

**WITHHOLDING OF TAXES UNDER VARIOUS SUB-SECTIONS OF SECTION 50 OF
INCOME TAX ORDINANCE, 1979.**

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INTRODUCTION

The prime purpose of preparation of this booklet is to facilitate proper and timely compliance by the Withholding Agents (Tax Deducting Authorities) on the one hand and the taxpayers on the other. The user has to refer to the Index to find out the subject of withholding or the title of sub-section, under which tax deduction is to be made, and easily know the position of withholding responsibility or tax liability.

2. Withholding taxes have generally been in the nature of advance tax payments and considered as an effective mechanism for income tax collection. Traditionally, these represented, more or less, ad-hoc deduction at the point of accrual of income with subsequent adjustment at the time of filing of returns of income from all sources. These were first introduced in late sixties. Since then there has been growing emphasis on expanding the withholding tax net as a major source of income tax collection. In 1979, there were only seven kinds of payments/transactions subject to withholding taxes, which increased upto nineteen in 1994-95 and twenty five in 1999-2000 (including tax on bonus shares which remains dormant).

3. The types of payments/transactions from various economic activities brought into the withholding tax net, after the promulgation of the Income Tax Ordinance, 1979 are given in the following table: -

S. No	Section	Type of payments/transactions	Year of Introduction
1	50(1)	Salary and perquisites	1979
2	50(2)	Interest on Securities.	1979
3	50(2A)	Interest/Profit by banks and financial institutions.	1994
4	50(2B)	Banking transactions/cash deposit receipts, travellers cheques.	1994
5	50(3)	General payments to non-residents.	1979
6	50(3A)	Payment to non-residents for technical services.	1987
7	50(4)	Payments for contracts/supply of goods/services rendered.	1979
8	50(4A)	Brokerage or commission.	1989
9	50(5)	Import of goods.	1979
10	50(5A)	Exports Proceeds.	1992
		Indenting commission.	1999

11	50(5AA)	Supply of goods to an exporter on back to back inland L/C.	1999
12	50(5AAA)	Income due to exchange rates difference on import of wheat	1999
13	50(5B)	Bearer certificates	1995
14	50(6)	Public motor vehicles. Private Motor vehicles.	1979 1992
15	50(6A)	Dividends.	1989
16	50(7)	Bonus Shares.	1979
17	50(7A)	Sale through Public Auction	1981
18	50(7B)	Rent for house property.	1989
19	50(7BB)	Construction of buildings.	1993
20	50(7C)	Prizes or winnings.	1990
21	50(7 D)	Profit or interest on bonds, certificates and other instruments.	1991
22	50(7 E)	Electricity bills of commercial and industrial consumers.	1992
23	50(7F)	Telephone bills and prepaid cards.	1996
24	50(7G)	Gas bills of commercial & industrial consumers.	1999
25	50(7H)	Commission/discount of petrol pump operators	1999

4. Withholding Agent or Tax Deducting Authority is usually the person responsible to withhold tax at source. This is normally the principal officer or the officer in charge of disbursement of funds in a company or registered firm or Government and Local Authority.

5. Although every effort has been made to provide the basic information regarding withholding taxes, which is simple and understandable, there may be situations where elaborate information is required. In such cases the user is advised to contact the nearest Income Tax Office or the Director General, Tax Withholding, Central Board of Revenue, (Direct Taxes Wing) Islamabad to clear the concept.

DEDUCTING AUTHORITIES/AGENTS AND RELEVANT SUB-SECTIONS

For the convenience of the users, an illustrative list of authorities, alongwith the relevant sub-sections with which they are usually concerned, is given below against their names. However, the list is not exhaustive, as some other authorities are also required to act under section 50. Similarly, various other sub-sections, not enumerated below, might also be attracted. It is advised that the users must go through the whole of this publication for proper guidance and knowledge.

S. No.	TAX DEDUCTING AUTH ORITIES	RELEVANT SUB-SECTIONS
1.	Individuals AOP, URF, HUF	50(1), 50(3), 50(3A).
2.	Banks	50(1), 50(2), 50(2A), 50(2B), 50(3), 50(3A), 50(4), 50(4A), 50(5B), 50(7A), 50(7B), 50(7C), 50(7D).
3.	Registered Firms with paid up capital of Rs. 1.0 million and above.	50(1), 50(3), 50(3A), 50(4), 50(4A), 50(7B).
4.	Registered Firms with paid up capital of less than 1 million	50(1), 50(3), 50(3A), 50(4A), 50(7B).
5.	Financial Institutions	50(1), 50(2), 50(2A), 50(2B), 50(4), 50(5B).
6.	Federal & Provincial Governments, their allied Departments and Corporations.	50(1), 50(2), 50(4), 50(4A), 50(5B), 50(7A), 50(7B).
7.	All Companies	50(1), 50(2), 50(2A), 50(2B), 50(3), 50(3A), 50(4), 50(4A), 50(5A), 50(5B), 50(6A), 50(7), 50(7A), 50(7B), 50(7D)
8.	Local Authorities.	50(1), 50(2), 50(3), 50(3A), 50(4), 50(4A), 50(7A), 50(7B), 50(7BB), 50(7D).
9.	Finance Societies.	50(1), 50(3), 50(3A), 50(4), 50(4A), 50(5B), 50(7D).

