

[AS LAID BEFORE THE NATIONAL ASSEMBLY]

[Published in the Gazette of Pakistan, Extraordinary, Part-I,
dated the 8th April, 2018]

ORDINANCE NO. V OF 2018

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ORDINANCE

further to amend the Income Tax Ordinance, 2001

WHEREAS it is expedient further to amend the Income Tax Ordinance, 2001 (XLIX of 2001) for the purposes hereinafter appearing;

AND WHEREAS, the Senate and the National Assembly are not in session and the President of the Islamic Republic of Pakistan is satisfied that circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE, in exercise of the powers conferred by clause (1) of Article 89 of the Constitution of the Islamic Republic of Pakistan, the President of the Islamic Republic of Pakistan is pleased to make and promulgate the following Ordinance:—

1. **Short title and commencement.**—(1) This Ordinance may be called the Income Tax (Amendment) Ordinance, 2018.

(2) It shall come into force at once.

2. **Amendment of Ordinance XLIX of 2001.**—In the Income Tax Ordinance, 2001 (XLIX of 2001),—

(1) in section 111,—

(a) for sub-section (2), the following shall be substituted, namely:—

“(2) The amount referred to in sub-section (1) shall be included in the person’s income chargeable to tax—

(a) in the tax year to which such amount relates if the amount representing investment, money, valuable article or expenditure is situated or incurred in Pakistan or concealed income is Pakistan-source; and

(b) in the tax year immediately preceding the tax year in which the investment, money, valuable article or expenditure is discovered by the Commissioner and is situated or incurred outside Pakistan and concealed income is foreign-source.”; and

(b) in sub-section (4), in clause (a), after the word “channels”, the words “not exceeding ten million Rupees in a tax year” shall be inserted;

(2) in section 114,—

(a) in sub-section (1), in clause (b),—

(i) in sub-clause (viii), the word “or” at the end shall be omitted; and

- (ii) in sub-clause (ix), for full stop at the end, a semicolon and the word “; or” shall be substituted and thereafter the following new sub-clause shall be added, namely:—

“(x) every resident person being an individual required to file foreign income and assets statement under section 116A.”;

- (b) in sub-section (2),—

- (i) in clause (d), the word “and” at the end shall be omitted; and

- (ii) in clause (e), for full stop at the end a semicolon and the word “; and” shall be substituted and thereafter the following new clause shall be added, namely:—

“(f) shall be accompanied with a foreign income and assets statement as required under section 116A.”; and

- (c) in sub-section (5), in the proviso, for full stop at the end a colon shall be substituted and thereafter the following second proviso shall be added, namely,—

“Provided further that the time-limitation provided under this sub-section shall not apply if the Commissioner is satisfied on the basis of reasons to be recorded in writing that a person who failed to furnish his return has foreign income or owns foreign assets.”;

- (3) after section 116, the following new section 116A shall be inserted, namely,—

“**116A. Foreign income and assets statement.**—(1) Every resident taxpayer being an individual having foreign income equal to or in excess of ten thousand United States dollars or having foreign assets with a value of one hundred thousand United States dollars or more shall furnish a statement, hereinafter referred to as the foreign income and assets statement, in the prescribed form and verified in the prescribed manner giving particulars of —

- (a) the person’s total foreign assets and liabilities as on the last day of the tax year;
 - (b) any foreign assets transferred by the person to any other person during the tax year and the consideration for the said transfer; and

- (c) complete particulars of foreign income, the expenditure derived during the tax year and the expenditure wholly and necessarily for the purposes of deriving the said income.
- (2) The Commissioner may, by a notice in writing, require any person being an individual, who in the opinion of the Commissioner on the basis of reasons to be recorded in writing, was required to furnish a foreign income and assets statement under sub-section (1) but who has failed to do so, to furnish the foreign income and assets statement on the date specified in the notice.”;
- (4) in section 118,—
- (a) in sub-section (1),—
- (i) for the word “or” a comma shall be substituted;
- (ii) after the figure “116” the expression “or a foreign income and assets statement under 116A, if applicable” shall be inserted;
- (b) in sub-section (2A), after the figure “116”, the expression “or a foreign income and assets statement under 116A, if applicable” shall be added;
- (5) in section 182, in the Table, in column (1), after S. No. 1AA and entries relating thereto in columns (2),(3) and (4), the following new S. No. and entries relating thereto shall be inserted, namely:—

“1AAA	Where any person fails to furnish a foreign assets and income statement within the due date.	Such persons shall pay a penalty of 2 percent of the foreign income or value of the foreign assets for each year of default.	116A”; and
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- (6) in Schedule I, in PART I, for Division I, the following shall be substituted, namely:—

“Division I

Rates of Tax for Individuals

- (1) With effect from 1st day of July 2018, the rates of tax imposed on the taxable income of every individual shall be as set out in the following Table, namely:—

TABLE

S.No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs. 1,200,000	0%
2.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	5% of the amount exceeding Rs.1,200,000
3.	Where the taxable income exceeds Rs.2,400,000 but does not exceed Rs.4,800,000	Rs. 60,000 + 10% of the amount exceeding Rs.2,400,000
4.	Where the taxable income exceeds Rs.4,800,000	Rs. 180,000 + 15% of the amount exceeding Rs.48,000,000

Rates of Tax for
Association of Persons

(2) The rates of tax imposed on the taxable income of every association of persons shall be as set out in the following Table, namely:—

TABLE

S.No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.500,000	7% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.750,000	Rs. 7,000 + 10% of the amount exceeding Rs.500,000
4.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,500,000	Rs.32,000 + 15% of the amount exceeding Rs.750,000
5.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.2,500,000	Rs.144,500 + 20% of the amount exceeding Rs.1,500,000
6.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.4,000,000	Rs.344,500 + 25% of the amount exceeding Rs.2,500,000

(1)	(2)	(3)
7.	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.6,000,000	Rs.719,500 + 30% of the amount exceeding Rs.4,000,000
8.	Where the taxable income exceeds Rs.6,000,000	Rs.1,319,500 + 35% of the amount exceeding Rs.6,000,000

Provided that in the case of an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating their profession, the 35% rate of tax mentioned against S. No. 8 of the Table shall be 32% for tax year 2016 and onwards.

(3) Where the taxable income in a tax year, other than income on which the deduction of tax is final, does not exceed one million Rupees of a person—

- (a) holding a National Database Registration Authority's Computerized National Identity Card for disabled persons; or
- (b) a taxpayer of the age of not less than sixty years on the first day of that tax year,

the tax liability on such income shall be reduced by fifty per cent.”.

STATEMENT OF OBJECT AND REASONS

Whereas it is expedient to amend the Income Tax Ordinance, 2001 (XLIX of 2001) for the following purposes:-

2. To check tax evasion by plugging loopholes in the Income Tax Ordinance, 2001 so that the delinquent taxpayers can be brought to tax net and are taxed accordingly;
3. Whereas it is essential to rationalize tax rates so as to promote compliance and broadening of tax base.
4. The amendments are being introduced with immediate effect through promulgation of Ordinance in order to remove hardship to the taxpayers and collect revenues without any loss of time.
5. The Ordinance seeks to amend the Income Tax Ordinance, 2001.

(Rana Muhammad Afzal Khan)
Minister of State for Finance