

DRAFT SIMPLIFIED SCHEME FOR TRADERS

FBR is pleased to release the draft automated non jurisdictional simplified tax regime for the traders. The scheme has been prepared after having practical research and discussion on the subject and exclusive interaction with the trade bodies. It has been observed that traders' genuine problems regarding tax compliance have to be addressed. The issues which are considered compelling by all the stakeholders are:-

- (i) Complicated tax regime and equally complicated requirement of record keeping;
- (ii) Complicated return form and wealth statement;
- (iii) Personal interaction and personalized jurisdiction that has high probability of abuse of discretion even leading to corruption and harassment;
- (iv) Complicated requirements for compliance such as withholding etc

In the proposed scheme all the four major concerns have been addressed. Proposals from stakeholders as well as general public are invited for any modification in the above scheme. After public review the scheme will be put before the Federal Cabinet for final approval. It is expected that this reformed simplified procedure will be a new beginning on this subject.

DRAFT NOTIFICATION (Income Tax)

S.R.O. (I)/2019.- In exercise of the powers conferred by section 99C of the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Government is pleased to prescribe the following special procedure, namely:—

INCOME TAX SPECIAL PROCEDURE FOR TRADERS

1. Scope and commencement.—(1) Subject to Rule 2 and 4, this procedure shall apply to traders including retailers and wholesalers who may opt to file Return under scheme. The procedure shall come into force with effect from Tax Year 2019

2. Persons covered.- For the purposes of this scheme a trader including retailer and wholesaler shall be an individual or association of persons carrying on business of buying and supplying goods to the general public or other businesses for the purpose of consumption, and has

- (a) turnover less than Rs 50 million;

- (b) self-invested equity less than Rs 50 million;
- (c) cost of fixed assets less than Rs 100 million;
- (d) number of employees less than or equal to five;

but does not include persons covered under small shopkeepers scheme under section 99B of the Ordinance.

(2) The thresholds as prescribed shall be increased by ten percent each year to account for economic progression in business. The Federal Government shall prescribe the maximum limit when a person under this scheme shall be required to observe general provisions of the Ordinance.

(3) This scheme shall only be applicable for persons resident in Pakistan.

3. Accounting Method and Computation of Income.- (1) A person accounting for income under the head business opting under this scheme shall derive income when it is received and shall incur expenditure when it is paid on cash basis connected with business. The excess of receipts over expenditure shall be considered as income liable to tax except for the adjustment of opening and closing stocks on a consistent basis if the taxpayer so desires for such an adjustment.

(2) Section 21 shall not apply in such cases except clause (n).

4. Registration and Filing of Return.- (1) All persons who are not already registered with FBR will be registered under this scheme shall submit the registration form on IRIS through FBR website.

(2) Person who holds NTN but has not filed Return in preceding five tax years may also submit registration form.

(3) Each person falling under this scheme shall electronically file a simplified Return of income accompanied with evidence of payment of due tax and simplified wealth statement. Such return filed shall be treated as assessment order under section 120 for the purposes of the Ordinance.

(4) All persons opting for under this scheme shall be required to file Return by September 30, 2019.

(5) Return and Wealth Statement filed may be revised without approval of CIR within sixty days.

5. Automated and Non-Jurisdictional system.- (1) There shall be national (central) jurisdiction in respect of persons falling under this scheme.

(2) All persons falling under this scheme shall be communicated through prescribed automated system.

6. Tax Rate and Payment of Tax.- (1) Income computed under Rule 3 shall be chargeable to under the head 'Income from Business' and tax payable thereon shall be computed at the rate prescribed under Division I, Part I of the First Schedule to the Ordinance.

(2) In case of loss for the year or tax liability less than one and half percent of turnover, minimum tax equal to one and half percent of receipts shall be payable.

(3) Tax paid under any provision of the Ordinance shall be minimum tax.

(4) An association of persons shall be liable to tax separately from the members of the association. The amount received by a member of the association in the capacity as member out of the income of the association shall be exempt from tax.

7. Examination of Return.- (1) Examination of assessment under this scheme shall be limited to activities and purposes within this scheme. The process, procedure and reporting of examination shall be prescribed.

(2) Where a person in respect of income is selected for examination under this scheme, the process of examination shall be undertaken not allowing any personal visit by any tax authority to the premises of the taxpayer, except with the approval of Federal Board of Revenue.

(3) No examination shall be undertaken after the expiry of five years from the date of filing the Return for that tax year.