10.	Provincial Excise & Taxation Deptt.	50(6), 50(7B).
11.	Postal Department	50(1), 50(6), 50(7B).
12.	Development Authorities	50(1), 50(4), 50(7A), 50(7B), 50(7BB)
13.	Customs Authorities	50(5), 50(5AAA).
14.	Foreign Exchange Dealers/ Bank Branches	50(5A), 50(5AA).
15.	Persons preparing bills of telephones / issuing prepaid telephone cards	50(7F).
16.	Persons preparing bills for electricity consumption in respect of an industrial or commercial consumer	50(7E).
17.	Diplomatic/Foreign Missions.	50(1), 50(3), 50(3A), 50(7B).
18.	Foreign Contractors, Consortium & Associations.	50(1), 50(3), 50(3A), 50(4), 50(4A) 50(7A).
19.	Foreign Consultants.	50(1), 50(3), 50(3A), 50(4), 50(7A)
20.	Persons preparing gas bills of commercial & industrial consumers.	50(7G).
21.	Persons selling petroleum products to petrol pump operators	50(7H).
22.	Non-governmental charitable institution, a private educational institution, a hospital, a clinic and a maternity home.	50(7B)

SALARY AND PERQUISITES

Section	:	50(1)
Nature of payment/transaction	:	Salary including allowances and perquisites etc.
Responsibility for tax deduction	:	All employers.
Circumstances requiring deduction	:	Where payment of annual salary exceeds the exemption limit.
Taxability	:	Adjustable

TAX DEDUCTION RATE	EXEMPTION LIMIT
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i) **RESIDENTS**

Tax as per First Schedule calculated on estimated salary income of the financial year divided by 12 months to arrive at the amount of monthly deduction.	-Rs.50,000/-
	-For Working Women excluding director of a company). -Rs.60,000/-

ii) **NON RESIDENTS**

At the rate applicable to residents or @ 30% of total income, whichever is higher.	NIL
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Prescribed period for payments of tax deducted to the credit of the Federal Government.

- i) On the same day by the government departments, under rule 49.
- ii) Within one week by others (except where quarterly payments are allowed by the Deputy Commissioner of Income Tax), under rule 50.

In case of delay or default additional tax is chargeable @ 24% per annum.

INTEREST ON SECURITIES

Section	:	50(2)
Nature of payment/transaction	:	Interest on securities (excluding interest on tax-free securities of Federal & Provincial Governments and on US Dollar Bonds).
Responsibility for tax deduction	:	Payers of interest.
Circumstances requiring deduction	:	At the time of payment of interest.
Taxability	:	Adjustable

TAX DEDUCTION RATE	EXEMPTION LIMIT
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i) **ALL RESIDENTS**

a) <u>General rate</u>	30%	NIL
b) <u>Special Rates</u>		

On FIBs, reinvestment of KDCs and redeposit of KD accounts, and schemes of National Savings	10%	NIL
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ii) <u>NON RESIDENTS</u>	30%	NIL
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Exemption

The receipts arising in the accounts of the special purpose vehicle for the purpose of securitization till the process of securitization.

Prescribed Period for payment of tax deducted to the credit of the Federal Government.

- i) On the same day by Government departments, under rule 49.
 - ii) Within one week of tax deduction, by others under rule 50.
- In case of delay or default additional tax is chargeable @ 24% per annum.

INTEREST/PROFIT BY BANKING AND FINANCIAL INSTITUTIONS

Section	:	50(2A)
Nature of payment/transaction:		Interest or profit on an account maintained with any bank or financial institution.
Responsibility for tax deduction:		Payers of such interest or profit.
Circumstances requiring deduction:		At the time, credit is made to the account of recipient or at the time of payment thereof, whichever is earlier.
Exemption limit	:	NIL

TAX DEDUCTION RATE	TAXABILITY
10% of gross amount before zakat deduction.	-Final discharge of tax liability u/s 80B for individuals, URFs, AOPs & HUFs. -Adjustable for others.

RECIPIENTS EXEMPT FROM TAX DEDUCTION

- i) Federal Government, Provincial Governments and Local Authorities.
- ii) Eligible persons deriving interest income or profit from foreign currency accounts held with the authorized banks in Pakistan in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan.
- iii) Citizens of Pakistan residing abroad deriving interest or profit from a rupee account held with a scheduled bank in Pakistan, where deposits in the said account are exclusively from foreign exchange remitted in the said account.
- iv) Resident citizens of Pakistan deriving income from a private foreign currency account held with an authorized bank in accordance with the Foreign Currency Account Scheme introduced by the State Bank of Pakistan.
- v) Foreign banks earning interest on approved rupee accounts maintained with Pakistani bank in accordance with Clause (79) of Second Schedule.
- vi) Banking company-receiving interest on inter-bank deposits from another banking company.
- vii) Persons who produce certificate from the Commissioner of Income Tax that the recipient's income during the said income year is exempt from tax.
- viii) The receipts arising in the accounts of the special purpose vehicle for the purpose of securitization till the process of securitization.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

Within one week of tax deduction, under rule 50.
In case of delay or default additional tax is chargeable @ 24% per annum.

**BANKING TRANSCATIONS / CASH DEPOSIT RECEIPTS
AND TRAVELLER CHEQUES ETC.**

Section	:	50(2B)
Nature of payment/transaction	:	-Clearance of an out-station cheque exceeding Rs.25,000/-. -Issuance of demand draft or pay order or special deposit receipt, cash deposit receipt, telegraphic, telephonic or electronic transfer or rupee traveller cheques.
Responsibility for tax deduction	:	Persons: -Clearing such cheques. -Issuing such instruments. -Effecting transfer of funds.
Circumstances requiring deduction	:	At the time of: - Clearance of outstation cheques. - Issuance of Demand Draft, Pay order, SDR, TT & CDR. - Transfer of funds.

TAX DEDUCTION RATE	TAXABILITY
0.30% of the amount	Adjustable

PERSONS EXEMPT

- i) Federal and Provincial Governments and their departments.
- ii) Statutory bodies.
- iii) Universities.
- iv) Approved charitable institutions.
- v) Industrial undertakings and institutions exempt under the Second Schedule to the Income Tax Ordinance, 1979.
- vi) Listed public limited companies.
- vii) Foreign diplomats and foreign diplomatic missions in Pakistan.
- viii) Intra-company financial transactions i.e. between branches and offices of the same company.
- ix) A drawer who furnishes a specified statement, interalia, showing payer's N.T.N.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- Within one week of tax deduction, under rule 50.
- In case of delay and default additional tax is chargeable @ 24% per annum.

