export proceeds or indenting commission

Exemptions

Following persons are exempt from deduction of tax at source under this section:

1. Cotton Export Corporation of Pakistan. [SRO 987(I)/92 dated October 07, 1992].

Following realization of export proceeds are exempt from deduction of tax at source under this section:

2. Realization of exports proceeds against cooking oil or vegetable ghee exported to Afghanistan by a **person** from whom tax has been collected on import of edible oil [Clause (47C) of Part IV of 2nd Schedule].

Clarifications

1. Advance payment received against exports to be made are also realization of export proceeds and liable to deduction of tax at source.

PAYMENT FOR INDIRECT EXPORTS
Section 154(3)

Person(s) liable to deduct tax	<i>Banking Company</i>
From whom	Every <i>Person</i>
Rate	1.00%
On	Realization of proceeds on account of sale of goods to an exporter under: a. an inland back-to-back letter of credit; or b. any other arrangement as prescribed by the Board (e.g. Payments made through crossed cheques to indirect exporters against Standard Purchase Order in the format prescribed by the State Bank of Pakistan).
When	At the time of realization of the sale proceeds or realizing the payment made through crossed cheque

Exemptions

Following persons are exempt from deduction of tax at source under this section:

1. Cotton Export Corporation of Pakistan. [SRO 987(I)/92 dated October 07, 1992].

**EXPORTS OF GOODS BY *INDUSTRIAL UNDERTAKING* LOCATED IN EXPORT PROCESSING ZONES
Section 154(3A)**

Person(s) liable to deduct tax	The Export Processing Zone Authority established under the Export Processing Zone Authority Ordinance, 1980.
From whom	<i>Industrial undertaking</i> located in the areas declared by the Federal Government to be a Zone within the meaning of the Export Processing Zone Authority Ordinance, 1980.
Rate	1%
On	Proceeds of the export of goods
When	At the time of export of goods

PAYMENT TO INDIRECT EXPORTERS
Section 154(3B)

Person(s) liable to deduct tax	Direct exporter Export House registered under the Duty and Tax Remission for Export Rules, 2001 provided in sub-Chapter 7 of Chapter XII of the Customs Rules, 2001
From whom	Indirect exporter (defined under sub-Chapter 7 of Chapter XII of the Customs Rules, 2001)
Rate	1%
On	Proceeds of the export of goods
When	At the time of payment against a firm contract

EXPORT OF GOODS - OTHER
Section 154(3C)

Person(s) liable to deduct tax	<i>Collector of Customs</i>
From whom	Exporter of goods
Rate	1%
On	Gross value of goods exported
When	At the time of export of goods

PAYMENT OF RENT OF PROPERTY
Section 155

Person(s) liable to deduct tax	Federal Government Provincial Government Local Government Company Non-Profit Organization Charitable Institution Diplomatic Mission of a foreign state Private educational institution Boutique Beauty parlour Hospital Clinic Maternity home Individuals or association of persons paying gross rent of rupees one and a half million and above in a year Any other person notified by the Federal Board of Revenue (Till to date no such person has been notified)
From whom	Recipient of rent of immovable property
Rate	As per rate card
On	Gross amount of rent of immovable property (including rent of furniture and fixtures, and amounts for services relating to such property)
When	At the time the rent is actually paid

Exemptions

exempt from tax under the Ordinance. [SRO 1130(I)/91 dated November 07, 1991].

Following persons are exempt from deduction of tax at source under this section:

1. Federal Government [Section 49]
2. Provincial Government [Section 49]
3. **Local Government** [Section 49]
4. Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network. [Clause (16) of Part IV of 2nd Schedule].
5. Pakistan Domestic Sukuk Company Limited [Clause (68) of Part IV of 2nd Schedule]
6. A person who produces a certificate from the Additional Commissioner to the effect that the recipient's income during the tax year is

Rate Card

- In case of an individual or an association of persons:

Gross Amount of Rent between	Rate of tax deduction
Rs. 0 and Rs. 150,000	0%
Rs. 150,001 and Rs. 1,000,000	10% of the gross amount of rent exceeding Rs. 150,000
Exceeds Rs. 1,000,000	Rs. 85,000 plus 15% of the gross amount of rent exceeding Rs. 1,000,000

- In case of a company:
15% of the gross amount of rent

PAYMENT OF PRIZES AND WINNINGS
Section 156

Person(s) liable to deduct tax	Every <i>Person</i> paying prize or winnings
From whom	Recipient of prize or winnings
Rate	15% On Prize of a Prize Bond and Crossword Puzzle 20% On all other prizes and winnings
On	Amount of prize on a prize bond; or Amount of prize or winnings from a raffle, lottery, quiz or crossword puzzle; Amount of prize offered by companies for promotion of sale; or Fair market value of the prize or winnings if it is not paid in cash
When	At the time the prize or winnings are actually paid

Exemptions

Following persons are exempt from deduction of tax at source under this section:

1. Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network. [Clause (16) of Part IV of 2nd Schedule].

PAYMENT OF COMMISSION/DISCONT ON PETROLEUM PRODUCTS
Section 156A

Person(s) liable to deduct tax Every *Person* selling petroleum products to petrol pump operator

From whom Petrol pump operators

Rate 10%

On Commission or discount allowed to the petrol pump operator

When At the time the commission is actually paid

Clarifications

1. The Commissioner is empowered under section 153(4) of the Income Tax Ordinance, 2001, to issue exemption certificate to the petrol pump operators who may be subjected to further tax deduction from the sales of petroleum products under section 153(1) of the Income Tax Ordinance, 2001 from whom tax has already been collected under section 156A of the Income Tax Ordinance, 2001 [Circular No. 11 of 2004 dated July 01, 2004].

**PAYMENT OF WITHDRAWAL FROM PENSION FUND
Section 156B**

Person(s) liable to deduct tax *Pension Fund Manager*

From whom Individuals maintaining pension accounts with an ***approved pension fund***

Rate Average rate of tax on the taxable income of three preceding years

On

a. Any amount withdrawn before the retirement age except under following conditions:

- Where the eligible person suffers from any disability as mentioned in sub-rule (2) of rule 17 of the Voluntary Pension System Rules, 2005 which renders him unable to continue with any employment at the age which he may so elect to be treated as the retirement age or the age as on the date of such disability if not so elected by him [Section 156B]; or
- Payment to the nominated survivor of the deceased eligible person which would be treated as if the eligible person had reached the age of retirement [Section 156B]; or

b. In excess of 50% of the accumulated balance withdrawn on or after the retirement age except under the following situations:

- Where the withdrawal is Invested in an ***approved income payment plan*** of a pension fund manager [Section 156B];
- Where the withdrawal is paid to a life insurance company for the purchase of an ***approved annuity plan*** [Section 156B]; or
- Where the amount is transferred to another individual pension account of the ***eligible person*** or the survivors' pension account in case of death of the ***eligible person*** maintained with any other ***pension fund manager*** as specified in the Voluntary Pension System Rules, 2005 [Section 156B].