(4) Definite Information: Where definite information regarding concealment of income or evasion of tax is available as defined under sub section (8) of Section 122 of the Ordinance, particular examination of the taxpayer may be undertaken, notwithstanding the provisions of this scheme.

(5) No action under this Section will be undertaken prior to the approval of a Committee constituted by FBR consisting of three persons including a member of trade body not being the employee of the Government.

8. Dispute Resolution and Appeals.- (1) Where a person is dissatisfied with examination conducted, the matter shall be referred to dispute resolution committee to be formed under this scheme.

(2) The decision of dispute resolution Committee shall be binding on Federal Board of Revenue and not on the taxpayer;

(3) Person dissatisfied with examination conducted or decision of the DRC can file appeal under section 127 of the Income Tax Ordinance, 2001 after payment of 25 percent of tax payable.

(4) Provisions of Par III of Chapter VIII shall remain applicable on cases where there is a dispute on account of examination as undertaken under this scheme.

9. Withholding Agent.- (1) Person falling under this scheme shall not be required to act as withholding agent under any provision of the Ordinance.

10. Advance Tax.- Any person falling under this scheme may at its own option pay advance tax equal to one fourth of the tax liability as per last tax year in four equal installments.

11. Books of Accounts.- Persons falling under scheme shall keep and maintain books of accounts. The cash and bank book so maintained shall be the only 'Books of Accounts' required to be kept by the persons falling under this scheme for the purposes of compliance of this Ordinance.

12. Miscellaneous Provisions.- Source of self-invested equity for any earlier year shall be accepted.

13. Income under any other head shall be taxable under relevant provisions of the Ordinance.

14. For the purpose of collection and recovery of tax, provisions of Part IV of Chapter X shall apply.

15. Provisions of Section 182 and Section 205 shall apply accordingly.

16. The information disclosed by whistleblower shall be dealt in accordance with section 227B of the Ordinance.
17. The Federal Government may, from time to time, by notification in the official Gazette, amend the scheme so as to add, alter, omit or modify any provision therein.
18. **Definitions.**— Under this scheme, unless there is anything repugnant in the subject or context,—
- (1) “Books of Accounts” means the prescribed cash/bank book containing all entries in respect of monies received and paid including those directly entered into bank account.
 - (2) “Fixed Assets” means under this scheme, property of any kind connected with business held by a person but does not include stock-in-trade.
 - (3) “Self-invested Equity” means personal funds invested in trade/business other than accumulated profits.
 - (4) “Turn over” means receipts from the sale of goods.
 - (5) All other expressions used but not defined in these rules shall have the same meaning as assigned to them under the Income Tax Ordinance, 2001.

RETURN OF INCOME UNDER RULE 4 OF THE TRADERS SCHEME			Form A
CNIC/NTN		Tax Year	
Name*		Due Date	
Address*			
Business Assets		Filing Date	
Employees		Equity/Capital	
	Description	Total Amount	
1.	Turnover/Receipts		
2.	Cost of Sales		
3.	Opening Stock		
4.	Purchases		
5.	Closing Stock		
6.	Other direct Expenses		
7.	Gross Profit		
8.	Overhead expenditure		
9.	Net Profit/ Taxable income		
10.	Income from all others sources		
11.	Tax chargeable		
12.	Minimum Tax		
13.	Tax payable whichever is higher		
14.	Tax already Paid		
15.	Net tax payable/refundable		
15.	Bank Account #		
Verification	I Mr. _____ holding CNIC _____ do solemnly declare that to the best of my knowledge and belief the information given in this Return is correct and complete in accordance with the provisions of the Scheme.		

Signature:

Date

WEALTH STATEMENT UNDER RULE 4 OF THE TRADERS SCHEME			
S. No.	Description		
	CNIC/NTN	Tax Year	2019
	Name	Due Date	
1	Property/ Assets		
2	House/Plot		
3	Shop		
4	Vehicle		
5	Business Capital		
6	Cash in hand/ Bank		
7	Investment /Advance		
8	Loan/liabilities		
9	Net Assets		
10	Reconciliation of Net Assets		
11	Net Assets Current year		
12	Net Assets Previous Year		
13	Increase/Decrease in Assets		
14	Income as per Return		
15	Other inflows (Gift, Loan, remittance etc)		
16	Outflows (Gift, Loan etc)		
17	Personal Expenses		
Verification	I Mr. _____ holding CNIC _____ do solemnly declare that to the best of my knowledge and belief the information given in this Return is correct and complete in accordance with the provisions of the Scheme.		

Signature:

Date