GENERAL PAYMENTS TO NON-RESIDENTS

Section	:	50(3), 50(3.1), 50(3.2), 50(3.3)
Nature of payment/transaction:		Payment to a non-resident towards any income chargeable under the Income Tax Ordinance, other than payments to which sections 50(1), 50(2), 50(2A), 50(3A), 50(4), 50(4A), 50(6A), 50(7C), and 50(7D) apply.
Responsibility for tax deduction:		Persons paying to a non-resident.
Circumstances requiring deduction	:	At the time of making payments to non-residents.
Exemption limit	:	NIL

	TAX DEDUCTION RATE	TAXABILITY
i) 15% in case of payments on account of royalty.		Final
ii) 7.5% upon dividend paid to a non-resident company by a company engaged in mining operations other than petroleum.		Adjustable
iii) In any other case: 30% of the sum chargeable or at the rate applicable to a resident, whichever is higher.		Adjustable

Note

- Section 50(3) does not apply to any payment made to a branch in Pakistan of a non-resident banking company or an insurance company.
- Where a person claims to be an agent of a non-resident he shall, before making any payment to such non-resident, file a declaration to that effect with the concerned Deputy Commissioner of Income Tax.
- Where a person intends not to deduct tax from any payment other than: -
 - payment on account of imports of goods where title of ownership is transferred outside Pakistan ; or
 - payment on account of educational and medical expenses remitted in accordance with the regulations of State Bank of Pakistan, for the reason that it is not chargeable to tax under this Ordinance, he shall furnish the particulars of such non-resident and the nature and quantum of such payment to the Deputy Commissioner at the time of making the payment.
- Notwithstanding anything contained in sub-section (3.2), the Deputy Commissioner may, where he has reason to believe that the payment is chargeable to tax under this Ordinance, direct the person making the payment to deduct tax from such payment at the rates specified in the First Schedule or such lower rate as he may by an order in writing, specify.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- On the same day, by the government departments, under rule 49.
- Within one week of tax deduction, by others, under rule 50.
In case of delay or default additional tax is chargeable @ 24% per annum.

PAYMENTS TO NON-RESIDENTS FOR TECHNICAL SERVICES

Section	:	50(3A)
Nature of payment/transaction	:	Payment on account of fee for technical services to a non-resident.
Responsibility for tax deduction	:	Person paying such fee.
Circumstances requiring deduction	:	In case of such payments except where the person paying the amount is himself liable to pay tax thereon as an agent of the non-resident.
Taxability	:	Final discharge of liability u/s 80AA

TAX DEDUCTION RATE	EXEMPTION LIMIT
15% of the amount <u>Reduction in rate of tax deduction.</u>	NIL

Where the Deputy Commissioner of Income Tax issues a certificate that the recipient is liable to pay tax at a rate which is lower than 15% under a treaty or convention for avoidance of double taxation, the tax shall be deducted at such lower rate.

Institution exempt from tax deduction.

The Agha Khan Hospital and Medical College.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- i) On the same day, by the government department, under rule 49.
- ii) Within one week of tax deduction, by others under rule 50.
In case of delay or default additional tax is chargeable @ 24% per annum.

**PAYMENTS FOR SUPPLY OF GOODS, SERVICES RENDERED OR
CONTRACTS EXECUTED**

Section	:	50(4)
Nature of payment/transaction	:	Payment including advance for supply of goods, services rendered or contracts.
Responsibility for tax deduction	:	Person making payment on behalf of: - - Government. - Local authority. - Company. - Registered Firm with capital of Rs. 1.0 million and above. - Foreign contractor, consultant and consortium.
Circumstances requiring deduction	:	At the time of making payment to suppliers, contractors or professionals.
Exemption Limit	:	-For supply of goods.: Rs.25,000/- -For services rendered.:Rs.10,000/- -For execution of contracts:Rs.10,000/-

TAX DEDUCTION RATE	TAXABILITY
i) <u>RESIDENTS</u>	
a) Supply of goods:	
- General rate 3.5%	-Final discharge of liability u/s 80C for persons other than manufacturers, - For manufacturers on exercising of option (see note 5 below).
- Supply of rice, cotton cotton seed and edible oil. 1.5%	- Final discharge of liability u/s 80C for persons other than manufacturers. - For manufacturers on exercising of option (see note 5)
b) <u>Special rates specified by CBR.</u>	
- Payments on account of supply of raw hides and skins. 1%	Final discharge of liability u/s 80C.
- Payments on account of supply of cotton lint 1%	Final discharge of liability u/s 80C.
- Payments on account of supply of raw wool. 1%	Final discharge of liability u/s 80C.
- Payments on account of Morabaha transactions made by a modaraba or an investment bank. 1%	Final discharge of liability u/s 80C.
- Payments on account of transportation of goods through goods transport vehicles. 2%	Adjustable

TAX DEDUCTION RATE		TAXABILITY
c) Services rendered	5%	Final discharge, except for doctors, lawyers, accountants, auditors, architects, surveyors, actuaries, engineers, advisors & consultants.
d) Contract payments		
<u>Residents</u>		
- Execution of contracts (other than contracts for supply of goods & services):-		
Where the value of contract does not exceed thirty million rupees.	5%	Final discharge of liability u/s 80C.
Where the value of contract exceeds thirty million rupees.	6%	Final discharge of liability u/s 80C.
ii) <u>Non-residents.</u>		
- Execution of turn-key contracts.	8%	Final discharge of liability u/s 80C.
- Execution of contracts or sub-contracts for designing, supply of plant and equipment and construction of power projects other than hydel power projects and transmission line projects.	4%	Final discharge of liability u/s 80C.
Execution of contract or sub-contracts for designing, supply of plant and equipment and construction of hydel power projects	5%	Final discharge of liability u/s 80C.
- execution of contract other than contracts for supply of goods and services. Where the value of contract does not exceed thirty million rupees.	5%	Final discharge of liability u/s 80C.