When At the time of withdrawal

PAYMENT OF CASH AGAINST WITHDRAWAL FROM A BANK
Section 231A

Person(s) liable to deduct tax *Banking Company*

From whom *Persons* withdrawing cash, other than the following:
a. Federal Government;
b. Provincial Government;
c. Foreign diplomat;
d. Diplomatic mission in Pakistan; or
e. *Person* who produces a certificate from the Commissioner that his income during the tax year is exempt.
[Section 231A(2)]

Rate 0.30%

On Cash withdrawn exceeding Rs. 50,000 during a day

When At the time the cash is withdrawn

Exemptions

Following persons are exempt from deduction of tax at source under this section:

1. Earthquake victim against compensation received from GOP including payments through Earthquake Reconstruction and Rehabilitation Authority (ERRA) [Clause (61) of Part IV of 2nd Schedule].

Clarification

2. The incidence of withholding is on the person in whose name the account, deposit or any other arrangement exists and from which a cash withdrawal in excess of Rs.50,000 per day is made.
3. Withholding tax is attracted on issuance of bearer pay order or other similar banking instrument either by debiting an account, deposit or any other arrangement, or against cash received.
4. Withholding tax is not attracted on encashment of pay order or other similar banking instrument.
5. Withholding tax is not attracted on direct cash payment against home remittances from abroad.
6. Withholding tax is attracted on cash withdrawn from ATM outside Pakistan against card issued in Pakistan.

7. Withholding tax is not attracted on cash withdrawal from ATM in Pakistan against credit card issued outside Pakistan.

8. Withholding tax is not attracted on credit card issued by Non-banking companies.

9. Transactions through “clearing house” are not cash withdrawals and therefore withholding tax is not attracted.

10. Whenever there is a cash withdrawal of full amount or amount of withdrawal and tax involved exceed the balance, then either the bank should refuse payment on account of “withdrawal amount exceeds the balance” or make payment to the person presenting the instrument after setting aside the amount of tax involved.

11. Withholding tax is not attracted on cash withdrawals by banks from accounts maintained with sub-treasury for their day-to-day cash requirements.

12. Generally, the withdrawal limit from an ATM is below Rs.25,000 per day and therefore, withdrawals for day-to-day requirement by default do not attract withholding tax. However, in case cash withdrawal from an ATM exceeds Rs.25,000, per day withholding tax is attracted.

[Circular No. 4 of 2005 dated July 14, 2005]

ISSUANCE OF BANKING INSTRUMENTS
Section 231AA

Person(s) liable to collect tax	Banking Company Non-banking financial institution Exchange Company Any authorized dealer of foreign exchange
From whom	Persons (excluding *) to whom sale of any instrument is made against cash payment Including Demand Draft, Pay Order, Call Deposit Receipt (CDR), Short Term Deposit Receipt (STDR), Security Deposit Receipt (SDR), Rupee Travelers Cheque (RTC) or any other instrument of bearer nature; and Excluding Inter-bank or intra-bank transfer Persons (excluding *) who transfer any sum against cash through online transfer, telegraphic transfer, mail transfer or any other mode of electronic transfer * Federal Government, a Provincial Government, a foreign diplomat or a diplomatic mission in Pakistan or a person who produces a certificate from the Commissioner that its income during the tax year is exempt
Rate	0.3%
On	The amount/value of the instrument or transfer if it exceeds Rs. 25,000 during a day
When	At the time of sale of instrument or transfer

REGISTRATION OF MOTOR VEHICLE
Section 231B

Person(s) liable to collect tax Motor vehicle registration authorities of Excise and Taxation Department

From whom **Persons** registering new locally manufactured motor vehicle, other than the following:
a. Federal Government;
b. Provincial Government;
c. Local Government
d. Foreign diplomat; or
e. Diplomatic mission in Pakistan
[Proviso to section 231B]

Rate According to the engine capacity

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

On According to the engine capacity

When At the time of registration of new motor vehicle

PAYMENT OF BROKERAGE AND COMMISSION
Section 233

Person(s) liable to deduct tax	Federal Government Provincial Government Local Government Company Association of persons constituted by, or under, law
From whom	Recipient of brokerage or commission
Rate	10%
Reduced rate	05% On commission of advertising agents [Clause (26) of Part II to the 2 nd Schedule]
On	Brokerage or Commission
When	At the time the brokerage or commission is actually paid; (If an agent retains commission or brokerage from any amount remitted by him to the principal, he shall be deemed to have been paid the commission or brokerage by the principal and the principal shall collect advance tax from the agent).

Exemptions

Following persons are exempt from deduction of tax at source under this section:

1. **Special purpose vehicle** for the purpose of securitization. [Clause (38) of Part IV of 2nd Schedule].
2. **Venture Capital Company** [Clause (38A) of Part IV of 2nd Schedule]
3. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule]
4.
 - a. National Investment (Unit) Trust;
 - b. A modaraba;
 - c. A collective investment scheme;
 - d. An **approved Pension Fund**;
 - e. An **approved Income Payment Plan**;
 - f. **Real Estate Investment Trust** (REIT) Scheme;
 - g. A Private Equity and Venture Capital Fund;
 - h. A **Recognized Provident Fund**;
 - i. An **approved Superannuation Fund**; and
 - j. An **approved Gratuity Fund**.
[Clause (47B) of Part IV of 2nd Schedule].
5. International Finance Corporation established under the International Finance Corporation Act, 1956 [Clause (67) of Part IV of 2nd Schedule]

6. Asian Development Bank established under the Asian Development Bank Ordinance, 1971 [Clause (69) of Part IV of 2nd Schedule]

7. ECO Trade and Development Bank [Clause (72) of Part IV of 2nd Schedule]

Following persons are not obliged to deduct tax at source under this section:

8. **Special purpose vehicle** for the purpose of securitization. [Clause (38) of Part IV of 2nd Schedule].
9. **Venture Capital Company** [Clause (38A) of Part IV of 2nd Schedule]
10. Islamic Development Bank [Clause (38C) of Part IV of 2nd Schedule]

Clarification

1. Payment to agents, who work on fixed commission basis but receive payment on behalf of their principals as well, can be bifurcated between the agent and the principal for the purposes of deduction at source. Accordingly the tax deducted will be separately deposited on behalf of the agent and principal.

Where the principal is exempt, the tax shall be deducted from the payment relating to the agent only.

This situation normally arises in case of advertising agents, insurance agents, travel agents and agents of petroleum companies etc.

COMMISSION OF MEMBERS OF STOCK EXCHANGES REGISTERED IN PAKISTAN
Section 233A

Person(s) liable to deduct tax	Stock Exchange registered in Pakistan
From whom	Members of stock exchange
Rate	0.01%
On	Purchase and/or sale value of shares (in lieu of commission);
When	At the time of making or receiving payment

**MARGIN FINANCING IN SHARE BUSINESS ETC.
Section 233AA**

Person(s) liable to collect tax *NCCPL* (National Clearing Company of Pakistan Limited)

From whom Members of the stock exchanges registered in Pakistan
Margin Financers
Trading Financers
Security Lenders

Rate 10%

On Profit or mark-up or interest earned by the member, margin financier or securities lender

When At the time of making the payment

Exemptions

Following persons are exempt from deduction of tax at source under this section:

1. Any Mutual Fund which distributes not less than 90% of its income amongst the unit holders [Proviso to section 233AA].