TAX DEDUCTION RATE	TAXABILITY
Where the value of contract exceeds thirty million rupees.	6% Final discharge of liability u/s 80C.

RECIPIENTS EXEMPT FROM TAX DEDUCTION.

- i) Provincial Governments
- ii) Local Authorities
- iii) Persons who are residents of the Tribal Areas or Azad Kashmir and execute contracts in Tribal Areas or Azad Kashmir only, as the case may be, and produce a certificate to this effect from the Political Agent concerned or the district authority, as the case may be, or in the case of Azad Kashmir, from the Income Tax Officer concerned.
- iv) Persons who produce a certificate from the Commissioner of Income Tax that their income during the income year is exempt from tax.
- v) Persons receiving payments from a company exclusively for the supply of agricultural produce which has not been subjected to any process other than that which is ordinarily performed to render such produce fit to be taken to market.
- vi) Companies receiving payments for the supply of electricity and gas.
- vii) Companies receiving payments for the supply of crude oil.
- viii) Attock Refinery Limited, National Refinery Limited and Pakistan Refinery Limited receiving payments for the supply of their products.
- ix) Pakistan State Oil Company Limited, Shell Pakistan Limited, Caltex Oil (Pak) Limited receiving payments for the supply of petroleum products.
- x) Shipping companies and air carriers receiving payments for the supply of passenger tickets and for the cargo charges of goods transported.
- xi) Hotels and restaurants receiving payments in cash for providing accommodation or food or both, as the case may be.
- xii) Persons receiving payments for supply of cotton seed.
- xiii) Manufacturers who produce certificate from the Commissioner of Income Tax that their income during the income year is not likely to be chargeable to tax due to assessed losses carried forward.
- xiv) Persons, other than those whose income is liable to tax under section 80C, who produce certificate from the Commissioner of Income Tax that their income during the income year is not likely to be chargeable to tax due to assessed losses carried forward.
- xv) Persons, other than those whose income is liable to tax under section 80B or 80C, from whom tax has been deducted under sub-section (4) of section 50 and the aggregate of the deducted tax under the sub-section is equal to or exceeds the tax payable under section 53 in respect of that income year and a certificate to that effect from the Commissioner of Income Tax is produced by such persons.

NOTES:

- 1) Deductions are not required to be made in respect of persons receiving payments not exceeding Rs. 25,000/- in case of supply of goods and Rs.10,000/- in case of services rendered or execution of contract, in a financial year. However, if such payments exceed the above monetary limits during a financial year then tax shall also be deductible on all such payments made earlier during the same financial year, from which no deduction of tax was made.
- 2) **DEFINITION OF SUPPLY**
 "Supply of goods" includes both cash and credit purchases of goods by the payer, whether under a contract or not, on credit or in cash.
- 3) **PAYING AUTHORITIES EXEMPT FROM TAX DEDUCTION
AS PER CBR CIRCULAR NO. 26 DATED AUGUST 24, 1991**
 Exporters making payments on account of supply of goods produced for export sales except where payments are in respect of supplies of cotton lint, raw wool, rice, cotton seed oil, raw hides and skins or any other goods in respect of which special rates of tax deduction have been specified by the CBR. In case local sales constitute only 5% of export sales, non-deduction of tax in respect of goods not exported, would not make an exporter liable to pay the withholding tax.
- 4) **LEASE BACK TRANSACTIONS**
 Payments against purchase of asset under lease and buy back agreement by modaraba or leasing company shall not be subject to withholding tax under this sub-section.
- 5) **AS PER CBR CIRCULAR 11 OF 1998:**
 With effect from July 01, 1998 manufacturers who opt for the presumptive tax regime must file the declaration of their option within three months of the commencement of the income year. Such declaration would be valid and also irrevocable for three years.
- 6) Persons who are manufacturer cum exporters are exempt from the obligation u/s 50(4) of tax withholding.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- i) Same day, by government departments, under rule 49.
- ii) Within one week of tax deduction, by others under rule 50.
 In case of delay or default additional tax is chargeable @ 24% per annum.

BROKERAGE OR COMMISSION

Section	:	
50(4A)	:	
Nature of payment/transaction	:	Payment of brokerage or commission including advance.
Responsibility for tax deduction	:	Persons making payment on behalf of: <ul style="list-style-type: none"> - Government - Local authority - Company - Registered Firm - Foreign contractor or consortium.
Circumstances requiring deduction	:	At the time of payment
Taxability	:	Final

TAX DEDUCTION RATE	EXEMPTION LIMIT
10% of the amount of brokerage or commission.	NIL

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- i) On the same day by Government departments, under rule 49.
- ii) Within one week of tax deduction, by others under rule 50.
In case of delay or default additional tax is chargeable @ 24% per annum.

IMPORT OF GOODS

Section	:	50(5)
Nature of payment/transaction	:	Import of goods.
Responsibility for tax collection	:	Collector of Customs.
Circumstances requiring collection	:	Clearance of imported goods.
Exemption limit	:	NIL

TAX COLLECTION RATE	TAXABILITY
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5% of import value, except import of edible oils by manufacturer for his own use where it is 2%.	-Final discharge of liability u/s 80C for commercial importers. -Minimum/adjustable for industrial undertakings importing edible oils as raw material
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IMPORTERS EXEMPT FROM TAX PAYMENTS.

- i) Provincial Governments and Local Authorities.
- ii) Foreign companies and other associations whose share capital is substantially held by a foreign government.
- iii) Importers of plant, machinery, fixture, fittings or any other equipment for setting up approved industrial undertaking (including hotel).
- iv) Importers of plant or machinery for execution of government contract.
- v) Importers, other than commercial importers, who produce certificate from the concerned Commissioner of Income Tax that their income during the income year is not likely to be chargeable to tax.
- vi) Companies importing high-speed diesel oil, light diesel oil, high octane blending compound or kerosene oil.
- vii) Companies importing crude oil for refining and chemicals used in refining.
- viii) (a) Any person re-importing re-useable containers for re-export, qualifying for Customs and Sales Tax exemption on temporary import under Customs Notification SRO 344(I)/95 dated 25th April 1995; or
(b) Any person importing Motor Spirit, Furnace Oil, J P -I and MTBE.
- ix) One CBU bus imported under the NRI scheme.
- x) Motor cars imported under a scheme of fixed Customs duty made under the Finance Act, 1999.

Reduced Rate Certificate.

The Regional Commissioner of Income Tax is authorized to issue certificate for reduction of rate up to 100% in case of import of raw materials by a manufacturer exclusively for its own use.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- Same day of tax collection, under rule 49.
In case of delay or default additional tax is chargeable @ 24% per annum.

EXPORT PROCEEDS OR INDENTING COMMISSION

Section	:	50(5A)
Nature of payment/transaction	:	Proceeds from export sales or on account of indenting commission..
Responsibility for tax deduction	:	Any person being authorized dealer in foreign exchange.
Circumstances requiring deduction	:	Realization of foreign exchange proceeds on export of goods or indenting commission..
Taxability	:	Final discharge u/s 80CC.

NATURE OF PROCEEDS	TAX DEDUCTION RATE
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1. Where the income pertains to exports covered under:
 - a) Part I of the Eight Schedule to the Income Tax Ordinance, 1979. 0.50% of such income
 - b) Part II of the above mentioned Schedule. 0.75% of such income
 - c) Part III of the above Schedule. 1.00% of such income
2. Where the income pertains to indenting commission. 10% of such proceeds

RECIPIENTS EXEMPT FROM TAX DEDUCTION.

- i) Exporters who produce a certificate from the Commissioner of Income Tax that their income during the income year is exempt from tax.
- ii) Cotton Export Corporation of Pakistan Limited.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- Within one week of tax deducted, under rule 50.
In case of default or delay additional tax is chargeable @ 24% per annum.

SUPPLY OF GOODS TO AN EXPORTER ON BACK TO BACK INLAND L/C

Section	:	50(5AA)
Nature of payment/transaction	:	Realization of proceeds on account of supply of goods to an exporter on back to back inland letter of credit.
Responsibility for tax deduction	:	Any person being authorised dealer in foreign exchange.
Circumstances requiring deduction	:	At the time of making such payments.
Taxability	:	Final discharge u/s 80CC.

NATURE OF PROCEEDS	TAX DEDUCTION RATE
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Where the income pertains to supply of goods covered under:

- | | |
|--|----------------------|
| a) Part I of the Eight Schedule to the Income Tax Ordinance, 1979. | 0.50% of such income |
| b) Part II of the above mentioned Schedule. | 0.75% of such income |
| c) Part III of the above Schedule. | 1.00% of such income |

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- Within seven days of tax deducted, under rule 50.
In case of default or delay additional tax is chargeable @ 24% per annum.

**GAIN ON EXCHANGE RATE DIFFERENCE OF WHEAT IMPORTERS WHO OPENED L.Cs
BEFORE 19-05-1999 AND FILED BILLS OF ENTRY ON OR AFTER 19-06-1999**

Section	:	50(5AAA)
Nature of payment/transaction	:	Difference in the exchange rate on the date of filing of bill of entry and the rate on which payment in foreign exchange was made or foreign exchange was booked .for import of wheat of the importers who opened L/C on or before 19-05-1999.
Responsibility for tax collection	:	Collector of Customs.
Circumstances requiring collection	:	At the time of clearance of imports (effective from 12-06-1999).
Exemption limit	:	NIL

TAX COLLECTION RATE	TAXABILITY
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90% of such difference.
This is in addition to tax collectable
U/s 50(5)

-Final discharge of liability u/s 80C

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- Same day of tax collection, under rule 49.
- In case of delay or default additional tax is chargeable @ 24% per annum.

BEARER CERTIFICATES

Section	:	50(5B)
Nature of payment/transaction	:	Encashment of bearer certificates (whether in rupees or foreign currency), purchased on or after 15 June, 1995, issued by or on behalf of the government, banking company, financial institution or any company or body corporate, any local authority or any finance society.
Responsibility for tax deduction	:	Any person responsible for encashment of bearer certificates.
Circumstances requiring deduction	:	Upon encashment.

TAX DEDUCTION RATE		TAXABILITY
Foreign Exchange Bearer certificates. (F.E.B.Cs).	1%	Final discharge of liability u/s 80-B for assessees other than registered firms and companies.
Bearer certificates other than F.E.B.Cs.	2%	Final discharge of liability u/s 80- B for assessees other than registered firms and companies.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

Within one week of tax deduction, under rule 50.

In case of delay or default additional tax is chargeable @ 24% per annum.

MOTOR VEHICLES

Section	:	50(6)
Nature of payment/transaction	:	Tax on motor vehicle.
Responsibility for tax collection	:	Person collecting motor vehicle tax.
Circumstances requiring Collection	:	At the time of collection of motor vehicle tax.
Taxability	:	Adjustable.