MOTOR VEHICLES
Section 234

Person(s) liable to collect tax	Person collecting motor vehicle tax (Excise and Taxation Department)																														
From whom	Owner of motor vehicle excluding: <ol style="list-style-type: none"> a. Motor cars used for more than ten years in Pakistan [Section 234(2A)]; b. Passenger transport vehicle with registered seating capacity of ten or more persons after a period of ten years from the first day of July of the year of make of the vehicle [Section 234(3)]; c. Goods transport vehicle with registered laden weight of less than 8120 kilograms after a period of ten years from the date of first registration of vehicle in Pakistan [Section 234(4)]; 																														
Rate	<p>In the case of goods transport vehicles - Rs. 5 per kilogram of the registered laden weight</p> <p>In the case of passenger transport vehicles plying for hire with registered seating capacity of—</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">(a) Four or more persons but less than ten persons.</td> <td style="text-align: right;">Rs. 25 per seat per annum</td> </tr> <tr> <td style="padding-right: 20px;">(b) Ten or more persons but less than twenty persons.</td> <td style="text-align: right;">Rs.60 per seat per annum</td> </tr> <tr> <td style="padding-right: 20px;">(c) Twenty persons ore more.</td> <td style="text-align: right;">Rs.500 per seat per annum</td> </tr> </table> <p>Other private motor cars with engine capacity of—</p> <p>Where the motor vehicle tax is collected on annual basis:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">(a) Up to 1000cc.</td> <td style="text-align: right;">Rs. 750</td> </tr> <tr> <td style="padding-right: 20px;">(b) 1001cc to 1199 cc.</td> <td style="text-align: right;">Rs. 1,250</td> </tr> <tr> <td style="padding-right: 20px;">(b) 1200cc to 1299cc.</td> <td style="text-align: right;">Rs. 1,750</td> </tr> <tr> <td style="padding-right: 20px;">(c) 1300cc to 1599cc.</td> <td style="text-align: right;">Rs. 3,000</td> </tr> <tr> <td style="padding-right: 20px;">(d) 1600 cc to 1999cc</td> <td style="text-align: right;">Rs. 4,000</td> </tr> <tr> <td style="padding-right: 20px;">(e) 2000cc and above.</td> <td style="text-align: right;">Rs. 8,000</td> </tr> </table> <p>Where the motor vehicle tax is collected in lump sum:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">(a) Up to 1000cc.</td> <td style="text-align: right;">Rs. 7,500</td> </tr> <tr> <td style="padding-right: 20px;">(b) 1001cc to 1199 cc.</td> <td style="text-align: right;">Rs. 12,500</td> </tr> <tr> <td style="padding-right: 20px;">(b) 1200cc to 1299cc.</td> <td style="text-align: right;">Rs. 17,500</td> </tr> <tr> <td style="padding-right: 20px;">(c) 1300cc to 1599cc.</td> <td style="text-align: right;">Rs. 30,000</td> </tr> <tr> <td style="padding-right: 20px;">(d) 1600 cc to 1999cc</td> <td style="text-align: right;">Rs. 40,000</td> </tr> <tr> <td style="padding-right: 20px;">(e) 2000cc and above.</td> <td style="text-align: right;">Rs. 80,000</td> </tr> </table>	(a) Four or more persons but less than ten persons.	Rs. 25 per seat per annum	(b) Ten or more persons but less than twenty persons.	Rs.60 per seat per annum	(c) Twenty persons ore more.	Rs.500 per seat per annum	(a) Up to 1000cc.	Rs. 750	(b) 1001cc to 1199 cc.	Rs. 1,250	(b) 1200cc to 1299cc.	Rs. 1,750	(c) 1300cc to 1599cc.	Rs. 3,000	(d) 1600 cc to 1999cc	Rs. 4,000	(e) 2000cc and above.	Rs. 8,000	(a) Up to 1000cc.	Rs. 7,500	(b) 1001cc to 1199 cc.	Rs. 12,500	(b) 1200cc to 1299cc.	Rs. 17,500	(c) 1300cc to 1599cc.	Rs. 30,000	(d) 1600 cc to 1999cc	Rs. 40,000	(e) 2000cc and above.	Rs. 80,000
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(e) 2000cc and above.	Rs. 80,000																														
Reduced rate	<p>Rs. 1,200 Goods transport vehicles with laden weight of 8120 kilograms or more after a period of ten years from the date of first registration of the vehicle in Pakistan [Paragraph (1A) of Division III of Part IV of 1st Schedule].</p> <p>In the case of oil tankers - Rs. 2 per kilogram of the registered laden weight [Clause (14) of Part II 2nd Schedule].</p>																														
On	<p>Registered laden weight of goods transport vehicles</p> <p>Registered seating capacity of passenger transport vehicles plying for hire</p> <p>Engine capacity of private motorcars</p>																														

When

At the time of collecting motor vehicle tax (If motor vehicle tax is collected in installments or lump sum, the tax is also collected in installments or lump sum)

Exemptions

Following persons are exempt from deduction of tax at source under this section:

1. Federal Government [Section 49]
2. Provincial Government [Section 49]
3. **Local Government** [Section 49]

RECEIPT OF NATURAL GAS CONSUMPTION BILLS OF CNG STATIONS
Section 234A

Person(s) liable to deduct tax *Person* preparing gas consumption bill

From whom Consumer of gas for compressed natural gas station

Rate 4%

On Amount of gas bill

When At the time of realization of gas consumption charges

RECEIPT OF ELECTRICITY CONSUMPTION BILLS
Section 235

Person(s) liable to collect tax *Person* preparing electricity consumption bill

From whom Commercial and Industrial consumers of electricity excluding a consumer who produces a certificate from the Commissioner that his income is exempt from tax during a **tax year** [Section 235(3)].

Rate Where the amount of electricity bill

(a)	does not exceed Rs. 400.	Rs.	0
(b)	exceeds Rs. 400 but does not exceed	Rs. 600	Rs. 80
(c)	exceeds Rs. 600 but does not exceed	Rs. 800	Rs. 100
(d)	exceeds Rs. 800 but does not exceed	Rs. 1000	Rs. 160
(e)	exceeds Rs. 1000 but does not exceed	Rs. 1500	Rs. 300
(f)	exceeds Rs. 1500 but does not exceed	Rs. 3000	Rs. 350
(g)	exceeds Rs. 3000 but does not exceed	Rs. 4,500	Rs. 450
(h)	exceeds Rs. 4500 but does not exceed	Rs. 6000	Rs. 500
(i)	exceeds Rs. 6000 but does not exceed	Rs. 10000	Rs. 650
(j)	exceeds Rs. 10000 but does not exceed	Rs. 15000	Rs.1000
(k)	exceeds Rs. 15000 but does not exceed	Rs. 20000	Rs.1500
(l)	exceeds Rs. 20000	10% of the billed amount for commercial consumers; and 5% of the billed amount for industrial consumers	

On Amount of electricity consumption charges

When Along with payment of electricity consumption charges

Exemptions

Following persons are exempt from deduction of tax at source under this section:

1. Federal Government [Section 49]
2. Provincial Government [Section 49]
3. **Local Government** [Section 49]
4. Exporters-cum-manufacturers of carpets, leather and articles thereof including artificial leather footwear, surgical goods, sports goods and textile and articles thereof [Clause (66) of Part IV of 2nd Schedule]
5. Consumers who have paid the entire advance tax liability under section 147 of the Income Tax ordinance, 2001 and produce an exemption certificate to this effect issued by the Commissioner. [SRO 1053(I)/2010 dated November 22, 2010]

RECEIPT OF TELEPHONE USAGE BILLS
Section 236

Person(s) liable to collect tax	Person preparing telephone bill; Person issuing or selling prepaid cards for telephone
From whom	Telephone subscriber and purchaser of prepaid telephone cards excluding the following: a. Federal Government; b. Provincial Government; c. Local Government ; d. Foreign diplomat; e. Diplomatic mission in Pakistan; or f. Person who produces a certificate from the Commissioner that his income during the tax year is exempt from tax . [Section 236(4)]
Rate	In the case of telephone subscriber (other than mobile phone) where the monthly bill— (a) Up to Rs. 1,000 Rs. Nil (b) Exceeds Rs. 1,000 10% of the amount exceeding Rs.1,000 15% In the case of subscriber of mobile telephone, pre-paid telephone card or sale of units through any electronic medium or whatever form
On	Amount of bill or sale price of a pre-paid telephone card or sale of units through of units through any electronic medium or whatever
When	Along with payment of telephone bill or at the time of issuance or sale of pre-paid telephone cards

RECEIPT OF PROCEEDS OF SALE BY AUCTION OR AUCTION BY A TENDER
Section 236A

Person(s) liable to collect tax	Person making sale by public auction or auction by a tender, of any property (including the awarding of any lease to any person, including a lease of the right to collect tolls, fees or other levies, by whatever name called) or goods, confiscated or attached, either belonging to or not belonging to the Government, local Government, any authority, a company, a foreign association declared to be a company under sub-clause (vi) of clause (b) of sub-section (2) of section 80, or a foreign contractor or a consultant or a consortium or Collector of Customs or Commissioner of Income Tax or any other authority
From whom	Purchaser of any property (including the awarding of any lease to any person, including a lease of the right to collect tolls, fees or other levies, by whatever name called) or goods confiscated or attached either belonging to or not belonging to the Government, local Government, any authority, a company, a foreign association declared to be a company under sub-clause (vi) of clause (b) of sub-section (2) of section 80, or a foreign contractor or a consultant or a consortium or Collector of Customs or Commissioner of Income Tax or any other authority
Rate	10%
On	Amount of sale price
When	At the time of realization of sale proceeds

ISSUANCE OF DOMESTIC AIR TRAVEL TICKET
Section 236B

Person(s) liable to collect tax	Person preparing air ticket
From whom	Purchaser of domestic air travel ticket excluding the following: (a) Federal Government; (b) Provincial Government; (c) Person who produces a certificate from the Commissioner Inland Revenue that income of such person during the tax year is exempt.
Rate	5%
On	Amount of sale price
When	At the time of realization of sale proceeds

SALE OR TRANSFER OF IMMOVABLE PROPERTY
Section 236C

Person(s) liable to collect tax	Person responsible for registering or attesting transfer of any immovable property
From whom	Seller or transferor of immovable property except the following: (a) Federal Government; (b) Provincial Government; and (c) Local Governments.
Rate	0.50%
On	Gross amount of the consideration received by the seller or transferor of immovable property
When	At the time of registering or attesting the transfer

FUNCTIONS AND GATHERINGS
Section 236D

Person(s) liable to collect tax	The owner, a lease-holder, an operator or a manager of a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for holding a “function”. "function" includes any wedding related event, a seminar, a workshop, a session, an exhibition, a concert, a show, a party or any other gathering held for such purpose.
From whom	A person arranging or holding a “function” in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose.
Rate	10%
On	The total amount of the bill including the amount of the bills for food, service or any other facility provided by any other person
When	At the time of realization of the payment

FOREIGN PRODUCED TV PLAYS AND SERIALS
Section 236E

Person(s) liable to collect tax	Any licensing authority certifying any foreign TV drama serial or a play dubbed in Urdu or any other regional language, for screening and viewing on any landing rights channel
From whom	Person applying for screening and viewing certification
Rate	Rs. 100,000 per episode of the serial Rs. 100,000 per play (single episode)
On	Not applicable
When	Not specified (Logically at the time of certification)

**CABLE OPERATORS AND OTHER ELECTRONIC MEDIA
Section 236F**

Person(s) liable to collect tax	Pakistan Electronic Media Regulatory Authority		
From whom	Cable operators and other electronic media licensee (For this, "cable television operator", "DTH", "Distribution Service", "electronic media", "IPTV", "loop holder", "MMDS", "mobile TV", have the same meanings as defined in Pakistan Electronic Media Regulatory Authority Ordinance, 2002 and rules made there under.)		
Rate	In case of cable television operators:		
	License Category	Tax on License	Tax on Renewal
	H	Rs. 7,500	Rs. 10,000
	H-1	Rs. 10,000	Rs. 15,000
	H-II	Rs. 25,000	Rs. 30,000
	R	Rs. 5,000	Rs. 30,000
	B	Rs. 5,000	Rs. 40,000
	B-1	Rs. 30,000	Rs. 50,000
	B-2	Rs. 40,000	Rs. 60,000
	B-3	Rs. 50,000	Rs. 75,000
	B-4	Rs. 75,000	Rs.100,000
	B-5	Rs. 87,500	Rs.150,000
	B-6	Rs.175,000	Rs.200,000
	B-7	Rs.262,500	Rs.300,000
	B-8	Rs.437,500	Rs.500,000
	B-9	Rs.700,000	Rs.800,000
	B-10	Rs.875,500	Rs.900,000
	In the case of IPTV, FM Radio, MMDS, Mobile TV, Mobile Audio, Satellite TV Channel and Landing Rights – 20% of the permission fee or renewal fee, as the case may be.		
On	Not applicable		
When	At the time of issuance of license for distribution services or renewal of the license		

SALES TO DISTRIBUTORS, DEALERS & WHOLESALERS
Section 236G

Person(s) liable to collect tax	Every <i>manufacturer</i> or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector
From whom	Distributors, dealers and wholesalers
Rate	0.10%
On	Gross amount of sales
When	At the time of sale

SALES TO RETAILERS
Section 236H

Person(s) liable to collect tax	Every manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector
From whom	Retailers
Rate	0.50%
On	Gross amount of sales
When	At the time of sale

FEES OF EDUCATIONAL INSTITUTIONS
Section 236I

Person(s) liable to collect tax	Person preparing " fee " voucher or challan " fee " includes, tuition fee and all charges received by the educational institution, by whatever name called, excluding the amount which is refundable
From whom	Either of the parents or guardian making payment of the " fee " exceeding Rs. 200,000 annually
Rate	5%
On	Amount of " fee " paid to an educational institution
When	In the manner the fee is charged

COMMISSION AGENTS AND ARHATIS ETC
Section 236J

Person(s) liable to collect tax	Every "market committee" "market committee" includes any committee or body formed under any provincial or local law made for the purposes of establishing, regulating or organizing agricultural, livestock and other commodity markets										
From whom	Dealers, commission agents and arhatis etc.										
Rate	<table><thead><tr><th>Group or Class</th><th>Amount of Tax</th></tr></thead><tbody><tr><td>A</td><td>Rs. 10,000</td></tr><tr><td>B</td><td>Rs. 7,500</td></tr><tr><td>C</td><td>Rs. 5,000</td></tr><tr><td>Any other</td><td>Rs. 5,000</td></tr></tbody></table>	Group or Class	Amount of Tax	A	Rs. 10,000	B	Rs. 7,500	C	Rs. 5,000	Any other	Rs. 5,000
Group or Class	Amount of Tax										
A	Rs. 10,000										
B	Rs. 7,500										
C	Rs. 5,000										
Any other	Rs. 5,000										
On	Not applicable										
When	At the time of issuance or renewal of licenses										

WITHHOLDING AGENT'S OBLIGATIONS

- **Certificate of collection or deduction of tax** [Rule 42 of the Income Tax Rules, 2002]

Every **withholding agent** (**person obliged to collect or deduct tax at source**) collecting or deducting tax under the provisions of the Income Tax Ordinance, 2001 is obliged to issue certificate of tax collected or deducted, to the **person** from whom such tax has been collected or deducted.

This certificate is to issued in duplicate and serially numbered, in the prescribed form set out in Annex-I along with the copy or copies of the tax deposit receipts (challan) [evidencing that the tax so collected or deducted has been deposited in the Government Treasury on behalf of the **person** from whom it has been collected or deducted].

Where the tax is deducted from salary under section 149 of the Income Tax Ordinance, 2001:

- (a) The certificate of tax deducted is to be issued within 45 days from the end of each financial year; and
- (b) Where the **employment** ceases before the end of the financial year, the certificate is to be issued for the period of **employment** in that year within 7 days of the ceasing of the **employment** or at the time of making payment of final settlement whichever is later.

Where the tax is collected or deducted under any other provisions of the Income Tax ordinance, 2001:

- (a) The certificate of collection or deduction is to be issued within 15 days from the end of each financial year or discontinuation of business, etc.; and
- (b) If the person from whom tax has been collected or deducted requests for the issuance of the certificate before the end of the financial year, the certificate is to be issued for the period in that year within 7 days of the request made.

Where a certificate issued has been lost, stolen or destroyed, the recipient of the certificate may request, in writing, for a duplicate certificate.

Where a request has been made, the issuer of the certificate shall comply with the

request and the certificate so issued shall be clearly marked "duplicate".

- **Payment of tax collected or deducted** [Rule 43 of the Income Tax Rules, 2002]

All taxes collected or deducted are payable to the Commissioner by way of credit to the Federal Government by remittance to the Government Treasury or deposit in an authorized branch of the State Bank of Pakistan or the National Bank of Pakistan within the specified time as under:

- a. Where the tax is collected or deducted by the Federal Government or Provincial Government on the day the tax was collected or deducted; and
- b. Where the tax is collected or deducted by any other **person** within seven days from the end of each week ending on every Sunday.

A tax deposit slip form (Challan) is prescribed for deposit of tax collected or deducted.

Most of the branches of State Bank of Pakistan and National Bank of Pakistan have been automated to receive the tax payments and issue a Computerized Payment Receipt (CPR). In order to ensure correct credit of tax to the **person** from whom it has been collected or deducted, it is mandatory to provide the following information at the time of deposit of the tax collected or deducted:

- a. Particulars of the withholding agent:
 - i. National Tax Number (NTN) or Free Tax Number (FTN);
 - ii. Name and address
- b. Particulars of the **person** from whom tax has been collected or deducted:
 - i. National Tax Number (NTN) or Computerized National Identity Card Number (CNIC) or Passport No. in case of non-residents; and
 - ii. Name and address;
- c. Particulars of the transaction from which tax has been collected or deducted:
 - i. Nature of transaction;
 - ii. Section of the Income Tax Ordinance, 2001 under which tax has been collected or deducted;
 - iii. Gross amount of the transaction on which tax has been collected or deducted; and
 - iv. Amount of tax collected or deducted;

At the option of the withholding agent:

- a. A separate tax payment in respect of each person from whom tax has been collected or deducted can be made; or
- b. A combined payment in respect of all persons from whom tax has been collected or deducted can be made, in which case the particulars and details of the transaction in respect of each **person** from whom tax has been collected or deducted are to be separately stated. In case of manual tax payment deposit slip form (Challan) a maximum of ten persons can be accommodated and in case of computerized tax payment deposit slip there is no limit.

The procedure for deposit of the tax collected or deducted at any branch of State bank of Pakistan and National Bank of Pakistan, currently, is as under:

- Manual payment:
 - At branches, which are not fully automated, through tax deposit receipts (Challan) duly filed and completed (in respect of the requisite particulars and details as stated above).
 - At branches, which are fully automated, by providing the requisite particulars and details as stated above. *This may take a long time for the facilitation staff to transfer the details on the computerized system.*

Alternatively, by providing a Payment Slip Identification (PSID) number generated from our web portal (<https://e.fbr.gov.pk>) by entering or uploading the requisite particulars from the convenience of your office or home. This will save your waiting and processing time at the bank branches.

At a large number of branches of NBP and SBP (125), Taxpayer Facilitation Desks are also established where the Facilitation Officers (FOs) prepare the PSID on behalf of the taxpayers for expeditious payment of taxes for those taxpayers who bring manually filled deposit receipts.

- Electronic payment:
 - The pre-requisite is that the withholding agent should have a digital signature and an account with

National Bank of Pakistan from where the electronic transfer of funds can be done. The procedure is to first generate a Payment Slip Identification (PSID) number (as explained above) from our web portal (<http://e.fbr.gov.pk>) and authorizing the transfer of funds under a digital signature. This is the speediest and efficient manner of payment of tax collected or deducted at source from the comfort of your office or home.

- **Monthly and annual statements of tax collected or deducted** [Rule 44 and 73 of the Income Tax Rules, 2002]

Every withholding agent, under the provisions of Section 165 of the Income Tax Ordinance, 2001, is required to submit necessary details and information after each month and annually.

- **Monthly Statement** - A single consolidated statement for each month is to be furnished by a withholding agent within 15 days from the end of the each month in the prescribed form set out in Annex-II accompanied with evidence of deposit of tax collected or deducted to the credit of the Federal Government.
- **Annual Statement** (for the period July to June) is also required to be furnished by the withholding agent obliged to deduct tax from salary under section 149 of the Income Tax Ordinance, 2001 in the prescribed form set out in Annex-III on or before 31st August of every year.

In these statements all payments / transactions made during the month or year, as the case may be, are to be reflected whether tax has been collected/deducted or not. In case tax has not been collected/deducted, the reasons thereof, by quoting the relevant section, clause or SRO.