LADEN WEIGHT	RATE OF TAX COLLECTION
I) Goods transport vehicles with registered laden weight of:	
a) Less than 2030 Kgs.	Rs. 1,200/- per annum
b) 2030 Kgs or more but less than 8120 Kgs.	Rs. 7,200/- per annum
c) 8120 Kgs or more but less than 15000 Kgs.	Rs. 12,000/- per annum
d) 15000 Kgs or more but less than 30,000 Kgs.	Rs. 18,000/- per annum
e) 30000 Kgs or more but less than 45,000 Kgs.	Rs. 24,000/- per annum
f) 45000 Kgs or more but less than 60,000 Kgs.	Rs. 30,000/- per annum
g) 60000 Kgs or more	Rs. 36,000/- per annum
II) Passengers transport vehicles plying for hire with registered seating capacity of:	
a) 4 or more persons but less than 10 persons	Rs. 25/- per seat per annum
b) 10 or more persons but less than 20 persons	Rs. 60/- per seat per annum
c) 20 persons or more.	Rs. 100/- per seat per annum
III) Private motor cars with engine capacity exceeding	
a) 1000CC and upto 1199CC	Rs. 500/- per annum
b) 1200CC and upto 1299CC	Rs. 750/- per annum
c) 1300CC and upto 1599CC	Rs.1,500/- per annum
d) 1600CC and upto 1999CC	Rs.2,000/- per annum
e) 2000CC or more	Rs.3,000/- per annum

Persons Exempt From Tax Deduction.

1. Goods transport for vehicles falling under the category at Para I(b) above after ten years for the date of first registration.
2. Persons who produce a certificate from the Commissioner of Income Tax that their income is exempt from income tax.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- On the same day of tax collection, under rule 49.
In case of delay or default additional tax is chargeable @ 24% per annum.

DIVIDENDS

Section	:	50(6A)
Nature of payment/transaction	:	Payment of dividend.
Responsibility for tax deduction	:	Principal officer of the company.
Circumstances requiring deduction	:	Payment of dividends by a company to a person other than a company.

TAX DEDUCTION RATE	TAXABILITY
- 10% of the gross amount of the dividend paid to a shareholder (not being a company).	Final discharge of tax liability u/s 80B for individuals, un-registered Firms, Association of persons, HUFs and artificial juridical persons.

RECIPIENTS EXEMPT FROM TAX DEDUCTION.

Persons who produce a certificate from Commissioner of Income Tax that the recipient's income during the income year is exempt from tax.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- Within one week of tax deduction, under rule 50.
In case of delay or default additional tax is chargeable @ 24% per annum.

SALE THROUGH PUBLIC AUCTION

Section	:	50(7A)
Nature of payment/transaction	:	Sale of property including lease of right, to collect octroi duties, toll, fees and other levies, by whatever name called, through public auction.
Responsibility for tax collection	:	Person selling property by public auction or through tenders belonging to: <ul style="list-style-type: none"> - Government - Local authority - Public company - Foreign association declared to be a company. - Foreign contractor or consultant or consortium.
Circumstances requiring collection	:	Upon sale of property through auction.
Exemption limit	:	NIL

TAX COLLECTION RATE	TAXABILITY
- 5% of sale price of property consisting of lease of right to collect octroi, duties, toll, fees or other levies, by whatever name called.	Final discharge of liability u/s 80C
- 3% in other cases	Adjustable

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- i) By Government departments, on the same day, under rule 49.
- ii) By others, within one week of tax deduction, under rule 50.
In case of delay or default additional tax is chargeable @ 24% per annum.

RENT OF HOUSE PROPERTY

Section	:	50(7B)
Nature of payment/transaction	:	Payment (including advance) for rent of house property (including rent of furniture, fixtures and services).
Responsibility for tax deduction	:	Person making payment on behalf of: <ul style="list-style-type: none"> - Government - Local authority - Company or trust - Diplomatic mission of a foreign state. - Non-governmental charitable institution, private educational institution, hospital, clinic and maternity home.
Circumstances requiring deduction	:	Payment of rent of house property including advance rent & rent of furniture, fixture and services.
Taxability	:	Adjustable.

TAX DEDUCTION RATE	EXEMPTION LIMIT
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7.5% of the amount

Rs.100,000/-

RECIPIENTS EXEMPT FROM TAX DEDUCTION

- i) Person who produces certificate from Inspecting Additional Commissioner of Income Tax that the recipient's income during the year is exempt from tax.
- ii) Person who produces a certificate from Inspecting Additional Commissioner of Income Tax that the recipient's income during the income year is not likely to exceed the minimum amount not chargeable to tax.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- i) On the same day of deduction, by Government departments under rule 49.
- ii) Within one week of tax deduction, by others under rule 50.
In case of delay or default additional tax is chargeable @ 24% per annum.

CONSTRUCTION OF BUILDINGS

Section	:	50(7BB)
Nature of payment/transaction	:	Construction of building other than residential house.
Responsibility for tax collection	:	Authority approving building plan and issuing completion certificate.
Circumstances requiring collection	:	In two equal installments. At the time of approval of building plan and at the time of issuance of completion certificate.

STAGE	TAX COLLECTION RATE
- At the time of approval of Plan	1%
- At the time of issuance of completion Certificate	1%

Note: The provision under this section are attracted to the buildings other than residential house located on plots exceeding 500 sq. yds. in Islamabad, Lahore and Karachi and exceeding 1000 sq.yds. at other places.

OWNERS OF BUILDING EXEMPT FROM TAX COLLECTION

- i) Government Department.
- ii) Agencies and offices of the Government the income of which is not liable to tax.
- iii) Any institution, organization, foundation, society, board, trust or fund, which is not liable to tax and certificate to that effect from Commissioner of Income Tax is produced.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- i) By Government departments, on the same day of deduction, under rule 49.
- ii) By others, within one week of tax collection, under rule 50.
In case of delay or default additional tax is chargeable @ 24% per annum.