For the removal of doubt, it is clarified that this sub-section overrides all conflicting provisions contained in the Protection of Economic Reforms Act, 1992 (XII of 1992), the Banking Companies Ordinance, 1962 (LVII of 1962), the foreign Exchange Regulation Act, 1947 (VII of 1947) and the regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956), if any,

on the subject, in so far as divulgence of information under section 165 is concerned.

e-filing of monthly and annual statements is mandatory where the withholding agent is:

- Federal Government;
- A **Company**; or
- An **Association of persons**.

Reconciliation - Every withholding agent, wherever required by the Commissioner, is obliged to furnish a reconciliation of the amounts mentioned in the annual and monthly statements with the amounts mentioned in the return of income, statements, related annexes and other documents submitted from time to time.

- **Consequences of non-compliance**

Non-compliance of the provisions of Income Tax Ordinance, 2001 relating to default in collecting or deducting tax at source, depositing the tax collected or deducted and filing of monthly and annual statements of tax collected and deducted attracts multiple consequences. These are explained below:

- **Deductions not allowed** [Section 21]

In case of default in collecting or deducting tax at source the following expenditures are not allowed as deduction for the purpose of computing income:

- Salary
- Rent
- Brokerage or commission
- Profit on debt
- Payment to non-resident
- Payment for services or fee

- **Recovery of tax not collected or deducted** [Section 161]

The person responsible for collecting or deducting the tax at source as a withholding agent, is personally liable for the amount of tax not collected or deducted and payable/recoverable as if it is due under an assessment order under the Income Tax Ordinance, 2001.

- **Recovery of tax collected or deducted but not deposited/paid** [Section 161]

Similarly, the tax collected or deducted, if not paid is also payable/recoverable as if it is due under an assessment order under the Income Tax ordinance,

2001 personally from the person responsible to collect or deduct the tax at source as a withholding agent.

- **Charge of default surcharge** [Section 205]

In addition to the principal amount of the tax to be collected or deducted at source by the withholding agent, a further tax “default surcharge” is also payable/recoverable at the rate of 18% per annum on the amount of tax not collected or deducted or having collected or deducted not paid. The default surcharge is computed for the period commencing from the date the amount was required to be collected or deducted and ending on the date on which it is paid.

- **Prosecution** [Section 191]

Any person who, without reasonable excuse:

- fails to comply with the obligation to collect or deduct tax;
- having collected or deducted fails to pay the tax; or
- fails to furnish the monthly and annual statements of tax collected or deducted;

is treated as having committed an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

- **Penalty for failure to furnish statement(s) of tax collected or deducted** [Section 182]

Any person responsible for collection or deduction of tax at source as a withholding agent, without reasonable excuse:

- fails to collect or deduct the tax is liable to a penalty of Rs. 25,000 or 10% of the amount of tax involved, whichever is higher;
- fails to deposit the tax collected or deducted within the time allowed for this purpose is liable for a penalty of Rs. 25,000 or 10% of the amount of tax involved, whichever is higher; and
- fails to furnish, within the time allowed for this purpose, any statement(s) of tax collected or deducted is liable for a penalty of Rs. 2,500 for each day of default subject to a minimum penalty of Rs.

50,000 and maximum penalty of 25% of the tax payable;

Note: Imposition of the penalty is in addition to prosecution proceedings and not in derogation of any other punishment under the Income Tax Ordinance, 2001 or any other law in force.

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Individual having turnover of fifty million rupees or more in the tax year 2009 or in any subsequent tax year	152(2A), 153(1)
Licensing authority certifying any foreign TV drama serial or a play for screening and viewing on any landing rights channel	236E
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Manufacturer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector	236G, 236H

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Definitions

“**Annual Average Rate**” means the average rate of gross tax (before tax reductions and credits) to the taxable income, i.e. gross tax divided by taxable income.

“**Approved Annuity Plan**” means an Annuity Plan approved by Securities and Exchange Commission of Pakistan (SECP) under Voluntary Pension System Rules, 2005 and offered by a Life Insurance Company registered with the SECP under Insurance Ordinance, 2000 (XXXIX of 2000).

“**Approved Gratuity Fund**” means, a gratuity fund approved by the Commissioner in accordance with Part III of the Sixth Schedule

“**Approved Income Payment Plan**” means an Income Payment Plan approved by Securities and Exchange Commission of Pakistan (SECP) under Voluntary Pension System Rules, 2005 and offered by a Pension Fund Manager registered with the SECP under Voluntary Pension System Rules, 2005.

“**Approved Pension Fund**” means Pension Fund approved by Securities and Exchange Commission of Pakistan (SECP) under Voluntary Pension System Rules, 2005, and managed by a Pension Fund Manager registered with the SECP under Voluntary Pension System Rules, 2005.

“**Approved Superannuation Fund**” means, a superannuation fund, or any part of a superannuation fund, approved by the Commissioner in accordance with Part II of the Sixth Schedule

“**Associates**” means a person as defined in section 85 of the Income Tax Ordinance, 2001.

“**Association of persons**” includes a firm, a Hindu undivided family, any artificial juridical person and any body of persons formed under a foreign law, but does not include a **company**.

“**Banking company**” means a banking company as defined in the Banking Companies Ordinance, 1962 (LVII of 1962) and includes any body corporate which transacts the business of banking in Pakistan.

“**Collector of Customs**” means the person appointed as Collector of Customs under section 3 of the Customs Act, 1969 (IV of 1969), and includes a Deputy Collector of Customs, an

Additional Collector of Customs, or an officer of customs appointed as such under the aforesaid section.

“**Company**” means –

- (a) a company as defined in the Companies Ordinance, 1984 (XLVII of 1984);
- (b) a body corporate formed by or under any law in force in Pakistan;
- (c) a modaraba;
- (d) a body incorporated by or under the law of a country outside Pakistan relating to incorporation of companies;
- (e) a **trust**, a **co-operative society** or a finance society or any other society;
- (f) An entity or body of persons established or constituted by or under any law for the time being in force;
- (g) A **non-profit organization**;
- (h) a foreign association, whether incorporated or not, which the Board has, by general or special order, declared to be a company for the purposes of this Ordinance;
- (i) a Provincial Government; or
- (j) a Local Government in Pakistan.

“**Co-operative society**” means a co-operative society registered under the Co-operative Societies Act, 1925 (VII of 1925) or under any other law for the time being in force in Pakistan for the registration of co-operative societies.

“**Dividend**” includes -

- (a) any distribution by a company of accumulated profits to its shareholders, whether capitalized or not, if such distribution entails the release by the company to its shareholders of all or any part of the assets including money of the company;
- (b) any distribution by a company, to its shareholders of debentures, debenture-stock or deposit certificate in any form, whether with or without profit, to the extent to which the company possesses accumulated profits whether capitalized or not;
- (c) any distribution made to the shareholders of a company on its liquidation, to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation, whether capitalized or not;
- (d) any distribution by a company to its shareholders on the reduction of its capital, to the extent to which the company possesses accumulated profits, whether such accumulated profits have been capitalized or not; or

- (e) any payment by a private company as defined in the Companies Ordinance, 1984 or trust of any sum (whether as representing a part of the assets of the company or trust, or otherwise) by way of advance or loan to a shareholder or any payment by any such company or trust on behalf, or for the individual benefit, of any such shareholder, to the extent to which the company or trust, in either case, possesses accumulated profits;
- (f) remittance of after tax profit of a branch of a foreign company operating in Pakistan.
- but does not include -
- (i) a distribution made in accordance with sub-clause (c) or (d) in respect of any share for full cash consideration, or redemption of debentures or debenture stock, where the holder of the share or debenture is not entitled in the event of liquidation to participate in the surplus assets;
- (ii) any advance or loan made to a shareholder by a company in the ordinary course of its business, where the lending of money is a substantial part of the business of the company;
- (iii) any dividend paid by a company which is set off by the company against the whole or any part of any sum previously paid by it and treated as a dividend within the meaning of sub-clause (c) to the extent to which it is so set off; or
- (iv) remittance of after tax profit by branch of Petroleum Exploration and production (E&P) foreign company, operating in Pakistan.

“**Eligible Person**”, for the purpose of Voluntary Pension System Rules, 2005, means an individual Pakistani who holds a valid National Tax Number or Computerized National Identity Card or National Identity Card for Overseas Pakistanis issued by the National Database and Registration Authority.

“**Employee**” means any individual engaged in **employment**.

“**Employer**” means any person who engages and remunerates an **employee**.

“**Employment**” includes –

- (a) a directorship or any other office involved in the management of a company;
- (b) a position entitling the holder to a fixed or ascertainable remuneration; or
- (c) the holding or acting in any public office.

“**Fee for technical services**” means, any consideration, whether periodical or lump sum,

for the rendering of any managerial, technical or consultancy services including the services of technical or other personnel, but does not include —

- (a) consideration for services rendered in relation to a construction, assembly or like project undertaken by the recipient; or
- (b) consideration which would be income of the recipient chargeable under the head “Salary”.

“**Finance society**” includes a **co-operative society** which accepts money on deposit or otherwise for the purposes of advancing loans or making investments in the ordinary course of business.

“**Financial institution**” means an institution as defined under the Companies Ordinance, 1984, i.e.,-

Financial institution includes:

- a. a company or an institution whether established under any special enactment and operating within or outside Pakistan which transacts the business of banking or any associated or ancillary business through its branches;
- b. a modaraba, leasing company, investment bank, venture capital company, financing company, housing finance company, a non-banking finance company; and
- c. such other institution or companies authorized by law to undertake any similar business, as the Federal Government may, by notification in the official Gazette, specify for the purpose.

“**Industrial undertaking**” means –

- a. an undertaking which is set up in Pakistan and which employs,
- (i) ten or more persons in Pakistan and involves the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy; or
- (ii) twenty or more persons in Pakistan and does not involve the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy; and
- which is engaged in,-
- (i) the manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition;
- (ii) ship-building;

- (iii) generation, conversion, transmission or distribution of electrical energy, or the supply of hydraulic power; or
- (iv) the working of any mine, oil-well or any other source of mineral deposits; and
- b. any other industrial undertaking which the Federal Board of Revenue may by notification in the official Gazette, specify.

“**Local Government**” has the same meaning as defined in the Punjab Local Government Ordinance, 2001 (XIII of 2001), the Sindh Local Government Ordinance, 2001 (XXVII of 2001), the NWFP Local Government Ordinance, 2001 (XIV of 2001) and the Balochistan Local Government Ordinance, 2001 (XVIII of 2001).

“**Non-profit organization**” means any **person** other than an individual, which is –

- (a) established for religious, educational, charitable, welfare or development purposes, or for the promotion of an amateur sport;
- (b) formed and registered under any law as a non-profit organization;
- (c) approved by the Commissioner for specified period, on an application made by such person in the prescribed form and manner, accompanied by the prescribed documents and, on requisition, such other documents as may be required by the Commissioner; and none of the assets of such person confers, or may confer, a private benefit to any other person.

“**Non-Resident**” means an association of person, a company and an individual who are not **resident** for that year.

“**Originator**” means Originator as defined in the Asset Backed Securitization Rules, 1999.

“**Pension Fund Manager**” means an asset management company registered under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, or a life insurance company registered under Insurance Ordinance, 2000 (XXXIX of 2000), duly authorized by the Securities and Exchange Commission of Pakistan and approved under the Voluntary Pension System Rules, 2005, to manage the Approved Pension Fund;

“**Permanent establishment**” means, a fixed place of business through which the business is wholly or partly carried on, and includes –

- (a) a place of management, branch, office, factory or workshop, premises for soliciting orders, warehouse, permanent sales

exhibition or sales outlet, other than a liaison office except where the office engages in the negotiation of contracts (other than contracts of purchase);

- (b) a mine, oil or gas well, quarry or any other place of extraction of natural resources;
- (c) an agricultural, pastoral or forestry property;
- (d) a building site, a construction, assembly or installation project or supervisory activities connected with such site or project but only where such site, project and its connected supervisory activities continue for a period or periods aggregating more than 90 days within any 12 months period;
- (e) the furnishing of services, including consultancy services, through employees or other personnel engaged for such purpose;
- (f) a person acting in Pakistan on behalf of the person (hereinafter referred to as the “agent”), other than an agent of independent status acting in the ordinary course of business as such, if the agent –
 - (i) has and habitually exercises an authority to conclude contracts on behalf of the other person;
 - (ii) has no such authority, but habitually maintains a stock-in-trade or other merchandise from which the agent regularly delivers goods or merchandise on behalf of the other person; or
- (g) any substantial equipment installed, or other asset or property capable of activity giving rise to income.

Person

- (a) An individual;
- (b) a **company** or **association of persons** incorporated, formed, organized or established in Pakistan or elsewhere;
- (c) the Federal Government, a foreign government, a political subdivision of a foreign government, or public international organization.

“**Profit on a debt**” whether payable or receivable, means –

- (a) any profit, yield, interest, discount, premium or other amount, owing under a debt, other than a return of capital; or
- (b) any service fee or other charge in respect of a debt, including any fee or charge incurred in respect of a credit facility which has not been utilized.

“**Public company**” means –

- (a) a company in which not less than 50% of the shares are held by the Federal Government or Provincial Government;

- (b) a company in which not less than 50% of the shares are held by a foreign government, or a foreign company owned by a foreign government;
- (c) a company whose shares were traded on a registered stock exchange in Pakistan at any time in the tax year and which remained listed on that exchange at the end of that year; or
- (d) a unit trust whose units are widely available to the public and any other trust as defined in the Trust Act, 1882.

“Real Estate Investment Trust (REIT) Scheme” means a REIT Scheme as defined in the Real Estate Investment Trust Regulations, 2008.

“Recognized provident fund” means a provident fund recognized by the Commissioner in accordance with Part I of the Sixth Schedule to the Income Tax Ordinance, 2001

“Rent” means any amount received or receivable by the owner of land or a building as consideration for the use or occupation of, or the right to use or occupy, the land or building, and includes:

- (a) any forfeited deposit paid under a contract for the sale of land or a building; and
- (b) any amount received by the owner of a building from a tenant which is not adjustable against the rent payable by the tenant (Goodwill, Pledge, Deposit, etc.).