PRIZES OR WINNINGS

Section	:	50(7C)
Nature of payment/transaction	:	Prize money on prize bond, or winning from a raffle, lottery or crossword puzzle.
Responsibility for tax deduction	:	Payer.
Circumstances requiring deduction	:	At the time of payment of prize.
Exemption limit	:	NIL

TAX DEDUCTION RATE	TAXABILITY
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10% of the value

Final discharge of liability u/s 80-B for payees other than registered firms and companies.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- i) By Government departments, on the same day of deduction, under rule 49.
- ii) By others, within one week of tax deduction, under rule 50.
In case of delay or default additional tax is chargeable @ 24% per annum.

PROFIT OR INTEREST ON BONDS, CERTIFICATES AND OTHER INSTRUMENTS

Section	:	50(7D)
Nature of payment/transaction	:	Profit or interest on bonds, certificate, debentures, securities, or instruments of any kind issued by any banking or any other company as defined in the Companies Ordinance, 1984, or any body corporate or any local authority or any finance society.
Responsibility for tax deduction	:	Person paying such profit or interest.
Circumstances requiring deduction	:	At the time of payment of such profit or interest, not being a payment to which subsection (2) of section 50 applies.
Exemption limit	:	NIL

TAX DEDUCTION RATE	TAXABILITY
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10% of the gross amount.

Final discharge of liability u/s 80-B for assesseees other than registered firms and companies.

PROFIT OR INTEREST EXEMPT FROM TAX DEDUCTION.

- i) Interest on securities subject to tax u/s. 50(2).
- ii) Interest or profit by WAPDA on bonds issued before July 01, 1991.
- iii) Profit of a charitable trust derived from the Federal Investment Bonds issued in pursuance of Federal Investment Bonds Rules, 1990.
- iv) Interest earned by recognized provident fund upon issuance of certificate by Deputy Commissioner of Income Tax to the effect that either no tax is to be deducted or tax to be deducted is at reduced rate.
- v) Receipts arising in the accounts of the special purpose vehicles for the purpose of securitization and till the time of securitization.
- vi) Profit or interest on rated and listed Term finance Certificate issued on or after 17-09-1997.

Recipient Exempt From Tax Deduction.

The recipient who produces a certificate from the Commissioner of Income Tax that the income of the recipient is exempt from tax.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- i) By Government departments, on the same day of deduction, under rule 49.
- ii) By others, within one week of tax deduction, under rule 50.
In case of delay or default additional tax is chargeable @ 24% per annum.

ELECTRICITY BILLS OF COMMERCIAL & INDUSTRIAL CONSUMERS

Section	:	50(7E)
Nature of payment/transaction	:	Electricity Bills of Commercial and Industrial Consumers.
Responsibility for charging tax	:	Electricity supply company.
Circumstances requiring charge	:	At the time of preparing electricity consumption bills in respect of any industrial or commercial consumer.
Taxability	:	Adjustable.

AMOUNT OF BILL	TAX RATE
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i) Commercial Consumer

Where electricity bill does not exceed Rs. 400/- Rs. 60/-

<u>exceeds</u>	<u>but does not exceed</u>	
. Rs. 400/-	Rs. 600/-	Rs. 80/-
. Rs. 600/-	Rs. 800/-	Rs. 100/-
. Rs. 800/-	Rs. 1,000/-	Rs. 160/-
. Rs. 1,000/-	Rs. 1,500/-	Rs. 240/-
. Rs. 1,500/-	Rs. 2,000/-	Rs. 360/-
. Rs. 2,000/-	Rs. 2,500/-	Rs. 480/-
. Rs. 2,500/-	Rs. 3,000/-	Rs. 600/-
. Rs. 3,000/-	-	Rs. 720/-

ii) Industrial Consumer

Where electricity bill does not exceed Rs. 500/- Rs. 30/-

<u>exceeds</u>	<u>but does not exceed</u>	
. Rs. 500/-	Rs. 750/-	Rs. 40/-
. Rs. 750/-	Rs. 1,000/-	Rs. 50/-
. Rs. 1,000/-	Rs. 1,500/-	Rs. 80/-
. Rs. 1,500/-	Rs. 2,000/-	Rs. 120/-
. Rs. 2,000/-	Rs. 3,000/-	Rs. 180/-
. Rs. 3,000/-	Rs. 4,000/-	Rs. 240/-
. Rs. 4,000/-	Rs. 5,000/-	Rs. 300/-
. Rs. 5,000/-	-	Rs. 360/-

CONSUMERS EXEMPT.

- i) Federal and Provincial Government Offices and other Government Agencies, Local Authorities and Embassies.
- ii) The consumer who produces a certificate from the Commissioner of Income Tax that the income of the consumer is exempt from tax.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- Within one week of tax collection, under rule 50.
In case of delay or default additional tax is chargeable @ 24% per annum.

TELEPHONE BILLS AND PREPAID CARDS

Section	:	50(7F)
Nature of payment/transaction	:	- PTCL telephone bills. - Mobile telephone bills. - Prepaid telephone cards for mobile telephones.
Responsibility for charging tax	:	Telephone Company.
Circumstances requiring charge of tax	:	At the time of preparing telephone bills and issuance (or sale) of prepaid phone cards.
Taxability	:	Adjustable.

AMOUNT OF BILL	TAX RATE
In case of PTCL subscriber where the monthly bill;-	
Exceeds Rs.1,000 but does not exceed Rs.2,000/-	Rs.50 per month
Exceeds Rs.2,000 but does not exceed Rs.3,000/-	Rs.100 per month
Exceeds Rs.3,000 but does not exceed Rs.5,000/-	Rs.200 per month
Exceeds Rs.5,000/-	Rs.300 per month

In the case of mobile telephone subscriber, where the monthly bill / sale price of prepaid telephone cards;-

- does not exceed Rs. 2,000/-	Rs.125 per month
- exceeds Rs.2,000 but does not exceed 5000.	Rs.250 per month
- exceeds Rs.5000	Rs.400 per month

Consumers Exempt.