“Representative” as defined in section 172 of the Income Tax Ordinance, 2001

Resident

- (a) An **association of persons** is resident for a tax year if the control and management of its affairs is situated wholly or partly in Pakistan at any time in the year.
- (b) A **company** is resident for a tax year if –
 - (i) it is incorporated or formed by or under any law in force in Pakistan;
 - (ii) the control and management of the affairs of the company is situated wholly in Pakistan at any time in the year; or
 - (iii) it is a Provincial Government or local Government in Pakistan.
- (c) An individual is resident for a tax year if he/she:
 - (i) is present in Pakistan for a period of, or periods amounting in aggregate to, 183 days or more in the tax year;
 - (ii) is an employee or official of the Federal Government or a Provincial Government posted abroad in the tax year.

“Royalty” means any amount paid or payable, however described or computed, whether periodical or a lump sum, as consideration for —

- (a) the use of, or right to use any patent, invention, design or model, secret formula or process, trademark or other like property or right;
- (b) the use of, or right to use any copyright of a literary, artistic or scientific work, including films or video tapes for use in connection with television or tapes in connection with radio broadcasting, but shall not include consideration for the sale, distribution or exhibition of cinematograph films;
- (c) the receipt of, or right to receive, any visual images or sounds, or both, transmitted by satellite, cable, optic fiber or similar technology in connection with television, radio or internet broadcasting;
- (d) the supply of any technical, industrial, commercial or scientific knowledge, experience or skill;
- (e) the use of or right to use any industrial, commercial or scientific equipment;
- (f) the supply of any assistance that is ancillary and subsidiary to, and is furnished as a means of enabling the application or enjoyment of, any such property or right as mentioned in sub clauses (a) through (e); and
- (g) the disposal of any property or right referred to in sub clauses (a) through (e);

“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 any amount received —
 - (i) as consideration for a person's agreement to enter into an employment relationship;
 - (ii) as consideration for an employee's agreement to any conditions of employment or any changes to the employee's conditions of employment;
 - (iii) on termination of employment, whether paid voluntarily or under an agreement, including any compensation for redundancy or loss of employment and golden handshake payments;
 - (iv) from a provident or other fund, to the extent to which the amount is not a repayment of contributions made by the employee to the fund in respect of which the employee was not entitled to a deduction; and
 - (v) 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 of the Income Tax Ordinance, 2001 (employee share scheme).

- trade discounts shown on invoices, or bills, derived from the sale of goods;
- (b) the gross fees for the rendering of services for giving benefits including commissions;
- (c) the gross receipts from the execution of contracts; and
- (d) the company's share of the amounts stated above of any association of persons of which the company is a member."

"Trust" means an obligation annexed to the ownership of property and arising out of the confidence reposed in and accepted by the owner, or declared and accepted by the owner for the benefit of another, or of another and the owner, and includes a unit trust.

"Venture Capital Company" has the same meaning as assigned under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

"Share" in relation to a company, includes a modaraba certificate and the interest of a beneficiary in a trust (including units in a trust).

"Shareholder" in relation to a company includes a modaraba certificate holder, a unit holder of a trust and a beneficiary of a trust.

"Special Purpose Vehicle" means a Special Purpose Vehicle as defined in the Asset Backed Securitization Rules, 1999.

"Tax Year" is a period of twelve months ending on 30th day of June i.e. the financial year and is denoted by the calendar year in which the said date falls. For example, tax year 2011 corresponds to the financial year from July 01, 2010 to June 30, 2011 and is denoted by and the financial year from July 01, 2011 to June 30, 2012 corresponds to tax year 2012 and includes a special year or a transitional year that the person is permitted to use under section 74 of the Income Tax Ordinance, 2001.

"Turnover" (for the purposes of section 153) means, –

- (a) the gross sales or gross receipts, inclusive of sales tax and federal excise duty or any

**Certificate of Collection or Deduction of Tax
(See rule 42)**

S. No. _____ Original/Duplicate Date of issue _____

Certified that a sum of Rupees _____ (Amount of tax collected/deducted in figures)

Rupees _____
_____ (Amount in words)

on account of Income Tax has been collected/deducted from _____
(Name and address of the person from whom tax collected/deducted)

In case of an individual, his/her name in full and In case of an association of persons / company, name and style of the association of persons/company

having National Tax Number _____ (if any) and

holder of CNIC No. _____ (in case of an individual only)

on _____ (Date of collection/deduction)

Or during the period From _____ To _____ (Period of collection/deduction)

under section * _____ (Specify section of the Income Tax Ordinance, 2001)

on account of * _____ (Specify nature)

vide _____ (Particulars of LC, Contract etc.)

on the value/amount of Rupees _____ (Gross amount on which tax collected/deducted in figures)

Rupees _____
_____ (Amount in words)

This is to further certify that the tax collected/deducted has been deposited in the Federal Government Account as per the following details:

Date of deposit.	SBP / NBP/	Branch/City. Treasury.	Amount. (Rupees)	Challan/CPR /Treasury No.
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Company/office etc. collecting/deducting the tax:

Name. _____

Address. _____

Signature _____

Name. _____

NTN (if any) _____

Designation _____

Date. _____

Seal. _____

**Monthly Statement of collection or deduction of Income Tax
Section 165 (2)
[See rule 44(2)]**

Page No. ____ of ____

Year _____ Month _____

LTU/RTO _____

Particulars of withholding agent/payer/collector

NTN/FTN _____

Address _____ (in block letters)

Name of Withholding Agent _____ Telephone _____ Fax _____ E-Mail _____

Details of payment etc. where tax has been collected, deducted, short deducted or not deducted at source

Sr.	Particulars of Person from whom tax collected/ deducted				Particulars of Payment Made						Particulars of Tax Paid			Reasons, if Tax Not Collected/ Deducted			
	Taxpayer Id		Name	Address	Nature of Payment etc.	Payment Section Code	Date of Payment dd/mm/yyyy	Value/ Amount on which tax collectable or deductible	Rate of Tax %	Amount collected or deducted	Amount of Tax Deposited	Date of Tax Deposit dd/mm/yyyy	CPR Number	Section of Law	Exemption Certificate		
ID Type	CNIC/NTN/ Phone/ Mobile Number/PP	Number													Date	Date Issuing Authority	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
										Total							

(2) Taxpayer Id. N => NTN, C=> CNIC, P => Passport No. (only for Non-Residents), T => Telephone/Mobile Phone No.

I, _____ holder of CNIC No _____ in my capacity as Self / Member or Partner of Association of Persons / Principal Officer / Trustee / Representative of the Withholding Agent named above (tick the relevant) do hereby solemnly declare that to the best of my knowledge and belief the information given in this Statement is correct, complete and in accordance with the provisions of the Income Tax Ordinance, 2001 and Income Tax Rules, 2002. I further certify that the amount of chargeable salary indicated against each employee has been determined / calculated, keeping in view the provisions of the Income Tax Ordinance 2001 and Income Tax Rules, 2002.

Date _____ (dd/mm/yyyy)

Signature

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**”