- Government.
- Diplomats.
- Foreign missions.
- Non taxable charitable institutions.
- Internet service.
- The consumer who produces certificate from the Commissioner of Income Tax that the income of the consumer is exempt.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

- Within one week of the tax deduction, under rule 50.
- In case of delay or default additional tax is chargeable @ 24% per annum.

GAS BILLS OF COMMERCIAL & INDUSTRIAL CONSUMERS.

Section	:	50(7G)
Nature of payments/transaction	:	Gas bills of commercial or Industrial consumers.
Responsibility for charging tax	:	Gas supply company.
Circumstances requiring charge of tax	:	At the time of preparing gas consumption bills in respect of any industrial or commercial consumer.
Taxability	:	Adjustable

AMOUNT OF BILL	TAX RATE
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Commercial consumer

Where gas bill does not exceed Rs.2,500/-

Nil

exceeds

Rs. 2,500/-
Rs. 4,000/-
Rs. 6,000/-
Rs. 7,500/-

but does not exceed

Rs. 4,000/-
Rs. 6,000/-
Rs. 7,500/-

Rs. 150/-
Rs. 300/-
Rs. 400/-
Rs. 500/-

Industrial Consumer

Where gas bill does not exceed Rs. 2500/-

Nil

exceeds

Rs. 2,500/-
Rs. 5,000/-
Rs. 10,000/-
Rs. 20,000/-
Rs. 30,000/-

but does not exceed

Rs. 5,000/-
Rs. 10,000/-
Rs. 20,000/-
Rs. 30,000/-

Rs. 250/-
Rs. 500/-
Rs. 1,000/-
Rs. 2,000/-
Rs. 3,000

Consumers exempt from tax

1. Federal and Provincial Government Offices, other Government Agencies, Local Authorities and Embassies.

Prescribed period for payment of tax deducted to the credit of the Federal Government.

Within one week of the tax deduction, under rule 50. In case of delay or default additional tax is chargeable @ 24% per annum.

COMMISSION / DISCOUNT OF PETROLPUMP OPERATORS

Section	50(7H)
Nature of payment/Transaction:	Sale of petroleum products made by oil marketing companies to petrol pump operators on the value of their commission or discount
Responsibility for tax deduction	Person responsible for making sale of petroleum products.
Circumstances requiring deduction	At the time of sale of petroleum Products to petrol pump operators.
Taxability	Full and final discharge of income tax liability of petrol pump operators U/S 80 C

TAX RATE	EXEMPTION LIMIT
10% of the amount of commission or discount received by the petrol pump operators	NIL

Prescribed period for payment of tax deducted to the credit of the Federal Government.

Within one week of the tax deduction, under rule 50.
In case of delay or default additional tax is chargeable
@ 24% per annum.

REQUIRED STATEMENTS U/S. 139 TO 143-A & PENAL ACTION

Type of payment/ transaction.	Section	Statement prescribed under rule	Type of statement	Due date of filing	Penal action under section 108
Salary	139	197/198 53	Annual/ Monthly	1 st September/ 15 th of each month	Rs.2,000+ 200 for each day of default. (mandatory)
Interst on securities	141/141	200/57-A	Annual/ Quarterly	1 st September/ 15 July 15 October 15 January 15 April	As above
Profit/Interest	141/141	200/57-A	Annual/ Quarterly		As above
Financial transaction.	143	62B	Monthly	10 th of each month	As above
Payment non-resident	142	201	Annual	1 st September	As above
Payment to non-resident Payment of technical fee to non-resident	142	58	Quarterly	15 th July 15 th October 15 th January 15 th April	As above
T.FEE to non-resident	142	201	Annual	1 st September	As above
Supplies/Cont a-cts/Services	142/142	201/61	Annual/ Monthly	1 st September/ 15 th of each month	As above
Commission/ Brokerage	141/141	200/61A	Annual/ Monthly	1 st September/ 15 th of each month	As above.
Imports	-	202	Quarterly	15 th July 15 th October 15 th January 15 th April	No penal action
Exports + indenting commission	143	201A	Annual	1 st September	Rs.2,000+ 200 for day of default. (mandatory)
Supply of goods to an exporter on back to back inland L/C	142	201AA/ 201AA	Monthly/ Annual	25 th of each month/ 1 st September every year	As above.

Bearer certificate	Provision inserted vide Finance Act 1995, Section, rule & statement not prescribed.				No penal action
M. Vehicle	143	201B	Annual	1 st September	Rs.2,000+200 for day of default. (Mandatory)
Dividend	140-by domestic company/ 140-by every company	199/61B	Annual/ Annual	1 st September	As above
Sale/Transfer through auction	143A/ 143A	Rule not Prescribed /202B	Annual/Q uarterly	15 th July 15 th October 15 th January 15 th April	As above
Rent	141	61C	Annual	1 st September	As above
Building/Plan	143A/ 143A	Rule not prescribed/ 201E	Annual/ Quarterly	1 st September 15 th July 15 th October 15 th January 15 th April	As above
Prize and Winning	143	201C	Annual	1 st September	As above
Certificate /Debenture/ Bond	141	200	Annual	1 st September	As above
Electricity	143	201D	Annual	1 st September	As above
Telephone	143/143	201F/201F	Monthly/ Annually	25 th of every month/1 st September	As above
Gas	143	201G/ 201G	Annual/ Monthly	1 st September/ 25 th of every month	As above
Petrol pump operation	143	200A	Monthly	10 th of each month	As above
Property registration	143A(1)	202A	Annual	1 st September	As above